上海劍橋科技股份有限公司

CIG SHANGHAI CO., LTD.

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

Stock Code : 06166

2025
ANNUAL REPORT

Important

I. The Board of Directors, Directors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.

II. All Directors attended the Board meeting.

III. Grant Thornton Zhitong Certified Public Accountants LLP has issued standard unqualified audit report for the Company.

IV. Gerald G Wong, the Chairman of the Company, Cheng Gucheng, the Chief Financial Officer and Cui Xinjia (崔新家), the head of the Accounting Department (person in charge of accounting affairs) warrant the truthfulness, accuracy and completeness of the financial report in this annual report.

V. Proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board

The profit distribution and capitalization of capital reserve proposal for 2025 was considered and approved at the 28th meeting of the fifth session of the board of directors held on March 30, 2026: for the year 2025, it is proposed that, based on the total share capital on the record date for implementation of the profit distribution, the Company plans to distribute a cash dividend of RMB0.28 per share (including tax) to all shareholders, with no capitalization of capital reserve. The remaining undistributed profits will be carried forward for distribution in future years. If there is any change in the total share capital entitled to profit distribution when this profit distribution plan is implemented, the total profit distribution will be adjusted based on the total share capital entitled to profit distribution on the record date for equity distribution, while keeping the distribution amount per share unchanged. Dividends for A shares will be distributed in RMB, and dividends for H shares will be distributed in HKD, with the actual distribution amount converted based on the average benchmark exchange rate for CNY to HKD announced by the People's Bank of China over the five working days prior to the date of the 2025 annual shareholders' meeting. The aforementioned plan is still subject to deliberation and approval by the Company's Shareholders' meeting.

As of the end of the reporting period, the parent company had unrecovered losses and the impact on matters such as the Company's dividend distribution

☐Applicable ✓Not Applicable

Important (Continued)

VI. Statement for the risks involved in the forward-looking statements

✓Applicable ☐Not Applicable

This report contains forward-looking statements that involve future plans and development strategies which do not constitute a substantive commitment by the Company to investors. Investors should be aware of the investment risks.

VII. Was there any appropriation of the Company's funds on a non-operating basis by controlling shareholders or other related parties

No

VIII. Did the Company provide any external guarantees in violation of the prescribed decision-making procedures

No

IX. Whether more than half of the Directors were not able to assure the truthfulness, accuracy and completeness of the annual report disclosed by the Company

No

X. Major risk warning

During the Reporting Period, there were no material risks that had a material effect on the Company's operations. The Company has provided a detailed description of the risks it may face in the course of its operations in this report. Please refer to "Section III. Management Discussion and Analysis — VI. Company's Discussion and Analysis on Future Development — (IV) Potential Risks".

XI. Others

☐Applicable ✓Not Applicable

Contents

Definitions

Unless the context requires otherwise, the following terms shall have the following meanings in this report:

Definitions of frequently used terms

5G-A	5th Generation Advanced (5.5G), an enhanced version of fifth-generation mobile communication technology, featuring comprehensive improvements in key performance indicators such as data rate, latency, and number of connections
10G EPON	10 Gigabit Ethernet Passive Optical Network
25G PON	25 Gigabit Passive Optical Network
50G PON	50 Gigabit Passive Optical Network
Access Network	The network segment that connects the core network to user terminals, responsible for enabling terminal access to the communication network. Common technologies include PON, DSL, and wireless access
Actiontec Shanghai	Actiontec Electronics (Shanghai), Inc.* (邁智微電子(上海)有限公司), a wholly-owned subsidiary of the Company, which was acquired by the Company in 2022
Actiontec US	The Company's overseas wholly-owned subsidiary, established with assets acquired in 2022, continuing to use the name Actiontec Electronics, Inc.
AI	Artificial Intelligence, the study and development of theories and technologies to simulate and extend human intelligence, encompassing fields such as machine learning and natural language processing
AP	Access Point, the core device of a wireless local area network, which connects wired and wireless networks and supports multi-terminal access
Articles of Association	the articles of association of CIG SHANGHAI CO., LTD.
Augmented Reality (AR)	A technology that overlays virtual information onto the real-world environment using computer technology to create an interactive experience combining the virtual and real. It is commonly used in scenarios such as industrial operations, maintenance, and education/training
Backbone Network	The core network supporting large-scale (e.g., national, cross-regional) data transmission. It features high bandwidth, high reliability, and low latency, serving as the backbone of the communication network

Definitions (Continued)

Cambridge Industries Group Limited	Cambridge Industries Group Limited, a wholly-owned overseas subsidiary of the Company
Cambridge Industries USA Inc., CIG US	Cambridge Industries USA Inc, a wholly-owned overseas subsidiary of the Company
CG Code	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
CIG Cayman	Cambridge Industries Company Limited, an investment holding company which was incorporated in May 2005 in the Cayman Islands and wholly owned by Mr. Gerald G Wong since its establishment, being a member of the Single Largest Group of Shareholders
CIG Holding	Hong Kong CIG Holding Company, Limited
CIG Japan	The Company's overseas wholly-owned subsidiary, located in Sagamihara City, Kanagawa Prefecture, Japan, which was formed through the absorption and merger of CIGTech Japan Limited (established with assets acquired in 2018) by CIG Photonics Japan Limited (established with assets acquired in 2019)
CIG Photonics Europe GmbH	CIG Photonics Europe GmbH (formerly known as One Fiber Access GmbH), a wholly-owned overseas subsidiary of the Company
CIG Zhejiang	CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司), a controlled subsidiary of the Company
CO-LO	Co-location, an operational model where multiple parties collaborate to share infrastructure or production resources to reduce costs
Company, CIG	CIG SHANGHAI CO., LTD. (上海劍橋科技股份有限公司)
Company Law	the Company Law of the PRC
Concert Party Agreement	the concert party agreement entered into by Mr. Gerald G Wong and Mr. Zhao Haibo (趙海波先生) on August 30, 2017. According to the Concert Party Agreement, Mr. Gerald G Wong and Mr. Zhao Haibo shall act together in voting at Board meetings as Directors and at general meetings through the Shareholders controlled by them. Mr. Gerald G Wong and Mr. Zhao Haibo have agreed to fully communicate and negotiate their votes on an equal and cooperative basis. In the event that an unanimous vote cannot be formed, the opinion of the party with higher shareholding shall prevail

Definitions (Continued)

CPO	Co-Packaged Optics, integrating optical engines with switch chips in packaging to enhance data center energy efficiency
CSRC	The China Securities Regulatory Commission (中國證券監督管理委員會)
CWDM	Coarse Wavelength Division Multiplexing, utilizing low-cost multiplexing technology to expand optical fiber capacity
de facto controller	Gerald G Wong, a Chinese American, also known by his Chinese name Huang Gang
Distributed Unit (DU)	A core component of a 5G base station, responsible for functions such as baseband signal processing and resource scheduling. It can be deployed in a distributed manner to adapt to different coverage scenarios
DR4	Dual Rate 4, an optical transceiver form factor with 4 channels supporting dual rates (adapted for specific transmission distance and rate requirements)
DR8	Dual Rate 8, an optical transceiver form factor with 8 channels supporting dual rates (adapted for specific transmission distance and rate requirements)
DSP	Digital Signal Processing, a technology that processes digital signals through algorithms such as filtering and transformation
Edge computing	A distributed computing model located near data sources, providing real-time processing and low-latency response
EML	Electro-absorption Modulated Laser, which utilizes the electro-absorption effect for optical signal modulation
EMS	Electronics Manufacturing Service, provides electronics manufacturing, procurement and supply chain management services
EPON	Ethernet PON, based on the IEEE 802.3ah standard, supporting high-speed data transmission
FR4	Four Rate 4, an optical transceiver form factor with 4 channels supporting four rates (adapted for medium to long-distance transmission)
FR8	Four Rate 8, an optical transceiver form factor with 8 channels supporting four rates (adapted for medium to long-distance transmission)

Definitions (Continued)

G.fast	a copper-based ultra-high-speed access technology supporting 1Gbps transmission within 400 meters (ITU-T G.9701 standard)
GPON	Gigabit PON, complying with the ITU-T G.984 standard, providing symmetrical high-speed bandwidth
GSMA	Global System for Mobile Communications Association, a global organization for the mobile communications industry, which hosts the Mobile World Congress (MWC)
H Share Prospectus	Prospectus of the Company dated October 20, 2025 in relation to the initial listing of H Shares
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
ICT	Information Communications Technology, is a comprehensive technical field that integrates telecommunications, information services, and IT technologies, covering communications, computing, networking, and applications
IDC	International Data Corporation, a leading global market research and consulting firm
Industrial Internet	A network system integrating technologies such as the Internet of Things (IoT), big data, and artificial intelligence with industrial production scenarios. It enables the interconnection of industrial equipment, data collection and analysis, as well as intelligent control and management
Integrated Satellite-Terrestrial	An integrated communication system that combines satellite communication networks with terrestrial communication networks. It achieves seamless global coverage and supports communications in remote areas and emergency scenarios
Integrated Sensing and Communication (ISAC)	A technology that integrates communication and sensing functions, enabling communication equipment to simultaneously perform signal transmission and environmental sensing. It is suitable for scenarios such as 6G and intelligent transportation
IoT	Connecting physical devices to the internet via sensors and networks, enabling intelligent management and data exchange
JDM	Joint Design Manufacturer, the customer and the manufacturer jointly participate in the design, while the manufacturer is responsible for production

Definitions (Continued)

Kangling Management	Shanghai Kangling Enterprise Management Partnership (Limited Partnership)* (上海康令企業管理合夥企業(有限合夥)),a limited partnership incorporated in November 2021 in the PRC and previously known as Qingdao Jiuda Investment Partnership (Limited Partner)* (青島久達投資合夥企業(有限合夥)), being a member of the Single Largest Group of Shareholders
Kangyiqiao	Shanghai Kangyiqiao Investment Consulting Partnership (Limited Partnership)* (上海康宜橋投資諮詢合夥企業(有限合夥))
Laser	A core element of the Transmitter Optical Sub-Assembly (TOSA), which generates optical signals of specific wavelengths through electrical excitation. It is crucial for signal transmission in optical modules
Latest Practicable Date	March 30, 2026, which is the latest practicable date prior to the publication of this report for the purpose of ascertaining certain information contained herein
Listing Rules of the SSE	Rules Governing the Listing of Shares of the Shanghai Stock Exchange
LPO	Linear-drive Pluggable Optics, which reduces power consumption and cost through linear-drive technology
LR4	Long Reach 4, an optical transceiver form factor with 4 channels supporting long-distance transmission
LR8	Long Reach 8, an optical transceiver form factor with 8 channels supporting long-distance transmission
LRO	Linear-drive Optical, synonymous with LPO, different manufacturers use different naming conventions
Mesh, Self-Organizing Network	Wireless mesh network, a multi-hop self-organizing network, supports dynamic expansion and multi-device interconnection, and is typically used in Wi-Fi Mesh networking
Metropolitan Area Network (MAN)	A communication network covering a city-wide area, connecting multiple Local Area Networks (LANs) and access networks to enable data transmission and resource sharing within the region
MIIT	the Ministry of Industry and Information Technology
MoCA	Multimedia over Coax Alliance, a standard for achieving high-speed data transmission utilizing coaxial cables, supporting home network extension
Model Code for Securities Transactions	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules

Definitions (Continued)

Multiple Dwelling Unit (MDU)	Broadband access equipment designed for multi-tenant scenarios (e.g., apartment buildings, office buildings), capable of providing network access services to multiple users simultaneously
NDRC	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
Non-public Issuance	The Company's non-public issuance of shares to specific investors in 2020
NPI	New Product Introduction, the entire process management from R&D to mass production
NPO	Near-Package Optics (NPO), a technology that enables chip-level high-speed optical interconnection, featuring low latency, low power consumption and high integration
ODM	Original Design Manufacturer, the manufacturer is responsible for the product design and manufacturing, while the customer sells under its own brand
OEM	Original Equipment Manufacturer, where brand owners entrust contract manufacturers to produce products for sale under their own brands
OFC	Optical Fiber Communication Conference, the world's leading academic conference in the field of optical fiber communications
Open Radio Access Network (O-RAN)	A Radio Access Network (RAN) solution based on a decoupled hardware and software architecture. It supports interoperability between equipment from multiple vendors, reduces network deployment costs, and promotes an open industry ecosystem
Optical Distribution Network (ODN)	The intermediate transmission link in a Passive Optical Network (PON), composed of passive components such as optical fibers and optical splitters. It is responsible for distributing optical signals from the OLT to individual ONUs
Optical Line Terminal (OLT)	The core control device in a Passive Optical Network (PON), located at the operator's central office. It connects the Optical Distribution Network (ODN) to the core network, managing Optical Network Units (ONUs) and forwarding data
Optical Network Terminal (ONT)	A type of Optical Network Unit (ONU), commonly found in home scenarios, which converts optical signals to electrical signals to provide broadband access services to residential users
Optical Network Unit (ONU)	User-side equipment in a Passive Optical Network (PON), installed at the user's premises (home or business). It is responsible for converting optical signals into electrical signals to enable broadband access

Definitions (Continued)

OSFP	Octal Small Form-factor Pluggable, a high-speed optical transceiver form factor with 8 channels (a high-speed optical transceiver form factor)
Over-allotment Option	The option granted by the Company to the International Underwriters, exercisable by the Sole Sponsor and the Overall Coordinator (for itself and on behalf of the International Underwriters), to require the Company to allot and issue up to an aggregate of 10,051,500 additional H Shares at HK$68.88 per H Share for the purpose of facilitating the delivery of part of the H Shares to placees who have agreed to delay the delivery of the relevant H Shares subscribed for by them under the Global Offering and/or to cover over-allocations (if any) under the International Offering, was fully exercised on November 10, 2025
OWCD	Optical & Wireless Connectivity Devices, which provide optical transmission and wireless connectivity functions for communication networks
PAM	Phase Amplitude Modulation, a technology that combines (multi-level) amplitude modulation to improve signal transmission efficiency, such as PAM4 used in high-speed optical communications
PCB	Printed Circuit Board, a carrier for the support and electrical connection of electronic components, categorized into single-layer, double-layer, and multi-layer boards
Photonics	Devices that perform optical-to-electrical and electrical-to-optical conversion, used for signal transmission and reception in optical fiber communication systems
Photodetector	A core component in an optical module that receives optical signals and converts them into electrical signals, directly affecting the module's receiving sensitivity and transmission performance
PIC, silicon photonics	Photonic Integrated Circuit, Silicon Photonics Technology, an optoelectronic integration technology based on silicon-based materials, integrating CMOS processes to achieve high-speed and low-power optical modules
PON	Passive Optical Network, a fiber optic access technology based on passive optical splitters, which is divided into standards such as EPON and GPON
QSFP	Quad Small Form-factor Pluggable, supporting 4-channel high-speed transmission (e.g., 40G/100G)

Definitions (Continued)

QSFP112	Quad Small Form-factor Pluggable 112, a high-speed optical transceiver form factor with 4 channels supporting 112G per channel (a high-speed optical transceiver form factor)
Receiver Optical Sub-Assembly (ROSA)	The component in an optical module responsible for converting optical signals into electrical signals. It contains core elements like photodetectors and influences the optical module's receiving performance and anti-interference capability
RedCap	5G Reduced Capability, a streamlined 5G technology adapted for IoT terminals requiring medium-to-high data rates and low cost
Reporting Period	The specific financial year or period covered by the financial report is from January 1, 2025 to December 31, 2025 in this report
Residential Gateway (RGW)	A core home networking device integrating functions such as broadband access, wireless networking, and smart home control, enabling interconnection and intelligent management of multiple devices within a household
Securities Law	the Securities Law of the People's Republic of China (《中華人民共和國證券法》)
Shanghai Kangling	Shanghai Kangling Technology Partnership (Limited Partnership)* (上海康令科技合夥企業(有限合夥)), a limited partnership incorporated in October 2011 in the PRC and previously known as Shanghai Kangling Investment Consulting Company Limited* (上海康令投資諮詢有限公司), being a member of the Single Largest Group of Shareholders
Single Largest Group of Shareholders	Mr. Gerald G Wong, CIG Cayman, Mr. Zhao Haibo, Ms. Qin Yan (秦燕女士), Shanghai Kangling and Kangling Management
Single Family Unit (SFU)	Broadband access terminal equipment for individual home users, tailored to meet the network access requirements of household scenarios
Small Cell	Small Cell, low-power, small-coverage base station equipment, categorized into Micro Base Stations (Micro), Pico Base Stations (Pico), and Femto Base Stations (Femto)
SR4	Short Reach 4, an optical transceiver form factor with 4 channels supporting short-distance transmission (suitable for intra-data center connections)
Transmitter Optical Sub-Assembly (TOSA)	The component in an optical module responsible for converting electrical signals into optical signals. It contains core elements like lasers and determines the optical module's transmit power and transmission rate

Definitions (Continued)

TRO	Thermal Resistance Optimization, a thermal management technology for optical modules
VDSL2	A copper-based high-speed digital subscriber line technology supporting symmetrical 100Mbps bandwidth (ITU-T G.993.2)
Vehicle-to-Everything	Vehicle-to-Everything, a network system enabling connectivity between vehicles, vehicles and roadside infrastructure, and vehicles and the cloud. It supports applications such as autonomous driving and intelligent transportation
Virtual Reality (VR)	A technology that creates a virtual 3D environment, providing users with an immersive interactive experience. It is applied in areas such as entertainment and simulation training
WLAN	Wireless LAN, a wireless communication technology based on the IEEE 802.11 standard, supporting short-distance interconnection between devices
Wi-Fi	A wireless communication technology based on the IEEE 802.11 standard, supporting short-distance interconnection between devices (as certified by the Wi-Fi Alliance)
XG PON	10 Gigabit Passive Optical Network
XGS PON	10 Gigabit Symmetric Passive Optical Network
Yangzhong Xingfu Jiayuan	Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)
yuan, 0'000 yuan, 00'000'000 yuan	The basic unit of Renminbi (¥), RMB0'000 (¥10,000), RMB00'000'000 (¥100,000,000)

In this report, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this report have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

This report is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

* For identification purposes only

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Gerald G Wong (*Chairman of our Board, General Manager (Chief Executive Officer)*)
Mr. Zhao Haibo (*Deputy General Manager, Chief Technology Officer*)
Mr. Zhao Hongwei (*Chief Operating Officer, Manager of Hardware R&D Division, Procurement Officer*)
Mr. Zhang Jie (*Manager of Broadband Products Division*)

Independent Non-executive Directors

Mr. Qin Guisen
Mr. Yao Minglong
Ms. Yuen Shuk Yee

AUDIT COMMITTEE

Mr. Yao Minglong *(chairman)*
Mr. Qin Guisen
Ms. Yuen Shuk Yee

NOMINATION COMMITTEE

Mr. Qin Guisen *(chairman)*
Mr. Zhao Haibo
Ms. Yuen Shuk Yee

REMUNERATION AND EVALUATION COMMITTEE

Ms. Yuen Shuk Yee *(chairman)*
Mr. Gerald G Wong
Mr. Yao Minglong

STRATEGY AND ESG COMMITTEE

Mr. Gerald G Wong *(chairman)*
Mr. Zhao Haibo
Mr. Zhao Hongwei
Mr. Zhang Jie
Mr. Qin Guisen

AUTHORISED REPRESENTATIVES

Mr. Gerald G Wong
Ms. So Lai Shan

REGISTERED OFFICE, PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

Room 501, Building 8, No. 2388 Chenhang Road
Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE UNITED STATES

2445 Augustine Drive, 6thFloor
Santa Clara, CA 95054, United States

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Jin Zeqing
Ms. So Lai Shan *(ACG、HKACG)*

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited

HONG KONG LEGAL ADVISER

Eric Chow & Co. in Association with Commerce & Finance Law Offices

PRC LEGAL ADVISER

Beijing DeHeng Law Offices

AUDITOR

Grant Thornton Zhitong Certified Public Accountants LLP
(*Recognised PIE Auditor*)

STOCK CODE

Hong Kong Stock Exchange: 6166
Shanghai Stock Exchange: 603083

COMPANY WEBSITE

www.cigtech.com

Financial Summary

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

	For the Year ended December 31,				
	2025	2024	2023	2022	2021
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating Results					
Operating revenue	**4,843,406**	3,652,051	3,086,847	3,785,610	2,919,539
Operating profit	**200,997**	166,627	166,627	179,324	65,775
Total profit before taxation	**200,225**	163,435	93,914	178,512	65,775
Net profit	**222,597**	167,041	94,965	171,469	67,260
Net profit attributable to shareholders of the listed company	**263,485**	166,681	95,018	171,469	67,260
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses	**258,785**	151,254	86,507	155,214	31,720
Basic earnings per share (RMB/share)	**0.94**	0.62	0.36	0.67	0.27
Diluted earnings per share (RMB/share)	**0.94**	0.62	0.36	0.67	0.27

	As of December 31,				
	2025	2024	2023	2022	2021
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial Position					
Current assets	**9,555,447**	3,633,171	3,254,886	3,831,891	2,414,562
Non-current assets	**2,350,448**	1,555,643	1,481,032	1,399,952	1,433,172
Total assets	**11,905,895**	5,188,815	4,735,919	5,231,843	3,847,734
Current liabilities	**4,172,306**	2,429,005	2,238,144	3,115,468	1,927,288
Non-current liabilities	**174,761**	298,821	209,813	190,687	177,901
Total liabilities	**4,347,067**	2,727,825	2,447,958	3,306,155	2,105,189
Total owner's equity	**7,558,828**	2,460,989	2,287,961	1,925,688	1,742,545
Total liabilities and owners' equity	**11,905,895**	5,188,815	4,735,919	5,231,843	3,847,734

Management Discussion and Analysis

MAJOR FINANCIAL DATA FOR 2025 BY QUARTER

Unit: Yuan Currency: RMB

	First quarter (From January to March)	Second quarter (From April to June)	Third quarter (From July to September)	Fourth quarter (From October to December)
Operating income	893,554,813.08	1,141,571,454.86	1,324,801,878.72	1,463,477,550.98
Net profit attributable to shareholders of the listed company	31,433,649.67	89,470,756.88	138,388,632.85	4,192,170.19
Net profit attributable to shareholders of the listed company after deduction of non-recurring gains and losses	30,299,220.87	88,729,393.33	136,257,719.13	3,499,093.98
Net cash flows from operating activities	−142,198,129.78	−47,669,837.60	−197,951,218.40	−82,829,178.82

NON-RECURRING GAINS AND LOSSES ITEMS AND THEIR AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring gains and losses items	Amount for 2025	Note (where applicable)	Amount for 2024	Amount for 2023
Gain or loss on disposal of non-current assets (including the write-off of the asset impairment provision)	**−86,365.93**		8,285,992.52	9,413.95
Government grants included in current profit or loss, other than those that are closely related to the Company's normal operation, in line with national policies and in accordance with defined criteria, and have a sustained impact on the Company's profit or loss	**6,309,648.83**		21,182,170.44	10,304,027.07
Gain or loss on changes in fair value of financial assets and financial liabilities held by non-financial entities and gain or loss on disposal of financial assets and financial liabilities, except for effective hedging transactions that are related to the Company's normal operation				

Management Discussion and Analysis (Continued)

Unit: Yuan Currency: RMB

Non-recurring gains and losses items	Amount for 2025	Note (where applicable)	Amount for 2024	Amount for 2023
Capital occupation fee received from non-financial entities included in current profit or loss				
Gain or loss on entrusted investments or assets under management				
Gains or losses from entrusted loans				
Losses on assets due to force majeure events, such as natural disasters				
Reversal of the provision for impairment of receivables which are tested individually for impairment				
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures				
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control				
Gain or loss on exchange of non-monetary assets				
Gain or loss on debt restructuring				
One-off costs incurred as a result of the discontinuation of relevant operating activities, e.g. staff settlement expenses				
One-off effect on current profit or loss due to adjustments to tax and accounting laws and regulations				
One-off share-based payments recognized for cancellation and modification of equity incentive plans				
For cash-settled share-based payments, gain or loss arising from changes in fair value of employee benefits payable after the vesting date				
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement				

Management Discussion and Analysis (Continued)

Unit: Yuan Currency: RMB

Non-recurring gains and losses items	Amount for 2025	Note (where applicable)	Amount for 2024	Amount for 2023
Gain from transactions with obviously unfair transaction price				
Gain or loss on contingencies which are not related to the Company's normal operation				
Entrusted fee income from entrusted operations				
Other non-operating income and expenses apart from the aforesaid items	**−937,502.24**		−2,505,952.41	−907,508.40
Other gain or loss items meeting the definition of non-recurring gains or losses				
Less: Effect of income tax	**510,563.31**		7,785,274.37	894,751.37
Effect of non-controlling interests (after tax)	**75,435.07**		3,749,996.25	
Total	**4,699,782.28**		15,426,939.93	8,511,181.25

Explanation on the Company's recognition of the items not listed in "Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public — Non-recurring Profit or Loss" as non-recurring gains and losses items with significant amount and definition of the non-recurring gains and losses items listed in the "Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public — Non-recurring Profit or Loss" as recurring gains or losses items.

☐Applicable ✓Not applicable

EXPLANATION OF KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE THREE YEARS PRIOR TO THE REPORTING PERIOD END

During the reporting period, the Company's operating revenue increased. Both net profit attributable to shareholders of the listed company and net profit after deducting non-recurring profit and loss saw substantial growth, indicating a significant enhancement in operating profitability. The scale of net assets attributable to shareholders of the listed company and total assets expanded substantially, while share capital also increased, with only net cash flow from operating activities showing a decline compared to the same period of the previous year. Concurrently, earnings per share indicators, including basic and diluted earnings per share, all increased. The weighted average return on net assets and the weighted average return on net assets after deducting non-recurring profit and loss also improved. The Company's profitability and asset efficiency continued to be optimized, reflecting a positive overall development trend.

BUSINESS OPERATIONS DURING THE REPORTING PERIOD

(i) Principal Business

The Company's principal business is the research, development, production, and sales of terminal equipment for communication connections in the fields of telecommunications, data communications, enterprise networks, and home networks (including telecom broadband, wireless networks edge), as well as high-speed optical transceiver products.

Management Discussion and Analysis (Continued)

(ii) Main Products and Their Applications

Specific products and their functions and applications are as follows:

Product Category	Specific Product	Functions and Applications
High-speed Optical Transceivers	800G (based on 100G/lane silicon photonics): DR8/FR8/LR8, 2×DR4, 2×FR4, 2×LR4 optical transceivers based on PAM4 modulation technology, and 800G LPO/TRO optical transceivers. 800G (based on 100G/lane EML): DR8/FR8/LR8, 2×FR4, 2×LR4 optical transceivers based on PAM4 modulation technology. 800G (based on 200G/lane silicon photonics): DR4/LR4 optical transceivers based on PAM4 modulation technology. 1.6T (based on 200G/lane silicon photonics): DR8, 2×FR4 optical transceivers based on PAM4 modulation technology, and 1.6T DR8 LPO/TRO optical transceivers. NPO/Co-packaged Optics (CPO) technology: Preliminary research and prototype development of CPO integrated silicon photonics engines based on 100G/lane and 200G/lane, and CPO integrated light sources based on high-power lasers. 400G (based on 100G/lane silicon photonics): DR4, FR4, LR4, 4×FR1, 4×LR1 optical transceivers based on PAM4 modulation technology, and 400G LPO/TRO optical transceivers. 400G (based on 50G/lane EML): DR4, FR4, LR4, SR4, 4×FR1, 4×LR1 optical transceivers based on PAM4 modulation technology. 100G (based on 100G PAM4 modulation technology): Single-lambda DR, FR1, LR1 optical transceivers. 100G (4-wavelength series): SR4, CWDM4, LR4, ER4, ZR4 optical transceivers.	Targeting telecommunications operators and data center operators, used for backbone transmission in bearer networks, metropolitan area networks, access networks, and intra-data center interconnections.
	2.5G/10G/25 PON Optical Transceivers	Targeting mobile operators both domestically and internationally, the products are primarily used in the enterprise broadband access and carrier-grade base station markets.

Management Discussion and Analysis (Continued)

Product Category	Specific Product	Functions and Applications
Telecom Broadband	Fiber access products: SFU (Single Family Unit), MDU (Multiple Dwelling Unit), and RGW (Residential Gateway) based on technologies such as GPON, EPON, XG PON, XGS PON, 10G EPON, NGPON2, 25G PON, and 50G PON. Copper line access products: based on MoCA, VDSL2, G.fast, G.hn technologies.	Targeting fixed network operators, based on various wired broadband technologies, applied in homes or enterprises to enable multi-service integrated access.
Wireless Networks and Edge Computing	Enterprise and carrier-grade WLAN products, AP products, home wireless interconnection products, Wi-Fi Mesh home gateway products, 5G FWA CPE.	Enabling wireless access, wireless interconnection, and gateway functions, applied in carrier-grade homes, enterprises, and various commercial environments.
	Mobile Communication Small Cells	4G and 5G distributed mobile communication small cell products. Featuring distributed deployment, multi-mode, multi-frequency, supporting multi-antenna transmission and reception, supporting ultra-high bandwidth, meeting various indoor and outdoor installation application scenarios for users. They mainly serve mobile operators and private network enterprise users requiring high-performance integrated wireless access.
	Edge gateways, AI Edge Server, etc.; industrial APs, AR series routers, Ethernet switches, IoT gateways, etc.	Suitable for embedded servers and computing nodes deployed at the edge. Through wired and wireless connections, they are integrated into industrial network platforms to enable data transmission and intelligent control in industrial environments, applied in the industrial and smart manufacturing sectors. Ethernet switches are network devices used for data switching and transmission, deployed in enterprise backbone networks, data centers, and server rooms to support high-bandwidth requirements.

Management Discussion and Analysis (Continued)

(iii) Operating Model

Category	ICT Terminal Equipment and Wireless Communication Infrastructure	High-speed Optical Transceivers
Operating Model	The main customers in the ICT terminal equipment market are telecommunications operators and enterprise-level clients. Suppliers to these operators are primarily global large-scale communications equipment providers. These global providers generally do not engage in the manufacturing of ICT terminals themselves; they typically cooperate with upstream ICT terminal manufacturers through models such as EMS, OEM, ODM, and JDM.	The Company generates reasonable profits by providing various high-speed optical transceiver products to its customers. This involves procuring raw materials such as optical components, integrated circuit chips, structural parts, and PCBs, manufacturing optical transceivers that meet customer specifications, and selling them to domestic and international clients, including communication equipment manufacturers, telecommunications operators, and data center operators.
Business Model	The Company's JDM (Joint Design Manufacturing) business model primarily targets customers with larger scale, higher industry reputation, potential for long-term collaboration, and sufficient overall business profit contribution. This model mainly involves developing products based on customer requirements. The Company's ODM (Original Design Manufacturing) business model primarily targets customers with smaller scale, lower industry reputation, higher volatility in business cooperation, smaller product demand scale, and higher profit margins for individual products. It provides these customers with the Company's existing products or customizes products based on their clear requirements.	The Company engages in deep collaborative R&D with customers based on the JDM model, while simultaneously conducting independent product innovation under the CIG proprietary brand. This approach covers high-speed optical transceiver products across various data rates and form factors, ultimately selling them to end customers either under the Company's own brand or the customer's brand.
Procurement Model	The Company offers a wide range of product specifications with short production cycles. Raw material procurement is primarily based on actual sales orders and customer demand forecasts. The Company adopts a procurement model of "sales orders + forecasts + safety stock" to flexibly and effectively ensure delivery timelines and meet customer requirements.	The Company adopts a procurement model similar to that of the ICT terminal equipment and wireless communication infrastructure industry.

Management Discussion and Analysis (Continued)

Category	ICT Terminal Equipment and Wireless Communication Infrastructure	High-speed Optical Transceivers
Production Model	The Company adopts a "production-to-order" model, arranging production plans and organizing manufacturing based on customer orders and demand forecasts. Upon receiving a customer order, the sales and procurement departments confirm the delivery date and conduct procurement reviews. The order is then handed over to the manufacturing department for production scheduling. The manufacturing department formulates production plans and issues specific production instructions to the production workshops. The workshops produce according to orders, arranging detailed daily production plans based on material supply and equipment operating conditions. The Company's quality management department is responsible for quality control throughout the entire production process. The Company produces telecom broadband and wireless network products in Shanghai, Jiashan, Xi'an, Wuhan, and at its production bases in Malaysia.	The Company manufactures high-speed optical sub-assemblies and 100G/200G/400G/800G/1.6T high-speed optical transceiver products in its own or CO-LO production facilities in China and overseas. These bases form a globally coordinated production network, enabling flexible resource allocation in response to market dynamics and customer needs. The Company is accelerating the transition and addition of production lines for 800G and 1.6T high-speed optical transceivers, as well as pilot lines for 3.2T and CPO technologies.
Sales Model	The Company's customers are primarily equipment manufacturers in the ICT industry and telecommunications operators. The Company's products are sold in both domestic and international markets, with the international markets mainly including the United States, Europe, and the Asia-Pacific region.	The end customers of the Company's products are mainly telecommunications operators and data center operators. The Company generally sells its products directly or indirectly to telecommunications operators, communication equipment manufacturers, and data center operators.

Management Discussion and Analysis (Continued)

(iv) Market Position of the Company's Products

The Company is a new-type enterprise based in China and serving the global market, focusing on the ICT and optical communication sectors. It has long been deeply engaged in three core businesses: broadband access, wireless networks, and high-speed optical modules. Driven by technological innovation as its core engine, the Company strengthens its core competitiveness through independent research and development and vertical integration of the industrial chain. With the continuous advancement of its global production capacity layout and core customer certification processes, the Company has further consolidated and enhanced its industry position and market advantages in each core business area.

1. *ICT Terminal Equipment*

The Company focuses on the R&D, production, and sales of ICT terminal equipment for home, enterprise, and industrial applications. During the Reporting Period, it accelerated the commercialization of 25G/50G PON products. The second-generation 25G PON products achieved mass shipments, making the Company one of the earliest manufacturers globally to achieve mass shipments of such terminals, with its market share steadily increasing. The R&D for 50G PON has progressed to the prototype testing stage based on ASIC commercial chips, keeping product iteration aligned with mainstream industry standards. The broadband business shipped nearly 10.00 million units for the full year, generating nearly RMB2.0 billion in revenue. The product structure has significantly shifted toward high-value-added directions such as 25G PON and XGS PON, with 10G PON shipments accounting for over 50% of the total. Additionally, the Company is exploring XGS PON data center access and developing AI engines for PON gateway devices to meet the intelligent operational needs of operators.

The main competitors in this field are Sercomm, Alpha Networks, Arcadyan Technology from Taiwan, China, and Gongjin Electronics from Mainland China. The Company maintains a leading position in the industry in terms of technology R&D, production capacity scale, and sales network. Its 25G PON products hold a significant market share in North America, while its 10G PON products are steadily increasing their share in mainstream North American markets. Leveraging its product iteration capabilities and quality advantages, the Company has gained recognition from global mainstream customers, leading to continuously enhanced customer loyalty.

2. *Wireless Communication Infrastructure*

Since the 4G era, the Company has been deeply involved in the small cell market, offering a full range of indoor and outdoor micro cells and femtocell products that cover mainstream communication frequency bands and application scenarios. In 2025, the Company completed the strategic optimization of its small cell products, focusing on the customized development of integrated small cells, achieving reductions in both product size and power consumption, and supporting single-chip 4G/5G dual-mode capabilities to facilitate smooth network upgrades for customers. It has established stable supply channels in the small cell markets of Japan and South Korea, serving as a core 5G small cell partner for global leading ICT equipment manufacturers and ranking among the few suppliers in the industry capable of providing a full range of small cell solutions.

During the Reporting Period, Wi-Fi 7 and 10-gigabit gateway products achieved large-scale commercial deployment in North America. Wi-Fi 7 enterprise AP products were promoted based on the Open Wi-Fi platform, with self-developed software accounting for over 70% of the product composition. Open Wi-Fi architecture outdoor AP products were deployed in multiple scenarios globally. Solutions were developed around the Optim cloud platform, deepening AI capabilities to enable intelligent operations and commercial deployment in North America. The delivery pace of Wi-Fi 7-related products accelerated, and the influence in overseas markets continued to expand.

The main competitors in this field include Comba Telecom, Baicells, Wistron NeWeb, Sercomm, and Foxconn. Leveraging its long-term technological expertise in small cells, comprehensive product portfolio, global service capabilities, and integrated advantages in R&D, quality, cost, and full-scenario solutions, the Company has established a differentiated competitive edge in the customized small cell sector. It can rapidly respond to customers' personalized needs, positioning itself favorably in the market competition.

3. ***High-speed Optical Transceivers***

The Company has been researching and developing optical devices and transceivers since 2009, accelerating the R&D process for high-speed products in 2018. By acquiring overseas assets, it completed its technological accumulation and, leveraging the collaborative advantages of its R&D centers in Shanghai, the United States, Japan, and Hsinchu, has established a comprehensive product portfolio covering 25G/100G/200G/400G/800G/1.6T. Currently, R&D and production are fully focused on 800G/1.6T high-speed products. By 2025, the development and validation of the second-generation silicon photonics 800G series will be completed, with the full silicon photonics 800G product series achieving bulk shipments to key overseas customers. The 1.6T product based on 3nm DSP will complete development and validation, with customer samples delivered in the fourth quarter of 2025. Multiple 400G and 800G products have completed certification with major overseas customers and are being shipped in large volumes, while forward-looking technology such as 3.2T/6.4T CPO/NPO have also been initiated.

In terms of certification testing, supplier certification and customer-side verification for core components such as silicon photonics chips and CW lasers in the 800G/1.6T platform have been completed, establishing a reusable component selection and verification methodology. Core materials have been secured with locked-in production capacity in advance to ensure supply. In production and manufacturing, the relocation of the optical transceiver production line from Shanghai to the new Jiashan factory has been completed. The Jiashan factory passed certification by a key North American customer in July and achieved over 90% of its designed capacity by November. The Malaysia base passed audits for North American 400G/800G products and began mass shipments, continuously improving the global production capacity layout. Over 500 self-developed precision coupling machines have been deployed to reduce costs and enhance efficiency, ensuring stable product delivery quality and passing multiple factory inspections by core customers.

Management Discussion and Analysis (Continued)

The main competitors in this field include Innolight Technology, Eoptolink Technology, Source Photonics, Accelink Technologies, Coherent, and others. Leveraging its advantages in silicon photonics technology, R&D capabilities for 800G/1.6T products, global production capacity layout, and vertical supply chain integration capabilities, the Company has achieved the engineering implementation and mass production of 800G/1.6T silicon photonics products. Its core technical indicators have reached mainstream industry levels, successfully integrating into the global mainstream supply chain and becoming an important partner for leading global cloud service providers, AI infrastructure suppliers, and telecommunications operators. In 2025, benefiting from the demand dividend in AI computing power and data centers, the Company saw significant growth in orders and shipments of high-speed optical modules, with a notable increase in the proportion of high-margin, high-speed products. The 800G products are well-suited for AI data center scenarios, and the delivery scale to key overseas customers has steadily expanded.

(v) Competitive Strengths and Weaknesses

1. *Competitive Strengths*

The core competencies supporting the development of the Company's principal business are reflected in the following outstanding capabilities and comparative advantages:

(1) Customer Resource Advantage

The Company is deeply embedded with mainstream global telecommunications operators, communication equipment manufacturers, and data center operators, building a stable customer network covering leading companies both domestically and internationally. During the reporting period, achievements such as the mass delivery of 800G optical transceivers and the commercial deployment of 25G PON products further deepened collaborative ties with core customers. The global market footprint extended from core regions like North America, Europe, and Asia-Pacific to emerging markets, continuously expanding the Company's global reach.

(2) Innovative R&D Advantage

Adhering to the philosophy of "pre-researching one generation, developing one generation, and mass-producing one generation," the Company has established a collaborative R&D system spanning China, the United States, Japan, and Taiwan. During the reporting period, R&D investment increased 11.65% year-on-year, focusing on core technology areas such as high-speed optical transceivers, Wi-Fi 7, and 50G PON. Key achievements included the mass production of the second-generation 800G silicon photonics series, customer sampling of 1.6T optical transceivers, and the qualification of critical components like silicon photonics chips and CW lasers, and continued to increase R&D investments in technologies such as 400G single-wavelength optical connectivity, NPO solutions, and ELSFP products. This has created a full-chain innovation capability from pre-research to commercialization, driven by sustained high-intensity investment and focusing on achieving full-chain innovation in the communications infrastructure sector.

Management Discussion and Analysis (Continued)

(3) *Smart Manufacturing Advantage*

By integrating industrial IoT, digitalization, and artificial intelligence technologies, the Company has built a smart manufacturing system. During the reporting period, the new Jiashan facility was fully operational with stable core production lines. The Malaysia facility passed core customer certification and commenced mass production of optical transceivers. The Company independently developed over 500 precision coupling machines, significantly improving production automation rates and yield. This has achieved comprehensive intelligence, meeting customization needs while reducing costs.

(4) *Business Model Advantage*

Leveraging its profound R&D heritage, the Company has built a collaborative model integrating JDM, ODM, and its own brand. During the reporting period, it deepened JDM cooperation in the high-speed optical transceiver field, co-developing customized products with core overseas customers. It expanded integrated customization services in the small cell field and broadened market coverage through IP licensing models. This diversified and synergistic business model flexibly adapts to the division of labor in the industry chain and responds effectively to dynamic industry changes.

(5) *Product and Service Advantage*

The Company has established an end-to-end product service system. During the reporting period, it achieved mass delivery of core products such as 800G optical transceivers and 25G PON terminals. It has developed differentiated advantages in areas such as product quality control, shortened delivery cycles, and responsiveness to customized service requests. Coordinating across all stages, the Company provides customized services to customers, committed to enhancing quality, shortening lead times, and controlling costs.

(6) *Management Team Advantage*

The internationally experienced management team possesses strong learning capabilities and keen insight into market changes. During the reporting period, they successfully navigated challenges such as US-China tariff fluctuations and supply chain constraints, driving the relocation of the Shanghai facility to the Jiashan base and optimizing overseas production capacity deployment. This resulted in effective control of tariff costs for exports to the US, allowed the Company to precisely capture market opportunities arising from the surge in AI computing power, and facilitated product iteration and innovation. By flexibly adjusting market strategies, the team has supported the Company's spiral development.

(7) *International Division of Labor and Collaboration Advantage*

With R&D, production, and sales/service facilities strategically located across multiple global regions, the Company achieved a "R&D-Manufacturing-Sales" cross-regional efficient synergy during the reporting period. The US R&D center focused on 1.6T/NPO/LPO technology development, with the Taiwan R&D Center focusing on the development of new technologies such as NPOs, the Japan R&D center deepened cooperation on optoelectronic chips, the Malaysia facility's capacity doubled, and the Jiashan facility became a global smart manufacturing hub. This seamless integration of technology, manufacturing, and market presence meets the diverse needs of different regions.

Please refer to the section "Analysis of Core Competitiveness During the Reporting Period" in this chapter for details.

Management Discussion and Analysis (Continued)

2. Current Competitive Weaknesses

(1) Compared to leading players in the industry, the Company's high-speed optical transceiver business scale remains relatively small. Despite achieving significant growth in revenue and profit during the reporting period, its market share in the high-speed optical transceiver sector is still lower than that of industry leaders. To enhance its overall industry influence, the Company needs to further expand the shipment scale of its 800G/1.6T products, tap into new major customer segments demand, and develop customer resources in the global market.

(2) The Company primarily settles transactions in foreign currencies in both sales and procurement. During the Reporting Period, the depreciation of the US dollar and Hong Kong dollar resulted in an exchange loss of RMB84.62million, which had a certain impact on net profit. Although exchange rate fluctuations continue to have a book impact on the financial statements, the actual impact on the Company's operations is limited due to the high proportion of overseas business, which is primarily settled directly in US dollars.

(3) As the Company's R&D efforts in high-end products continue to advance and downstream customer demand for such products keeps growing, the production capacity for 800G/1.6T optical transceivers has increased significantly during the reporting period. However, faced with the explosive global demand driven by AI computing center construction, there remains a temporary gap in high-end capacity. Furthermore, the mass production processes for cutting-edge technologies like CPO and 3.2T are still in the validation phase, requiring further advance planning for capacity reserves. The Company's existing high-end product capacity has certain limitations in terms of scale and efficiency, making it difficult to fully meet the future growth trend in demand for high-end products.

(vi) Key Drivers of Performance

During the reporting period, the Company achieved significant growth in performance. The core drivers were the coordinated efforts of its three core businesses: high-speed optical transceivers, broadband access, and wireless access. This, combined with optimized capacity deployment, supply chain resilience building, and sustained R&D innovation, led to a notable improvement in the profitability quality of the principal business.

The high-speed optical module business served as the core engine for performance growth, benefiting from the robust demand driven by AI large models and global data center construction, leading to explosive growth in orders and shipment volumes. The Company effectively ensured order fulfillment and supported rapid capacity release through the expansion of domestic and overseas production bases and the commissioning of new facilities. It continued to drive product iteration and optimize its product mix; and the increased proportion of high-margin products contributed to improved gross margin and enhanced core competitiveness, while inventory turnover efficiency improved significantly.

The broadband access and wireless access businesses provided stable support for performance. Leveraging long-term customer relationships and product competitiveness, shipments and revenue maintained steady growth. The broadband access business maintained stable growth, aligning with the global trend of network upgrades. The wireless access business kept pace with technological iterations, meeting diverse customer needs. Optimized inventory structures in these segments further solidified the Company's performance base.

The forward-looking deployment of production capacity and the supply chain laid the core foundation for performance growth. Over the past few years, the Company continuously increased its capacity investment, completing the relocation and integration of the production capacity, assets, and personnel from the Shanghai Jiangyue Road facility to the Jiashan facility in Zhejiang. This capacity adjustment and expansion precisely matched market demand. In response to supply chain tightness caused by demand growth transmitting upstream, the Company increased its investment in upstream supply chain capacity through a combination of measures including prepayments, strategic material stockpiling, capital expenditure, and equity investments. This enabled it to secure material supply and raw material capacity early on, effectively reducing the impact of supply chain fluctuations on its business and providing robust support for performance growth.

Sustained investment in R&D innovation provides long-term momentum for business growth. The Company continuously optimized its R&D footprint, expanding its R&D centers in Shanghai, Wuhan, Xi'an, Taipei, and Hsinchu, significantly increasing investment in its North America R&D center, and restructuring its Japan R&D team while establishing a R&D center in Hsinchu. This has formed a globally synergistic R&D system. R&D investment is focused on high-speed optical transceivers, core wireless access technologies, and the development of key components. Technological breakthroughs are driving the launch of new products and accumulating core competencies for future technology iterations. Additionally, the Company intensified its sales efforts, continuously expanding market reach and depth. The increase in sales and marketing investment during this period lays the groundwork for further business growth going forward.

Furthermore, the Company saw an increase in R&D, sales, and administrative expenses during the period, primarily due to business expansion, increased R&D investment, and deeper market penetration, which aligns with its strategic development plan. Non-recurring profit and loss did not make a significant positive contribution to the performance growth for the period. The substantial government subsidy of over RMB16.00 million received in 2024 had no corresponding receipt in this period. The performance growth relied mainly on the enhanced profitability of the principal business, making the profit quality more sustainable.

Management Discussion and Analysis (Continued)

It should be noted that the Company completed its Hong Kong public offering and listing financing in October 2025. The proceeds from the financing were primarily retained in Hong Kong dollars as foreign exchange as of the end of this reporting period. Due to the shift in the US dollar exchange rate from an increase in the same period last year to a decrease in the current period, coupled with a concurrent decline in the Hong Kong dollar exchange rate, the net foreign exchange gain/loss turned from a gain to a loss. This exchange gain/loss reflects accounting impacts. The foreign exchange loss for 2025 was 84.62 million RMB, compared to a foreign exchange gain of 14.44 million RMB in 2024, representing a year-on-year decrease in net foreign exchange gain/loss of 99.05 million RMB. This loss accounted for approximately 32.11% of the net profit attributable to shareholders of the listed company for the period, exerting a certain negative impact on performance growth for the period, but it did not change the overall trend of performance growth.

(vii) Whether Performance Changes Align with Industry Development

During the reporting period, the changes in the Company's performance were generally consistent with the industry development situation.

INDUSTRY SITUATION DURING THE REPORTING PERIOD

(i) Basic Industry Overview

According to the "National Economic Industry Classification" (GB/T 4754–2017) issued by the National Bureau of Statistics, the specific sub-sector of the Company's principal business falls under "Computer, Communication, and Other Electronic Equipment Manufacturing" (major category code C39) within the manufacturing industry.

The Company's principal business is related to the following encouraged categories in the information technology sector, as outlined in the "Guiding Catalogue for Industrial Structure Adjustments (2024 Edition)" issued by the National Development and Reform Commission: 28–1 New generation communication network infrastructure (including the construction of 100Gb/s and above optical transmission systems, manufacturing and construction of new service network equipment such as mobile IoT, IoT (sensor networks), and intelligent networks, manufacturing and construction of broadband network equipment, manufacturing and construction of digital cellular mobile communication network equipment); 28–3 Communication equipment (including manufacturing of digital mobile communications, mobile ad-hoc networks, access network systems, digital trunked communication systems, and network equipment such as routers and gateways); 28–5 Manufacturing of new electronic components (including optoelectronic devices).

The communication equipment manufacturing industry provides communication equipment and software systems to basic communication operators and content service providers, and supplies various terminal application devices to end users. It plays a crucial role in the overall communication industry and is essential for communication transmission and applications. This industry primarily includes the manufacturing of core network equipment, access network equipment, and network terminal application equipment.

By segment, the Company's principal business can be divided into the following three sub-sectors:

1. *ICT Terminal Equipment Industry*

(1) *Main Operational Characteristics of the Industry*

The technology-driven characteristics of the ICT terminal equipment industry continue to deepen. R&D investment intensity among leading companies remains high, with a key focus on cutting-edge areas such as the implementation of generative AI and the deepening application of edge computing. Demand for enterprise-level customization has entered a period of rapid growth, with scenarios like telemedicine for smart healthcare and collaborative operations in the industrial metaverse being included in the key support policies of several countries. The construction of gigabit optical networks continues to accelerate. In 2024, the global PON equipment market size exceeded USD 15.0 billion. China's "dual-gigabit" network policy drove the deployment of over 28.00 million 10G PON ports, and the commercialization of 25G PON accelerated. Breakthroughs in supply chain self-sufficiency were achieved, with domestic 7nm process terminal chips reaching small-scale mass production and the penetration rate of 14nm process chips steadily increasing; however, reliance on international suppliers persists for high-end EDA tools and core IP. According to IDC's "China IT Market Provincial and Cloud Solutions Spending Guide", the Internet, finance, government, and manufacturing sectors represent the core application areas for enterprise-level ICT, with the manufacturing sector leading in digitalization investment growth. Globalization strategies are characterized by a dual focus on "deep cultivation of core markets + expansion into emerging markets." Terminal shipments grew rapidly in emerging markets such as Southeast Asia and Latin America. Companies like Huawei, ZTE, and Sercomm dominate the global PON equipment market, with market concentration further increasing. Simultaneously, compliance requirements regarding data sovereignty regulations are becoming stricter, driving demand for localized device adaptation. The intelligent transformation of service systems has yielded significant results, with AI customer service systems achieving a 45% penetration rate among leading manufacturers and customer lifecycle management efficiency increasing by over 30%.

Management Discussion and Analysis (Continued)

(2) Industry Technology Level and Characteristics

Industry technology is driven by a dual focus on "computing power iteration + in-depth scenario application." Chips manufactured using 3nm process technology have achieved large-scale commercialization, with on-device AI computing power exceeding 50 TOPS, and shipments of terminal devices supporting multi-modal interaction growing rapidly year-on-year. The accuracy of UWB precise positioning technology has improved to the centimeter level and is widely used in scenarios such as industrial traceability, smart homes, and digital car keys. PON technology is accelerating its evolution towards 25G/50G. 10G PON holds over 70% of the market share, and 50G PON technical standards have been finalized and entered the commercial pilot phase, supporting high-bandwidth scenarios such as 16K video transmission and 10G access in all-optical parks. Communication technology is fully transitioning to the 5G-Advanced standard, with shipments of millimeter-wave terminal devices growing at an annual rate exceeding 300%, and integrated sensing and communication technology beginning commercial deployment. Security architectures are being continuously upgraded, with terminal devices incorporating TEE+SE dual security chips accounting for 60%, and data encryption transmission technology becoming ubiquitous. The intelligence level of optical access terminals has significantly improved. OLT equipment integrates AI computing modules, enabling dynamic bandwidth allocation and intelligent fault diagnosis. Metaverse entry devices are iterating rapidly, with XR terminals integrating spatial computing and SLAM algorithms; lightweight product shipments have surpassed 55% of the total. Green technology has become a key competitive dimension, with PON equipment energy consumption reduced by 80% compared to traditional DSL, modular design penetration increasing to 52%, and low-carbon production becoming an industry standard.

Management Discussion and Analysis (Continued)

2. *Wireless Communication Infrastructure Industry*

(1) *Main Operational Characteristics of the Industry*

The wireless communication infrastructure industry is driven by both policy support and market demand, with differentiated strategies across countries accelerating technology iteration and network upgrades. China continues to advance its New Infrastructure strategy, having built 4.838 million 5G base stations by the end of 2025, with 5G-Advanced network commercial coverage now spanning all prefecture-level cities and above nationwide. The EU is promoting 6G technology R&D through the Hexa-X series projects, planning to initiate key technology trials in 2026. The US CHIPS and Science Act is being implemented, supporting a gradual increase in local production capacity for communication chips. According to GSMA's "The Mobile Economy 2026", global mobile wireless connections totaled 8.8 billion in 2025, with 5G expected to account for 57% by 2030, becoming the mainstream connection technology. The industry chain is developing in parallel with trends of "vertical integration + open ecosystem." Huawei, Ericsson, and Nokia dominate the global base station equipment market, holding a combined share of 76%. Due to its decoupled hardware and software architecture, Open RAN (Open Radio Access Network) is steadily gaining global market share, reaching 8%–12% in 2025. However, mass commercial deployment still requires 2–3 years of cultivation due to constraints related to equipment interoperability and patent barriers. Regional development characteristics vary. North America and East Asia lead globally in 5G network density and technology maturity. Africa and Latin America primarily rely on multi-mode, multi-frequency distributed small cells to rapidly fill coverage gaps, with compact designs and multi-antenna technologies catering to high-density scenario requirements. The global competitive landscape is restructuring; impacted by certain international market access restrictions, the industry is accelerating its transition towards flexible architectures such as edge gateways, Distributed Units (DUs), and small cells to support the demands of vertical industries like industrial IoT and the Vehicle-to-Everything.

Management Discussion and Analysis (Continued)

(2) *Industry Technology Level and Characteristics*

Technological breakthroughs in the industry are focused on the large-scale commercialization of 5G-Advanced and the preliminary research on key 6G technologies. Through enhanced technologies, 5G-Advanced achieves peak downlink rates of 20 Gbps and end-to-end latency as low as 0.5 ms (in specific scenarios), with mainstream commercial network downlink rates reaching 10 Gbps. The three major Chinese operators have fully initiated 5G-Advanced deployment, while over 60% of mainstream operators in Europe have started 5G-Advanced commercial pilots. 6G is expected to be commercially available in the 2030s. Channel bandwidth will increase from 100MHz in the 5G era to 200–400MHz. Technologies such as terahertz communications, space-ground integration, and Integrated Sensing and Communications (ISAC) are entering the prototype validation and standardization preparation phase. Green and energy-saving technologies have been fully upgraded, with liquid-cooled base stations achieving a 35% penetration rate in data center scenarios, and intelligent shutdown of base stations combined with solar power solutions being applied in over 25% of remote areas. The energy consumption per unit capacity of 5G-Advanced base stations decreased by 28% compared to 2023. Edge computing and openness are deeply restructuring network architectures: 5G edge DUs are being deployed in core scenarios such as factories and industrial parks, reducing end-to-end latency to below 5 ms to support real-time control and intelligent scheduling in Industry 4.0. Breakthroughs in large-scale Open RAN commercialization have been achieved, with multi-vendor access accounting for 20%–30% of new base station deployments in 2025, and the standardization of interfaces is accelerating. According to GSMA data, global cybercrime losses are projected to reach USD15.63 trillion by 2029, with the increasing rate of device connectivity exacerbating security threats. Global standards competition is intensifying; under the 3GPP framework, Chinese companies contribute 42% of the essential patents for 5G-Advanced core standards. International alliances are promoting the development of next-generation technologies like Terahertz communication and satellite communication through technological collaboration and standardization negotiations.

Management Discussion and Analysis (Continued)

3. *High-speed Optical Transceiver Industry*

(1) Main Operational Characteristics of the Industry

The high-speed optical transceiver industry is characterized by a combination of "high capital investment, technology intensity, and surging demand." According to LightCounting's "1Q26 Quarterly Market Update Report" released in March 2026, global sales of optical modules and related products reached USD23.8 billion in 2025, a year-on-year increase of 55%; and Ethernet optical module sales reached nearly USD18.0 billion, a year-on-year increase of 70%. Leading companies continued to ramp up R&D investments. Domestic manufacturers have formed deep partnerships with global cloud service providers. The 800G optical modules have achieved mass production, becoming the core driver of industry growth, while 1.6T optical modules have entered the stage of small-scale commercial deployment. In Q4 2025, capital expenditures of global leading cloud service providers surged by 68% year-on-year, with plans for 2026 significantly revised upward. AI computing power construction and 5G-A network deployment have become the core growth engines, directly driving explosive demand for 800G and higher-speed optical transceivers. Supporting infrastructure upgrades, such as data center liquid cooling technology and high-density switches, further expanded the application scenarios for high-speed optical modules. The synergy effect in the supply chain is becoming prominent, with leading manufacturers achieving technical customization through deep integration with upstream chip manufacturers. In Q4 2025, the revenues of top optical module manufacturers such as Innolight Technology, Coherent, Lumentum, and Fabrinet all reached record highs. The industry's competitive landscape is characterized by "oligopoly dominance + domestic breakout." While leading international manufacturers still dominate the global high-end market, domestic companies, leveraging cost advantages, technological customization capabilities, and policy support, increased their global market share in high-speed optical transceivers. Leading domestic manufacturers have entered the global core supply chain.

Management Discussion and Analysis (Continued)

(2) Industry Technology Level and Characteristics

Industry technology development is centered on "ultra-high speed, low power consumption, and high-density integration." Silicon photonics technology (PIC) and coherent optical communication technology have become mainstream. New generation PIC technology launched by international semiconductor manufacturers can support ultra-high-speed transmission of 2.0T and above, with power consumption reduced by 30% compared to the previous generation. Coherent optical module technology maintains a strong position in long-distance transmission, with the global market size reaching nearly USD 6.0 billion in 2025, reflecting a compound annual growth rate (CAGR) of over 20%. The pace of high-rate product iteration is accelerating. The 800G optical module has entered large-scale mass production, and the 1.6T optical module has achieved small-scale commercial deployment, with full-scale commercialization expected in 2026. R&D on the 3.2T optical module has made significant progress. For example, Alibaba Cloud successfully demonstrated the world's first 3.2T NPO module, marking its entry into a new phase of engineering implementation. New technologies such as silicon photonics integration, NPO, CPO, and LPO are accelerating their implementation and productization. Leading equipment manufacturers and module suppliers are simultaneously advancing solution development and verification, driving the industry toward higher speeds, lower power consumption, and greater integration. Technical challenges are concentrated on the mass production yield and packaging complexity of 1.6T and above products. Domestic companies have achieved breakthroughs in key technologies such as silicon photonic integration and CPO, with self-developed high-performance distributed forwarding chips supporting the performance enhancement of switches and promoting the process of domestic substitution. As the production capacity of optical chips and modules gradually catches up with demand, the industry is expected to face more intense competition and price pressure in the second half of 2026.

(ii) Industry Development Stage

1. ICT Terminal Equipment Industry

The ICT terminal equipment industry is currently in a golden development stage characterized by accelerating technology iteration and exploding market demand.

From the perspective of market size, global digitalization continues to deepen. According to IDC's "Global ICT Spending Guide: Industry and Enterprise Size", Version V1, 2026, China's ICT market investment scale reached USD688.9 billion in 2025, with a compound annual growth rate (CAGR) of 7.8% from 2025 to 2029. The enterprise-level ICT market has a five-year CAGR of 13.3%, reaching USD512.0 billion by 2029. Enterprise digital transformation, consumer-grade smart device replacement cycles, and information infrastructure development in emerging markets collectively drive sustained robust industry demand.

From the perspective of technological advancement, the deep integration of artificial intelligence, the Internet of Things, cloud computing, and big data is driving terminals towards intelligence, integration, and low-carbon solutions. Technologies such as 3nm chips, AI large model adaptation, and multimodal interaction continuously foster new product forms.

From the perspective of industry application, terminal cross-sector integration is penetrating various fields such as industry, healthcare, transportation, and home applications. Digitalization investment growth is led by key sectors like manufacturing, with significant growth seen in scenarios such as smart transportation and smart healthcare.

The industry also faces challenges: the technology iteration cycle has shortened to 12–18 months, demanding high R&D investment; market concentration is increasing, putting pressure on smaller manufacturers; and compliance requirements are constantly rising, exemplified by the mandatory national standard "Information security technology — Technical requirements for electronic product information erasure" (GB 46864–2025), which will take effect on January 1, 2027.

2. *Wireless Communication Infrastructure Industry*

The wireless communication infrastructure industry is currently in a critical development phase where large-scale commercialization of 5G-Advanced and preliminary research on 6G technologies are progressing in parallel.

From the perspective of market size, global wireless connections are vast, with 5G penetration increasing rapidly. Countries continue to increase investment in new communications infrastructure, providing broad space for the industry.

From the perspective of technological advancement, 5G-A has achieved full-scale commercialization and supports deep applications in vertical industries, while 6G is advancing through technology validation and standardization for the 2030s. Open RAN and edge computing are driving the network towards openness and distribution.

From the perspective of industry chain collaboration, the industry has formed a complete and efficient upstream-downstream collaborative ecosystem. By 2025, the global mobile ecosystem will support significant employment and fiscal contributions, with collaboration effects significantly reducing costs and enhancing iteration efficiency.

The challenges facing the industry mainly include: substantial investment in the construction and R&D of 5G-A and 6G networks, leading to high costs; persistent and prominent cybersecurity risks; and the impact of international competition and geopolitical factors on the stability of the supply chain.

Management Discussion and Analysis (Continued)

3. *High-speed Optical Transceiver Industry*

The high-speed optical transceiver industry is currently in a critical phase of industrial expansion characterized by the large-scale volume growth of 800G products and the initial commercial adoption of 1.6T products.

From the perspective of technological advancement, AI computing power and 5G-A deployment are driving continuous iteration of high-speed optical modules, with 800G maturing and scaling up, 1.6T commencing commercial use, 3.2T advancing in research and development, and new technologies such as silicon photonics, CPO, and LPO simultaneously undergoing industrialization.

From the perspective of market applications, the industry is experiencing rapid growth, with AI computing centers becoming the core source of demand, and the trend toward high-end development is clear.

From the perspective of industrial chain collaboration, upstream, midstream, and downstream sectors have formed a closely interconnected pattern, with leading companies simultaneously releasing both performance and production capacity.

The challenges facing the industry include: rapid technological iteration leading to significant pressure on R&D investment; intensified industry competition and pricing pressure in the second half of 2026 as production capacity is released; and uncertainties arising from the supply of core components, geopolitical factors, as well as intellectual property and standards competition.

(iii) Cyclical Characteristics of the Industry

The three sub-sectors of ICT terminal equipment, wireless communication infrastructure, and high-speed optical modules are all influenced by the overlapping cycles of technological iteration, policy-driven initiatives, and market demand. Overall, they exhibit stronger growth attributes than cyclical characteristics.

1. *ICT Terminal Equipment Industry*

The industry exhibits a composite weak-cycle characteristic, influenced by technological updates, consumer demand, economic cycles, and policies. During periods of economic prosperity, corporate digitalization and consumer demand for device upgrades are strong, sustaining steady industry growth; and in economic downturns, spending tends to become more cautious, yet rapid technological iterations continue to generate new demand. The industry's technological iteration cycle has shortened to 1–2 years, with AI, the Internet of Things, dual-gigabit networks, and other advancements continuously unlocking incremental growth opportunities.

2. *Wireless Communication Infrastructure Industry*

The industry exhibits strong cyclical characteristics driven by generational upgrades and is currently in an upward cycle driven by the large-scale commercial deployment of 5G-A. In the future, with the evolution of 6G technology and the deep penetration of vertical fields such as industrial Internet, vehicle networking, and smart grids, a new round of growth will be initiated, effectively smoothing cyclical fluctuations.

3. *High-speed Optical Transceiver Industry*

The industry exhibits a typical dual-driven cycle of technological iteration and computing power investment. It is currently in the period of large-scale volume growth and dividends from 800G, with 1.6T expected to enter the phase of large-scale deployment by 2026. The growth in industry demand is sufficient to offset the normal decline in product unit prices. In the medium term, capacity expansion will intensify market competition. In the long term, growth momentum will be sustained through generational upgrades (800G → 1.6T → 3.2T) and new scenarios such as 6G fronthaul, automotive optical interconnection, and satellite communications.

(iv) Market Position of the Company

Please refer to the section "BUSINESS OPERATIONS DURING THE REPORTING PERIOD" — "(iv) Market Position of the Company's Products" for details.

Management Discussion and Analysis (Continued)

(v) Impact of New Policies on the Industry

1. *Domestic Policies Drive Communication Industry Upgrades*

Over the past three years, various national ministries and commissions have intensively issued a series of policies aimed at revitalizing the communication industry. These policies continuously promote the high-quality development of the communication sector, creating a favorable policy environment for companies in the industry:

In February 2023, the Central Committee of the Communist Party of China and the State Council issued the "Overall Layout Plan for the Construction of Digital China." The plan aims to accelerate the coordinated construction of 5G networks and gigabit optical networks, deeply promote the large-scale deployment and application of IPv6, advance the comprehensive development of the mobile Internet of Things, and vigorously promote the large-scale application of BeiDou. It also seeks to systematically optimize the layout of computing power infrastructure, facilitating efficient complementarity and coordinated linkage between computing power in the eastern and western regions.

In March 2023, the State Council's "2023 Government Work Report" identified accelerating the construction of a modern industrial system as a key focus for future work. The report emphasizes accelerating the digital transformation of traditional industries and small and medium-sized enterprises, striving to enhance high-end, intelligent, and green development levels, vigorously developing the digital economy, and promoting the accelerated development of emerging industries such as high-end equipment, biomedicine, and optoelectronic information.

In April 2023, the Ministry of Industry and Information Technology (MIIT) and five other departments issued the "Guiding Opinions on Promoting the Development of the Energy Electronics Industry." The document promotes the integration of energy electronics technology with optical communications and encourages the development of products such as high-speed optical transceivers and energy communication chips.

In June 2023, the MIIT, the Ministry of Education, the Ministry of Science and Technology, the Ministry of Finance, and the State Administration for Market Regulation issued the "Implementation Opinions on Improving the Reliability of Manufacturing." This document highlights the need to focus on improving the reliability levels of electronic components such as optical communication devices, new sensitive components, and sensors.

In September 2023, the MIIT launched the "Broadband Borderland Special Action (2023–2025)." The action aims to achieve 100% gigabit optical network coverage in border county seats and over 80% 5G network coverage in administrative villages by 2025.

In October 2023, the MIIT released relevant policies for 5G development, proposing to achieve full 5G network coverage in prefecture-level cities, county seats, and townships nationwide by 2025, enhancing network performance and user experience. The policies also support the development of 5G lightweight technology (RedCap) and promote the application of technologies like 5G RedCap in industry terminals. (Note: The MIIT did not issue a separate "New 5G Development Policy", so please give a standardized description here.)

Management Discussion and Analysis (Continued)

In December 2023, the National Development and Reform Commission, the National Data Bureau, the Cyberspace Administration of China, the MIIT, and the National Energy Administration issued the "Implementation Opinions on Deepening the 'East Data West Computing' Project and Accelerating the Construction of a National Integrated Computing Network." The document proposes to accelerate the construction of a national integrated computing network, with the integrated computing power infrastructure system taking initial shape by the end of 2025.

In January 2024, the MIIT issued the "Notice on Promoting the Evolution of 5G Reduced Capability (RedCap) Technology and Application Innovation Development." This notice aims to promote the large-scale application of RedCap chips in scenarios such as industrial and Vehicle-to-Everything (IoV).

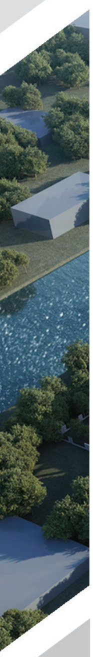
In March 2024, the "2024 State Council Government Work Report" proposed to deeply promote the innovation and development of the digital economy, formulate policies to support its high-quality development, actively advance the digitalization of industries and the industrialization of digital technologies, and promote the deep integration of digital technologies with the real economy. The report also calls for moderately advancing digital infrastructure and accelerating the formation of a national integrated computing system.

In May 2024, the National Data Bureau and nine other departments issued the "National Integrated Computing Network Construction Action Plan." The plan proposes to build 20 national computing power hub nodes and promote the grid-based scheduling of over 30% of intelligent computing power.

In January 2025, the National Development and Reform Commission, the National Data Bureau, and the MIIT jointly issued the "Guidelines for the Construction of National Data Infrastructure." The guidelines explicitly state the need to promote the application of 400G/800G high-speed all-optical connection technology, require telecommunications operators to improve the efficiency of public transmission channels, and fully promote the deep integration of computing and networks, providing policy support for the technology upgrade and large-scale deployment of high-speed optical transceivers.

In January 2025, the General Office of the MIIT issued the "Notice on Carrying out Pilot Work for 10G Optical Networks," launching pilot deployments for 10G optical networks. The pilot focuses on key scenarios such as residential communities, factories, and industrial parks to advance the construction of 10G optical networks. It aims to guide industrial chain collaboration to break through bottlenecks in core technologies and key equipment, driving the iterative upgrade from gigabit optical networks to 10G optical networks. This clarifies the pilot direction and implementation path for the 10G upgrade of wired broadband access networks and provides policy guidance for the technological innovation and large-scale application of supporting optical communication components and modules.

Management Discussion and Analysis (Continued)



In May 2025, the MIIT issued the "Computing Power Interconnection Action Plan." The plan proposes to establish a relatively comprehensive set of standards and rules for computing power interconnection by 2026, promote new high-performance transmission protocols, tackle core technologies such as high-speed interconnect buses and high-speed lossless networks, and build national, regional, and industry-level computing power interconnection platforms. This will facilitate the cross-entity and cross-regional scheduling of computing, storage, and network resources, providing strong support for the adaptation and application of high-speed optical transceivers in computing power networks and for the upgrade of data center equipment.

In August 2025, the MIIT issued the "Guiding Opinions on Optimizing Business Access to Promote the Development of the Satellite Communication Industry." The document supports the development of low-earth-orbit (LEO) satellite internet, direct-to-device (D2D) satellite services, and commercial trials for satellite IoT. It encourages the cross-integration of satellite communications with infrastructure like the Industrial Internet and Vehicle-to-Everything, promotes direct satellite connectivity for terminals such as mobile phones and automobiles, and expands diverse application scenarios like emergency communications and digital services for the public. This creates policy conditions for technological innovation and scenario expansion in wireless network access.

In October 2025, the General Office of the MIIT launched a special action for "millisecond computing access" in metro areas. The action sets clear targets for 2027: achieving no less than 50% deployment rate of 400Gbps egress for medium-sized and above computing power centers in metro areas, and no less than 50% deployment rate of all-optical cross-connects at key sites. It aims to promote the application of technologies such as all-optical switching and optical converged networking in computing power centers, directly driving large-scale demand for 400G and above high-speed optical transceivers. It also aims to improve the layout of computing power access networks in key locations, accelerate the broad coverage of all-optical networks, and facilitate the upgrade of wired broadband access networks.

In November 2025, the General Office of the State Council issued the "Implementation Opinions on Accelerating Scenario Cultivation and Opening to Promote Large-scale Application of New Scenarios." The document aims to create new tracks and scenarios for the digital economy and artificial intelligence, build new business scenarios such as manufacturing transformation and upgrading, and smart logistics, and promote the deep integration of communication technologies like 5G and computing networks with fields such as industry, transportation, and healthcare. This provides diverse application spaces for high-speed optical transceivers, and wired and wireless network access equipment.

In December 2025, the General Office of the MIIT issued the "Guiding Opinions on Accelerating the Innovation and Development of National New-Type Internet Exchange Centers." The document promotes the deployment of 400G/800G optical transport technology at exchange centers, supports 5G virtual private networks and satellite ground station access, and facilitates the efficient cross-regional flow of computing power. This provides policy support for the application of high-speed optical transceivers in backbone and metropolitan area networks and for the expansion of wireless network access scenarios.

The communication industry policies issued intensively by the state, centered around the "14th Five-Year Plan" for digital economy development and new infrastructure construction, exhibit three core characteristics: first, strengthening the capacity of basic networks, promoting full coverage and quality improvement of 5G/gigabit optical networks; second, deepening the integration of digital technology and the real economy, advancing key projects such as "5G + Industrial Internet" and "computing network + optical communication"; third, achieving breakthroughs in core technologies, focusing on key areas like optical communications and 5G RedCap, and accelerating the domestic substitution process. As a communication equipment manufacturer, these policy dividends bring multiple development opportunities for the Company: surging demand for high-speed optical transceivers and 5G-Advanced base station equipment, continuous expansion of the industrial IoT terminal market, and concentrated release of demand for data center equipment upgrades. The Company will seize this policy window, strengthen technological innovation in 10G optical networks, deepen cooperation with operators and equipment manufacturers, accelerate the application and adaptation of domestic key components, build competitiveness across the entire industry chain, and achieve leapfrog development in the wave of new digital infrastructure construction.

2. Global Communication Industry Policy Dynamics and Competitive Landscape

In March 2022, Spain passed the "5G Cybersecurity Law." This law does not explicitly prohibit Huawei or ZTE from participating in core network construction, nor does it establish a blacklist of high-risk suppliers. Instead, it retains a case-by-case review mechanism, which increases the compliance cost for GPON/EPON equipment entering the European market. Companies need to strengthen device security certification to meet the review requirements.

In April 2022, the EU's "Digital Services Act" required large platforms (such as Meta and Google) to strengthen content moderation, monitor illegal content in real-time, and implement rapid removal mechanisms for hate speech and disinformation. This imposes higher requirements on the content filtering capabilities of devices like home Wi-Fi Mesh gateways and 5G FWA CPEs, pushing companies to upgrade AI-driven content recognition technologies.

In July 2022, the EU's "Digital Markets Act" stipulated that very large online platforms must ensure data interoperability, prohibit self-preferencing through abuse of market dominance, and promote the standardization of data interfaces for devices like 5G FWA CPEs. It also requires platforms to open user data access permissions, providing support for cross-platform collaboration of enterprise-grade communication equipment.

In August 2022, the US "CHIPS and Science Act" provided USD 52.7 billion in subsidies and USD 24.0 billion in tax credits to attract semiconductor companies to invest in R&D and manufacturing in the US. It also restricted the expansion of advanced process capacity in China by recipient companies, indirectly impacting the chip supply chain for 100G/200G/400G optical transceivers and industrial-grade 5G fronthaul optical transceivers, accelerating the shift of the global optical transceiver industry towards the US.

Management Discussion and Analysis (Continued)

In September 2023, the EU "Chips Act" committed EUR 43.0 billion to integrate public and private resources, aiming to increase the EU's share of global chip production capacity from 10% to 20% by 2030. This promotes localized capacity deployment for 10G PON and 50G PON equipment, while also providing supply chain security for enterprise-grade communication equipment such as industrial APs and IoT gateways.

In January 2024, Japan revised its "National Security Strategy," incorporating critical infrastructure such as power grids and railways into the scope of cyber defense regulation. It requires communication equipment to support active traceability and countermeasure functions, impacting the security design of devices like 25G edge gateways and industrial APs, which now need to integrate network threat detection and response modules.

In February 2024, the US issued an executive order restricting the flow of sensitive data (such as geolocation and biometric information) to "countries of concern" like China and Russia. It requires submarine cable operators and medical entities to strengthen data export reviews, impacting the international deployment of 400G/800G optical transceivers and requiring companies to adjust their transoceanic transmission solutions.

In February 2024, the US further tightened regulations on data transmission over submarine cables, forcing communication companies to adjust their supply chain layout for 400G/800G optical transceivers and accelerate the construction of optical transceiver manufacturing bases in Southeast Asia to mitigate data security review risks.

In July 2024, Indonesia issued technical regulations for LTE and 5G NR, adding support for frequency bands such as B28 and B31. This promotes the local adaptation of 5G small cells and edge DU products, while also driving technological upgrades for 25G fronthaul optical transceivers.

In August 2024, Qatar's Communications Regulatory Authority required operators to cease 3G services by the end of 2025, freeing up spectrum resources for 4G/5G network upgrades. This frees up mid and low-band spectrum resources for equipment like 5G small cells and 5G FWA CPEs, promoting 5G network expansion in the Middle East.

In September 2024, Japan revised its radio equipment regulations, incorporating the 4.9GHz frequency band into the 5G system. This provides spectrum support for 5G small cells, edge DU products, and industrial-grade 5G fronthaul optical transceivers, driving the penetration of 5G networks into areas such as smart manufacturing and the Vehicle-to-Everything.

In November 2024, South Korea revised its "Telecommunications Business Act," requiring platforms to implement a mechanism to block deepfake pornographic videos within 24 hours and to use AI technology for real-time monitoring of illegal content. This poses challenges to the local storage and content processing capabilities of home Wi-Fi Mesh gateways and 5G FWA CPEs.

Management Discussion and Analysis (Continued)

In March 2025, the EU released the "Cybersecurity Act (Revised Version)," strengthening security reviews for imported communication equipment. It requires non-EU companies to provide device source code and security test reports, increasing the compliance costs for communication equipment entering the European market.

In May 2025, Indonesia's Ministry of Communication and Digital Affairs issued Decree No. 204 of 2025, introducing new technical standards for 5G Broadband Wireless Access (BWA) equipment. These standards apply to BWA equipment operating in the 1432–1517MHz frequency band using TDD technology, regulating requirements for device power, safety compliance, and electromagnetic compatibility. This promotes local adaptation for 5G base stations and customer premises equipment (CPEs), while indirectly driving technology upgrades and compliance adaptation for 25G fronthaul optical transceivers.

In June 2025, the US updated its "Technology Export Control List to China," further restricting the export of advanced optical transceivers (1.6T and above) and related manufacturing equipment. This affects the global optical transceiver industry chain layout, requiring domestic companies to accelerate independent R&D of core technologies to mitigate the impact of these restrictions.

In August 2025, the US government proposed a 100% tariff on all imported products containing semiconductors, offering tariff exemptions for companies committing to shift production to the US. Since optical transceivers are mostly classified as communication equipment, the actual impact is limited, but it encourages companies to accelerate the establishment of production lines in the US to mitigate tariff risks, indirectly affecting the global supply chain layout for high-speed optical transceivers. Concurrently, China's Ministry of Commerce issued an announcement, adding 12 US entities to its export control list, prohibiting the export of dual-use items to them, further intensifying the competition within the global communication industry chain.

In October 2025, Egypt's National Telecom Regulatory Authority announced that from October 1st, it would cease type approval and import licensing for cellular devices whose highest technical standard is 3G. This frees up spectrum resources for 4G/5G network upgrades, providing frequency resources for wireless network access equipment such as 5G small cells and 5G FWA CPEs, supporting Egypt's 5G commercial deployment and driving demand for related equipment and supporting optical transceivers.

Management Discussion and Analysis (Continued)

In December 2025, South Korea's Ministry of Science and ICT mandated that domestic telecommunications operators connect all 5G base stations to the 5G SA core network by 2026, promoting the upgrade to 5G standalone architecture. It also encouraged operators to deploy 5G indoor base stations and reduced fees for LTE spectrum reallocation. This drives demand growth for 5G small cells, industrial-grade 5G fronthaul optical transceivers, and Wi-Fi 7-related equipment, laying the groundwork for 6G deployment.

In 2025, the EU advanced the legislation of the "Digital Networks Act," establishing mandatory copper network phase-out requirements, ordering member states to fully eliminate traditional copper cable networks between 2030 and 2035. This creates development space for optical fiber and advanced mobile networks, driving the upgrade of wired broadband access to optical fiber networks and directly boosting demand for optical access modules like 50G PON and related equipment.

In 2025, the UAE accelerated its 5G-Advanced network upgrade, deploying 25Gbps E-band microwave links to fill bandwidth gaps in areas with scarce fiber resources. Concurrently, in collaboration with Saudi Arabia, it invested over USD 10.0 billion in building AI infrastructure, promoting the development of data center clusters. This drives demand for 800G/1.6T high-speed optical transceivers, supporting the technological implementation and large-scale application of wireless network access and high-speed optical transceivers.

In 2025, Japan's Ministry of Economy, Trade and Industry advanced R&D related to "Open RAN," focusing on improving the overall control efficiency of radio access networks. Concurrently, it unveiled 6G prototype technologies, focusing on 100Gbps high-speed transmission. This drives the convergence and innovation of high-speed optical transceivers and wireless network access technologies, laying the foundation for 6G commercial deployment and influencing the technology upgrade path for industrial-grade 5G fronthaul optical transceivers and related wireless equipment.

The global communication industry is undergoing multiple transformations, including supply chain restructuring, technology compliance upgrades, and regional market differentiation. Policy uncertainty and technological standard competition are intensifying. Chinese companies need to seek a balance between technological innovation and compliant operations. By achieving breakthroughs in R&D, localizing production capacity, and building robust compliance systems, they can navigate the complex international environment and consolidate and expand their global market share.

DISCUSSION AND ANALYSIS OF OPERATION

In 2025, the global optical communication industry entered a period of high prosperity. The explosive demand for AI computing power and the accelerated construction of global data centers became the core growth engines for the industry. At the same time, the global trade environment remained complex and volatile, with external challenges such as fluctuating US-China tariffs, tight supply of core components, and general increases in raw material prices intertwining. The industry's competitive landscape continued to optimize alongside accelerating technology iteration. Against this backdrop, the Company seized the opportunities presented by industry development, firmly implemented its innovation-driven and globalization strategies, and steadily advanced capacity deployment projects such as the commencement of production at the new Jiashan facility and the relocation of the Shanghai facility. It continuously deepened technology R&D and product innovation, optimized its global supply chain system and market layout, and achieved synergistic growth across its three core businesses: high-speed optical transceivers, broadband access, and wireless access. Overall operations demonstrated strong resilience and growth potential, with core competitiveness further enhanced.

During the reporting period, the Company achieved a net profit attributable to shareholders of the listed company of 263.4852 million RMB, an increase of 96.8040 million RMB compared to the same period last year, representing a year-on-year increase of 58.08%. The net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss was 258.7854 million RMB, an increase of 107.5312 million RMB year-on-year, representing a growth rate of 71.09%. The core driver of the Company's performance growth was the coordinated efforts of its three core businesses: high-speed optical transceivers, broadband access, and wireless access. Specifically, the high-speed optical transceiver business benefited from the demand dividend generated by AI computing power and data center construction, combined with the Company's capacity expansion and product structure optimization. This resulted in a significant increase in order volume and shipment quantities, with the proportion of high-speed, high-margin products rising notably. The broadband access and wireless access businesses maintained steady growth in shipment volume and revenue, leveraging stable customer relationships and product competitiveness, providing solid support for the overall performance. Concurrently, the Company effectively managed the industry-wide supply tightness through strategic material stockpiling and vertical integration of the supply chain. Although it incurred a foreign exchange loss of 84.62 million RMB due to the depreciation of the US dollar and Hong Kong dollar, and R&D and sales expenses increased alongside business expansion, this did not alter the overall trend of improved profitability in the core business, making the Company's profit quality more sustainable.

Management Discussion and Analysis (Continued)

During the reporting period, the Company's main operational activities included the following:

(i) Research and Development

In 2025, the Company's R&D efforts focused on high-speed optical transceivers as the core direction, achieving significant breakthroughs in core product development and forward-looking technology deployment. Simultaneously, in the access and wireless network domains, the Company concentrated on high-bandwidth and intelligent upgrades, further solidifying its R&D capabilities and technology reserves. In the high-speed optical transceiver sector, the Company completed the development and engineering validation of second-generation silicon photonics-based products including the 800G OSFP DR8, 800G OSFP 2×FR4/2×LR4, and the cost-optimized 400G QSFP112 DR4/DR4+. The overseas R&D team completed the development and validation of the next-generation 1.6T OSFP DR8 and 1.6T OSFP 2×FR4, based on 3nm DSP and 200G/lane high-density integrated silicon photonics technology, and delivered customer samples in the fourth quarter. Concurrently, the Company initiated development on forward-looking technology such as the high-power external light source optical transceiver (ELSFP) series and 3.2T/6.4T CPO/NPO, and jointly showcased the latest progress with partners at the OFC exhibition in March 2026, laying the foundation for next-generation high-speed interconnect strategies. Focusing on the reliability of key components and the optical-electrical link for the 800G/1.6T platform, the Company completed material qualification for multiple core suppliers (e.g., silicon photonics chips, CW lasers) and customer-side matching validation, establishing reusable component selection and consistency verification methods, thereby enhancing R&D delivery stability. In the access and wireless network sectors, the Company achieved the production and deployment of 25G PON terminal products for North American customers, advanced the R&D and production introduction of Wi-Fi 7 technology for GPON/XGS PON gateways and enterprise-grade APs, continuously enhanced its software self-development capabilities and platform AI capabilities, and iteratively improved key functions such as remote management and fault localization for operators' full-series home network gateways and Wi-Fi mesh solutions, achieving commercial deployment in North America.

(ii) Product Lines

1. *Telecom Broadband (Broadband Product Business Unit)*

In 2025, the Telecom Broadband Business Unit achieved dual optimization in operational scale and product structure. Cumulative annual shipments nearly 10.00 million. Pre-tax revenue reached nearly RMB2.0 billion, with revenue growth outpacing shipment growth, indicating the business unit's gradual transition towards higher-end, higher-value products. Within this, 10G PON products accounted for over 50%, successfully meeting the annual product structure upgrade plan. 25G PON products achieved mass shipments and deployment to North American customers, making the Company one of the earliest manufacturers globally to achieve mass shipments of 25G PON terminals. The business unit actively pursued the application of Wi-Fi 7 in GPON and XGS PON gateways, with multiple products entering mass production, and developed AI engines within PON gateway devices to effectively meet operators' needs for service classification, fault analysis, and localization. Facing external challenges such as US-China tariff issues and global memory chip price increases, the business unit, in coordination with various company departments, promptly introduced alternative materials not subject to tariffs, established strategic partnerships with domestic and international memory chip manufacturers, and effectively offset cost impacts through commercial negotiations and strategic stockpiling, ensuring stable business progress.

2. *Wireless Networks and Edge Computing (Wireless Product Business Unit)*

In 2025, the Wireless Product Business Unit focused on its self-developed Optim platform to create comprehensive gateway and Wi-Fi mesh solutions for operator home networks. By deepening the platform's AI capabilities, optimizing device remote management, fault diagnosis, and network optimization functions, it achieved efficient intelligent operations and maintenance, commercialized these solutions in the North American market, with self-developed software products accounting for over 70% of the portfolio. Based on the OpenWiFi platform, the unit launched a full series of Wi-Fi 7 enterprise-grade AP products, constructing a complete product solution for MDU access scenarios. The small cell product line completed its strategic optimization, focusing on customized development of integrated small cells. Through technology iteration, it achieved product functionality upgrades alongside reductions in both size and power consumption, supporting single-chip 4G/5G dual-mode capability, thereby facilitating smooth network upgrades for customers. Facing adverse factors such as tariff barriers, supply chain fluctuations, and memory price increases, the unit effectively mitigated external impacts through design changes, introduction of alternative materials, and supply chain optimization adjustments, ensuring stable business development.

Management Discussion and Analysis (Continued)

3. *High-speed Optical Transceivers (Optoelectronics Business Unit)*

In 2025, the Optoelectronics Business Unit made significant progress in high-speed optical transceiver product development, customer certification, and capacity deployment, continuously enhancing the competitiveness of its core products. The unit completed the development of second-generation silicon photonics-based products including the 800G OSFP DR8, 800G OSFP 2×FR4/2×LR4, and the cost-optimized 400G QSFP112 DR4/DR4+. The overseas R&D team completed the development and validation of the 1.6T OSFP DR8 and 1.6T OSFP 2×FR4 based on 3nm DSP and 200G/lane high-density integrated silicon photonics technology, delivering customer samples in the fourth quarter. Concurrently, it initiated development on the ELSFP series and 3.2T CPO/NPO products, with customer sampling expected in 2026. In terms of product certification and shipment, silicon photonics-based products such as the 400G QSFP112 DR4/DR4+ and 800G OSFP DR8/DR8+ successfully completed qualification with major overseas customers and achieved mass shipments in 2025. The next-generation 800G OSFP 2×FR4/2×LR4 silicon photonics products largely completed qualification with several major overseas customers, laying the foundation for mass shipments in 2026. Regarding supply chain and capacity, the unit completed material qualification with multiple core suppliers for key components of 800G/1.6T optical transceivers and certification with major overseas customers. It placed advance orders to secure capacity for several key components. Additionally, the unit completed the overall relocation of the Shanghai facility to the Jiashan facility, achieving continuous capacity expansion for multiple core products at both the Jiashan facility and overseas facilities, thereby fully meeting customer order requirements for 2026.

(iii) Significant Subsidiaries

1. *CIG USA*

In 2025, facing a complex global trade environment, CIG USA collaborated closely with the Company's headquarters, implementing multiple measures to effectively address challenges in the North American market, while making significant progress in market expansion, product R&D, and capacity deployment. Regarding trade response, the Company seized the window before new tariffs took effect to accelerate delivery schedules, completing the full transition of products destined for the US to Malaysia plant before the reciprocal tariffs were implemented in April. In the first half of the year, it completed trial production and certification at its US local factory, initially establishing local delivery capabilities. It also encouraged major overseas customers to accelerate their certification of overseas production capacity, leveraging its global footprint to mitigate trade risks. After trade relations eased in the second half of the year, the Company fully utilized its capacity deployment advantages, resulting in significantly lower tariff costs for products exported to the US. Moreover, as most orders were on an FOB/FCA basis, tariffs and freight were borne by customers, further enhancing business flexibility. In terms of market sales, broadband access and wireless businesses maintained stable growth, continuously increasing market share in the North American 10G PON market. 25G PON products achieved initial mass shipments and captured a significant share of the North American market by year-end. The accelerated delivery pace of Wi-Fi 7 products drove growth in the wireless business. The optical transceiver business, leveraging the JDM model, achieved significant progress in the expansion and delivery of 800G products, substantially boosting the Company's revenue and profit. Concurrently, it actively engaged new target customers, achieving tangible progress, and proactively managed the delivery proportion of lower-speed products to optimize its business portfolio. Regarding R&D and its layout, CIG USA deepened its North American local R&D presence, collaborating closely with R&D centers in Japan and Taipei to build a global R&D service system. A R&D center was established in Hsinchu at the end of 2025, focusing on next-generation optical connectivity technology, creating complementary R&D advantages. In terms of R&D direction, the Company continued to increase investment in iterative R&D for 800G and 1.6T products, laid out strategies for 3.2T optical transceivers and NPO/CPO technologies, initiated preliminary research and early development for Wi-Fi 8 and 50G PON products, and also began development in DCOM, aiming to enhance customer stickiness through synergistic product solutions. Furthermore, CIG USA conducted feasibility analyses for production capacity deployment in North America and Mexico, laying the groundwork for the Company's future global capacity expansion.

Management Discussion and Analysis (Continued)

2. CIG Japan

In 2025, the CIG Japan R&D team focused on core technology R&D for high-speed optical transceivers, continuously advancing the development of 800G OSFP and 1.6T OSFP series products. They consistently explored areas such as high-speed optoelectronic conversion and high-frequency circuit design, striving to enhance the performance of cutting-edge data center products. For 1.6T module development, in addition to continuing deep engagement with the EML technology path, the team began investigating solutions based on silicon photonics technology, focusing on developing more efficient products. This provides crucial support for the technology iteration and solution optimization of the Company's high-speed optical transceiver products.

3. CIG Zhejiang

In 2025, the Jiashan facility of CIG Zhejiang completed its construction and was put into operation. The Shanghai facility was successfully fully relocated to the Jiashan facility. All procured production equipment was installed and commissioned, and major customers completed factory audits, enabling official shipments. The Jiashan facility, serving as a strategic-level production base for the Company, is positioned as a global smart manufacturing center, a global logistics management center, and a global R&D center. Its commencement of operations marks a crucial milestone in the Company's high-end manufacturing capacity deployment, providing solid support for securing production capacity for core products, enhancing global delivery capabilities, and strengthening overall competitiveness.

Management Discussion and Analysis (Continued)

(iv) Manufacturing

1. Traditional Products and Smart Manufacturing

In 2025, the Company continued to optimize its global production layout and advance smart manufacturing upgrades, achieving the development goals of “maintaining quality while adjusting volume, and enhancing profitability through scale.” The Shanghai smart factory adhered to its positioning of “high-end, small-batch, high value-added,” focusing on core products such as optical transceivers and smart broadband access equipment. It completed the production and delivery of 1.70 million units for the year. Although production volume decreased compared to the previous year, leveraging enhanced product value-added and lean manufacturing, the pass rate for smart broadband products remained above 99.8%, earning the highest recognition with four consecutive ‘A’ grades in quality performance evaluations from a core customer. The production volume adjustment was mainly due to two factors: first, the Company’s strategic optimization to shift some standardized products to overseas bases, concentrating Shanghai factory resources on high-end customized products; second, the phased capacity adjustment resulting from the relocation of the Shanghai factory to the new Jiashan base. The domestic production bases in Wuhan and Xi’an completed approximately 5.43 million product deliveries for the year. Due to geopolitical factors, some customer orders were shifted to the Malaysia production base, which produced over 4.00 million units for the year, achieving 100% growth year-on-year. Through this global division of labor and collaboration in capacity, the Company achieved a complementary synergy where overseas bases undertake large-scale production of standardized products, while the Shanghai factory focuses on R&D and manufacturing of technology-intensive products. This effectively mitigates geopolitical risks and better serves regional market demands. At the end of 2025, the new Jiashan facility was fully completed and commenced production. This base integrates advanced technologies such as digital twins and smart logistics to build a modern manufacturing facility meeting “lighthouse factory” standards, significantly improving logistics efficiency. Its operation not only serves as a core production hub but also as a strategic point for integrating global resources and leading industry technology trends, significantly enhancing the Company’s competitive position in high-end manufacturing.

2. *Optoelectronic Products*

In 2025, the Company achieved significant results in the manufacturing of optoelectronic products across process development, capacity relocation, expansion, and automated equipment R&D. The NPI department successfully completed cost-reduction NPI introductions for multiple 800G DR8 and 2×FR4 800G derivative products. It introduced several key components such as lasers and fiber arrays, completed process and reliability validation, and successfully finished process development for multiple 1.6T optical transceiver models, bringing them to a mass production-ready status. Concurrently, it advanced the development of key processes for NPO/CPO modules and ELSFP modules. Regarding capacity relocation, the Company successfully completed the overall relocation of the optical transceiver production line from the Shanghai facility to the new Jiashan facility. It passed qualification from a key North American customer by July, achieved a smooth capacity transition during the relocation period with no loss of core technical personnel, and ramped up production capacity quickly at the Jiashan facility, reaching over 90% of its design capacity by November. In terms of overseas capacity, the expansion of optical transceiver production in Malaysia proceeded smoothly, successfully passing qualification with a key North American customer, laying the foundation for significant capacity expansion in 2026. In the area of automated equipment R&D, the automation department completed the development and delivery of over 500 self-developed precision coupling machines, effectively reducing manufacturing costs and shortening product delivery cycles. It also planned to develop a new generation of automated precision assembly equipment for 1.6T optical transceivers in 2026, further increasing in-house R&D efforts. Additionally, the Company's optical transceiver product delivery quality remained stable, with no major quality complaints, and it successfully passed multiple customer factory audits by core clients.

3. *Malaysia Production Base*

In 2025, the Malaysia production base achieved breakthrough developments in both traditional business and optoelectronic products, becoming a crucial pillar of the Company's global capacity deployment. For traditional broadband and wireless businesses, annual output and delivery over 4.00 million units, double the initial forecast for the year and representing 100% growth compared to 2024. The on-site engineering team successfully transferred 32 new projects to production. Concurrently, the base passed annual on-site audits and new product introduction audits from several international customers, earning high praise for its product delivery and quality assurance capabilities. For optoelectronic products, the base successfully passed audits for 400G and 800G optical transceivers from a North American customer and commenced production, achieving mass shipments. The Shanghai headquarters dispatched 40 engineers and technicians to provide on-site support, completing tasks such as talent development and quality supervision. Regarding capacity expansion, the base continues to expand its production facilities, planning to add a second COB workshop, a dedicated module assembly and testing workshop, and a dedicated SMT production line workshop, with construction expected to be completed in the first quarter of 2026.

4. *Quality and Lean Management*

In 2025, the Company's Quality Management Center, aligned with the strategic needs of global business expansion and new product delivery, comprehensively deepened the construction of its quality management system, advancing from compliance assurance to value creation. This provided solid support for the Company's performance growth and market reputation consolidation. First, it deepened the global quality management system, introducing mature quality management practices into new production bases both domestically and overseas. Through multi-dimensional support measures such as quality leadership development and personnel competency grading certification, it ensured consistency in operational quality across multiple bases. All new bases successfully passed on-site audits by core customers. Simultaneously, it continuously maintained and optimized seven major management systems (including ISO9001 and TL9000), reinforcing the institutional foundation. Second, it strengthened supply chain quality collaboration. It implemented tiered management of supplier quality performance, established a PCN baseline management mechanism, and pushed quality management standards upstream to suppliers. This significantly improved the quality of incoming key components, reduced supply risks, and ensured product delivery stability from the source. Third, it innovated R&D quality management mechanisms. A closed-loop quality management process encompassing "standardization requirements — process control — review and gatekeeping — continuous improvement" was established in the R&D phase. Notably, it established a milestone quality gate mechanism in the software R&D domain, transforming quality objectives into checkable and measurable entry criteria. By identifying technical risks earlier through cross-functional team reviews, it substantially improved the delivery quality of software projects and enhanced the capability to manage customer risks.

(v) Marketing and Sales

1. *North and South America Markets*

In 2025, the Company capitalized on industry technology upgrades and market demand dividends in the North and South America markets. Its core businesses achieved steady growth, and its market competitiveness was further consolidated. In the broadband access business, it continuously increased its market share in the mainstream North American 10G PON market. Its 25G PON products achieved initial mass shipments and quickly gained a dominant market position, becoming one of the core suppliers in the North American market. In the wireless business, the delivery pace of Wi-Fi 7 products continued to accelerate, with core customers rapidly transitioning from Wi-Fi 6/6E to Wi-Fi 7, providing sustained growth momentum and market opportunities for the Company's wireless business. The optical transceiver business served as the core growth engine in the Americas market. Benefiting from strong demand driven by AI computing power and data center construction, 800G optical transceivers achieved deep collaboration with core large customers through the JDM model, with orders and shipments significantly increasing. Concurrently, the Company actively advanced customer qualification for 1.6T optical transceivers, accelerated the onboarding of new customers, proactively optimized its product mix by reducing the proportion of lower-speed product deliveries, and focused on the high-end product market. Facing the complex and changing trade environment in the Americas market, the Company effectively mitigated tariff risks and ensured stable product delivery through global capacity deployment and local factory construction. It also deepened cooperation with customers in the region, laying the foundation for subsequent business growth.

2. *Europe, Middle East, and Japan Markets*

In 2025, the European economy showed moderate expansion. Although the telecommunications industry faced challenges such as sluggish revenue growth and high capital expenditure, the direction of investment in network upgrades remained clear. The Company seized the core trend of migration from GPON to 10G PON, leveraging its dual advantages in "R&D + Manufacturing." Through the JDM model, it collaborated with two major European core customers to launch high-performance XGS PON series products. It successfully completed the smooth transition of product lines and achieved stable mass shipments, effectively capitalizing on the technology upgrade window. Simultaneously, it successfully developed two other European JDM customers, laying the groundwork for future market share gains. In the Middle East, driven by various countries' digitalization strategies, optical fiber network construction is characterized by simultaneous "new builds and upgrades", with strong demand for high-speed broadband. Currently, the market is dominated by GPON, with an accelerating trend towards XGS-PON upgrade. At this stage, the Company operates through local partners, primarily achieving stable shipments of GPON terminal products, validating channel effectiveness, while also possessing significant potential for penetration in the high-end product market. The Japan market focused on collaboration for core optical transceiver products. Leveraging the technical support of the CIG Japan R&D center, it achieved deep engagement between its high-speed optical transceiver products and local customers, ensuring stable product delivery.

3. *Asia-Africa Market*

In 2025, the Company adhered to the strategy of "stabilizing traditional business while exploring new growth points" in the Asia-Africa market, achieving stable development in its broadband and wireless product businesses. For traditional business, the JDM hardware business remained stable. While serving existing customers well, it expanded its reach to several key leading customers. In the Southeast Asian operator market, PON and home Mesh Wi-Fi businesses remained stable. 5G small cell products achieved stable delivery in key markets such as Japan and South Korea. In exploring new growth points, home wireless Mesh Wi-Fi products achieved large-scale delivery in Southeast Asia. The Wi-Fi 7 Cloud+ Mesh solution completed several small-scale pilot projects in markets like Southeast Asia and South Africa, poised to enter the mass delivery phase. The enterprise Open Wi-Fi business saw steadily increasing shipment volumes in Southeast Asia and Africa. By integrating industry resources, the Company created comprehensive OLT+GPON/XG(S)PON solutions and launched high-value, cost-effective industry solutions. It further deepened its agent and sales channel network in Southeast Asia and Africa, enhancing market coverage capabilities.

4. Domestic Market

The optical transceiver business was the core business in the domestic market. Benefiting from demand driven by AI and data centers, orders and shipments increased significantly. 800G products were the main shipment drivers. 1.6T products completed sample development and achieved small-scale shipments. The new Jiashan base commenced production mid-year and reached full capacity. The Malaysia base ramped up production capacity. By year-end, the annualized capacity for the 800G series was significantly increased, becoming a core support for high business growth. In terms of product portfolio, the Company focused on 400G, 800G, and 1.6T high-speed optical transceivers as its core, while maintaining stable shipments of traditional 100G optical transceivers. In the domestic market, data communication 400G optical transceivers saw the fastest growth. Product technology iteration was fully shifting towards silicon photonics technology. PCN certification migration for silicon photonics modules became a key market sales activity, and the Company completed multiple rounds of certification testing for various products with its core customer base. In terms of delivery capability, with the release of capacity from the domestic Jiashan base and the overseas Malaysia base, the Company's product diversification and global supply capabilities continued to increase, significantly enhancing delivery capability and effectively meeting the needs of domestic market customers.

(vi) Supply Chain

1. Material Procurement

In 2025, the Company's material procurement operations faced multiple challenges, including general increases in raw material prices, tight supply of core components, and a complex trade environment. Through strategic stockpiling, supply chain collaboration, and domestic substitution, it effectively ensured production needs while achieving cost optimization and enhancing supply chain resilience. For traditional product procurement, in the second half of the year, global memory chips experienced tight supply and price surges due to AI-driven demand spikes. During the US-China trade tensions, the procurement of some high-end chips required multi-level compliance reviews, affecting lead times. The procurement department alleviated cost and delivery pressures through continuous strategic stockpiling, engaged in price strategy negotiations with key suppliers, and established inventory reserves. It continuously introduced domestic brand materials, driving cost reduction for other materials, thereby ensuring stable production and delivery of traditional products. For optoelectronic product procurement, closely aligned with the mass production of 800G core products and the introduction of new technologies, the department made every effort to ensure supply chain stability. For the 800G product production ramp-up, it established high-level alignment mechanisms with suppliers, successfully resolving shortages for laser chips, DSP core computing chips, and key passive optical components, locking in core resources through strategic agreements. Collaborating with R&D and quality departments, it addressed laser chip supply challenges, optimizing procurement costs while ensuring supply. During the critical NPI phase for 200G/lane technology, it engaged deeply with top domestic and international optoelectronic chip manufacturers, participating proactively in component selection, accumulating rich supplier resources and collaboration experience, paving the way for subsequent large-scale product supply.

Management Discussion and Analysis (Continued)

2. *Planning, Warehousing, and Logistics*

In 2025, facing multiple challenges such as global geopolitical instability, raw material price fluctuations, logistics channel disruptions, and trade policy adjustments, the Company's Planning, Warehousing, and Logistics Center collaborated closely with various departments. Leveraging refined management, technological innovation, and process reengineering, it successfully accomplished all annual tasks, solidifying the Company's supply chain lifeline. The smart manufacturing facility achieved a 100% closure rate for three key performance indicators: material kit availability, production completion, and shipment completion, ensuring the reliability and resilience of the end-to-end supply chain. In terms of operational efficiency, material receiving timeliness was improved to 99.99%, and delivery accuracy reached the industry high standard of 99.999%. Overall operational efficiency of the department increased by 2.31% year-on-year. Against a backdrop of surging business volume and general increases in industry logistics costs, transportation expenses increased by only 3.20%, highlighting its cost control capability. In terms of quality and safety, it successfully achieved the dual goals of "zero" quality cost losses and "zero" safety accidents for the year, laying a solid foundation for the Company's sustainable development. Additionally, the center successfully supported the overall relocation of the Shanghai facility to the new Jiashan facility, achieving seamless material and logistics connectivity during the capacity transition period, ensuring business continuity.

(vii) Corporate Management

1. *Human Resource Management*

In 2025, the Company's Human Resources and Administration Center, aligned with the Company's strategic goals, adhered to the management philosophy of "people-oriented, collaboration for win-win," and focused on the full HR chain of "selection, cultivation, utilization, and retention," providing solid human resource support for core business advancement. In talent recruitment and development, it expanded diverse channels such as campus recruitment, social recruitment, and executive search to attract industry talent. For new employees, it implemented customized onboarding training, job-specific skills training, and mentorship programs, solidifying the talent pipeline. It refined the "short-term precise incentives + long-term value sharing" system, using equity incentives as a core mechanism to motivate employees' transformation into "partners," stimulating intrinsic motivation. For HR support during the factory relocation, it led the employee communication and implementation efforts for the Shanghai factory's move to the Jiashan facility. Through meticulous planning and considerate arrangements, it achieved a smooth transition with "zero disputes and zero conflicts," ensuring the relocation and business continuity. In workforce planning and allocation, it implemented proactive recruitment planning aligned with factory manpower needs, broadened recruitment channels, optimized selection processes, improved recruitment efficiency and quality, and completed manpower replenishment for core positions, supporting business expansion. In corporate culture development, it continuously fostered a culture of "collaboration, innovation, and sustainable growth." It organized diverse cultural activities and training programs, built platforms for employee interaction and growth, enhanced team cohesion and sense of belonging, and created a positive and motivating work environment.

2. Cost Management

In 2025, the Company's Cost Management Center continued its intensive cost control efforts, focusing on two key priorities: the Shanghai factory relocation and the Hong Kong listing. It provided end-to-end follow-up and established robust cost control measures, achieving cost controllability and maximizing the Company's interests. Regarding cost control for the factory relocation, during the preparatory phase for the Shanghai factory relocation, the center collaborated deeply with various departments through repeated discussions, tailoring comprehensive relocation control policies and implementation details. Adhering to the core principle of cost controllability, it coordinated the relocation matters, ensuring a smooth transition for production operations and minimizing the impact of the relocation on production. For cost control at the headquarters level, the Company successfully completed its Hong Kong listing in October 2025. As a core team, the Cost Management Center was deeply involved throughout the listing process in cost control and commercial negotiations. From leading commercial negotiations with core vendors such as securities firms and law firms during the preparatory phase at the beginning of the year, to continuously following up on daily expense renewals and subsequent negotiations post-listing, the center consistently upheld the principle of maximizing the Company's interests. Leveraging its professional negotiation and analytical skills, it effectively managed the full spectrum of listing-related costs and expenses, achieving significant results. Concurrently, the center continuously optimized departmental expense requirements, deepened refined data analysis, and provided precise data support for the Company's management decisions, enhancing overall resource utilization efficiency.

3. Information Technology (IT)

In 2025, the Company's IT development, centered on its digital transformation strategy, completed several core system upgrades and project implementations, effectively enhancing operational efficiency, supply chain collaboration, and support for global production capacity. In terms of core system upgrades, it completed the upgrade of the ERP system to the new D365 version, continuously deepening the informatization of financial management and advancing integrated financial systems. It optimized the group's OMS (Order Management System) platform, improving S&OP accuracy and effectively enhancing material planning and supply chain efficiency for multi-location production. For IT development in new factories, it led the successful implementation of the low-voltage electrical systems project for the new Jiashan smart factory, assisting in the seamless transfer and successful commissioning of production lines, providing robust IT support for the new facility's efficient operation. Regarding the IT layout for global production bases, it continuously upgraded and deployed manufacturing management information systems at global sites, including Shanghai, Wuhan, Xi'an, Malaysia, Germany, and the US, adapting to the production requirements of new customers, products, and processes, and ensuring IT synergy across the global capacity footprint. Additionally, the IT department assisted the Company in successfully passing qualified supplier system audits from existing and new customers, as well as completing annual audits and the Hong Kong IPO audit, providing IT assurance for the Company's market expansion and capital operations.

Management Discussion and Analysis (Continued)

4. *Technology Management*

In 2025, the Company achieved significant results in technology management, advancing both technology R&D and corporate qualification building, further enhancing its innovation capability and industry influence. In terms of project acceptance and qualification assessment, it successfully passed the acceptance for the 2022 Minhang District Major Industrial Technology Research Program project and successfully passed the evaluation for the 2025 Shanghai Municipal Enterprise Technology Center. Its subsidiary, CIG Zhejiang, was honored with titles such as "High-tech Enterprise" and "Zhejiang CIG Communication Optical Communication Technology County-level R&D Center." In terms of industry recognition, it received several honors, including "2025 Shanghai Top 100 Manufacturing Enterprises (Ranked 70th)" and "2025 Shanghai Top 100 Private Manufacturing Enterprises (Ranked 42nd)," highlighting its core position in Shanghai's manufacturing and emerging industries. In terms of intellectual property protection, the Company places high importance on technological innovation and IP accumulation. In 2025, it filed a total of 27 patent applications (including 20 invention patents) and was granted 12 patents (including 5 invention patents). This effectively strengthened the patent protection for the Company's core technologies, providing legal protection for product innovation and market competition.

5. *Equity Incentives*

In 2025, the Company continued to implement equity incentives on a regular basis, refining the long-term incentive and retention mechanism to attract and retain core talent, enhance the cohesion of its core team, and strengthen its core competitiveness. Throughout the year, it completed several tasks related to equity incentives. In April 2025, the Company approved resolutions regarding the unlocking of restricted shares for the second vesting period under the 2022 Restricted Share Incentive Plan for the initial grant. A total of 467 incentive recipients became eligible to unlock 2,942,632 restricted shares, which were unlocked and became tradable on April 14th. In May 2025, due to the resignation of 8 incentive recipients and the retirement of 1, the Company approved a resolution to repurchase and cancel 22,000 restricted shares that had been granted but not yet unlocked from these 9 recipients. The repurchase and cancellation were completed on July 24th. In October 2025, the Company approved resolutions regarding the adjustment of the exercise price and the exercisability for the first exercise period under the 2024 Share Option Incentive Scheme. The exercise price was adjusted to RMB29.1848 per unit. The number of share options eligible for exercise by 743 incentive recipients was 7,568,532 units. The shares resulting from the exercise were listed and traded on November 26th, and the total funds raised from the exercise, amounting to RMB220,886,261.58, were fully used to supplement working capital. The continuous implementation of equity incentives effectively aligns the interests of core employees with the Company's long-term development, motivating the core team's proactiveness and creativity.

6. Hong Kong Stock Listing

In 2025, the Company made comprehensive efforts in preparing for its Hong Kong listing. It established a dedicated listing preparation team and worked closely with experienced professional intermediaries. It thoroughly reviewed core aspects such as its financial condition, corporate governance structure, and business operations, strictly aligning its operations with the requirements for a Hong Kong stock listing. After one year of preparation and review, the Company successfully completed its Hong Kong issuance and listing financing in October 2025. This Hong Kong listing broadened the Company's financing channels, effectively supplemented its working capital, provided ample financial support for advancing strategic initiatives such as capacity expansion, technology R&D, and global deployment. Furthermore, it enhanced the Company's international brand presence and recognition in the capital markets, injecting new vitality into its subsequent global development.

ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core competencies supporting the development of the Company's principal business are reflected in the Company's outstanding capabilities and comparative advantages in customer resources, innovation and R&D, smart manufacturing, business models, products and services, management team, and international division of labor and collaboration.

1. Customer Resource Advantage

The main customers in the ICT terminal and communication equipment market are telecommunications operators and enterprise-level clients. Suppliers to these operators are primarily global large-scale communications equipment providers. These providers generally do not engage in the manufacturing of ICT terminals themselves; they typically cooperate with upstream ICT terminal manufacturers through models such as EMS, ODM, and JDM. The Company continuously expands its customer base, and its main customers now essentially cover the major downstream global communications equipment providers. The Company's high-speed optical transceiver products are sold to domestic and international clients, including communication equipment manufacturers, telecommunications operators, and supercomputing data center operators. During the reporting period, the depth of cooperation with existing customers continued to increase. Leveraging the strong market demand in the high-speed optical transceiver business, the Company achieved significant growth in order volume and further expanded its global market coverage.

Management Discussion and Analysis (Continued)

2. Innovation and R&D Advantage

The Company has long adhered to the core development philosophy of "pre-researching one generation, developing one generation, and mass-producing one generation." It insists on being driven by the twin engines of advanced R&D and smart manufacturing, continuously innovating in engineering technology and efficiency-driven processes. It has built a collaborative and complementary R&D system spanning China, the United States, Japan, and Mexico, conducting efficient R&D focused on market and customer needs, thus forming a full-chain innovation capability from pre-research to commercialization. The Company continues to invest significantly in R&D, engaging in deep technological collaboration with suppliers and partners to integrate technological resources, resulting in a continuous enrichment of new products and steady improvement in technical performance. Concurrently, it increases investment in forward-looking pre-research, closely tracks industry trends, and quickly enters new product and technology areas. During the reporting period, the Company deeply participated in 50G PON technology discussions and standard setting, continuously developed products related to the Wi-Fi 7 standard, and initiated R&D on miniaturized, low-power optical transceivers for small cells. The next-generation 1.6T OSFP optical transceiver completed prototype development. Several 400G and 800G silicon photonics products achieved mass production, with overseas market certification progressing smoothly. Concurrently, it advanced the development of 800G LPO optical transceivers and initiated the layout for 1.6T LPO/LRO optical transceivers. Its early deployment in silicon photonics technology aligns well with industry trends, meeting the high-speed interconnect demands of AI computing centers and data centers across multiple dimensions.

3. Smart Manufacturing Advantage

Leveraging its technological accumulation in the industrial IoT field and integrating digitalization and AI technologies, the Company is efficiency-driven and continues to increase investment in IT and automation R&D, building a highly automated smart manufacturing system. Through self-developed production information systems, integrating technologies such as robotic arms, automated assembly lines, and flexible production lines, it is gradually achieving comprehensive intelligence in products, equipment, production, management, and services, while maintaining the capability to meet small-batch, customized needs and to control costs. During the reporting period, the Company continued to increase investment in the smart manufacturing sector, continuously optimizing its technology system. The Shanghai facility and the new Jiashan facility focused on increasing production capacity for 800G series products and successfully passed on-site process certifications by key customers, achieving significant results in production efficiency improvement and product quality control. By continuously optimizing core processes such as optical transceiver product testing, it further consolidated its achievements in cost reduction and efficiency enhancement, bringing its smart manufacturing capabilities to a new level.

4. Business Model Advantage

The ICT industry is characterized by rapid technology and application iteration, with the division of labor and collaborative landscape in the industry chain continuously being reshaped. Leveraging its deep core R&D heritage, the Company flexibly adapts to the division of labor in the industry chain, constructing a business model that synergistically combines JDM, ODM, and its own brand. During the reporting period, the Company continuously optimized and adjusted its business model based on industry development characteristics. It increased the application of the JDM model in the small cell sector, collaborating with traditional partners to expand the market for integrated small cell products. It also licensed partners to sell into specific market segments through IP licensing models, forming a diversified and synergistic business model landscape. Currently, the Company can provide comprehensive services including complete software solutions, standard hardware designs, and customized products (R&D on demand), continuously enhancing its adaptability to the industry and maintaining a stable foothold amidst fierce market competition.

5. Product and Service Advantage

The Company has built an end-to-end product service system, possessing a full foundation from sample R&D and design, through product piloting, to large-scale production. It has the capability for rapid, end-to-end customized production services, from concept design to mass production and delivery, coupled with ongoing follow-up services, achieving efficient integration of R&D, production (manufacturing, processing, testing), supply chain and planning, and operational support. The R&D team is professionally diverse and can quickly translate concepts into solutions. The piloting phase rigorously controls product quality. Large-scale production efficiently ensures market supply. The supply chain and planning departments collaborate to ensure raw material supply and execution of production plans. The operations support team enables real-time responses to customer needs. During the reporting period, the Company further optimized product performance and customer service. It completed pre-mass-production validation for several versions of the OSFP 2×FR4/LR4 800G and process validation for several versions of the 400G QSFP112 DR4, ensuring the mass delivery of 800G and 400G optical transceivers. The material kit availability rate and shipment completion rate both reached 100%. It has developed stronger advantages in product quality, production cycle, and cost control, with synergistic operations across all stages continuously creating value for customers.

Management Discussion and Analysis (Continued)

6. Management Team Advantage

The Company's management team possesses an international background and strong learning capabilities. They deeply understand the societal transformation trends brought by "Internet+", smart manufacturing, and IT, and keenly perceive uncertainties in the industry, market, and corporate environment, continuously driving iterative innovation in technology, markets, and products. Facing market changes and new industry trends, the management team can promptly adjust competitive strategies and responses, flexibly implement changes, and fully leverage its ability for rapid adaptation. They rationally assess the impact of current changes while also paying attention to potential shifts in future industry development. During the reporting period, amidst the dynamic US-China tariff situation, the management team made proactive and effective decisions. They drove the relocation of the Shanghai production base to Jiashan, accelerated the deployment of production bases in Malaysia, Germany, the US, and Mexico, and ensured that all products exported to the US were included in the reciprocal tariff exemption list. They precisely seized market opportunities, propelling the Company towards continuous breakthroughs in new products, new markets, and new technologies, achieving spiral development.

7. International Division of Labor and Collaboration Advantage

The Company has built a global footprint for R&D, production, and sales, creating efficient synergy between technology R&D, manufacturing, and sales services. The Silicon Valley R&D center and sales team closely monitor cutting-edge technology trends, accurately capturing new requirements from major North American customers. The Japan R&D center, co-located with mainstream optical chip suppliers, significantly enhances communication and collaboration efficiency across the upstream and downstream value chain. R&D centers and manufacturing bases in Shanghai, Xi'an, Wuhan, and Nantong collaborate closely with China's developed supply chain, effectively reducing product costs and manufacturing expenses. The Company's overseas footprint continues to improve. The Malaysia facility operates steadily, while the Germany-Poland production base serves the European market closely, and the US and Mexico production bases specifically serve North American customers. During the reporting period, the Company further strengthened the synergistic effects of division of labor and collaboration across regions. The US facility completed its initial trial production and certification, achieving mass production capability. Global resource allocation continues to optimize, significantly enhancing the Company's comprehensive competitiveness in international markets.

Leveraging its core technological advantages built upon R&D innovation and smart manufacturing, combined with the team's dedicated spirit, the Company has established a moat of core competencies. Through global deployment and deep integration with customers, it uses technological innovation and smart manufacturing as dual engines to create differentiated competitive barriers. During the reporting period, the Company continuously consolidated its core competencies in all areas, effectively responding to challenges such as industry technology upgrades and geopolitical factors. This has laid a solid foundation for subsequent expansion of high-end production capacity and strengthened market development both domestically and internationally, ensuring the Company achieves long-term, balanced, and sustainable development while creating value for its shareholders.

KEY OPERATIONAL PERFORMANCE DURING THE REPORTING PERIOD

During the reporting period, the Company achieved operating revenue of RMB4.823 billion, an increase of RMB1.171 billion, or 32.07%, year-on-year. Gross profit from sales was RMB1.076 billion, an increase of RMB309 million, or 40.38%, year-on-year. Net profit after tax for the period was RMB223 million, an increase of RMB56 million, or 33.26%, year-on-year.

(i) Analysis of Principal Business

1. Statement of Profit or Loss and Cash Flow Statement — Analysis of Changes in Key Items

Unit: RMB

Item	Current Period Amount	Previous Period Amount	Change (%)
Operating Revenue	4,823,405,697.64	3,652,050,837.76	32.07
Operating Cost	3,747,519,553.18	2,885,657,804.93	29.87
Selling Expenses	110,006,908.11	90,065,406.15	22.14
Administrative Expenses	243,731,722.49	197,962,791.37	23.12
Finance Costs	122,983,200.89	22,651,723.40	442.93
R&D Expenses	354,981,732.42	320,368,198.92	10.8
Net Cash Flow from Operating Activities	−470,648,364.60	561,969,224.76	−183.75
Net Cash Flow from Investing Activities	−1,084,278,144.51	−293,947,690.80	N/A
Net Cash Flow from Financing Activities	5,890,849,853.34	−200,732,582.67	N/A

Explanation for Change in Operating Revenue: Mainly due to an increase in shipments of core business products.

Explanation for Change in Operating Cost: Mainly due to the increase in revenue scale.

Explanation for Change in Selling Expenses: No significant changes during the period.

Explanation for Change in Administrative Expenses: No significant changes during the period.

Explanation for Change in Finance Costs: Mainly due to changes in foreign exchange rates.

Explanation for Change in R&D Expenses: No significant changes during the period.

Explanation for Change in Net Cash Flow from Operating Activities: Mainly due to increased procurement expenditures during the period.

Explanation for Change in Net Cash Flow from Investing Activities: Mainly due to increased purchases related to new factory construction and equipment.

Explanation for Change in Net Cash Flow from Financing Activities: Mainly due to funds raised from the issuance of overseas listed foreign shares during the period.

Management Discussion and Analysis (Continued)

2. Revenue and Cost Analysis

On the revenue side, principal business revenue increased by 32.11% year-on-year, while principal business costs grew by 29.89%, lower than the revenue growth rate, thereby driving the gross profit margin up by 1.32 percentage points. By product, revenue from high-speed optical modules business surged by 240.85% year-on-year, with costs increasing by 194.66% year-on-year, leading to a 10.27 percentage points improvement in gross profit margin. In contrast, revenue from telecom broadband business slightly decreased by 1.98% year-on-year, while costs rose by 3.79% year-on-year. Revenue from wireless networks and edge computing business saw a modest increase of 2.51% year-on-year, but costs grew by 8.65% year-on-year, both product categories resulting in a decline in gross profit margin. By region, overseas business revenue increased by 33.99% year-on-year, while domestic business revenue grew by 8.60% year-on-year. On the cost side, material costs accounted for 84.25% and increased by 27.69% year-over-year. Direct labor costs rose significantly by 165.97% year-over-year, and manufacturing overhead increased by 22.79% year-over-year. The substantial rise in costs such as raw materials and manufacturing overhead has had a certain impact on profits.

(1) Breakdown of Principal Business by Industry, Product, Region, and Sales Model

Unit: RMB

Principal Business by Industry

By Industry	Operating Revenue	Operating Cost	Gross Profit Margin (%)	YoY Change in Operating Revenue (%)	YoY Change in Operating Costs (%)	YoY Change in Gross Profit Margin (%)
Computer, Communication, and Other Electronic Equipment Manufacturing	4,821,752,352.67	3,745,491,269.61	22.32	32.11	29.89	Increased by 1.32 percentage points

Management Discussion and Analysis (Continued)

Principal Business by Product						
By Product	Operating Revenue	Operating Cost	Gross Profit Margin (%)	YoY Change in Operating Revenue (%)	YoY Change in Operating Costs (%)	YoY Change in Gross Profit Margin (%)
High-speed Optical Transceivers	1,675,383,015.45	1,097,497,399.17	34.49	240.85	194.66	Increased by 10.27 percentage points
Telecom Broadband	1,992,407,158.65	1,713,232,743.31	14.01	−1.98	3.79	Decreased by 4.78 percentage points
Wireless Networks and Edge Computing	1,153,962,178.57	934,761,127.13	19.00	2.51	8.65	Decreased by 4.57 percentage points

Principal Business by Region						
By Region	Operating Revenue	Operating Cost	Gross Profit Margin (%)	YoY Change in Operating Revenue (%)	YoY Change in Operating Costs (%)	YoY Change in Gross Profit Margin (%)
Overseas	4,528,140,426.78	3,491,199,627.80	22.90	33.99	32.17	Increased by 1.06 percentage points
Domestic	293,611,925.89	254,291,641.81	13.39	8.6	5.08	Increased by 2.90 percentage points

Explanatory Notes on Breakdown of Principal Business by Industry, Product, Region, and Sales Model

By product: Operating revenue from the telecom broadband business decreased slightly by 1.98% year-on-year; operating revenue from the wireless network and edge computing business increased modestly by 2.51% year-on-year; and leveraging market demand and increased orders, operating revenue from the high-speed optical module business surged by 240.85% year-on-year. The business scale of edge computing and industrial interconnection products continued to shrink, and they are no longer separately itemized during this Reporting Period, having been merged into the wireless networks and edge computing business.

Management Discussion and Analysis (Continued)

By region: The overseas business continued to dominate the Company's revenue structure. During the Reporting Period, overseas business revenue accounted for over 90% of total operating revenue. Leveraging its global layout and core market competitiveness, the Company achieved a 33.99% year-on-year growth in overseas business revenue. Domestic business revenue grew by 8.60% year-on-year, maintaining a stable development trend.

(2) Production, Sales, and Inventory Analysis

Main Products	Unit	Production Volume	Sales Volume	Inventory Volume	YoY Change in Production Volume (%)	YoY Change in Sales Volume (%)	YoY Change in Inventory Volume (%)
High-speed Optical Transceivers	Nr.	899,963	911,160	148,567	197.99	156.11	−7.01
Telecom Broadband	Nr.	9,999,879	9,975,987	224,635	5.26	4.14	11.90
Wireless Networks and Edge Computing	Nr.	2,511,679	2,555,105	53,121	−13.83	−11.56	−44.98

Explanatory Notes on Production and Sales

The production and sales of high-speed optical modules business have shown a significant growth trend, with inventory levels somewhat receding; the production and sales of telecommunications broadband have achieved modest growth, with inventory showing a slight accumulation; and both the production and sales of wireless networks and edge computing business have declined, with inventory size substantially reduced. The changing trends in production and sales for each product align with market demand and the actual order volume.

Management Discussion and Analysis (Continued)

(3) Cost Analysis

Unit: RMB

By Industry	Cost Component	Current Period Amount	By Industry % of Total Costs (Current Period)	Previous Period Amount	% of Total Costs (Previous Period)	YoY Change (%)	Explanatory Notes
Computer, Communication, and Other Electronic Equipment Manufacturing	Principal Business Cost	3,745,491,269.61	100.00	2,883,527,864.29	100.00	29.89	
Computer, Communication, and Other Electronic Equipment Manufacturing	Material Costs	3,155,529,385.74	84.25	2,471,155,930.16	85.70	27.69	
Computer, Communication, and Other Electronic Equipment Manufacturing	Direct Labor	155,306,279.12	4.15	58,391,865.87	2.02	165.97	
Computer, Communication, and Other Electronic Equipment Manufacturing	Manufacturing Overhead	434,655,604.75	11.60	353,980,068.26	12.28	22.79	

Management Discussion and Analysis (Continued)

By Product	Cost Component	Current Period Amount	By Product % of Total Costs (Current Period)	Previous Period Amount	% of Total Costs (Previous Period)	YoY Change (%)	Explanatory Notes
High-speed Optical Transceivers	Principal Business Cost	1,097,497,399.17	29.30	372,464,304.71	12.92	194.66	
Telecom Broadband	Principal Business Cost	1,713,232,743.31	45.74	1,650,743,066.88	57.25	3.79	
Wireless Networks and Edge Computing	Principal Business Cost	934,761,127.13	24.96	860,320,492.70	29.83	8.65	

Other Explanatory Notes on Cost Analysis

<u>Description of primary business by industry</u>

By industry, the main business costs of the Company's primary industry have shown a growth trend, with the cost structure adjusting accordingly based on production and operational inputs. Material costs remain the most significant component, accounting for over 80% of total costs, though their proportion has slightly decreased compared to the previous year. Direct labor costs have increased significantly in amount, but their share of total costs has risen. Manufacturing expenses have increased, with their proportion of total costs decreased slightly, indicating increased investment in production-related expenses.

<u>Description of primary business by product</u>

By product, the main business costs of the three core products all showed an increasing trend. The cost of high-speed optical modules business has increased significantly, with its share of total costs rising substantially, making it the primary category driving overall cost growth; the cost of telecom broadband business has seen a slight increase, with its share of total costs declining somewhat, yet it remains the product with the highest cost proportion; the cost of wireless networks and edge computing business has grown moderately, with its share of total costs also experiencing a slight decline. The cost changes for each product align with the scale of business development, and the distribution of cost structure remains consistent with the Company's product and business layout.

(4) Changes in Consolidation Scope Due to Equity Changes in Major Subsidiaries During the Reporting Period

During the Reporting Period, the scope of the Company's consolidated financial statements was expanded to cover Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership).

Management Discussion and Analysis (Continued)

(5) Major Customers and Suppliers

Customers or suppliers controlled by the same controlling party are presented on a combined basis, except for those under the actual control of the same state-owned asset management authority.

A. Information on Major Customers and Suppliers

Sales to top five customers amounted to RMB4,153.007 million, accounting for 86.10% of total annual sales; sales to related parties among the top five customers were RMB0.00 million, representing 0.00% of total annual sales.

Purchases from top five suppliers amounted to RMB1,721.734 million, accounting for 35.61% of total annual purchases; purchases from related parties among the top five suppliers were RMB0.00 million, representing 0.00% of total annual purchases.

B. Circumstances where sales to a single customer exceeded 50% of total sales, or the presence of new customers among the top 5, or significant dependence on a few customers during the reporting period

Unit: RMB '0,000

No.	Customer Name	Sales Amount	% of Total Annual Sales
1	HTI	97,071.67	20.13

Management Discussion and Analysis (Continued)

3. *Expenses*

Unit: RMB

Item	Current Period Amount	Previous Period Amount	YoY Change (%)	Explanatory Notes
Credit Impairment Loss	−12,166,744.90	−1,351,251.08	N/A	Mainly due to increased loss from bad debts on accounts receivable in the current period
Asset Impairment Loss	−42,027,387.79	−4,113,790.45	N/A	Mainly due to increased loss from inventory write-downs in the current period
Gain on Disposal of Assets	−252,041.08	2,691,272.37	−109.37	Mainly due to changes in the disposal of fixed assets in the current period

4. *R&D Investment*

(1) R&D Investment

Unit: RMB

R&D Expenditure Expensed in Current Period	354,981,732.42
R&D Expenditure Capitalized in Current Period	101,179,210.84
Total R&D Investment	456,160,943.26
Total R&D Investment as% of Operating Revenue (%)	9.46
Capitalized R&D Investment as% of Total R&D Investment (%)	22.18

(2) R&D Personnel

Number of R&D Personnel	758
R&D Personnel as% of Total Employees (%)	55.98

R&D Personnel by Education Level	
Education Level Category	Number
Doctorate	4
Master's Degree	84
Bachelor's Degree	471
Associate Degree	140
High School and Below	59

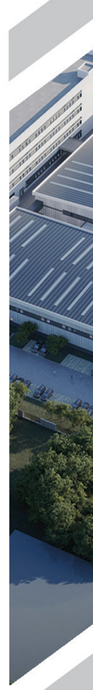
Management Discussion and Analysis (Continued)

R&D Personnel by Age Group	
Age Group Category	**Number**
Under 30 years old	207
30 to 40 (exclusive) years old	280
40 to 50 (exclusive) years old	226
50 to 60 (exclusive) years old	42
60 years old and above	3

5. *Cash Flow*

Unit: RMB

Item	Amount at End of Current Period	Amount at End of Previous Period	YoY Change (%)	Explanatory Notes
Net Cash Flow from Operating Activities	−470,648,364.60	561,969,224.76	−183.75	Mainly due to increased procurement expenditures during the period
Net Cash Flow from Investing Activities	−1,084,278,144.51	−293,947,690.80	N/A	Mainly due to increased purchases related to new factory construction and equipment
Net Cash Flow from Financing Activities	5,890,849,853.34	−200,732,582.67	N/A	Mainly due to funds raised from the issuance of overseas listed foreign shares during the period



Management Discussion and Analysis (Continued)

(ii) Analysis of Assets and Liabilities

1. Assets and Liabilities

Unit: RMB

Item	Amount at End of Current Period	% of Total Assets at End of Current Period	Amount at End of Previous Period	% of Total Assets at End of Previous Period	YoY Change (%)	Explanatory Notes
Cash and Bank Balances	4,790,693,031.65	40.24	527,341,089.80	10.16	808.46	Mainly due to funds raised from the issuance of overseas listed foreign shares during the period
Notes Receivable	27,040.00	0.00	8,001,722.94	0.15	−99.66	Mainly due to changes in commercial acceptance bills
Accounts receivable	1,997,720,164.78	16.78	1,230,114,103.48	23.71	62.40	Mainly due to increased sales to customers during the current period
Prepayments	168,639,509.56	1.42	24,380,541.56	0.47	591.70	Mainly due to an increase in prepayments
Other Receivables	8,416,085.80	0.07	14,660,232.68	0.28	−42.59	Mainly due to changes in deposits and guarantees
Inventories	2,375,753,927.22	19.95	1,685,544,390.33	32.48	40.95	Mainly due to an increase in raw materials during the period
Other Current Assets	214,197,419.08	1.80	143,129,250.06	2.76	49.65	Mainly due to an increase in VAT input tax to be deducted
Fixed Assets	874,474,927.65	7.34	423,230,012.49	8.16	106.62	Mainly due to an increase in factory buildings and equipment at CIG Zhejiang
Construction in Progress	457,643,424.22	3.84	227,366,548.70	4.38	101.28	Mainly due to an increase in factory buildings and equipment at CIG Zhejiang
Long-term Prepaid Expenses	16,049,231.20	0.13	4,969,253.32	0.10	222.97	Mainly due to expenses for renovation and refurbishment of leased properties
Other Non-current Assets	54,279,725.31	0.46	26,902,231.14	0.52	101.77	Mainly due to a increase in prepayments for equipment purchases in the current period
Long-term equity investment	128,737,434.00	1.08	0.00	0.00	100.00	Mainly due to external investments in the current period
Short-term Borrowings	1,939,913,706.47	16.29	991,608,652.14	19.11	95.63	Mainly due to an increase in bank borrowings
Notes Payable	49,445,057.64	0.42	117,281,967.01	2.26	−57.84	Mainly due to a decrease in commercial acceptance bills
Accounts Payable	1,779,655,480.60	14.95	1,160,457,402.40	22.36	53.36	Mainly due to an increase in payables for goods
Contract Liabilities	7,073,810.84	0.06	33,363,013.63	0.64	−78.80	Mainly due to a decrease in advances from customers
Taxes and Surcharges Payable	27,362,844.91	0.23	11,141,015.60	0.21	145.60	Mainly due to an increase in VAT payable
Dividends Payable	146,008.14	0.00	1,710,298.31	0.03	−91.46	Mainly due to changes in ordinary share dividends during the period
Non-current Liabilities Due Within One Year	268,776,780.41	2.26	20,224,677.57	0.39	1,228.95	Mainly due to an increase in long-term borrowings maturing within one year
Other Current Liabilities	11,323,858.77	0.10	2,288,813.17	0.04	394.75	Mainly due to sale-and-leaseback arrangements maturing within one year
Long-term Borrowings	0.00	0.00	91,900,000.00	1.77	−100.00	Mainly due to reclassified as current liabilities due within one year
Deferred Tax Liabilities	6,306,361.78	0.05	28,469,905.27	0.55	−77.85	Mainly due to changes in differences from fixed asset depreciation

2. *Overseas Assets*

(1) Asset Size

Among which, overseas assets amounted to RMB4,037.7075 million, accounting for 33.91% of total assets.

(2) Explanatory Notes on High Proportion of Overseas Assets

Unit: RMB '0,000

Name of Overseas Asset	Reason for Formation	Operation Model	Net Profit for the Reporting Period Operating Revenue	Net Profit for the Reporting Period
Cambridge Industries Group Telecommunication Limited (Hong Kong)	Established by capital contribution due to business development needs	Self-operated	0.00	9.84
Cambridge Industries USA Inc.	Established by capital contribution due to business development needs	Self-operated	367,126.55	3,735.89
CIG Photonics Europe GmbH	Established by capital contribution due to business development needs	Self-operated	1,928.03	−51.40
Cambridge Industries Group Telecommunication Limited	Established by capital contribution due to business development needs	Self-operated	141,268.88	16.53
CIG Photonics Japan Limited	Acquired through business development needs	Self-operated	9,423.79	−2,766.31
Actiontec Electronics, Inc.	Acquired through business development needs	Self-operated	9,440.45	589.09

Management Discussion and Analysis (Continued)

Unit: RMB '0,000

Name of Overseas Asset	Reason for Formation	Operation Model	Net Profit for the Reporting Period Operating Revenue	Net Profit for the Reporting Period
Actiontec Electronics Taiwan Inc.	Established by capital contribution due to business development needs	Self-operated	831.14	−197.34

(3) *Restricted Assets as of the Reporting Period End*

Unit: RMB '0,000

Item	Balance at End of Period	Balance at End of Previous Year
Commercial Acceptance Bill Deposits	0.00	2,000.00

(4). *Other Explanations*

At the 18th meeting of the 5th Board of Directors held on September 11, 2025, the Company approved the "Proposal on Carrying out Finance Lease Transactions." It agreed that the Company, together with CIG Zhejiang Telecommunication Equipment Co., Ltd. (the main lessee), would use its own machinery and equipment as lease assets and enter into a finance lease arrangement with Yongying Financial Leasing Co., Ltd. ("Yongying Leasing") through a "joint lease-sale and leaseback" structure, signing relevant "Sale and Leaseback Contracts" and other documents. The total financing amount under this arrangement shall not exceed RMB50 million, to be conducted in two batches. The first batch is RMB15 million with a lease term of 12 months; the second batch is RMB35 million with the lease term determined based on the actual drawdown date. The maturity dates for both batches are consistent, with each lease term calculated from the respective commencement date. The Company will fulfill its obligations and responsibilities according to the aforementioned contracts and other documents, paying rent to Yongying Leasing on time and in full at a lease rate of 3.20% (interest per period is calculated based on the remaining principal for that period, with interest reducing along with the principal, non-compounding), with quarterly equal principal repayments, and 100% payment using 6-month bank acceptances. As of the end of the reporting period, the total outstanding balance of principal and interest for this finance lease was RMB11.432 million.

3. Capital Structure

(1) Financial Resources and Financial Policy

During the Reporting Period, the Group optimized its capital structure to reduce financial risks and lower financial costs. The Group's business faces various financial risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk, and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge against the risks of foreign currency exchange rate and interest rate fluctuations.

The Group's borrowings are primarily denominated in RMB.

As at December 31, 2025, the Group's cash and cash equivalents are primarily held in RMB, with some in US Dollars ("USD"), Hong Kong Dollars ("HKD"), and a small amount in Euros ("EUR"), Japanese Yen ("JPY"), and Taiwan Dollars ("TWD").

(2) Debts

As at December 31, 2025, the Group had total bank credit facilities of RMB3,850.0 million (December 31, 2024: RMB2,330.0 million), of which RMB1,617.2 million (December 31, 2024: RMB1,511.16 million) remained unused and was available for withdrawal at any time. These bank credit facilities were mainly short-term working capital loans. All of the Group's borrowings as at December 31, 2025 will mature within one year. During the Reporting Period, the Group did not encounter any difficulties in renewing bank loans with lenders. As at December 31, 2025, all of the Group's borrowings from banks and other financial institutions were at floating interest rates. The effective annual interest rate of our bank loans for the year ended December 31, 2025 ranged from 2.3% to 3.5% (for the year ended December 31, 2024: 2.5% to 3.7%).

(3) Gearing Ratio

As at December 31, 2025, the Group's gearing ratio was 43.66% (December 31, 2024: 66.86%), which was calculated by dividing total liabilities by total assets at the end of the year.

Management Discussion and Analysis (Continued)

(iii) Companies with Equity Incentive or Employee Stock Ownership Plans May Choose to Disclose Net Profit After Deducting the Impact of Share-Based Payment

Unit: RMB

Key Accounting Data	2025	2024	YoY Change (%)	2023
Net Profit After Deducting Impact of Share-Based Payment	**273,301,516.03**	178,715,524.95	52.93	130,045,471.92

(iv) Analysis of Investment Activities

Unit: RMB '0,000

Investment Status	Amount
Investment Amount During Reporting Period	16,000.00
Investment Amount During Previous Period	0.00
YoY Change in Equity Investment Amount During Reporting Period	16,000.00
Change (%)	N/A

1. Significant Equity Investments

Investee Company Name	Principal Business	Whether the Target's Principal Business is Investment	Investment Method	Investment Amount	Shareholding Ratio	Whether Consolidated	Source of Funds	Partner (if applicable)	Investment Term (if any)	Progress as of Balance Sheet Date	Expected Return (if any)	Impact on Current Period Profit/Loss	Whether Involved in Litigation
CIG USA		No	Capital Increase	0.00	100.00%	Yes	Proceeds from the issuance of overseas listed foreign shares (H shares)			Unpaid capital contribution			No
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	PE/VC	Yes	Acquisition	500.00	99.9900%	Yes	Proceeds from the issuance of overseas listed foreign shares (H shares)	Shanghai Zhifeng Zhizi Private Fund Management Co., Ltd.		Completed			No
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	PE/VC	Yes	Capital Increase	15,500.00	99.9975%	Yes	Proceeds from the issuance of overseas listed foreign shares (H shares)	Shanghai Zhifeng Zhizi Private Fund Management Co., Ltd.		Note (3)			No
Suzhou Dingxin Optoelectronics Technology Co., Ltd.		No	Capital Increase	0.00	0.5525%	No	Proceeds from the issuance of overseas listed foreign shares (H shares)	Jiangsu Yongding Co., Ltd., et al.		Unpaid capital contribution			No
Total	/	/	/	16,000.00	/	/	/	/	/	/			/

Management Discussion and Analysis (Continued)

(1) *Capital Increase in CIG USA*

To implement the strategic plan outlined in the Company's H-share prospectus regarding "strengthening R&D investment, expanding production capacity, and expanding global markets," the Company, at the 23rd meeting of the 5th Board of Directors held on December 8, 2025, approved the "Proposal on Capital Increase for a Wholly-Owned Overseas Subsidiary." It agreed to increase capital in its wholly-owned overseas subsidiary, CAMBRIDGE INDUSTRIES USA INC. (CIG USA), by USD 100 million (approximately RMB707.49 million based on the central parity rate on December 5, 2025), using funds raised from the issuance of overseas listed foreign shares (H shares). For details, please refer to the "Announcement on Capital Increase for Wholly-Owned Overseas Subsidiary" (Announcement No.: Lin 2025–076) disclosed by the Company on December 9, 2025. This capital increase is still subject to relevant approvals and filing procedures with Chinese administrative authorities regarding fund outbound remittances and outbound investments. The Company will advance subsequent fund transfers and capital contributions based on Board authorization. The capital increase funds will be specifically used for business activities such as capacity expansion, R&D enhancement, and market expansion.

(2) *Acquisition of Yangzhong Xingfu Jiayuan*

To strengthen its presence in the optical component, chip, and core IC sectors and enhance strategic synergy, the Company, at the 23rd meeting of the 5th Board of Directors held on December 8, 2025, approved the "Proposal on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions." It agreed to use RMB5 million from the proceeds raised through the issuance of overseas listed foreign shares (H shares) to acquire a 99.99% property share in Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership) held by Chen Lu (corresponding to a subscribed share of RMB100 million, with RMB5 million already paid-in). For details, please refer to the "Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–077) disclosed by the Company on December 9, 2025. During the reporting period, the Company received notification from the fund manager that the transfer of the partnership units held by Chen Lu was completed, and the partnership completed its filing with the Asset Management Association of China, with the filing code SBKK71. For details, please refer to the "Progress Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–079) disclosed by the Company on December 27, 2025. The delivery of the relevant property shares and the filing procedures for this acquisition have been completed.

Management Discussion and Analysis (Continued)

(3) *Capital Increase in Yangzhong Xingfu Jiayuan*

To diversify the Company's investment portfolio and maximize strategic and operational synergies, the Company, at the 23rd meeting of the 5th Board of Directors held on December 8, 2025, approved the "Proposal on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions." It agreed to act as a limited partner and use funds raised from the issuance of overseas listed foreign shares (H shares) to increase its subscribed capital in Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership) by RMB300 million. Following this acquisition and capital increase, the Company's total subscribed capital contribution amounted to RMB400 million, accounting for 99.9975%. For details, please refer to the "Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–077) disclosed by the Company on December 9, 2025. During the reporting period, the partnership completed its filing with the Asset Management Association of China in accordance with relevant laws and regulations, with the custodian being Industrial Bank Co., Ltd., and the filing date being December 17, 2025. For details, please refer to the "Progress Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" (Announcement No.: Lin 2025–079) disclosed by the Company on December 27, 2025. The Company will fulfill its paid-in capital contribution obligations according to the partnership agreement and will closely monitor the subsequent investment operations of the fund.

(4) *To strengthen its position in the industrial chain for optical components, chips, and core ICs, and enhance supply chain resilience and strategic synergy, the Company participated in the capital increase and share expansion of Suzhou Dingxin Optoelectronics Technology Co., Ltd. ("Dingxin Optoelectronics"). It used RMB5 million from the proceeds raised through the issuance of overseas listed foreign shares (H shares) to subscribe for Dingxin Optoelectronics' newly increased registered capital of RMB139,023, with the remaining subscription amount being recorded as Dingxin Optoelectronics' capital reserve. Following this capital increase, Dingxin Optoelectronics' registered capital will increase from RMB23,633,875 to RMB25,163,127, and the Company will hold 0.5525% of its equity.*

Management Discussion and Analysis (Continued)

(v) Analysis of Major Subsidiaries and Associates

Company Name	Company Type	Principal Business	Registered Capital	Total Assets	Net Assets	Operating Revenue	Operating Profit	Net Profit
Cambridge Industries Group Telecommunication Limited (Hong Kong)	Subsidiary	Trading	HKD1	1,221.35	1,220.90	0.00	9.84	9.84
Cambridge Industries USA Inc.	Subsidiary	R&D and Trading	USD 42 million	250,481.84	38,095.96	367,126.55	4,425.90	3,735.89
CIG Optical Communication Co., Ltd.	Subsidiary	Manufacturing	RMB5 million	357.22	247.50	1,173.70	−24.65	−24.92
CIG Shanghai Communication Equipment Co., Ltd.	Subsidiary	Trading	RMB205 million	151,539.57	12,401.89	159,724.97	−121.19	−75.89
CIG Wuhan Co., Ltd.	Subsidiary	Manufacturing	RMB10 million	6,435.45	4,300.04	35,422.32	2,194.47	2,195.01
CIG Photonics Europe GmbH	Subsidiary	Trading	EUR 25,000	654.26	−17.43	1,928.03	−51.40	−51.40
Cambridge Industries Group Telecommunication Limited	Subsidiary	Trading	HKD1	108,497.32	−528.37	141,268.88	16.53	16.53
CIG Photonics Japan Limited	Subsidiary	R&D	JPY 10,000	40,330.15	1,436.57	9,423.79	−2,619.80	−2,766.31
Actiontec Electronic (Shanghai), Inc.	Subsidiary	R&D	RMB1,654,595	155.15	−170.49	1,425.37	−44.73	−42.38
Actiontec Electronics, Inc.	Subsidiary	R&D and Trading	USD 10	2,202.59	−6,010.43	9,440.45	595.04	589.09
CIG Zhejiang Telecommunication Equipment Co., Ltd.	Subsidiary	Manufacturing	RMB450 million	182,296.34	32,829.92	58,531.14	−12,733.46	−12,264.89
Actiontec Electronics Taiwan Inc.	Subsidiary	R&D	TWD 9,999,290	383.24	−64.94	831.14	−197.34	−197.34
CIG Xi'an Co., Ltd.	Subsidiary	R&D	RMB10 million	581.14	−60.49	272.19	−35.41	−35.24
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	Subsidiary	Investment	RMB400.01 million	15,966.92	15,944.51	0.00	−55.49	−55.49

Management Discussion and Analysis (Continued)

(vi) Significant Acquisitions and Disposals

During the reporting period, the Group did not undertake any significant acquisitions or disposals of subsidiaries, associates, or joint ventures. The following details the non-significant acquisition of a subsidiary during the reporting period (for details, refer to the "Overseas Regulatory Announcement — Announcement on Acquiring and Participating in the Subscription of Investment Fund Units, along with Co-investment with Professional Institutions" dated December 8, 2025):

Company Name	Method of Acquiring Subsidiary During Reporting Period	Impact on Overall Production, Operations, and Performance
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	Acquisition of property share + capital increase subscription	Production/Operations: Focusing on equity investments in the optical component, chip, and core IC sectors to strengthen control over the industry chain, enhance technological capabilities and supply chain resilience, diversify the investment portfolio, leverage strategic synergies, and expand market influence. Performance/Finance: Funded by H-share proceeds, this does not affect daily operations and has no significant adverse impact on current performance. It does not create new related party transactions or horizontal competition, is expected to yield investment returns in the medium to long term, and results in a more diversified asset structure.

1. Yangzhong Xingfu Jiayuan is a special purpose vehicle established in October 2025 with no liabilities and no operational activities. The acquisition pricing was fair, and there was no conflict of interest.

2. Yangzhong Xingfu Jiayuan has completed filing with the Asset Management Association of China (Code: SBKK71, Custodian: Industrial Bank Co., Ltd.), with a term of 7 years (3 years investment period + 4 years exit period), focusing on start-ups and growth-stage companies in emerging industries.

3. As a limited partner, the Company has appointed one member to the investment committee, enjoying rights to information and supervision, and exercising rights and undertaking obligations in accordance with the agreement.

4. The Company will continue to monitor the investment operations of Yangzhong Xingfu Jiayuan, fulfill information disclosure obligations in a timely manner, and prudently manage investment risks.

(vii) Significant Investments

During the reporting period, the Group had no significant investments. As of the date of this report, the Board of Directors has not approved any plans for significant investments or the acquisition of capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

(i) Industry Structure and Trends

According to the latest industry analysis reports from market research institutions, in 2025, the global markets for broadband access equipment, WLAN equipment, and high-speed optical transceivers are exhibiting more distinct differentiated development trends, driven by technology iteration, demand upgrades, and policy drivers. The specifics are as follows:

1. Broadband Access Equipment Market

Over the past decade, technological innovation in the broadband access sector has continuously deepened. FTTx technology has become the mainstream choice for global broadband network construction. Among these, Passive Optical Network (PON) technology, with its advantages of high bandwidth, low cost, and ease of deployment, has extended its application scenarios from residential broadband access to vertical sectors such as smart manufacturing, telemedicine, smart finance, education informatization, and public service facilities. Market demand has maintained a steady upward trend.

In 2025, global digital transformation entered a more advanced stage. Consumer demand for high-bandwidth applications such as 8K ultra-high-definition video, cloud gaming, and VR/AR immersive experiences grew explosively. Vertical industries' requirements for network responsiveness, stability, and low latency in scenarios like industrial internet, smart offices, and remote collaboration became increasingly stringent. Together, these factors drove continued growth in bandwidth demand. Concurrently, governments worldwide, aiming to secure a leading position in the digital economy, increased investment in FTTx infrastructure and introduced industry support policies such as special subsidies, tax incentives, and streamlined approval processes, accelerating network upgrades. According to Dell'Oro Group's "Broadband Access & Home Network 5-Year Forecast (Jan 2026)," the global PON equipment market size was approximately USD 7.3 billion in 2025, maintaining steady growth from 2024. The compound annual growth rate (CAGR) from 2025 to 2030 is projected to be 1.9%, indicating stable market growth and broad prospects. Global broadband access networks are accelerating their transition towards "ultra-high speed + intelligence." 10G PON has entered a mature phase of large-scale deployment, while 25G/50G PON are gradually initiating commercial pilots, becoming core pillars for the industry's long-term growth.

Management Discussion and Analysis (Continued)

Global broadband access networks are accelerating their transformation driven by the dual engines of "ultra-high speed + intelligence." In 2025, 10G PON technology entered a mature phase of large-scale deployment, becoming the core choice for operators rolling out gigabit broadband networks. Gigabit fiber networks based on 10G PON technology, through deep integration with emerging technologies such as artificial intelligence (AI), computing networks, and edge computing, have achieved value-added functions like dynamic bandwidth allocation, intelligent fault diagnosis, and personalized service customization, continuously enriching application scenarios. According to Omdia's "Global Broadband Subscriber Forecast (2025–2029)" (released November 2025), the number of global fiber broadband subscribers exceeded 1.2 billion by the end of 2025 and is expected to surpass 1.6 billion by 2029. This continuous growth in fiber broadband subscribers provides vast market space for the deep penetration of 10G PON technology. In the domestic market, China's "dual-gigabit" network construction continued to accelerate. According to data from the Ministry of Industry and Information Technology's "2025 Communication Industry Statistical Bulletin," by the end of 2025, the number of 10G PON ports with gigabit network service capabilities reached 31.62 million, a net increase of 3.419 million compared to the end of the previous year, with growth significantly higher than the industry average.

With the widespread deployment of 10G PON, the application of ultra-gigabit broadband across various industries continues to deepen. In telemedicine, 10G PON supports critical scenarios such as remote surgical guidance, cross-site consultation of medical images, and real-time communication for emergency rescue, providing a stable and reliable network foundation for precision medicine. In smart manufacturing, by enabling millisecond-level data exchange between devices, it facilitates real-time production instruction delivery and dynamic monitoring of equipment status, promoting the implementation of flexible production and intelligent control. In specialized industries like mining and power, 10G PON, leveraging its anti-interference and high-reliability characteristics, has achieved large-scale application in scenarios such as underground communication and power grid inspection, enhancing both production efficiency and operational safety. From smart cities to rural revitalization, 10G PON is becoming the "digital foundation" for digital transformation across industries, laying a solid foundation for the construction of a smart society.

In the future, as technologies like 5G-Advanced, large AI models, and the Internet of Things continue to mature, the global demand for ultra-high-speed, low-latency data transmission will further escalate. As a next-generation optical access network technology, 25G/50G PON, with its higher bandwidth (per PON port speed increased to 25Gbps/50Gbps), lower latency (end-to-end latency controlled within 1ms), and stronger multi-service carrying capacity, is becoming the core choice to meet this demand. In 2025, over 100 mainstream operators globally had completed 50G PON technology testing (with limited adoption of 25G PON, driven primarily by a few manufacturers like Nokia). Among them, China, Europe, and some developed regions in East Asia have initiated large-scale commercial deployment of 50G PON, initially implementing it in scenarios such as high-density residential areas, business parks, and industrial internet parks, providing crucial support for next-generation network construction. Starting from 2027, 50G PON is expected to enter a period of accelerated penetration, becoming the core growth engine for the broadband access equipment market.

2. WLAN Equipment Market

As a core wireless communication technology for limited geographic areas, WLAN, with its advantages of flexible deployment and low-cost access, has become the mainstream network connection solution for scenarios such as homes, enterprises, and campuses. Core equipment includes wireless routers, enterprise-grade APs, wireless network cards, and adapters. In recent years, with the continued proliferation of smartphones, IoT terminals, and smart office devices, market demand for WLAN has maintained steady growth. According to the Wi-Fi Alliance's 2025 industry report, the number of devices globally relying on Wi-Fi connections exceeded 22 billion, a 22.2% increase from 2024. Global annual shipments of Wi-Fi devices reached 4.6 billion units in 2025, with enterprise-grade Wi-Fi device shipments growing 12% year-on-year, consistent with mainstream industry statistics and becoming a core driver of market growth.

In 2025, the widespread adoption of data-intensive applications and the deepening digital transformation of enterprises accelerated the WLAN market's transition from Wi-Fi 6/6E to Wi-Fi 7 (IEEE 802.11be). Wi-Fi 7 technology, with its higher peak data rates (up to 30 Gbps), lower end-to-end latency (controlled within 2 ms), better spectrum efficiency, and enhanced multi-user access capabilities, perfectly meets the demands of scenarios such as 8K ultra-high-definition video streaming, multi-user VR/AR collaboration, cloud gaming, and high-density IoT terminal access. In 2025, Wi-Fi 7 technology standards fully matured, and the industrial chain support (chips, terminals, equipment) was gradually completed. Major global network equipment manufacturers have launched Wi-Fi 7-related products. North America, Europe, and East Asia took the lead in commercial deployment, with the enterprise market becoming the core scenario for Wi-Fi 7 penetration. According to Counterpoint's "2025 Global Wi-Fi Market Report," Wi-Fi 7 accounted for 17% of the enterprise Wi-Fi market in 2025.

Demand for network coverage, signal stability, and scalability in scenarios like large residential complexes, business parks, and industrial plants continued to rise. Mesh networking solutions, with their advantages of seamless coverage, flexible scalability, and high bandwidth support, have become the preferred network solution for these scenarios. In 2025, Mesh networking products compatible with Wi-Fi 7 accelerated their market entry. By integrating features such as AI-driven intelligent networking, load balancing, and security protection, they further improved network stability, coverage quality, and concurrent device support capabilities, meeting the needs of high-speed networking across multiple rooms in homes, collaborative networking across multiple zones in parks, and multi-device connectivity in industrial settings. With the continuous growth in the number of IoT terminals and increasing demand for network security, the market demand for Wi-Fi 7 Mesh products is rapidly being unleashed. According to IDC's "2025 Global Wi-Fi 7 Market Forecast Report" (released October 2025), the global Wi-Fi 7 market size was approximately USD 3.8 billion in 2025 (including terminal equipment and solutions), projected to exceed USD 13 billion by 2028, with a CAGR of approximately 45.3% from 2025 to 2028, indicating significant market growth potential.

Additionally, the WLAN market is showing a trend towards "scenario-based customization," with rapidly growing demand for specialized Wi-Fi equipment tailored for vertical scenarios such as industrial internet, smart healthcare, and smart retail. These devices undergo targeted optimizations in areas like protection ratings, anti-interference capabilities, power consumption control, and industry protocol adaptation, meeting the specific needs of unique scenarios and becoming new growth points in the market. Meanwhile, network security has become a core competitive dimension in the WLAN market. Wi-Fi devices that support the WPA3 security protocol, terminal identity authentication, data encryption transmission, and intrusion detection and prevention are more favored by the market, driving the industry towards a "high-speed + high-security + scenario-based" direction.

3. High-speed Optical Transceiver Market

As a core component of fiber optic communication systems, optical transceivers are responsible for converting optical and electrical signals, making them key devices supporting high-speed data transmission. They are widely used in data centers, telecommunications networks, access networks, and other fields. A complete optical transceiver mainly consists of a transmitter optical sub-assembly (TOSA, including the laser), a receiver optical sub-assembly (ROSA, including the photodetector), functional circuits, and optical-electrical interfaces. In 2025, with the accelerated advancement of large AI model training and inference, 5G-Advanced network deployment, and ultra-large-scale data center construction, market requirements for optical transceiver bandwidth, speed, low latency, and low power consumption continued to rise. The central role of optical transceivers in communication networks became even more prominent, establishing them as key infrastructure driving the development of the digital economy.

Management Discussion and Analysis (Continued)

The core performance competition for optical transceiver products focuses on four dimensions: transmission rate, transmission distance, power consumption, and compatibility, with transmission rate being the core driver of industry technology iteration. In 2025, the optical transceiver market formed a pattern of "comprehensive upgrade from low speed to high speed." Demand for low-speed modules (1G-10G) gradually shrank, while high-speed modules (100G and above) became mainstream. Among these, 800G optical modules have entered the peak period of large-scale mass production and deployment, becoming the core choice for AI data centers and telecom backbone networks; 1.6T optical modules have entered the stage of small-scale commercial use, with multiple leading manufacturers accelerating production expansion; as a cutting-edge technology, 3.2T optical modules have entered the research and development verification stage, with some manufacturers completing technical demonstrations at industry exhibitions, thereby building core competitiveness for the future market.

In terms of downstream market demand in 2025, the growth in demand for high-speed optical transceivers came mainly from three areas: First, AI data centers: The global leading cloud service providers reported a 68% year-on-year increase in capital expenditure in Q4 2025 and significantly raised their capital expenditure plans for 2026. demand for high-speed interconnects in hyperscale data centers grew explosively. 800G optical transceivers became the main products for server cluster interconnects and rack interconnects within data centers. 1.6T optical transceivers began pilot deployments in the next-generation data centers of leading customers. Second, telecommunications networks. The large-scale deployment of 5G-Advanced networks drove increased demand from telecom operators for high-speed optical transceivers. 800G/1.6T optical transceivers were widely used in backbone and metropolitan area network upgrades, while demand for 25G/50G optical transceivers steadily increased in 5G-Advanced fronthaul and midhaul networks. Third, access networks. As broadband networks upgraded to 10G speeds, demand for 25G/50G PON optical transceivers continued to grow, supporting the deployment of ultra-gigabit broadband access services.

Management Discussion and Analysis (Continued)

In 2025, the global data center industry entered a critical phase of transitioning to "computing power centers," evolving from traditional computing centers and cloud centers towards intelligent computing power centers. This transformation is characterized by clustering, intensification, and green development, primarily led by developed countries in North America, Europe, and East Asia, with clustered deployments in major global cities. According to IDC's "2025 Global Data Center Market Report," the total number of global data center racks reached 38 million by the end of 2025, a 49.0% increase from 2023, and is projected to exceed 65 million by 2028, with a CAGR of 19.2% from 2025 to 2028. Major global cloud service providers, including Amazon, Microsoft, Google, Meta, and Oracle, have significantly increased their investment plans for AI infrastructure. Capital expenditures in 2026 are expected to achieve substantial growth compared to 2025, directly driving market demand for 800G and higher-speed optical transceivers and accelerating their market penetration.

According to the latest data from LightCounting's "1Q26 Quarterly Market Update Report" released in March 2026, global sales of optical modules and related products reached USD23.8 billion in 2025, a year-on-year increase of 55%; and Ethernet optical module sales reached nearly USD18.0 billion, a year-on-year increase of 70%. In the fourth quarter of 2025, leading global optical module manufacturers such as Innolight Technology, Coherent, Lumentum, and Fabrinet all achieved record-high revenues, indicating a significant trend of industry concentration at the top. In terms of technological pathways, silicon photonics, leveraging its advantages of high integration, low power consumption, and low cost, continues to increase its penetration in 800G/1.6T optical modules, becoming the mainstream technological choice in the industry. New technological pathways such as NPO, CPO, and LPO are accelerating their iteration, with multiple manufacturers having completed the research, development, and validation of related products, laying the technical foundation for future market competition. As the production capacity of optical chips and modules gradually catches up with demand, LightCounting predicts that the industry will face more intense market competition and downward price pressure in the second half of 2026. Regarding the competitive landscape, leading international and top domestic companies, leveraging their technological R&D, production capacity scale, and customer resource advantage, dominate the global high-speed optical transceiver market. Domestic companies continue to expand their market share in the 800G optical transceiver segment and are gradually enhancing their competitiveness in the 1.6T optical transceiver segment, becoming significant contributors to global market growth.

(ii) Company Development Strategy

The Company's overall strategic goal is to build a world-class international service platform for collaborative R&D and smart manufacturing in the ICT industry. Adhering to the development principles of balancing advanced R&D with smart manufacturing, and balancing high-value-added projects with high-volume revenue projects, and leveraging its existing R&D technological strength and global market position, the Company will take innovation, quality, and speed as its core supports, and products and services as its core competitiveness. By optimizing its full value chain operational capabilities, it aims to create an international ICT industry collaborative R&D and manufacturing platform integrating R&D, production, and marketing, thereby consolidating its leading position in the global integrated Optical and Wireless Connectivity Devices (OWCD) industry.

In terms of technology R&D, the Company adheres to the core principle of "pre-researching one generation, developing one generation, and mass-producing one generation," establishing a tiered technology and product system covering pre-research, pilot production, and mass production. It will focus on advancing the technology reserves and commercial implementation of high-speed optical transceivers, next-generation PON terminals, Wi-Fi 7/8 wireless network equipment, and industrial IoT equipment, improving the efficiency of R&D outcome conversion. It will increase investment in cutting-edge technology R&D, deepen expertise in key technologies such as silicon photonics optical transceivers, NPO, CPO, LPO, and immersion liquid-cooled optoelectronics, and advance preliminary research on laser and silicon photonics engines (ELSFP), aiming to seize technological high ground in fields like AI data centers and high-performance computing. It will strengthen the synergistic advantages of its R&D centers in China, the United States, and Japan, recruit top global technical talent, increase the proportion of overseas R&D personnel, and focus on cross-regional collaborative efforts in core technologies. It will maintain a high level of R&D investment intensity within the industry, with key support directed towards manufacturing technology upgrades, R&D material procurement, and talent team development.

In terms of production capacity and manufacturing, leveraging the funds raised from the H-share listing, the Company will focus on increasing capacity for its three core product lines: optical transceivers, broadband, and wireless. It will promote capacity release and utilization improvement at the Jiashan facility in Zhejiang, and integrate existing production resources to meet the demands of global market growth. It will deepen the hybrid manufacturing model combining "in-house production + Co-location partnerships," optimizing the collaborative operation of Co-location production facilities across multiple global locations. Through core technology transfer and standardized production process control, it will ensure quality consistency and delivery efficiency across global capacity, addressing supply chain adjustment needs arising from changes in international trade policies. Guided by the concept of "lean production," it will deepen the application of industrial IoT systems, achieve greater integration of automation and IT, and promote the application of technologies such as collaborative robots, real-time data tracking, cloud platforms + fog computing, and big data analytics in production. It will also explore the introduction of Augmented Reality (AR) and Artificial Intelligence (AI) technologies into production processes to enhance production efficiency and cost control capabilities.

Management Discussion and Analysis (Continued)

In terms of market expansion, the Company will continue to expand its overseas market coverage, focusing on deep development in core markets like North America and Europe, and expanding its business footprint in Asia (excluding Mainland China) and emerging markets. Leveraging overseas sales offices and its global customer network, it will further increase the share of overseas markets. It will optimize customer structure and cooperation models, deepen strategic partnerships with mainstream global ICT equipment providers, expand the depth and breadth of the JDM (Joint Design Manufacturing) model, and increase market share in the ODM (Original Design Manufacturing) model. It will provide customized solutions and standardized product portfolios tailored to different customer needs, enhancing customer stickiness and revenue stability. It will strengthen overseas strategic investments and resource integration through means such as acquiring quality assets, integrating R&D teams, and establishing localized production, optimizing overseas capacity deployment and sales networks to address international trade barriers and tariff policy changes. It will increase investment in business promotion and marketing, strengthen the capabilities of its sales and marketing teams, expand its market share in the global OWCD industry, and consolidate its leading market position.

In terms of operational efficiency, leveraging its end-to-end foundation from sample R&D and design, through piloting, to large-scale production, the Company will achieve customized services spanning from concept design to finished product delivery and ongoing support, forming core competencies in product quality, production cycle, and cost control. It will advance digital and intelligent transformation of operations, combining commercial software with in-house development to build an end-to-end integrated responsibility system from quotation to cash recovery, covering market development, product planning, R&D design, procurement and supply, production and delivery, and after-sales service, strictly controlling operational costs and risks. It will establish a diversified supplier network, strengthen cost control and supply stability for core raw material procurement, and leverage supply chain collaboration platforms to achieve efficient linkage with suppliers and partners, shortening delivery cycles and enhancing supply chain resilience. It will improve its global compliance management system, continuously monitor compliance requirements such as international trade policies, tariff rules, and international sanctions, establish dynamic risk assessment mechanisms, and address operational risks arising from geopolitical and policy changes through measures like capacity deployment adjustments and trade term optimization.

In terms of talent and organization, the Company will implement a global talent recruitment plan, focusing on attracting overseas high-end technical talent, internationally experienced operations talent, and market development talent, building a core team with a global perspective. Leveraging its equity incentive plans and market-based compensation systems, it will refine its talent incentive mechanisms to attract and retain key R&D and management personnel, strengthen talent pipeline development for critical roles, and enhance organizational vitality and cohesion. It will establish efficient, collaborative communication mechanisms and management models for operational teams in different regions, strengthen cross-cultural team building, and promote the global sharing of technology, experience, and resources.

In terms of strategic support, leveraging its dual listing platforms on the A-share and H-share markets, the Company will optimize its capital structure, appropriately utilize the funds raised to support R&D investment, capacity expansion, and overseas deployment, and meet the funding needs of business development through market-based financing instruments. It will establish a multi-dimensional risk prevention and control system covering technology R&D, supply chain, international trade, finance, and compliance, focusing on risk factors such as industry competition, technology iteration, and changes in trade policies, and develop contingency plans and response measures. It will improve its corporate governance structure, strengthen the decision-making support role of the Board's specialized committees, ensure the scientific and effective formulation and implementation of strategies, strictly comply with listing regulatory requirements in Mainland China and the Hong Kong Stock Exchange, and enhance the transparency and standardization of corporate governance. Subject to compliance with laws, regulations, and the Company's Articles of Association, it will adhere to a reasonable profit distribution policy, rewarding shareholders through cash dividends, stock dividends, and other means.

Through the implementation of the above strategies, the Company will achieve sustained and stable revenue growth, continuous optimization of its product mix, with a significant increase in the revenue share of high-value-added products; steadily expand its global market share, consolidating its leading position in the industry; continuously enhance its R&D and innovation capabilities, enriching its portfolio of core technology patents; consistently improve its smart manufacturing level and operational efficiency; further solidify its profitability and risk resistance; and ultimately realize its strategic vision of becoming a "world-class international service platform for the ICT industry."

(iii) Operational Plan

In 2026, the global optical communication industry will continue its high-prosperity development trend. The sustained release of AI computing power demand, data center upgrades to higher speeds, broadband network evolution towards 10G PON/25G PON/50G PON, and wireless network evolution towards Wi-Fi 7/Wi-Fi 8 will be core industry trends. At the same time, the industry will continue to face challenges such as tight supply of core components, geopolitical risks, and intensifying market competition. Against this backdrop, the Company will unwaveringly implement its development strategy driven by innovation, market orientation, and global deployment. With the core goal of "building globally leading end-to-end communication connection solutions," it will focus on its three core businesses: high-speed optical transceivers, broadband access, and wireless access. Using technology R&D as the engine, capacity expansion as the support, market expansion as the lever, and supply chain resilience as the safeguard, it will continuously optimize its product mix, deepen its global footprint, and enhance operational efficiency. It will comprehensively strengthen its core competitiveness in areas such as AI computing power infrastructure, data centers, and 5G/6G communication networks, striving to achieve sustained, healthy, and high-quality business development and create greater value for shareholders.

Management Discussion and Analysis (Continued)

1. R&D

In 2026, the Company's R&D will continue to focus on high-speed optical transceivers as the main line, consistently increasing investment in core products and forward-looking technologies, while simultaneously deepening technology upgrades in access and wireless networks, providing core technical support for business development. In the high-speed optical transceiver field, the focus will be on increasing R&D investment for the full 1.6T product series, promoting the continuous iteration of next-generation 1.6T silicon photonics solutions based on 3nm DSP, perfecting customer certification and mass production introduction processes, and prioritizing the R&D and market implementation of products such as 1.6T DR8, 2×FR4, and their corresponding LPO and LRO versions. It will continue to advance the R&D of the ELSFP external light source series and 3.2T/6.4T/7.2T NPO/CPO and other forward-looking technology, while simultaneously initiating the development of 3.2T OSFP-related optical modules products, forming a complete product portfolio for next-generation AI and data center interconnects. In access and wireless network R&D, the focus will be on upgrading broadband access technology and wireless network intelligence. It will continuously optimize the cost and functionality of 10G PON products, expand the 25G PON product line and promote cost reduction, and launch the first-generation 50G PON products. It will continue to promote cost reduction and efficiency improvement for Wi-Fi 7 products, initiate R&D on Wi-Fi 8 and edge computing products integrated with computing power, strengthen the synergy between cloud platform and terminal-side software capabilities, and enhance the capabilities for intelligent device operations and network optimization, further boosting product competitiveness.

2. Product Lines

(1) Telecom Broadband

In 2026, the Telecom Broadband Business Unit will focus on product structure upgrades, cost optimization, and market expansion to drive sustained business growth. In product R&D and optimization, efforts will focus on optimizing the cost and functionality of 10G PON products, ensuring a continued increase in their shipment and revenue proportion. It will bring PON gateway products equipped with AI engines to market and achieve mass production, enhancing product value-added. It will continue to optimize the cost of 25G PON products, expand the product line, and launch the first-generation 50G PON products, completing the forward-looking layout for broadband access technology. In product synergy, it will fully integrate PON gateway products into the Company's Optim cloud platform, further improving the overall solutions for access networks and indoor networking, and enhancing the comprehensive service capabilities for customers. In supply chain and market aspects, it will continue proactively introducing alternative materials and strategic stockpiling to ensure a secure and stable supply chain. It will further expand into high-end overseas markets, ensuring steady growth in shipment volume and revenue in 2026 compared to the previous year.

Management Discussion and Analysis (Continued)

(2) *Wireless Networks and Edge Computing*

In 2026, the Wireless Product Business Unit will deepen product synergy and technology upgrades to create integrated solutions and enhance comprehensive competitiveness. In product synergy, it will continue to advance the development of integrated solutions combining the Optim cloud platform and Wi-Fi products, strengthen product synergy with the Broadband Business Unit, and form an integrated service capability for access and wireless networks. In technology R&D, it will continue to promote cost reduction and efficiency improvement for Wi-Fi 7 products, further enhancing their market competitiveness. Simultaneously, it will initiate R&D on Wi-Fi 8 products and edge computing products integrated with computing power, laying out strategies for next-generation wireless network technology. It will integrate upstream and downstream products for enterprise Wi-Fi applications to form a complete enterprise wireless network solution. In market and product portfolio, it will continue to optimize the performance of small cell products, expand application scenarios for the 5G small cell market, and explore expansion of the FWA and 5G CPE product series based on customer needs, enriching the wireless product matrix.

(3) *High-speed Optical Transceivers*

In 2026, the High-speed Optical Transceiver Business Unit will focus on the mass production of 1.6T products, capacity expansion for 800G products, and forward-looking technology deployment, striving to fully meet market demand from AI computing power and data centers. In product R&D, it will continue to increase investment in the R&D of multiple 1.6T series products, including 1.6T DR8, 2×FR4, and their corresponding LPO and LRO versions, to meet the customization needs of different major overseas customers. It will continue to advance the R&D of ELSFP and 3.2T CPO/NPO and other forward-looking technology, while simultaneously initiating the development of 3.2T OSFP-related optical modules products, maintaining technological leadership. In terms of capacity and mass production, it will continue to promote capacity expansion for second-generation 800G OSFP DR8/DR8+, 800G OSFP 2×FR4/2×LR4, and other products at the Jiashan facility and overseas factories. It will drive the production launch of 1.6T OSFP DR8/DR8+ and 1.6T OSFP 2×FR4, and advance the mass production and customer certification of multiple new models, including the 1.6T silicon photonics optical transceiver based on 3nm DSP, ensuring large-scale shipments to meet the needs of AI large model customers and data center customers.

Management Discussion and Analysis (Continued)

3. *Significant Subsidiaries*

(1) *CIG USA*

In 2026, CIG America will leverage the financing advantages from the Company's H-share listing and the capacity expansion of its optical module business to seize industry opportunities in the North American market. It will continue to focus on market expansion, R&D investment, and capacity layout while effectively addressing geopolitical risks. Regarding market expansion, while stabilizing shipments and product iterations for existing major clients, the optical module business will ramp up efforts to develop new customers, complete the onboarding of new customer suppliers and achieve mass production delivery as early as possible, and deepen collaboration with key CSP clients. By leveraging the localized joint production platform in North America, it will further strengthen cooperation with North American and global hyperscale data center operators and AI infrastructure suppliers, securing long-term demands from core customers. The wireless and broadband business will drive core customers to upgrade to Wi-Fi 7 and 25G/50G PON, accelerate the onboarding of new customers, and increase market share, while building comprehensive product solutions to deepen penetration among Tier-3 and Tier-4 operator customers. Regarding R&D investment, the introduction of high-caliber talents will be increased to enhance R&D capabilities. Collaboration with overseas high-end engineering technology partners will be conducted for joint development in photonics packaging, NPO, silicon photonics PIC, and laser backend processes. Emphasis will be placed on R&D and industrial chain integration in the NPO/CPO field. Investment will be made in the research and development of 3.2T next-generation optical connectivity technology. The Wi-Fi 7 product series will be expanded, and R&D investment in Wi-Fi 8 will be increased to create a one-stop wireless solution. Full efforts will be made to promote the industrialization of 50G PON technology. Regarding capacity layout, taking into account the geopolitical characteristics of the U.S. midterm election cycle, we will accelerate the implementation of our North American capacity layout. With Dallas as the operating center and relying on joint manufacturing platforms in North America and Switzerland, we will focus on building large-scale production capacity for near-shore supply of optical modules in Mexico and broadband product capacity in North America. This will be complemented by the Company's Southeast Asia capacity expansion plan to improve global capacity and supply chain layout, thereby mitigating geopolitical risks. Simultaneously, leveraging our regional advantages, we will support the Company's vertical integration of the industrial chain, creating an overseas industrial chain cooperation platform that integrates product design, high-precision micro-assembly, and global manufacturing operations.

Management Discussion and Analysis (Continued)

(2) *CIG Japan*

In 2026, the CIG Japan R&D team will continue to focus on core technology R&D for high-speed optical transceivers, deepening synergistic collaboration with the Company's global R&D system to provide technical support for the development of 1.6T and next-generation optical transceiver products. It will continuously advance the optimization of mass production processes for 800G OSFP and 1.6T OSFP series products, enhancing production efficiency and reliability. It will continue exploring the R&D and optimization of silicon photonics technology solutions for 1.6T modules, improving product performance and cost competitiveness. By consistently deepening its expertise in core areas such as high-speed optoelectronic conversion, high-frequency circuit design, and signal integrity optimization, and strengthening cooperation with domestic and international optoelectronic chip manufacturers, it will refine the technical validation of key components, providing assurance for the technology iteration of the Company's high-speed optical transceiver products.

(3) *CIG Zhejiang*

In 2026, CIG Zhejiang will focus on the Jiashan facility as its core, further enhancing production capacity scale and operational efficiency to become a key manufacturing base for the Company's core products. Regarding capacity expansion, to swiftly address capacity demands, an 88,800-square-meter factory building was leased near the Jiashan facility. The first-floor renovation was completed and delivered in March, and equipment procurement is underway. Upon passing the customer's factory inspection, it will officially commence production. This will further enhance the Company's capacity guarantee for core products such as optical modules and broadband access, improve post-processing manufacturing capabilities for laser and silicon photonic chip packaging and testing, help strengthen independent manufacturing and supply chain collaboration in key core areas, and promote the integration of resources across the upstream and downstream of the industrial chain. In terms of operational management, it will optimize the production processes at the Jiashan facility, improve automation levels and product yield, and strengthen collaboration with other Company production bases to achieve resource sharing and complementary advantages. Leveraging the Jiashan facility's positioning as a "Global Smart Manufacturing Center, Global Logistics Management Center, and Global R&D Center," it will deepen the application of smart manufacturing and digital twin technologies, enhance logistics efficiency and R&D collaboration capabilities, and provide solid support for the Company's global business development.

Management Discussion and Analysis (Continued)

4. *Manufacturing*

(1) Traditional Products and Smart Manufacturing

In 2026, the Company will deepen its global smart manufacturing footprint, leveraging the new Jiashan facility as its core to enhance capacity release, technological innovation, and customer service capabilities. In terms of capacity release, it will drive the new Jiashan facility to achieve full-capacity operation. Leveraging its production capabilities and enhanced automation productivity, it plans to manufacture over 4 million products for the year, making it the core production base for both traditional and high-end customized products. In terms of technological innovation, it will continue to advance the R&D and application of new technologies and processes, maintaining industry-leading smart manufacturing capabilities. It will deepen the integration of AI across the entire production process, aiming to increase production efficiency by another 20%. It will intensify efforts to recruit high-end technical talent, constructing an innovation network of "Jiashan production + global synergy" to enhance global production collaboration capabilities. In terms of customer service, leveraging the logistics management capabilities of the new Jiashan facility, it will establish a global order visualization tracking system, achieving end-to-end order traceability to enhance customer experience and service efficiency. It will continuously optimize global production division of labor, with overseas bases undertaking large-scale production of standardized products and domestic bases focusing on R&D and manufacturing of high-end customized products, further enhancing the synergy of the global production system.

Management Discussion and Analysis (Continued)

(2) *Optoelectronic Products*

In 2026, the manufacturing of optoelectronic products will focus on capacity expansion, process optimization, and automated equipment R&D to fully support the mass production and delivery of core products such as 1.6T and 800G. In terms of capacity expansion, the Jiashan facility will build new cleanrooms and add production equipment to significantly increase optical transceiver production capacity, ensuring large-scale delivery of 1.6T and 800G products. The Malaysia production base will continue to expand optical transceiver capacity, completing workshop expansions and commencing production, achieving small-scale production and shipment of 800G products, and initiating trial production of 1.6T optical transceivers in the second half of the year. In terms of process optimization, the NPI department will further develop multiple 1.6T product models and complete key material qualifications, continuously improving the maturity of ELSFP and CPO processes, and advancing the R&D and application of cost-reduction processes for core products. It will ensure stable delivery quality of optical transceiver products, consistently pass customer factory audits, and maintain no major quality complaints. In terms of automated equipment R&D, it will develop a new generation of automated precision assembly equipment tailored for 1.6T optical transceiver products, increase in-house R&D efforts, diversify the range of self-developed equipment, further reducing manufacturing costs and shortening product delivery cycles.

(3) *Malaysia Production Base*

In 2026, the Malaysia production base will focus on capacity expansion and quality stabilization for optoelectronic product business while maintaining stable traditional operations, becoming a core overseas production hub for the Company. For traditional business (broadband and wireless products), the on-site operations team will continue to strengthen improvement efforts to achieve the annual output and delivery targets while ensuring product quality. For optoelectronic product business, with the core focus on cultivating production personnel and engineering support staff to stabilize production quality and gradually increase capacity. In the first quarter, it will complete the expansion of the COB workshop, module assembly & testing workshop, and dedicated SMT workshop, bringing them into production. In the first half of the year, it will complete the introduction of 800G new products and customer on-site audits, mass shipment, and initiate trial production for 1.6T optical transceivers.

Management Discussion and Analysis (Continued)

(4) Quality and Lean Management

In 2026, the Company's Quality Management Center will adopt "proactive prevention, resilient assurance, and intelligent drive" as its core guiding principles to build a more forward-looking, adaptable, and competitive modern quality management system, supporting the Company's capacity expansion and global business development. First, implement a global factory quality enhancement project, making the significant improvement of quality levels at overseas factories and ensuring quality during capacity ramp-up phases a top priority. It will implement a three-phase quality prevention and control system—"prevention beforehand, control during the process, closed-loop afterward"—across all global production bases, enhancing the capabilities of front-line quality control personnel through comprehensive empowerment and assessment, driving the transformation of quality management from "passive firefighting" to "active fire prevention." Second, build a resilient quality assurance system to address quality fluctuation risks arising from rapid capacity expansion and personnel turnover. It will promote a multi-skilled worker training model, building a versatile talent pool capable of "one person handling multiple roles, one role covered by multiple persons," establishing standardized rapid training processes to ensure timely replenishment of personnel for key positions, thereby maintaining stable quality output. Third, deepen the digital transformation of quality, continuously advancing the digital and intelligent upgrade of the R&D quality management system. It will explore the application of AI technologies in R&D quality control scenarios such as code review, defect prediction, and root cause analysis, and build a digital quality closed-loop covering the entire product lifecycle from "requirements — design — validation — mass production," fundamentally enhancing product reliability and R&D efficiency.

5. *Marketing and Sales*

(1) North and South America Markets

In 2026, in the North and South America markets, the Company will capitalize on opportunities from AI computing power and network upgrades, deepen cooperation with core customers, expand market share, and simultaneously enhance local production capacity and service systems. As the core growth driver, the optical transceiver business will focus on promoting large-scale delivery of 800G products, accelerating customer certification and mass production introduction for 1.6T products, deepening the JDM cooperation model with key large customers, while intensifying efforts to develop new customers to diversify its customer base. It will continuously optimize its product mix, focusing on high-end, high-speed products to improve product gross margins. In the broadband access business, it will continue to increase its market share in 10G PON, promote the scaled delivery of 25G PON products, and accelerate customer testing and promotion of 50G PON products to position itself in the next-generation broadband access technology market. In the wireless business, it will promote the full commercial deployment of Wi-Fi 7 products in the North American market, accelerate technical pre-research and customer engagement for Wi-Fi 8 products, deepen cooperation with operator clients, and provide integrated wireless network solutions. Leveraging its local US factory and capacity deployment in Mexico, it will enhance its North American local delivery capabilities, effectively responding to trade policy risks and improving customer service efficiency.

(2) Europe, Middle East, and Japan Markets

In 2026, in the Europe, Middle East, and Japan markets, the Company will focus on technology upgrades as the core, consolidating existing markets, tapping into high-end market potential, and driving steady business growth. In the European market, the core objectives are to consolidate the existing customer's industry-leading advantage in XGS PON and achieve scaled shipments, increase support for partners to secure more orders, deepen JDM collaboration with joint technology roadmap planning, and provide a full range of XGS PON products. It will fully promote the "XGS-PON+Wi-Fi 7" high-end smart gateway bundled solution to enhance product competitiveness. To address risks such as EU tariff barriers and operator capital expenditure fluctuations, it will mitigate impact by offering options from multiple overseas factories, strengthening strategic stockpiling of key components, and managing multi-source supply systems. In the Middle East market, it will actively seek strong local partners, develop customized sales strategies based on the characteristics of the telecommunications industry in different countries, and implement a tiered product portfolio. While ensuring stable shipments of GPON and entry-level Wi-Fi products, it will increase resource allocation for XGS PON and Wi-Fi 7 products, create benchmark projects, and achieve the critical breakthrough for high-end markets from "testing" to "small-scale deployment." In the Japanese market, it will deepen customer collaboration in high-speed optical transceivers and broadband products, leveraging the technical support of the CIG Japan R&D center to achieve localized product adaptation and stable delivery, while exploring market opportunities for Wi-Fi 7 products. Additionally, it will launch new Wi-Fi 7 products to provide customers with 5G bandwidth services, and introduce the MDU OpenSync solution targeting residential apartment communities in the US in the first half of the year, opening up new market growth points.

Management Discussion and Analysis (Continued)

(3) Asia-Africa Market

In 2026, in the Asia-Africa market, the Company will adhere to the strategy of "stabilizing traditional business, focusing on growth, and deepening channels" to drive improvements in both business scale and market coverage. For traditional business, it will continue to maintain and expand its JDM hardware business, onboard new high-quality customers, increase market share, and attempt to establish a presence in new markets for high-end hardware design and manufacturing. It will maintain stability in the 5G small cell business, consolidating and increasing shipment volumes in existing markets while making every effort to develop new high-quality customers. For growth-oriented business, it will accelerate the pilot implementation of the first round of operator PON total solutions with clients and rapidly replicate and scale them in other markets. It will increase market investment in home Mesh Wi-Fi solutions, focusing on promoting Wi-Fi 7 products to achieve significant breakthroughs in the Asia-Africa-Latin America markets. It will intensify efforts to expand the enterprise Open Wi-Fi business, dedicating core resources to the Asia-Africa-Latin America markets, focusing on tracking and selecting quality projects to increase sales and shipment volumes. For channel development, leveraging the strong partnerships and agent networks in Southeast Asia, it will use the Southeast Asian market as a springboard to achieve effective coverage and business growth across the entire Asia-Africa-Latin America region. Concurrently, it will proactively address challenges such as complex international situations, geopolitical risks, and the intense competition from domestic manufacturers going overseas by formulating differentiated market strategies to enhance market competitiveness.

(4) Domestic Market

In 2026, the domestic optical communication market will continue to be driven by AI computing power and data center construction. The Company will seize market opportunities, deepen its product portfolio, and enhance its domestic market share and profitability. In terms of product portfolio, traditional 100G and 400G optical transceivers will maintain stable shipments, with continued focus on cost control and gross margin improvement, leveraging increased shipment volumes to enhance profitability. The series of optical transceivers based on single-lambda 100G PAM4 will further broaden the customer base for new version solutions, leveraging cost advantages to boost product competitiveness. The 400G QSFP112 optical transceiver will focus on cost reduction and efficiency improvement to consolidate market share. The 800G optical transceiver will continue to focus on core North American customers while increasing investment in the domestic data center market to promote product certification and mass supply. The 800G and 1.6T optical transceivers based on 200G per lane will achieve full silicon photonics technology solutions, targeting leading domestic internet and cloud computing enterprises to meet their high-speed interconnect needs. In terms of market promotion, it will intensify collaboration with core domestic data center customers and equipment manufacturers, complete multiple rounds of certification testing for various products, and enhance product delivery capabilities. Leveraging the capacity advantages of the new Jiashan facility, it will achieve rapid delivery of products in the domestic market, improving customer satisfaction. It will continue to promote high-speed silicon photonics transceivers, complete PCN certification transitions for legacy products, and optimize the product mix.

Management Discussion and Analysis (Continued)

6. Supply Chain

(1) Material Procurement

In 2026, the Company's material procurement operations will focus on the mass production of 1.6T optical transceivers, supply chain resilience building, and cost optimization, proactively addressing ongoing industry challenges related to raw material tightness to ensure production needs. For traditional product procurement, it will closely monitor the impact of commodity price fluctuations, AI demand, and geopolitics on the supply chain, remaining vigilant about risks of overcapacity and price corrections. It will maintain close communication with suppliers, promptly adjust stocking strategies, and reasonably control inventory levels. It will continue to advance cost optimization by introducing domestic brand materials resulting from technology iteration and capacity expansion, ensuring supply stability and achieving continuous cost reduction to enhance product market competitiveness. For optoelectronic product procurement, it will embrace the 1.6T era, building a robust and reliable supply foundation, and transitioning from a "demand-response" model to a "strategy-driven" model. For scarce resources such as 3nm DSPs and high-power lasers, it will proactively initiate capacity reservation agreements with global leading suppliers, establishing a full-chain mechanism of "technology pre-research — component selection — capacity lock-in." It will deepen its "community" relationship with core suppliers, driving their deep involvement in the early-stage R&D of 1.6T and NPO/CPO technologies, ensuring close alignment between supply chain iteration and product roadmaps. It will continuously deepen penetrating supply chain management for passive components and specialized PCBs, activating alternative suppliers and establishing safety stock buffers for key materials to enhance supply chain risk resilience. Under the premise of ensuring high standards and high reliability, it will introduce more cost-competitive alternative solutions through economies of scale and process improvements, enhancing the profitability of new products like 1.6T.

Management Discussion and Analysis (Continued)

(2) *Planning, Warehousing, and Logistics*

In 2026, the Company's Planning and Warehousing Center will elevate its strategic position, driving the transformation of supply chain management from "operational excellence" towards "strategic leadership" and "value creation" to build future-oriented core competitiveness. First, it will uphold its core mission, making "ensuring output and ensuring delivery" its top priority. Collaborating with resources across the Company, it will ensure all orders are delivered on time, with the right quality and quantity, supporting market development with a 100% order fulfillment rate and pursuing the ultimate delivery experience of "zero defects" and "zero delays." Second, it will drive efficiency upgrades by continuously advancing process automation and intelligent construction, unlocking efficiency potential across the entire supply chain, building a more agile and flexible operating system, breaking down internal collaboration barriers, tackling the "last mile" efficiency bottleneck, and achieving a step-change improvement in overall operational effectiveness. Third, it will strengthen cost control by implementing more refined cost accounting and management models, strictly managing various expenses, focusing on optimizing inventory structure, accelerating inventory turnover, and scientifically reducing inventory levels, directly enhancing the Company's overall profitability. Fourth, it will build a resilient supply chain by improving risk warning and emergency response mechanisms, optimizing supplier networks and logistics networks, creating a smart and resilient supply chain capable of withstanding external shocks while nimbly capturing market opportunities, providing solid support for the Company's global business development.

7. *Corporate Management*

(1) *Human Resource Management*

In 2026, the Company's Human Resources department will focus on three core directions: "goal-driven, efficiency enhancement, and talent empowerment," deepening the development of the human resource management system to provide solid manpower support for the execution of the Company's global strategy. In goal management, it will fully implement a goal management system, using business objectives as a guide to systematically optimize organizational structure, manpower allocation, and incentive systems, achieving deep integration of human resource management with business development. In manpower assurance, it will strengthen proactive reserves for core positions and rapid deployment capabilities at critical junctures, improve talent recruitment channels, and precisely align with the manpower needs of global production bases and R&D centers to ensure a stable supply of talent for business development. In talent empowerment, it will systematically promote efficiency improvement and talent development, deepen mechanisms such as multi-skilled worker training, mentorship programs, and school-enterprise collaboration, and build a tiered and categorized talent development system. Simultaneously, it will enhance the localization capabilities of overseas teams, strengthen the recruitment and cultivation of core overseas talent, and consolidate the foundation for global talent. In cultural development, it will delve deeper into the connotation of corporate culture, widely disseminate the Company's core values, enhance organizational cohesion through multiple channels, strengthen employee care and comprehensive management, achieve the organic unity of overall Company development and individual employee growth, and stimulate the overall vitality of the team. Leverage the advantages of the Company's A+H dual-listing platform to further enhance equity incentive measures, optimize the employee incentive system, and attract global talents to establish long-term win-win partnerships with the Company.

Management Discussion and Analysis (Continued)

(2) Cost Management

In 2026, the Company's Cost Management Center will continue its philosophy of refined cost control, guided by the Company's strategic development. Focusing on core activities such as capacity expansion, technology R&D, and market expansion, it will deepen end-to-end cost management to enhance the Company's overall profitability. In cost control, it will continuously optimize departmental expense requirements, deepen refined and customized data analysis to provide more accurate data support for management decisions. Targeting scenarios such as the full-capacity operation of the new Jiashan facility and capacity expansion at the Malaysia base, it will formulate targeted production cost control plans, optimize production processes, and reduce unit production costs. In supply chain costs, it will closely coordinate with the procurement department to reduce material procurement costs through economies of scale, strategic stockpiling, and domestic substitution, while optimizing logistics and transportation plans to lower logistics costs. In expense management, it will strictly control period expenses such as R&D, sales, and administration, ensuring that expenses grow reasonably in line with business scale and improving expense utilization efficiency. Leveraging the development of information systems, it will achieve digitization and visualization across the entire cost control process, enhancing the accuracy and efficiency of cost management.

(3) Information Technology

In 2026, the Company will advance its digital transformation strategy with higher requirements, centered on digital R&D, digital manufacturing, digital operations, and digital assurance, continuously enhancing the supportive role of information technology in the Company's development. In system upgrades and optimization, it will continue to upgrade core information systems such as ERP and OMS, deepen the informatization of financial management and integrated finance, further improve S&OP accuracy, and enhance material planning and supply chain coordination efficiency for multi-location production. It will promote system interconnectivity across R&D design, manufacturing, marketing and sales, and supply chain management, achieving data sharing and business collaboration. In smart manufacturing IT, it will deepen the application of technologies such as AI, big data, and digital twins in the manufacturing process, achieving intelligent monitoring and management across the entire production process to enhance production efficiency and product quality. It will continuously upgrade manufacturing management information systems at global production bases to adapt to the production requirements of new products and processes, such as 1.6T optical transceivers and Wi-Fi 8. In digital assurance, it will improve the Company's data security system to protect core data. Leveraging information systems, it will achieve IT-based traceability across the entire product lifecycle, supporting product quality control and customer service. It will facilitate the rapid IT deployment for the Company's global production bases, enhancing the IT collaboration capabilities for global operations.

Management Discussion and Analysis (Continued)

(4) *Leveraging the Financing Advantages of the Hong Kong Listing*

In 2026, the Company will fully leverage the financing advantages and brand effect of its Hong Kong listing to provide comprehensive support for its strategic development. In terms of fund utilization, it will allocate the proceeds from the Hong Kong listing to core areas such as the R&D of 1.6T/3.2T optical transceivers, capacity expansion at the new Jiashan facility, global capacity deployment (e.g., in Mexico), and strategic stockpiling of core components, ensuring the smooth execution of the Company's strategic initiatives. It will optimize the Company's capital structure, reduce financial costs, and enhance its risk resistance and profitability. In terms of brand and capital markets, leveraging the international platform of the Hong Kong listing, it will enhance its international brand influence and industry recognition, attract global high-quality customers and partners, and support its global market expansion. It will strengthen communication and exchanges with the Hong Kong capital market, timely conveying the Company's operating performance and development strategy, thereby improving its capital market image and valuation. In terms of financing channels, building on the Hong Kong listing, it will further broaden its international financing channels, providing ample financial support for subsequent R&D investment, capacity expansion, and industrial chain integration, driving the Company towards leapfrog development.

Looking ahead to 2026, the Company will face both industry opportunities and market challenges. The high prosperity of the global optical communication industry provides vast market space for the Company's business growth, while challenges such as core component supply, geopolitical factors, and market competition will persist. Leveraging the core strengths accumulated over the years in technology R&D, capacity deployment, market expansion, and supply chain management, the Company will seize industry development opportunities, proactively address various challenges, and continuously deepen its innovation-driven and global deployment strategies. It will lead product upgrades through technology R&D, ensure market delivery through capacity expansion, increase market share through market development, and enhance efficiency through refined management, continuously improving its core competitiveness and industry influence. The Company will steadfastly uphold its business philosophy of innovation and pragmatism, adhere to a customer-centric approach, and aim to maximize shareholder value. With focused efforts and a commitment to overcoming difficulties, it will drive the sustained, healthy, and high-quality development of its business, striving to become a globally leading provider of communication connection solutions and creating greater value for industry development and its shareholders.

(iv) Potential Risks

1. Macro Market Risks

(1) Risk of Changes in Industry Policies

National industrial policies continue to drive the development of the optical communication industry. In 2025, the implementation of 10G optical network pilots progressed, with 50G PON coverage and multi-technology coordinated deployment gradually being implemented in key scenarios, providing sustained momentum for industry development. However, the development of the optical communication industry is highly dependent on industrial policy direction. Significant future adjustments to domestic industrial policies could lead to slower industry demand growth and limited market expansion. Given the Company's consistently high proportion of overseas business, the impact of changes in the international situation and various countries' policies is more pronounced. To protect their domestic optical communication industries, some countries and regions continue to introduce or intensify trade protectionist policies such as import restrictions and tariff increases. This will directly increase the cost for the Company's products to enter local markets, weaken product price competitiveness, and potentially lead to the Company's market share being squeezed by local players. Furthermore, adjustments by some countries to their communication infrastructure construction plans — such as reducing procurement scale for optical communication equipment, changing procurement standards, or delaying construction schedules — will directly impact the Company's product order volume, potentially slowing or even decreasing revenue growth, adversely affecting the Company's operating results and long-term development.

The U.S. tariff policy in 2025 was characterized by complexity, variability, and a high degree of uncertainty. The country successively implemented various tariff measures targeting fentanyl-related commodities, reciprocal retaliation, and others, with frequent adjustments to tax rates: The generally applicable tariff rate increased from 10% in February to a peak of 145% in April, subsequently dropped to 30%, and was further reduced to 20% by the end of the year. In addition, the U.S. government has repeatedly introduced tariff measures and exemption policies targeting specific industries, combined with the long-standing Section 301 tariffs. These complex and frequently changing tariff arrangements have significantly reduced the predictability of U.S. trade policy, continuously disrupting the global optical communications industry trade order, which pose persistent and severe challenges to the Company's overseas business expansion, order signing, and cost control, becoming a major uncertainty factor in the Company's overseas market operations.

Management Discussion and Analysis (Continued)

(2) *Technology Risk*

The pace of technological renewal in the optical communication industry, where the Company operates, continues to accelerate, with a significant trend towards product diversification and high-end positioning. The entire process from R&D to industrialization to marketization involves numerous uncertainties. If product R&D directions diverge from actual market demand, it will directly impact the Company's market competitiveness and sustainable development capability. In 2025, the pace of industry technology iteration further accelerated, with 50G PON becoming the core direction for optical communication network upgrades. Its technical difficulty is significantly higher than 10G PON. If the Company lags in the R&D, mass production, and marketization progress of 50G PON products, it will miss the core market opportunities brought by industry upgrades. Technology standards in the Wi-Fi field continue to evolve, with Wi-Fi 7 commercialization accelerating and Wi-Fi 8 in the technical draft stage. If the Company fails to promptly follow new technology standards to complete product iteration, its related Wi-Fi equipment will lose market competitiveness. In the small cell field, requirements for equipment integration, power consumption control, and coordination with macro base stations continue to increase. If the Company's R&D efforts on small cell products cannot meet the latest industry technical requirements, it will be difficult to sustain its position in this area.

Concurrently, emerging alternative technologies such as low-earth-orbit satellites and 5G FWA are developing rapidly, continuously impacting the market share of traditional PON, Wi-Fi equipment, and small cells. If the Company fails to adjust its product strategy and deploy in these emerging technology areas in a timely manner, it will face the risk of declining market share. According to LightCounting's "1Q26 Quarterly Market Update Report" released in March 2026, global sales of optical modules and related products reached USD23.8 billion in 2025, a year-on-year increase of 55%; and Ethernet optical module sales reached nearly USD18.0 billion, a year-on-year increase of 70%. 800G optical modules have entered the stage of mass production, becoming the core driver of industry growth, while 1.6T optical modules have begun small-scale commercial deployment. Silicon photonics integration and power optimization have become key research and development focuses in the industry, with multiple technological pathways such as CPO and LPO developing in parallel and competition intensifying. In the fourth quarter of 2025, leading global optical module manufacturers such as Innolight Technology, Coherent, Lumentum, and Fabrinet all achieved record-high revenues, with the trend of market concentration among top players and the threshold for technological investment continuing to rise. Global leading cloud service providers' capital expenditures in the fourth quarter of 2025 increased by 68% year-on-year, and they significantly raised their capital expenditure plans for 2026. The construction of AI computing infrastructure directly drove a surge in demand for 800G and higher-speed optical transceivers, accelerating the pace of technological iteration and capacity release. As the production capacity of optical communication chips and optical modules gradually catches up with demand, LightCounting predicts that the industry will face more intense market competition and downward price pressure in the second half of 2026. If the Company deviates in its technology roadmap selection, or if its investment in emerging technology R&D is insufficient and its progress lags behind the industry average, it will directly weaken the core competitiveness of its products, thereby affecting its market share and revenue growth.

(3) *Risk of Exchange Rate Fluctuations*

During the reporting period, a very high proportion of the Company's sales and procurement activities still occurred overseas. Product exports and overseas procurement were mainly settled in US dollars. In the past three years (2023–2025, hereinafter), the proportion of the Company's overseas sales revenue was 89.27%, 92.59%, and 93.91%, respectively, showing a continuous upward trend, further amplifying the impact of exchange rate fluctuations on the Company's operating results. Affected by fluctuations in exchange rates of major currencies such as USD/CNY and USD/JPY, the Company's exchange gains/losses (positive figures represent losses) over the past three years were RMB –31.7897 million, RMB –14.4356 million, and 84.6171 million, respectively, indicating persistent book gains/losses from exchange rate volatility. If the RMB maintains an appreciation trend against the USD in the future, it will directly reduce the RMB-equivalent revenue from the Company's overseas business, negatively impacting performance. Conversely, if the RMB depreciates against the USD, it will have a positive effect on the Company's performance.

The Company's exchange gains/losses are mainly reflected at the book level. Due to factors such as increased volatility in the international exchange rate market and the difficulty in predicting exchange rate trends, it is challenging to pre-lock the impact of exchange rate fluctuations on operating profit using financial instruments like forward settlement and sale of foreign exchange. The increase in exchange gains in the first half of 2025 due to the appreciation of the Japanese Yen further highlights the unpredictability of exchange rate movements. Although the Company has taken measures to hedge exchange rate risk, such as increasing import procurement settled in US dollars, obtaining USD loans domestically, and expanding domestic orders settled in local currency, the effectiveness of these measures is still constrained by changes in market conditions and cannot completely eliminate the potential impact of exchange rate fluctuations on the Company's operations.

(4) *Geopolitical Risk*

In 2025, the new US administration's economic and trade policy towards China remained tense and complex. It successively implemented measures such as imposing tariffs and launching "reciprocal tariffs." Although there were subsequent dynamics like rate adjustments and discussions on exemptions, the overall policy predictability remained low, exacerbating uncertainty in the global economy and trade markets. The pressure on the Company's overseas market operations continued to increase. If the progress of its globalization deployment falls short of expectations, it will directly increase the difficulty of acquiring customers in overseas markets. Simultaneously, supply chain security has garnered high attention from major countries globally, with policies like "China Plus One" being increasingly enforced. The trend of market fragmentation is evident, and the pace of the optical communication industry's shift towards regions like Southeast Asia is accelerating. The competitive landscape of the global optical communication industry is continuously reshaped by geopolitical factors, further increasing the complexity and intensity of market competition.

Management Discussion and Analysis (Continued)

The Company's global production capacity deployment played a core role in mitigating geopolitical risks. During the reporting period, following adjustments in US tariff policies towards China, the tariff advantage of the Malaysia facility became increasingly prominent. The vast majority of products exported to the US were produced at the Malaysia base, which was not subject to the main tariff measures, effectively avoiding the direct impact of tariff policies. The proportion of products exported to the US from domestic factories was minimal, and most related freight and tariff costs were borne by customers, resulting in a limited impact on the Company's overall operations. Additionally, the Company's Germany-Poland production base can serve European market customers closely, while the production capacity of its North American (including Mexico) base continues to increase, further enhancing localized supply capabilities to precisely meet the procurement needs of North American customers. Compared to setting up factories in regions like Vietnam or Thailand, the Company's overseas production bases offer significant advantages in tariff costs and policy adaptability, making the overall impact of geopolitics and tariff policies manageable. The Company has established a regular communication mechanism with customers to jointly explore solutions to address tariff policy changes.

In the future, the Company will continue to closely monitor global geopolitical dynamics and policies of various countries, using its overseas production capacity deployment as a core lever to address geopolitical uncertainty. By continuously optimizing its capacity footprint, enhancing product and service capabilities, and assisting customers in mitigating policy risks, it will promote the stable development of its overseas business. Leveraging the tariff advantages of its Malaysia facility and the localized supply capabilities of its North American base, it will further hedge against operational risks arising from tariff fluctuations and geopolitical factors.

2. Business Operation Risks

(1) Risk of Loss of Core Technical Personnel and Technology Leakage

As a high-tech enterprise in the optical communication industry, the Company's core technologies and R&D personnel are its core competitiveness for sustainable development. Currently, the Company has accumulated a wealth of patented and non-patented technologies through independent R&D, mergers and acquisitions, and technology licensing, and has a strong pool of outstanding R&D talent. To mitigate the risks of technology leakage and the loss of core talent, the Company has established a comprehensive technology management system and signed legal documents such as confidentiality agreements and non-compete agreements with its core technical personnel, ensuring technology and talent stability at both the institutional and legal levels. However, technology competition in the optical communication industry is intensifying, and the competition for core technical talent continues to escalate. It is still difficult to completely eliminate the possibility of losing core technical personnel due to industry competition, personal development, or other reasons. The loss of core technical personnel or an incident of technology leakage would directly impact the Company's technology R&D progress and the core competitiveness of its products, severely adversely affecting its sustained R&D and business development.

(2) Risk of High Customer Concentration

The Company's customers are primarily large communication equipment providers in the ICT industry. The upstream and downstream structure of the optical communication industry determines the relatively concentrated nature of the Company's customer base, a characteristic that became more pronounced during the reporting period. Over the past three years, the total sales to the Company's top five customers accounted for 68.80%, 74.96%, and 86.10% of its operating revenue, respectively, indicating a continuous upward trend in customer concentration. If a major customer significantly reduces its procurement of the Company's products due to its own declining operating performance, strategic adjustments, industry fluctuations, or if the cooperative relationship with the Company undergoes a fundamental change, and the Company fails to promptly develop new high-quality customers and emerging markets, this could directly lead to a decline in the Company's product sales volume and expose its operating results to the risk of significant decline.

Although leading high-speed optical transceiver companies in the industry have effectively reduced customer concentration risk through the standardized layout of 800G products, highlighting the risk-mitigating role of technology pathway selection and product standardization, the Company still needs to continuously promote product diversification and market expansion to address the operational uncertainty brought by high customer concentration.

3. Financial Risks

(1) Risk of Inventory Write-downs

The Company's inventory mainly consists of finished goods, work in progress, and raw materials required for production. Based on the production-to-order operational characteristic of its traditional business, the Company needs to procure long-lead-time raw materials in advance based on customer demand forecasts. Additionally, to respond to market supply and demand fluctuations, it strategically stocks up on key long-lead-time materials. Typically, in cases of raw material expiration or finished goods becoming obsolete, the customer bears the responsibility for repurchase or disposal at the original price, which mitigates the risk of inventory obsolescence to some extent. The Company's high-speed optical transceiver products are highly standardized with strong material commonality; the same product can be sold to different customers. Compared to customized products, the risk of inventory obsolescence and write-downs is lower. Furthermore, leveraging its high-quality customer base and established sales channels, the Company can effectively absorb finished goods inventory, further reducing inventory risk.

However, the pace of product renewal in the optical communication industry continues to accelerate, and market demand is subject to significant fluctuations due to factors such as policies, technology, and industry competition. If there is a significant adverse change in market demand, or if product technology iterations render existing inventory incompatible with new market requirements, some of the Company's stockpiled raw materials and finished goods may still face the risk of write-downs. A substantial write-down amount would adversely affect the Company's financial condition and operating results.

Management Discussion and Analysis (Continued)

(2) *Risk of Bad Debt Losses on Accounts Receivable*

During the reporting period, the Company maintained a relatively high level of net accounts receivable. Over the past three years, net accounts receivable amounted to RMB1,099.5367 million, RMB1,230.1141 million, and 1,997.7202 million, respectively, accounting for 23.22%, 23.71%, and 16.78% of total assets. The net amount and proportion of accounts receivable increased in 2025, mainly due to factors such as business expansion and the timing of sales collections. The Company's accounts receivable are primarily from well-known domestic and international enterprises in the ICT industry. These customers have strong operational capabilities and good credit standing, resulting in a relatively low probability of bad debts. The Company has also made adequate bad debt provisions for accounts receivable in accordance with Accounting Standards for Business Enterprises and relevant accounting policies, fully covering potential bad debt risks.

However, factors such as the global economic environment, industry cycle fluctuations, and changes in customers' own operating conditions could still lead to the possibility of certain customers experiencing reduced payment capacity or deteriorating credit status. This could result in the Company's receivables not being collected on time or even becoming bad debts. Bad debts on accounts receivable would directly reduce the efficiency of the Company's capital utilization, increase finance costs, and adversely affect its operating results.

(3) *Risk of Goodwill Impairment from Acquired Entities*

The Company recorded a certain amount of goodwill from its acquisition of Actiontec Electronics, Inc. (US). This goodwill is presented in the Company's consolidated balance sheet and is subject to subsequent impairment testing based on the operating performance of the acquired entity. If there is a significant adverse change in the future global optical communication market environment, or if the acquired entity experiences poor management or market expansion falls short of expectations, leading to failure to achieve sales plans and the inability of incremental gross profit to cover incremental operating expenses, the acquired entity would incur operating losses. When the recoverable amount of the acquired entity falls below its carrying amount, the Company faces the risk of goodwill impairment in its consolidated financial statements. Goodwill impairment would be directly charged to profit or loss for the period, reducing the Company's operating profit for that period and adversely affecting its financial condition and operating results.

(4) Risk of Litigation

In the course of its production and operations, the Company may become involved in litigation disputes related to customer cooperation, supply chain transactions, intellectual property, overseas business compliance, or other matters. Should litigation occur, the Company would face multiple risks: ① Financial impact: If the Company loses the case, it would bear corresponding compensation, legal fees, and other expenses, directly increasing its financial outlays and affecting its current financial position. ② Reputational damage: Public dissemination of litigation events could harm the Company's brand image and market reputation, reducing the trust of customers and partners, which could in turn affect its market share and order acquisition. ③ Operational disruption: Litigation processes require significant time and attention from the Company's management and key personnel, potentially diverting focus from management and operations, and hindering normal production and strategic development plans. ④ Legal compliance risk: If the litigation involves alleged violations of laws or regulations by the Company, it could trigger investigations and penalties from regulatory authorities, leading to more severe legal consequences. ⑤ Stock price volatility: News of litigation could raise concerns among capital market investors, potentially undermining investor confidence and leading to stock price fluctuations. ⑥ Cross-border litigation risk: Given the Company's high proportion of overseas business, involvement in cross-border litigation would expose it to significantly higher costs and greater uncertainty due to substantial differences in legal systems, judicial procedures, cultural backgrounds, time zones, and cross-border enforcement issues, significantly increasing the uncontrollable nature of the outcome.

Although the Company consistently adheres to legal and compliant operations and has established a comprehensive internal control and risk prevention system to avoid litigation disputes as much as possible, it cannot entirely eliminate the possibility of being involved in litigation due to various unforeseen factors. Litigation disputes would introduce additional uncertainty to the Company's operations and development.

Biographical Details Of Directors And Senior Management

DIRECTORS

Executive Directors

Mr. Gerald G Wong, aged 72, is our founder, an Executive Director, the Chairman of our Board, and the General Manager (Chief Executive Officer) of our Company, primarily responsible for formulating the overall development strategies and overseeing the daily operations of our Group.

Mr. Wong founded our Group in May 2005 and has been our Director since October 2010, the chairman of our Board and the General Manager (Chief Executive Officer) of our Company since December 2011. He concurrently holds the positions of Executive Director, Chairman, and/or General Manager of the fifteen subsidiaries of our Company, and is a director of CIG Cayman (one of our Single Largest Group of Shareholders) and CIG Holding (a then Shareholder). Mr. Wong has over 40 years of experience in the telecommunications and communications industry. Before joining our Group, he served at AT&T Bell Labs (later became Lucent Technologies Bell Labs) and a vice president of Lucent Technologies from 1984 to 2000, where he was responsible for developing and managing network department products. In 2000, Mr. Wong co-founded Photonic Bridges China Co., Ltd.* (光橋科技(中國)有限公司), a company specializing in the research, development, production, and sales of SDH optical transmission products for optical communication, and served as the company's legal representative from 2000 to 2005, during which he led operations, team management, and financial and business risk control.

Mr. Wong earned both his bachelor's and master's degrees in electrical engineering and computer science from the Massachusetts Institute of Technology (MIT) in June 1985.

Mr. Zhao Haibo (趙海波先生), aged 51, is an Executive Director, the Deputy General Manager, and Chief Technology Officer of our Company, primarily responsible for participating in the strategic decision-making, formulating and executing technical strategies, and leading our technical team. Mr. Zhao joined our Group in August 2005 and has been the Chief Technology Officer of our Company since March 2006, our Director since December 2011 and our Deputy General Manager since June 2012. He also serves as the executive partner of Shanghai Kangling (上海康令) and Kangling Management.

Before joining our Group, Mr. Zhao served as a manager of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 8205) from March 1999 to September 2001. He then served as a manager at Photonic Bridges China Co., Ltd.* (光橋科技(中國)有限公司), a company specializing in the research, development, production, and sales of SDH optical transmission products for optical communication, from October 2001 to September 2005.

Mr. Zhao obtained a bachelor's degree in communication engineering from Shanghai Jiao Tong University in July 1996, and a master's degree in communications and information systems from the same university in March 1999.

Biographical Details Of Directors And Senior Management (Continued)

Mr. Zhao Hongwei (趙宏偉先生), aged 53, is an Executive Director, the Manager of Hardware R&D Division, the Procurement Officer and the Chief Operating Officer of our Company, primarily responsible for procurement, planning, IT and hardware platform management. Mr. Zhao joined our Group in December 2005 and has been the Manager of Hardware R&D Division since March 2006, the Procurement Officer since September 2018, our Director since May 2024 and the Chief Operating Officer of our Company since June 2024.

Before joining our Group, Mr. Zhao served as a hardware research and development manager at ZTE Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 763) and the Shenzhen Stock Exchange (stock code: 000063), from August 2000 to August 2005, where he was primarily responsible for managing the 3G wireless network controller hardware team. From August 2005 to December 2005, Mr. Zhao worked for Luminous Networks Technology (Shanghai) Co., Ltd.* (絡明網絡技術(上海)有限公司).

Mr. Zhao obtained a bachelor's degree in chemical equipment and machinery from Qiqihar University (formerly known as Qiqihar Light Industry College) in July 1995, a master's degree in electromechanical control and automation from Harbin Institute of Technology in July 1997, and a doctorate in mechatronics engineering from Harbin Institute of Technology in July 2000.

Mr. Zhang Jie (張傑先生), aged 45, is an Executive Director and the Manager of Broadband Products Division of our Company, primarily responsible for participating in the material decision-making, formulating product strategies and business objectives, and managing the daily operations of the broadband products division. Mr. Zhang joined our Group in October 2009 and successively served as the Product Line Manager, the Manager of Product Management Division, the Deputy Manager and the General Manager of Broadband Products Division since then, and has been our Director since June 2022.

Prior to joining our Group, from September 2007 to November 2007, Mr. Zhang served as an embedded software engineer and a broadband product system engineer at Shanghai research and development center of ZTE Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 763) and the Shenzhen Stock Exchange (stock code: 000063), where he was responsible for the development of embedded software for network equipment and the design of hardware and software system architecture for network equipment. From December 2007 to September 2009, Mr. Zhang worked as a product line manager at Dare Power Dekor Home Co., Ltd.* (大亞聖象家居股份有限公司, formerly known as Daya Technology Co., Ltd.* (大亞科技股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000910), where he oversaw product line planning, life cycle management, and product promotion for network equipment.

Mr. Zhang received a bachelor's degree in electronic science and technology from Southeast University in June 2001, and a master's degree in physical electronics from the same university in May 2004.

Biographical Details Of Directors And Senior Management (Continued)

Independent Non-executive Directors

Mr. Qin Guisen (秦桂森先生), aged 49, has been an Independent Director of our Company since May 2021, primarily responsible for supervising and providing independent opinions and advice to our Board. Mr. Qin is currently a lawyer and partner at Grandall Law Firm (Shanghai), where he specializes in capital markets practice.

From September 2003 to June 2006, Mr. Qin served as a clerk and judge at the Qingdao Maritime Court.

Mr. Qin obtained a bachelor's degree in law from Party School of the Central Committee of the Communist Party of China in July 1999, and a master's degree in law from Yantai University in July 2003. He was granted a lawyer's practice qualification certificate by the Shanghai Municipal Bureau of Justice in June 2006 and an Independent Director qualification certificate by the Shanghai Stock Exchange in April 2014.

Mr. Yao Minglong (姚明龍先生), aged 62, has been an Independent Director of our Company since May 2021, primarily responsible for supervising and providing independent opinions and advice to our Board. Mr. Yao is currently an associate professor of the Department of Accounting at the School of Management, Zhejiang University.

Mr. Yao has served as an Independent Director of Hangzhou HOTA M&E Industry Co., Ltd. (杭州和泰機電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 001225), since October 2020, and as an Independent Director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603103), since June 2021. Mr. Yao served as an Independent Director of Apeloa Pharmaceutical Co., Ltd. (普洛藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000739), from May 2015 to April 2021. Mr. Yao obtained a doctorate in agricultural economics and management from Zhejiang Agricultural University in July 1997. He was awarded the title of Associate Professor by Zhejiang University in December 1996.

Ms. Yuen Shuk Yee (袁淑儀女士), aged 54, was appointed as an Independent Non-executive Director of our Company in April 2025 with effect from the Listing Date, primarily responsible for supervising and providing independent opinions and advice to our Board.

Ms. Yuen has over 20 years of experience in overseeing financial planning, internal control, tax analysis, financial reporting, corporate governance practices and corporate restructuring. From 2001 to 2008, Ms. Yuen held various managerial positions in the accounting department of China Daye Non-Ferrous Metals Mining Limited (formerly known as China National Resources Development Holdings Limited), a company listed on the Hong Kong Stock Exchange (stock code: 661) with her last position as chief financial officer. Ms. Yuen served as a financial controller and company secretary of DT Capital Limited (formerly known as Incutech Investments Limited), a company listed on the Hong Kong Stock Exchange (stock code: 356) from 2008 to 2014; a financial controller and company secretary of Kirin Group Holdings Limited (formerly known as Creative Energy Solutions Holdings Limited), a company then listed on the Hong Kong Stock Exchange (then stock code: 8109 and delisted in 2023) from 2010 to 2011 and from 2014 to 2015; a financial controller and company secretary of China Huandao Group Hong Kong Limited* (中國寰島集團香港有限公司) from 2016 to 2017, as appointed by its fully owned shareholder China Chengtong Development Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 217); and a financial manager of China Uptown Group Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2330) from 2023 to 2024.

Ms. Yuen obtained an honours diploma in accounting from Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) in July 1995. Ms. Yuen has been an associate member and a fellow member of the Association of International Accountants since October 2001 and November 2014, respectively; and an associate member of the Hong Kong Institute of Certified Public Accountants since January 2003.

SENIOR MANAGEMENT

For the biographies of Mr. Gerald G Wong and Mr. Zhao Haibo, please refer to "Directors — Executive Directors" in this section.

Mr. Jin Zeqing (金澤清先生), aged 54, has served as the Deputy General Manager, Secretary to our Board, and a Strategic Consultant of our Company since May 2024, primarily responsible for the securities affairs, public relations, internal audit, and legal affairs of our Group. Mr. Jin is currently also an executive director and the chief financial officer of Shanghai Shangjin Huiqun Enterprise Management Consulting Co., Ltd.* (上海上金慧群企業管理諮詢有限公司).

From July 2006 to November 2009, Mr. Jin served as the head of the human resources department at Zhejiang Huayou Cobalt Co., Ltd.* (浙江華友鈷業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603799), where he was mainly responsible for personnel management and worked as an expatriate employee in Africa. From January 2010 to July 2011, Mr. Jin served as the deputy manager of the human resources and administration department at Shanghai Pengxin Mining Investment Co., Ltd.* (上海鵬欣礦業投資有限公司), a company primarily engaged in mining, non-ferrous metal smelting, and manufacturing, where he was responsible for organizing expatriate assignments to Africa. From March 2013 to June 2018, he served as a director, the vice president, and the secretary to the board of Deluxe Family Co., Ltd.* (華麗家族股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600503), where he was mainly responsible for securities, auditing, and investment matters. From July 2018 to May 2024, he served as the chief strategic consultant at Beijing Ruize Hengye Investment Management Co., Ltd.* (北京睿澤恒業投資管理有限公司), a company engaged in investment business, where he was responsible for investment management.

Mr. Jin obtained a bachelor's degree in law (distance learning) from The Open University of China (formerly known as China Central Radio and TV University) in July 2006 and a master's degree in business administration (distance learning) from The Open University of Hong Kong in December 2009. He was granted the qualifications of board secretary and independent director by the Shanghai Stock Exchange in November 2014 and April 2017, respectively. In April 2020, he also received the qualification of independent director for the STAR Market from the corporate training department of the Shanghai Stock Exchange. Throughout his career, Mr. Jin has received numerous honors, including "Excellent Board Secretary", "Best Board Secretary", "Gold Board Secretary", and "Most Innovative Board Secretary" awarded by securities and economic media.

Biographical Details Of Directors And Senior Management (Continued)

Mr. Cheng Gucheng (程谷成先生), aged 37, joined our Group in January 2020 and served as the Deputy General Manager and the Financial Officer of our Company (up to his resignation in November 2021 due to personal work arrangement). In August 2024, Mr. Cheng was re-appointed as the Deputy General Manager and the Financial Officer of our Company, primarily responsible for financial management, accounting and supervision, coordinating financial planning, budgeting, cost, tax matters, participating in major decision-making and daily operations.

From October 2011 to January 2020, Mr. Cheng served as an assistant audit manager and audit manager at KPMG Huazhen LLP Shanghai Branch (畢馬威華振會計師事務所(特殊普通合夥)上海分所), primarily responsible for managing on-site PRC statutory audits and overseeing overseas group reporting audit services, and providing consulting services related to accounting and financial management in daily operations. During this period, Mr. Cheng was assigned and worked at KPMG AZSA LLC (Osaka Branch), from September 2015 to September 2018, as an assistant audit manager where he was responsible for on-site management and overall communication for Japan statutory audits and PRC subsidiary group reporting audit services, as well as providing consulting services in accounting and management. From December 2021 to July 2024, Mr. Cheng served as the financial director at Shanghai Dafugui Restaurant Co., Ltd.* (上海大富貴酒樓有限公司), a catering company specializing in specialty snacks, dim sum, cooked food, Shanghai-style Anhui cuisine, and selected new retail products, where he was responsible for the company's financial management, accounting and supervision, coordinating financial planning, budgeting, cost management, and taxation, and also participated in the company's major decision-making, provided financial support, and assisted in managing daily operations.

Mr. Cheng obtained a bachelor's degree in international economics and trade (Japanese) from the School of Japanese Studies at Shanghai International Studies University in July 2011. He obtained the qualification of Certified Public Accountant in China from the Shanghai Institute of Certified Public Accountants in 2014, and the qualification of Certified Public Accountant in Australia from CPA Australia in February 2021.

JOINT COMPANY SECRETARIES

Mr. Jin Zeqing and Ms. So Lai Shan have been appointed as our joint company secretaries. Please refer to "— Senior Management" in this section for Mr. Jin Zeqing's biography.

Ms. So Lai Shan joined Vistra Corporate Services (HK) Limited since May 2021 and is currently serving as a manager of corporate services. Ms. So has over 10 years of experience in the corporate services industry. She has served/currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange. She has been an associate member of The Chartered Governance Institute in United Kingdom and The Hong Kong Chartered Governance Institute since November 2014.

Corporate Governance, Environmental And Social

CORPORATE GOVERNANCE

Since the establishment of the Company, efforts have been made to establish a modern corporate governance structure. After years of refinement, the systems of the Shareholders' Meetings, the Board of Directors, the Special Committees of the Board of Directors, independent Directors and the secretary of the Board of Directors have been gradually improved, laying a solid foundation for the steady operation of the Company.

The Company has always kept pace with regulatory requirements and strictly complied with the Company Law (Revised in 2023), the Securities Law and other laws and regulations, as well as the requirements of various regulatory documents including the Guidelines for Articles of Association of Listed Companies (2025 Revision) by the CSRC and the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) issued by five ministerial-level authorities. Meanwhile, in line with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other overseas regulatory requirements, the Company has comprehensively enhanced its governance system. Focusing on the development of basic systems, the Company has formulated and revised governance systems covering all aspects of the Company's operations, including 36 existing governance systems and 18 governance systems applicable after the overseas listing, such as the Procedural Rules for the Shareholders' Meeting and the Board of Directors as well as terms of reference for special committees of the Board of Directors, so as to ensure that all operations are conducted in accordance with rules. In respect of daily operational compliance, the Company has refined work procedures and clarified the division of responsibilities among various governance bodies, thereby strengthening internal coordination and supervision and enhancing overall operational efficiency. Meanwhile, the Company has continuously enhanced its information disclosure practices by establishing a rigorous and efficient information disclosure mechanism, which ensures the timeliness, accuracy and completeness of information disclosure.

Through the continuous advancement of corporate governance mechanism development, the Company has successfully established a standardized corporate governance framework that complies with both domestic and overseas regulatory requirements and is well-adapted to the modern enterprise system. The shareholders' general meeting, as the Company's highest authority, fully exercises its decision-making functions to deliberate and vote on core matters such as major strategies, operational policies, and profit distribution. The Board of Directors, shouldering the responsibilities of strategic planning and oversight of decision implementation, comprises Directors with extensive industry, management, and professional expertise. The proportion of independent Directors meets regulatory requirements, enabling them to provide independent and objective professional opinions, effectively check and balance management decisions, and safeguard the interests of the Company and all shareholders. In response to the requirements of the new Company Law and to accommodate overseas listing needs, the Company optimized its governance structure by abolishing the Supervisory Committee. The powers and duties of the former Supervisory Committee were assumed by the Audit Committee of the Board. The Audit Committee consists of 3 Directors (3 non-executive Directors after the overseas listing), with independent Directors forming the majority and an accounting professional serving as the convener, taking comprehensive responsibility for financial supervision, compliance review, and oversight of directors and senior management, thereby effectively ensuring the Company's standardized operation. Furthermore, under the leadership of the Board, the management team focuses on the Company's daily operations and management. Leveraging extensive experience in the communications industry, they actively explore markets, strengthen internal management, and drive technological innovation, ensuring the Company's operational activities align with its strategic goals and Shareholder's interests. The various governance entities, through mutual checks and balances, synergize and collaborate to collectively promote the Company's development. The Company has also formulated detailed rules of procedure and working systems, ensuring clear powers and responsibilities, efficient functioning, and standardized and orderly operations for the Shareholders' general meeting, the Board, and the management.

Corporate Governance, Environmental And Social (Continued)

In terms of internal control system development, the Company has established a comprehensive and complete system covering various business links and management areas such as financial control, procurement control, sales control, production control, and human resources control. This ensures, at the institutional level, the legality and compliance of the Company's operations, asset safety, and the truthfulness and reliability of financial information. In 2025, in accordance with the latest domestic and overseas regulatory requirements, the Company added new policies including the Board Diversity Policy(《董事會多元化政策》) and the Conflict of Interest Management System(《利益衝突管理制度》), and amended the Articles of Association and related governance systems. These amendments clarified core elements such as the duties and resignation procedures of the legal representative, Shareholders' rights and obligations, and the division of powers between the Shareholders' general meeting and the Board. They also strengthened the regulation of conduct for controlling Shareholders and de facto controllers, and improved the profit distribution mechanism and internal audit system. At the same time, the Company places high importance on protecting the rights and interests of minority Shareholders. By optimizing the threshold for Shareholders' interim proposals (adjusted from 3% to 1%), conducting separate vote counting and disclosure for minority investors' votes on significant matters deliberated at Shareholders' general meetings, and safeguarding Shareholders' rights to inspect and copy materials, the Company provides solid protection for the rights and interests of minority Shareholders. In actual operations, the Company maintains complete independence from its controlling Shareholders in aspects such as business, personnel, assets, institutions, and finance, avoiding related interference and maintaining autonomous and independent operation.

Information disclosure has always been a key focus of corporate governance. The Company strictly complies with relevant domestic and overseas regulations and fulfills its information disclosure obligations in a true, accurate, timely and complete manner to ensure that all Shareholders have fair access to the Company's information. In 2025, corporate governance work progressed in an orderly manner. The Shareholders' general meeting convened extraordinary meetings based on actual operational needs, deliberating proposals covering key matters such as capital reduction, amendments to the Articles of Association, and arrangements related to the overseas listing, ensuring Shareholders' full participation in the Company's major decisions. The Board held several meetings, among which the 14th meeting of the fifth Board of Directors focused on reviewing and approving a number of core proposals such as repurchase and cancellation of restricted shares and revision of overseas listing related systems. Throughout the year, a number of proposals including capital increase to overseas wholly-owned subsidiaries, participation in investment funds, etc. were reviewed and approved, and decisions were made on important matters such as the Company's development plan, major investments and profit distribution. The professional committees under the Board of Directors give full play to their professional advantages, and the Strategy and ESG Committee holds meetings to review strategic matters such as overseas capital increase, and provides forward-looking suggestions for the Company's global layout; The Audit Committee performed the supervisory duties of the former Supervisory Committee, deeply participated in the audit of financial reports and internal control supervision, and ensured the quality of financial information and compliance operation. The Nomination Committee standardizes the selection process of Directors and senior management to ensure the quality of the management team; The Remuneration and Evaluation Committee optimized the remuneration system, reviewed the remuneration standards of Directors after overseas listing, and stimulated the enthusiasm of the core team. Each professional committee has played an important role in the Company's business decision-making, project investment evaluation, operation standard supervision, annual report audit and control, and senior executive nomination and recommendation, which has improved the scientificity and accuracy of the Board of Directors' decision-making.

In 2025, the Company actively advanced the issuance and listing of H Shares. The Listing Committee of the Hong Kong Stock Exchange held a listing hearing on October 9, 2025 to consider the Company's listing application. The Company completed the public offering of H Shares in October 2025, and the H Shares were listed on the Main Board of the Hong Kong Stock Exchange. Relevant governance system revisions and structural adjustments were carried out and implemented around cross-border listing compliance requirements to ensure that corporate governance complies with domestic and overseas dual regulatory standards. Following a comprehensive review and assessment, the Company strictly complies with the requirements of relevant documents from domestic and overseas regulatory authorities in key governance areas including Shareholders and Shareholders' general meetings, Directors and the Board, stakeholder relationship maintenance, competition and connected transaction management, and information disclosure and transparency assurance. This reflects the Company's practical achievements in the field of corporate governance.

Looking ahead, the Company will continue to uphold its philosophy of standardized governance and steady development, persistently optimize its corporate governance structure, improve cross-border governance coordination mechanisms, and continuously enhance its governance level to provide a solid foundation for the Company's long-term growth.

SPECIFIC MEASURES TAKEN BY CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS OF THE COMPANY TO ENSURE THE INDEPENDENCE OF ASSETS, PERSONNEL, FINANCE, ORGANIZATION AND BUSINESS OF THE COMPANY, AS WELL AS SOLUTIONS, WORK SCHEDULES AND FOLLOW-UP WORK PLANS ADOPTED TO AFFECT THE INDEPENDENCE OF THE COMPANY

The controlling shareholder and the actual controller of the Company concurrently serve as the chairman of the Board of Directors and the general manager. To strictly implement the Code of Corporate Governance for Listed Companies(《上市公司治理準則》) and relevant regulatory requirements, safeguard the independence of the Company's personnel, assets, finance, organizational structure and business, prevent improper intervention and ensure the standardized operation of the Company, the relevant safeguard measures, solutions to issues affecting independence, work progress and follow-up plans are disclosed as follows:

(I) Specific Measures for Safeguarding Independence

1. Personnel Independence: An independent human resource management system has been established, the recruitment, appointment, removal and performance assessment of senior management and core personnel are independently decided by the Company, with no concurrent positions between the Company and the controlling shareholder and its related parties; senior management and core technical personnel perform their duties on a full-time basis and have signed labor contracts, and shall not hold any administrative positions (other than directorships and supervisorships) with the controlling shareholder and its related parties; independent directors account for one-third of the Board of Directors, and the Special Committees are chaired by independent directors who independently exercise their functions of supervision and review.

Corporate Governance, Environmental And Social (Continued)

2. Asset Independence: The Company owns independent and complete production and operation assets with clear ownership and independent accounting, and there is no occupation or disposal of such assets by the controlling shareholder and its related parties; an independent asset management and accounting system has been established, and the internal approval procedures shall be complied with for the use and disposal of assets without external intervention.

3. Financial Independence: An independent financial department and a full-time professional team have been set up, with the financial officer performing duties independently; implementing independent accounting and fund management, maintains independent bank accounts, and independently completes fund receipt and payment as well as financial disclosure, with no irregular fund occupation, conducting regular financial risk monitoring and self-inspection.

4. Organizational Independence: The Company has a sound corporate governance structure, with the Board of Directors, management and various functional departments operating independently, there is no affiliation between the Company and the related institutions of the controlling shareholder, with clear responsibilities and standardized decision-making free from improper intervention.

5. Business Independence: The Company has an independent business system and operation team, and independently conducts R&D, production, sales and other businesses without relying on the controlling shareholder and its related parties; related transactions are regulated, with strict approval and disclosure procedures and fair pricing, so as to eliminate interest conveyance and competition in the same business.

6. Supervision Safeguards: The internal control and information disclosure systems have been improved, and regular self-inspection and rectification on independence are carried out; Independent directors and the Audit Committee conduct continuous supervision to strengthen internal checks and balances.

Corporate Governance, Environmental And Social (Continued)

(II) Solutions to Issues Affecting Independence, Work Progress and Follow-up Plans

1. Solutions: First, clarify the division of powers and functions between the Board of Directors and the general manager in the Articles of Association, the Procedural Rules for the Board of Directors and the Rules for General Managers (《總經理工作細則》) as to form an operating mechanism with clear powers and responsibilities and effective checks and balances; second, strengthen the supervisory role of independent directors and Special Committees, regulate the management of related transactions, and prevent interest conveyance; third, improve the mechanism of separation of decision-making, execution and supervision, and regularly evaluate the effectiveness of corporate governance.

2. Work Progress: The revision of relevant corporate governance systems has been completed to clarify the division of powers and functions; the "Five Independences" (五獨立) management system has been established and is continuously implemented, with regular self-inspections on independence; independent directors and Special Committees have performed their duties in accordance with regulations, the related transaction management system has been put into practice, and all relevant transactions have gone through approval and disclosure procedures.

3. Follow-up Plans: Continuously optimize the corporate governance structure and dynamically improve the systems for safeguarding independence; conduct special self-inspections on independence on a quarterly basis and rectify problems in a timely manner; strengthen the performance guarantee for independent directors to support their independent performance of duties; strictly manage related transactions to ensure compliance with procedures and fair pricing; promptly disclose relevant information in accordance with regulatory requirements, improve governance transparency, and effectively protect the legitimate rights and interests of all shareholders, especially minority shareholders.

CORPORATE CULTURE

Our vision is to support AI development with our solutions so that it can be widespread. Our mission is to (i) accelerate the pace of innovation and connect people around the globe through end-to-end artificial intelligence; and (ii) empower our global customers and partners by providing state-of-the-art solutions.

Furthermore, our international, dynamic, and performance-driven corporate culture fosters innovation and collaboration, creating lasting value for our customers, employees, shareholders, and society. Our core values of "Collaboration, Innovation, Growth" empower our global teams to develop industry-leading products and technologies.

Corporate Governance, Environmental And Social (Continued)

BOARD OF DIRECTORS

Changes in Shareholding and Remuneration of Current and Resigned Directors and Senior Management during the Reporting Period

Name	Position	Gender	Age	Commencement date	End date	Number of shares held as at the beginning of the year	Number of shares held as at the end of the year	Changes in shares during the year	Reasons for increase or decrease	Total pre-tax remuneration received from the Company during the Reporting Period (RMB0'000)	Whether to receive remuneration from related parties of the Company
Gerald G Wong	Chairman, General Manager	Male	72	June 26, 2012	May 16, 2027	0	0	0	None	261.13	No
Zhao Haibo (趙海波)	Director, Deputy General Manager, Chief Technology Officer	Male	51	June 26, 2012	May 16, 2027	0	0	0	None	163.83	No
Zhang Jie (張傑)	Director	Male	45	June 28, 2022	May 16, 2027	72,000	109,500	37,500	Exercise of incentive shares	103.94	No
Zhao Hongwei (趙宏偉)	Director, Chief Operating Officer	Male	53	May 17, 2024	May 16, 2027	19,100	56,600	37,500	Exercise of incentive shares	116.50	No
Liu Guisong (劉貴松)(resigned)	Independent Director	Male	52	January 13, 2020	January 15, 2026	0	0	0	None	10.35	No
Yao Minglong (姚明龍)	Independent Director	Male	62	May 28, 2021	May 16, 2027	0	0	0	None	10.35	No
Qin Guisen (秦桂森)	Independent Director	Male	49	May 28, 2021	May 16, 2027	0	0	0	None	10.35	No
Yuen Shuk Yee (袁淑儀)	Independent Non-executive Director	Female	54	October 28, 2025	May 16, 2027	0	0	0	None	2.12	No
Cheng Gucheng (程谷成)	Deputy General Manager, Chief Financial Officer	Male	37	August 7, 2024	May 16, 2027	0	37,500	37,500	Exercise of incentive shares	99.99	No
Jin Zeqing (金澤清)	Deputy General Manager, Secretary to the Board of Directors	Male	54	May 17, 2024	May 16, 2027	0	0	0	None	110.43	No
Total	/	/	/	/	/	91,100	203,600	112,500	/	888.99	/

Corporate Governance, Environmental And Social (Continued)

Compared to the previous year, the changes in the remuneration of directors and senior management for the current year are as follows:

1. The total remuneration for Mr. Gerald G Wong, a Director and Senior Management member, Mr. Zhao Haibo, a Director and Senior Management member, and Mr. Zhao Hongwei, a Director, remained approximately unchanged compared to the previous year.

2. At the first extraordinary general meeting of 2025 held on June 16, 2025, the Company approved the "Proposal Regarding the Remuneration Standards for Directors of the Fifth Session of the Board Following the Company's Issuance of Overseas Listed Shares" This resolution adjusted the annual work allowance for Independent Non-executive directors from RMB100,000 per person per year to RMB120,000 per person per year (pre-tax), with effect from October 28, 2025. The individuals affected by this adjustment are: Independent Non-executive Directors Mr. Liu Guisong (who resigned on January 15, 2026), Mr. Yao Minglong, and Mr. Qin Guisen; Ms. Yuen Shuk Yee has served as a newly appointed Independent Non-executive Director since October 28, 2025.

3. The remuneration of Mr. Zhang Jie, a Director, increased by 3.03% year-on-year, primarily due to an increase in travel allowance.

4. The remuneration of Mr. Cheng Gucheng (appointed on August 7, 2024) and Mr. Jin Zeqing (appointed on May 17, 2024), both senior management, increased by 142.34% and 57.42%, respectively, compared to the previous year. This significant increase was mainly because their tenure in the previous year was less than a full accounting year.

The performance assessment results for the Company's senior management for the fiscal year 2025 are as follows:

Assessment Criteria Basis	Actual Performance
Company-level performance targets for the second exercise period set in the "2024 Share Option Incentive Scheme": ①Cumulative operating revenue for the two fiscal years 2024 and 2025 is not less than RMB7.140 billion; or ②Cumulative net profit (excluding the impact of share-based payment expenses) for the two fiscal years 2024 and 2025 is not less than RMB235 million.	According to the 2024 Annual Audit Report (Grant Thornton Audit No. (2025) 310A007850) and 2025 Annual Audit Report (Grant Thornton Audit No. (2026) 310A006203): ①Operating revenue achieved in 2024 and 2025 was RMB3.652 billion and RMB4.823 billion, respectively, totaling RMB8.475 billion, exceeding the pre-set assessment target; ②Net profit (excluding the impact of share-based payment expenses) achieved in 2024 and 2025 was RMB179 million and RMB269 million, respectively, totaling RMB448 million, exceeding the pre-set assessment target.

In summary, the performance assessment for the Company's senior management for the fiscal year 2025 has been successfully met.

Corporate Governance, Environmental And Social (Continued)

Positions of current and resigned directors and senior management during the Reporting Period

(I) Positions held in shareholder entities

Name of employee	Name of shareholder entity	Positions held in shareholder entities	Commencement date	End date
Gerald G Wong	Cambridge Industries Company Limited	Sole Director	May 19, 2005	
Zhao Haibo (趙海波)	Shanghai Kangling Technology Partnership (Limited Partnership) (上海康令科技合夥企業(有限合夥))	Executive Partner	October 08, 2011	
Description of positions held in shareholder entities	None			

(II) Positions held in other entities

Name of employee	Name of other entities	Positions held in other entities	Commencement date	End date
Liu Guisong (劉貴松) (resigned)	Southwestern University of Finance and Economics	Dean of the School of Computer and Artificial Intelligence	2021-03	
Yao Minglong (姚明龍)	Department of Accounting, School of Management, Zhejiang University	Associate Professor	1999-01	
Yao Minglong (姚明龍)	Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司)	Independent Director	2021-06	
Yao Minglong (姚明龍)	Hangzhou HOTA M&E Industry Co., Ltd. (杭州和泰機電股份有限公司)	Independent Director	2020-10	
Qin Guisen (秦桂森)	Grandall Law Firm (Shanghai)	Lawyer and partner	2006-06	
Description of positions held in other entities	None			

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Decision-making procedures on remuneration of Directors and senior management	The remuneration policy and plan for Directors shall be formulated by the Remuneration and Evaluation Committee of the Board, and shall be implemented only after being reviewed and approved by the Board and the Shareholders' meeting, and shall be tabled for the consideration of the shareholders' meeting. The remuneration distribution plan for senior management shall be formulated by the Remuneration and Evaluation Committee of the Board and submitted to the Board for approval before implementation. Directors and senior management shall present work reports and conduct self-assessments to the Remuneration and Evaluation Committee of the Board; The Remuneration and Evaluation Committee shall conduct performance appraisals for Directors and senior management in accordance with performance evaluation criteria and procedures; Based on the results of the position-based performance appraisals and the remuneration distribution policy, the Committee shall propose the remuneration amounts and incentive methods for Directors and senior management. Such proposals shall be reported to the Board after being approved by vote.
Whether a Director abstains from discussing his remuneration at the Board	Yes
Details of recommendations issued by the Remuneration and Evaluation Committee or special meetings of independent Directors on the remuneration of Directors and senior management	The Seventh Meeting of the Remuneration and Evaluation Committee of the Fifth Board of Directors of the Company, held on March 30, 2026, considered and approved the Proposal on the Annual Remuneration of Senior Management and the Proposal on Confirming Directors' Remuneration for 2025. All members unanimously agreed to the proposals and resolved to submit them to the Board for consideration.
Basis for determining remuneration of Directors and senior management	The Company determines the remuneration amounts for Directors and senior management based on factors such as industry remuneration levels, regional development conditions, and job responsibilities, following full consultation. The actual amounts paid are linked to their performance of duties and performance results.
Actual remuneration paid to Directors and senior management	The Company remunerates Directors (other than independent Directors) and senior management on a monthly basis for their services, while independent Directors are remunerated on a quarterly basis. For details of the actual remuneration paid during the Reporting Period, please refer to the section "Changes in Shareholding and Remuneration of Current and Resigned Directors and Senior Management during the Reporting Period".
Total remuneration actually received by all Directors and senior management as at the end of the Reporting Period	RMB8.8899 million
Appraisal basis and performance achievement status for remuneration actually received by all Directors and senior management as at the end of the Reporting Period	Based on the established compensation assessment plan for the Company's directors and senior management for 2025, the Remuneration and Evaluation Committee has completed the 2025 compensation assessment for the Company's directors and senior management.

Corporate Governance, Environmental And Social (Continued)

Deferred payment arrangements for remuneration actually received by all Directors and senior management as at the end of the Reporting Period	Not applicable
Cessation of payment and clawback arrangements for remuneration actually received by all Directors and senior management as at the end of the Reporting Period	Not applicable

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Positions	Changes	Reasons for Changes
Yuen Shuk Yee (袁淑儀)	Independent Non-executive Director	Elections	

DESCRIPTION OF PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE PAST THREE YEARS

☐ Applicable ✓Not Applicable

PERFORMANCE OF DUTIES BY DIRECTORS

Directors' Attendance at Board Meetings and Shareholders' Meetings during the Reporting Period

		Participation in Board Meetings						Attendance at Shareholders' Meetings
Directors Name	Independent Director or not	Number of Board meetings required to attend during the year	Number of actual attendance in person	Number of attendance by means of communication	Number of attendance by proxy	Number of absence	Absent from two consecutive meetings (in person)	Number of attendance at the Board meetings
Gerald G Wong	No	15	15	15	0	0	No	3
Zhao Haibo (趙海波)	No	15	15	12	0	0	No	3
Zhang Jie (張傑)	No	15	15	12	0	0	No	3
Zhao Hongwei (趙宏偉)	No	15	15	12	0	0	No	3
Liu Guisong (劉貴松) (Resigned)	Yes	15	15	15	0	0	No	3
Yao Minglong (姚明龍)	Yes	15	15	15	0	0	No	3
Qin Guisen (秦桂森)	Yes	15	15	15	0	0	No	3
Yuen Shuk Yee (袁淑儀)	Yes	3	3	3	0	0	No	0

Number of Board meetings held during the year	15
Of which: Number of on-site meetings	0
Number of meetings held by means of communication	12
Number of meetings held on-site and by means of communication	3

Circumstances in Which Directors Raise Objections to Relevant Matters of the Company

☐ Applicable ✓Not Applicable

Corporate Governance, Environmental And Social (Continued)

Corporate Governance Responsibilities of the Board

During the Reporting Period, the Board has performed the following corporate governance responsibilities:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review and monitor the training and continuing professional development of Directors and senior management;
- to review the Company's compliance with the Corporate Governance Code contained in the Listing Rules and the disclosure in the Corporate Governance Report.

OTHER CONFIRMATIONS

Apart from working relationships within the Company, there are no relationships among the Directors and senior management in financial, business, family or other material aspects.

Each Director confirms that he/she has obtained legal advice on April 1, 2025 in accordance with Rule 3.09D of the Hong Kong Listing Rules, and is aware of his/her responsibilities as a director of a listed issuer under the Hong Kong Listing Rules.

DIRECTOR TRAINING

During the Reporting Period, the current Directors of the Company actively participated in not less than 1.5 hours of continuing professional development training to develop and update their knowledge and skills, thereby ensuring that they continue to make informed and relevant contributions to the Board. A summary of the continuing professional development training received by Directors during the Reporting Period is as follows:

			Scope			
Directors	Roles, functions and responsibilities of directors and board effectiveness	Directors' duties under Hong Kong laws and the Hong Kong Listing Rules	Corporate governance and environmental, social and governance matters	Risk management and internal control	Business trends and industry development of the Group	Total hours
Mr. Gerald G Wong	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	Reading Training Materials on Regulatory Updates[2]	Reading the relevant company materials	1.5 hours
Mr. Zhao Haibo (趙海波)	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	Reading Training Materials on Regulatory Updates[2]	Reading the relevant company materials	1.5 hours
Mr. Zhao Hongwei (趙宏偉)	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	Reading Training Materials on Regulatory Updates[2]	Reading the relevant company materials	1.5 hours
Mr. Zhang Jie (張傑)	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	Reading Training Materials on Regulatory Updates[2]	Reading the relevant company materials	1.5 hours
Mr. Qin Guisen (秦桂森)	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External Online Training[2]	Reading the relevant company materials	1.5+6.25 hours
Mr. Yao Minglong (姚明龍)	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External Online Training[2]	Reading the relevant company materials	1.5+15 hours
Ms. Yuen Shuk Yee (袁淑儀)	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External training and reading training materials on regulatory updates[1&2]	External Online Training[2]	Reading the relevant company materials	1.5+15 hours

Corporate Governance, Environmental And Social (Continued)

Note:

1. On-site training, provided to Directors and senior management by the Company's then legal advisers as to Hong Kong and U.S. laws, covering Directors' responsibilities, laws, regulations and disclosure requirements related to inside information, regular and general disclosure requirements of H-share listed companies, requirements on notifiable transactions and connected transactions, procedures and restrictions on securities holding and dealing by Directors, and corporate governance.

2. Online training/training materials are provided by the Company's external company secretary to the Directors and senior management. The training content covers the roles, functions and responsibilities of the Board of Directors, its committees and individual Directors, as well as the effectiveness of the Board; the issuer's responsibilities and the Directors' duties under the Hong Kong laws and the Listing Rules, together with major legal and regulatory developments relevant to the discharge of such responsibilities and duties; corporate governance and environmental, social and governance matters; and risk management and internal control.

Board Skills Matrix

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Strategy	Ability to identify strategic opportunities in the communications industry (such as optical modules, broadband, and wireless communications) as well as threats like market competition and policy adjustments, including developing and implementing medium- to long-term corporate development plans by integrating global expansion and technology iteration trends, and executing core strategies, including H-share listing, capacity expansion, and R&D upgrades, to achieve corporate operational objectives	E	Adequate. Mr. Gerald G Wong, a core member of the Board of Directors, possesses over 40 years of strategic management experience in the telecommunications and communications industry, having led major corporate strategies such as the Company's H-share listing and global business expansion. Mr. Zhao Haibo, as the Chief Technology Officer, deeply integrates technological trends to formulate product and market strategies. Mr. Qin Guisen, an Independent Director, brings professional capital market experience, providing compliance and capital perspectives to support strategy implementation. The overall team is capable of efficiently completing strategy formulation, execution, and review.	1. Continuously track the development trends of emerging sectors in the communications industry, such as AI, computing power networks, and 6G, and organize directors' participation in high-end industry summits and cutting-edge technology seminars to enhance strategic foresight and judgment capabilities; 2. In line with the Company's global business expansion, increase research and analysis on the policies and market environments of key overseas markets (North America, Europe, Southeast Asia) to improve the dimensions of international strategy formulation.

Corporate Governance, Environmental And Social (Continued)

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Leadership	Ability to lead team building and management in a communications equipment manufacturing enterprise, including driving the optimization of corporate governance structures, cross-departmental collaboration, and organizational transformation, implementing mechanisms such as equity incentives and talent development, ensuring the efficient execution of corporate strategies and business plans, and fostering core cohesion among global teams	E	Adequate. Mr. Gerald G Wong, as the founder and Chairman, has led the Company from its establishment to achieving A+H share listings, possessing extensive capabilities in overall corporate leadership and organizational development. Mr. Zhao Hongwei, as the Chief Operating Officer, excels in corporate operations management and team coordination. The Board of Directors as a whole can effectively coordinate with the management and core teams to advance various operational tasks, complete organizational changes such as governance structure adjustments and optimization of subsidiary control.	1. In light of the Company's cross-border operations, organize board members to study knowledge related to multinational enterprise management and cross-cultural team leadership to enhance their capabilities in coordinating global teams; 2. Considering the current competitive landscape for industry talents, optimize the leadership decision-making mechanisms for talent incentives and retention, and strengthen leadership in attracting, developing, and retaining core technical and management talents.
Industry Knowledge and Experience	Familiarity with daily business operations of the communication equipment manufacturing industry, and proficiency in the technical roadmaps and iteration trends of core products such as optical modules, broadband, and wireless communications, including understanding the competitive landscape of the industry, dynamics of the upstream and downstream supply chain, and global industry policy directions, and possessing experience in industry innovation and the implementation of industrialization	E	Adequate. All four Executive Directors possess over 10 years of experience in the telecommunications industry, covering core areas such as optical communications, wireless communications, hardware R&D, and product operations. They have a deep understanding of industry technology iterations (e.g., 800G/1.6T optical modules, Wi-Fi 7/8, and 50G PON), market demands, and supply chain operations. The Independent Director team can supplement industry development assessments from a professional perspective, collectively meeting the Company's industry knowledge requirements for business development.	1. Organize directors to conduct in-depth research on cutting-edge technologies such as silicon photonics, CPO/LPO, and 6G, maintaining sharp awareness of core industry technology trends; 2. Systematically analyze dynamics across the upstream and downstream supply chain and competitive landscape by integrating industry association reports, third-party market research data, and insights from supply chain partners, providing comprehensive and accurate support for industry decision-making.

Corporate Governance, Environmental And Social (Continued)

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Financial Knowledge/ Business Acumen	Proficiency in reading and understanding the consolidated financial statements and financial analysis reports of listed companies, including mastering operational logic of corporate investment and financing, fund management, and cost control, aligning with the financial disclosure and regulatory requirements for cross-border listings in A Shares + H Shares, and possessing the ability to make business decisions and assess risks based on financial data	E	Adequate. Mr. Yao Minglong, an Independent Director, an associate professor in the Department of Accounting at Zhejiang University, possesses professional financial theory and analytical skills, serving as the Chairman of the Audit Committee to oversee financial supervision comprehensively. Ms. Yuen Shuk Yee, an Independent Director, has over 20 years of experience in financial planning, financial reporting, and corporate governance, and is well-versed in the financial regulations of the Hong Kong capital market. The Executive Director team brings a commercial financial perspective to corporate operations, effectively integrating financial data into business decision-making to meet the financial control and decision-making requirements for cross-border listing.	1. Organize directors to study the latest financial regulatory rules for cross-border listing (A+H shares), as well as knowledge on overseas fund management and foreign exchange risk management, to align with the Company's global financial operational needs; 2. In light of the high R&D and high investment characteristics of the optical module industry, strengthen the analysis and judgment capabilities on specialized financial issues such as the capitalization of R&D investments and cost control for capacity expansion.

Corporate Governance, Environmental And Social (Continued)

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Risk Management and Compliance	Ability to implement, manage, and supervise legal and regulatory compliance for listed companies in the communications industry, including mastering key risk management aspects such as cross-border listing (A+H shares) compliance, information disclosure, related-party transactions, and intellectual property, and being capable of establishing and optimizing internal control and risk prevention systems for enterprises	E	Adequate. Mr. Qin Guisen, an Independent Director, is a professional capital markets lawyer and skilled in corporate compliance and legal risk management, providing specialized legal support for corporate governance, related-party transactions, information disclosure, and other matters. The Audit Committee, composed of three independent directors, fully assumes the responsibilities of the former Supervisory Board, overseeing comprehensive risk management across finance, operations, compliance, and other dimensions. The Board of Directors has established a robust internal control system and risk response mechanism, effectively mitigating various compliance risks associated with cross-border listing and daily operations.	1. In response to the intense competition over intellectual property in the telecommunications industry, organize directors to study relevant knowledge on handling overseas intellectual property litigation and protecting core technologies, thereby strengthening intellectual property risk management capabilities; 2. Continuously monitor updates in domestic and international capital market regulatory policies (such as revisions to the A-share and HKEX listing rules) and promptly optimize the Company's compliance management systems and risk prevention and control processes; 3. Enhance research on supply chain risks and overseas market policy risks, and establish a regular risk identification and response mechanism.

Corporate Governance, Environmental And Social (Continued)

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Personnel Management Experience	Senior management experience in listed companies, including excelling in core talent team building, incentive mechanism design, and organizational change implementation, being capable of formulating tailored talent development and team management strategies that align with the technology-intensive characteristics of the communications industry, and driving the enhancement of corporate organizational capabilities	E	Adequate. The core members of the Board of Directors all possess extensive experience in talent management and team building. They have led the implementation of multiple equity incentive plans, such as the 2022 restricted stock plan and the 2024 stock option plan, effectively attracting and retaining key technical and management talents. Mr. Zhao Hongwei, as the Chief Operating Officer, excels in internal corporate operations and personnel coordination. The Remuneration and Evaluation Committee under the Board of Directors is capable of scientifically formulating assessment and incentive mechanisms for directors and senior management, thereby meeting the Company's talent management needs.	1. In light of the demand characteristics for high-end R&D talent and overseas market talent in the communications industry, organize directors to study relevant experiences and methods for attracting, nurturing, retaining, and utilizing high-end talents, as well as managing overseas talents; 2. Optimize the formulation logic of the equity incentive and compensation assessment system, and develop differentiated talent incentive strategies based on the characteristics of the Company's business segments (optical modules, broadband, wireless) to enhance the precision of personnel management.

Corporate Governance, Environmental And Social (Continued)

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Diversity	Contribution to the diversity of the Board of Directors in terms of age, gender, cultural background, professional fields, and work experience, including providing a more comprehensive perspective for the Board's decision-making, and aligning with the Company's global operations and diversified business development needs	F	It basically meets the standards, but there is still room for improvement. The ages of board members range from 45 to 72, providing an advantage in age diversity; their professional fields cover communication technology, financial accounting, legal compliance, and enterprise management, showcasing a diverse professional structure; they possess multicultural backgrounds, including Chinese-American and Hong Kong-based professionals. However, gender diversity is limited, with only one female Independent Director. The proportion of professional talents in areas such as overseas market operations and ESG management can be further enhanced.	1. In subsequent director selections, while adhering to the principle of merit-based appointment, actively seek female candidates with experience in the communication industry and professional capabilities in finance/compliance to maintain and enhance the gender diversity level of the Board; 2. In line with the Company's global business layout, consider introducing independent directors with operational or capital market experience in the communication industry in key overseas markets (such as North America and Europe) to enrich perspectives on overseas operations; 3. Increase the involvement of talent with professional ESG management experience in relevant Board decision-making to strengthen diverse perspectives on the Company's ESG governance and sustainable development.

Corporate Governance, Environmental And Social (Continued)

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Emerging Issues	Understanding and awareness of emerging issues related to the communication industry and the development of listed companies, including the integration of AI and computing power networks, cutting-edge optical communication technologies, cross-border ESG governance, digital economy policies, and carbon neutrality development; and being able to provide forward-thinking insights and decision-making recommendations for the Company's development based on trends in emerging issues	E	Adequate. The core members of the Board of Directors closely monitor emerging technologies in the optical module and wireless communication industries (such as AI computing power optical modules, 6G, and Wi-Fi 8) and incorporate them into the Company's R&D and product strategies; the Strategy and ESG Committee oversees the Company's ESG governance and sustainable development, aligning with emerging requirements such as carbon neutrality and social responsibility; and the Independent Director team can provide decision-making support for emerging issues such as digital economy policies and cross-border ESG compliance from a professional perspective.	1. Establish a regular research mechanism for emerging topics, organizing directors to deeply study knowledge in emerging fields related to the Company's business, such as AI large models, computing power networks, and industrial internet, to explore business integration opportunities; 2. Closely monitor global ESG regulatory rules, such as the ESG disclosure requirements of the HKEX and the carbon border tax of the EU, to strengthen the forward-looking layout of the Company's ESG governance and overseas market compliance; 3. Attach importance to national policy directions such as the digital economy and data security, and timely adjust the Company's product and market strategies to align with policy development trends.

Corporate Governance, Environmental And Social (Continued)

Skill Area	Description	Importance[1]	Adequacy	Plans to Leverage Strengths, Offset Weaknesses/Develop Additional Skills
Qualifications	Formal qualifications in relevant fields to assist the Board of Directors in decision-making, such as accounting/finance, economics/business, law, and communication engineering, including professional technical titles, practicing qualifications, and professional degrees from higher education institutions; and additionally, holding relevant qualifications in listed company governance and cross-border capital market operations.	E	Adequate. All board members hold undergraduate or higher professional degrees from institutions of higher education, with many possessing master's or doctoral degrees in fields such as communication engineering, electronic science, accounting, law, and business administration. They possess multiple professional qualifications, including Certified Public Accountant in China (Ms. Yuen Shuk Yee is a member of the Hong Kong Institute of Certified Public Accountants and a senior member of the Association of International Accountants), lawyer practicing qualifications (Mr. Qin Guisen), and Independent Director qualifications. Core members have practical experience in A+H-share listed company governance and cross-border capital market operations, with credentials and experience that fully support the Board's decision-making.	1. Encourage directors to participate in professional qualification training and continuing education organized by domestic and international capital markets and industry regulatory bodies, ensuring timely updates to professional knowledge and practicing qualifications; 2. Organize training for directors on the latest corporate governance qualification requirements for listed companies as stipulated by the Hong Kong Stock Exchange and the Shanghai Stock Exchange, ensuring that board members' qualifications consistently meet the governance standards for cross-border listings; 3. Support directors in participating in training related to professional technical qualifications in the communication industry, enhancing their professional qualifications and judgment capabilities in the technical field.

Notes:

1. "E" = Skills that the Board must possess at present

   "F" = Additional skills to be developed in the future/in response to anticipated circumstances

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period and up to the date of this report, the Board has at all times met the minimum requirements under Rule 3.10(1) of the Hong Kong Listing Rules of having at least three Independent Non-executive Directors, Rule 3.10A of the Hong Kong Listing Rules that Independent Non-executive Directors must account for at least one-third of the total number of Board members, and the requirement under Rule 3.10(2) of the Hong Kong Listing Rules that at least one of the Independent Non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. In compliance with the requirements of the Hong Kong Listing Rules, the Company confirms the independence of the Independent Non-executive Directors as follows: The Company confirms that they meet the independence requirements set out in Rule 3.13 of the Hong Kong Listing Rules and deems all Independent Non-executive Directors to be independent individuals.

Each term of office of the Independent Directors is the same as that of other Directors, and they may be re-elected upon the expiration of their term. However, the consecutive term of office shall not exceed six years. Any Independent Director who has served the Company for six consecutive years as an Independent Director shall not be nominated as a candidate for Independent Director of the Company within thirty-six months from the date on which such fact occurs. Meanwhile, the consecutive term of office shall comply with the relevant requirements of applicable laws, regulations or the regulatory rules of the Company's listing place. An Independent Non-executive Director shall not be removed from office without just cause before the expiration of his/her term. If an early removal is made, the Company shall disclose it as a special disclosure matter.

BOARD COMMITTEES

Pursuant to the relevant laws and regulations of the Chinese mainland, the Articles of Association, the Hong Kong Listing Rules and the Corporate Governance Code, the Company has established four Board committees, namely the Audit Committee, the Remuneration and Evaluation Committee, the Strategy and ESG Committee and the Nomination Committee.

Audit Committee

The Audit Committee assists the Board in independently reviewing our financial status and the implementation and effectiveness of the internal control system. It is responsible for compliance control of our operation management and investment business, reviewing and supervising our internal audit work, as well as independent communication, supervision and verification with the internal auditor and external auditor. Its main responsibilities include:

- Supervising and evaluating the work of the external audit firm; reviewing and monitoring the truthfulness, completeness and accuracy of the Company's financial statements, annual report and accounts, semi-annual report and quarterly report; and reviewing major opinions on financial reporting contained in such statements and reports;

- Assessing the effectiveness of internal control; reviewing and supervising the effective operation of the Company's financial reporting, internal control system and risk management system;

Corporate Governance, Environmental And Social (Continued)

- Guiding the internal audit work; supervising the Company's internal audit system and its implementation; urging the rectification of major issues; ensuring that the internal audit function has sufficient resources and an appropriate position within the Company; and reviewing and monitoring the effectiveness of the internal audit function; and
- Formulating and reviewing the corporate governance policies and practices, and making recommendations to the Board.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yao Minglong (chairman), Mr. Qin Guisen and Ms. Yuen Shuk Yee, with Ms. Yuen Shuk Yee also being the Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules. The performance of duties of the Audit Committee during the Reporting Period is as follows:

Meeting Date	Meeting Content	Key Opinions and Suggestions	Other Duty Performance
March 28, 2025	Reviewed and approved: 1. Proposal on the distribution plan of accumulated profits prior to the issuance of H shares and listing on the Stock Exchange of Hong Kong Limited; 2. Proposal on engaging the audit firm for the issuance of H shares and listing on the Stock Exchange of Hong Kong Limited.		
April 7, 2025	Reviewed and approved: 1. 2024 Internal Control Assessment Report; 2. 2024 Report on the Performance of Duties by the Board Audit Committee; 3. 2024 Annual Report and its summary; 4. Proposal on engaging the audit firm for 2025.		
April 29, 2025	Reviewed and approved the 2025 First Quarter Report.		
August 18, 2025	Reviewed and approved: 1. 2025 Semi-Annual Report and its summary; 2. Special Report on the Deposit, Management and Actual Use of Raised Funds for the 2025 Semi-Annual Period; 3. Proposal on adjusting the 2025 semi-annual cash dividend proposal and formulating the 2025 semi-annual cash dividend plan.		
September 11, 2025	Reviewed and approved the proposal on conducting financial leasing business.		
October 26, 2025	Reviewed and approved the 2025 Third Quarter Report.		
October 30, 2025	Reviewed and approved: 1. Proposal on adjusting the exercise price of share options under the 2024 Share Option Incentive Scheme; 2. Proposal on the satisfaction of exercise conditions for the first exercise period of the 2024 Share Option Incentive Scheme.		

Corporate Governance, Environmental And Social (Continued)

Attendance of Audit Committee members at meetings during the reporting period is as follows:

Independent Director	Attendance at Audit Committee Meetings	Audit Committee Member	
		Number of Meetings Required to Attend	Number of Attendances
Mr. Yao Minglong *(Chairman)*	Yes	7	7
Mr. Liu Guisong (Resigned as Director and member of the Audit Committee with effect from January 15, 2026)	Yes	7	7
Mr. Zhang Jie (Ceased to be a member of the Audit Committee with effect from October 28, 2025)	No	6	6
Ms. Yuen Shuk Yee (Appointed as a member of the Audit Committee with effect from October 28, 2025)	Yes	1	1
Mr. Qin Guisen (Appointed as a member of the Audit Committee with effect from January 15, 2026)	Yes	N/A	N/A

Remuneration and Evaluation Committee

The main responsibilities of the Remuneration and Evaluation Committee include:

- Formulating remuneration plans or schemes, policies and structures based on the main scope, responsibilities and importance of the management positions of the Directors and senior management, as well as the remuneration levels of relevant positions in other comparable enterprises; establishing a formal and transparent process for formulating the aforesaid remuneration plans or schemes; and making recommendations to the Board;

- Reviewing and approving the management's remuneration proposals in light of the corporate policies and objectives set by the Board;

- Determining the assessment indicators (including: each Director's professional qualifications and work experience, time commitment to the Board and other major external affairs respectively, personality, character, independence and experience-related factors or circumstances, and whether the duties have been effectively performed, etc.) and assessment methods for the Directors and senior management; conducting performance evaluations; and proposing the remuneration amount and incentive methods for senior management based on the results of position performance evaluations and the remuneration distribution policy, which shall be submitted to the Company's Board for approval after voting;

- Considering and/or approving matters in relation to share schemes as set out in Chapter 17 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

The Remuneration and Evaluation Committee has adopted the second model referred to in Code Provision E.1.2(c) in Part II of the Corporate Governance Code (i.e. making recommendations to the Board on the remuneration packages of Individual Executive Directors and senior management).

Corporate Governance, Environmental And Social (Continued)

The Remuneration and Evaluation Committee held a meeting on March 30, 2026, to organize and conduct the 2025 Board Performance Evaluation (this evaluation was conducted in the form of an internal appraisal, led by the Remuneration and Evaluation Committee and carried out in collaboration with other specialized committees of the Board). The evaluation results and improvement recommendations (details are provided below) were submitted to the Board for deliberation and approval. The scope of the evaluation includes the composition and skills of the Board, the Board's culture and interaction among Board members, the effectiveness of Board meetings, the Board's capability in risk management and internal control, and the Board's communication with shareholders and other major stakeholders, etc.

I. Assessment Results

Following a comprehensive evaluation, the overall performance of the Board of Directors complies with the requirements of the Corporate Governance Code and the Articles of Association of the Company. The key assessments are as follows:

1. In terms of strengths:

- The composition of the Board of Directors and the allocation of skills are generally sufficient. The core members' professional experience in strategic management, technology research and development, financial compliance, capital market, and other areas within the communications industry aligns closely with the Company's business, effectively supporting the implementation of major strategies such as the H-share listing and global expansion;

- The decision-making atmosphere of the Board of Directors is open and transparent, with smooth communication and collaboration among members. A well-established mechanism for expressing dissent and negotiation ensures the scientific nature of decision-making;

- The meetings operate in a standardized and efficient manner, with thorough preparation of proposals. The decision-making process strictly adheres to regulatory requirements and internal systems, achieving a 100% follow-up and implementation rate for proposals;

- The risk management and internal control oversight are effective, with adequate supervision over major matters such as cross-border listing compliance, financial monitoring, and supply chain risks, and the internal control system is continuously optimized;

- The investor relations management mechanism is well-established, effectively safeguarding the rights to information and participation of shareholders, particularly minority shareholders, through methods such as earnings briefings, shareholder meetings, and multi-channel information disclosure.

2. Areas for improvement:

- There remains room for enhancement in the diversity development of the Board of Directors. The coverage of professional fields, the gradient of age structure, and the balance of diverse professional backgrounds are insufficient, and the alignment with the Company's global business layout and the improvement of professional management standards can be further enhanced;

- The depth of communication with overseas shareholders and international market stakeholders is inadequate. The response mechanisms for the needs of overseas investors, the coverage of multilingual communication channels, and response efficiency can be further refined. A systematic care system for overseas stakeholders has yet to be established;

- The depth of ESG governance and the quality of disclosure need further enhancement. Although an ESG governance framework has been established, the Board's supervision of the deep integration between ESG strategy and core business operations is not thorough enough. There are still gaps in the completeness of quantitative indicators for ESG information disclosure and its comparability with domestic and international regulatory requirements and industry benchmark companies.

II. Improvement Solutions and Implementation Plan

In response to the areas for improvement identified in the assessment, the Board of Directors has reviewed and approved corresponding improvement plans, which will be followed up and implemented by the Remuneration and Evaluation Committee in collaboration with the relevant specialized committees:

1. Optimizing the Diversity Structure of the Board of Directors: In future director selection and appointment, while adhering to the principle of selecting and appointing the most capable individuals, efforts will be made to enhance diversity in three key aspects:

   - Gender diversity: Give priority to identifying female candidates with experience in the telecommunications industry and expertise in finance/compliance/ESG, and ensure a steady improvement in the Board's gender diversity, with the goal of maintaining a proportion of female directors at no less than 15%;

   - Professional field diversity: Supplement directors with professional backgrounds in cross-border ESG governance, digital economy policy research, and high-end manufacturing supply chain management to address the current Board's expertise gaps in emerging regulatory areas and industry chain collaboration, thereby complementing existing core competencies such as telecommunications technology, capital operations, and financial compliance;

   - Age and professional background diversity: Appropriately recruit young and middle-aged professionals aged 40–50 into the Board to optimize the current age structure (45–72 years old) and enhance decision-making vitality; balance "industry-specialized" and "cross-disciplinary" talents; and in addition to seasoned professionals from the communications industry, consider introducing Independent Non-executive directors with backgrounds in technology industry investment, multinational corporate management, and regulatory agency experience, to enrich decision-making perspectives;

   - Overseas experience diversity: Timely introduce independent directors with experience in telecommunications operations or cross-border capital markets in major overseas markets such as North America, Europe, and Southeast Asia, to strengthen professional support for overseas subsidiary management and international market compliance risks;

   The aforementioned optimization plan will be gradually implemented during the board reshuffle in 2027; and the Nomination Committee will review the progress of board diversity development annually and prepare a "Special Report on Board Diversity Development" for submission to the Board for deliberation.

Corporate Governance, Environmental And Social (Continued)

2. Enhancing the Communication Mechanism with Overseas Stakeholders: Adhering to the principles of "compliance first, hierarchical classification, and closed-loop management", a systematic communication framework tailored for cross-border governance will be established:

   (1) Establishing a Multi-Dimensional Regular Communication Mechanism:

   - Regular communication: Hold one dedicated communication session with overseas shareholders every six months (in conjunction with the performance disclosure window period), and organize one overseas roadshow or reverse roadshow annually, inviting senior executives such as the CEO and CFO to engage directly with institutional investors and analysts;

   - Special communication: For matters such as H-share listing, cross-border capital increase, and major strategic collaborations, convene briefings with overseas investors while providing simultaneous bilingual (Chinese and English) live streaming and replay services, and allocate sufficient Q&A time to address key concerns;

   - Emergency communication: In response to situations such as abnormal stock price fluctuations, industry policy adjustments, and false rumors, activate an emergency response team (as composed of the Board Secretary, legal department, and investor relations team) within 2 hours, issue a unified response through multiple channels within 48 hours, and hold temporary briefings if necessary to stabilize market expectations.

   (2) Optimizing Communication Channels and Content Adaption:

   - Multilingual Information Coverage: The Company's official website has established a "Dedicated Zone for Overseas Investors", simultaneously disclosing announcements, financial reports, and investor relations information in both Chinese and English, thus ensuring that overseas stakeholders can conveniently access authoritative information;

   - Customized Material Preparation: Before meetings, questionnaires are used to collect key concerns from overseas institutions, and targeted materials are prepared to enhance the density of communication information;

   - Digital Tool Application: Investor Relations Management (CRM) systems or tools may be introduced to record overseas shareholders' investment styles, areas of interest, and historical communication records, achieving precise demand forecasting; and AI voice assistants, virtual meetings, and other methods may be utilized to break geographical barriers, providing global investors with 7×24 accessible communication scenarios.

Corporate Governance, Environmental And Social (Continued)

(3) Strengthening Closed-Loop Communication Management:

- Feedback Follow-up: Send bilingual (Chinese and English) meeting minutes within 48 hours after the communications conclude; commit to providing written responses within 3 business days for questions not answered on the spot; and establish a full closed-loop process of "inquiry-recording-follow-up-feedback";

- Demand Implementation: Regularly review feedback from overseas stakeholders, categorize and compile suggestions regarding company strategy, operations, compliance, etc., submit them to the Board of Directors and the management for discussion, and incorporate reasonable suggestions into the Company's operational decision-making reference;

- Compliance Control: Establish a communication review mechanism together with legal and compliance departments; and develop standardized response templates for cross-border regulatory differences and sensitive matters (such as M&A rumors, and impact of tax policies) to ensure the uniformity and compliance of external communications.

(4) Expanding the Coverage Dimensions of Stakeholders:

- Besides overseas shareholders, establish a regular communication mechanism with overseas suppliers, customers, industry associations, and regulatory bodies; and conduct 1–2 cross-border business exchange meetings annually to synchronize the Company's development strategies and compliance requirements, thereby maintaining a stable overseas business ecosystem;

- In response to ESG-related concerns, separately organize overseas ESG-themed communication sessions to clearly articulate the Company's initiatives in green production, carbon reduction targets, and ESG management within the supply chain to institutions such as SRI Fund, thereby strengthening the communication of sustainable development value.

3. Deepening ESG Governance and Disclosure Quality: Led by the Strategy and ESG Committee, the "ESG Strategy and Business Integration Implementation Plan" will be formulated, breaking down indicators such as carbon reduction, green production, supply chain ESG management, and product environmental friendliness into various business units and incorporating them into the management performance evaluation system. A third-party ESG professional institution will be engaged to conduct industry benchmarking assessments, identifying gaps and improving quantitative disclosure indicators (e.g., energy consumption per unit of output value, proportion of green procurement, and ESG-related R&D investment). The Board of Directors reviews ESG progress reports every six months to strengthen supervision over the implementation effectiveness of ESG projects. The 2026 ESG report will incorporate industry benchmarking analysis, annual improvement targets, and long-term plans to enhance the usefulness and comparability of disclosed information. The implementation plan is to be completed before the first quarter of 2026.

   The Remuneration and Evaluation Committee will track the progress of the aforementioned improvement plan in 2026 and verify the effectiveness of these improvements in the 2026 Board Performance Evaluation, ensuring continuous enhancement of the Board's governance levels to better serve the Company's long-term development and the interests of all shareholders.

Corporate Governance, Environmental And Social (Continued)

The Remuneration and Evaluation Committee comprises three members, namely Ms. Yuen Shuk Yee (chairman), Independent Non-executive Director, Mr. Gerald G Wong, Executive Director, and Mr. Yao Minglong, Independent Non-executive Director. The performance of duties of the Remuneration and Evaluation Committee during the Reporting Period is as follows:

Meeting Date	Meeting Content	Key Opinions and Suggestions	Other Duty Performance
March 28, 2025	Reviewed and approved the proposal on purchasing liability insurance for Directors, Supervisors, senior management and in respect of the prospectus.		
April 7, 2025	Reviewed and approved: 1. Proposal on the annual remuneration of senior management; 2. Proposal on confirming the 2024 Directors' remuneration; 3. Proposal on the satisfaction of unlock conditions for the second unlock period of the initial grant under the 2022 Restricted Shares Incentive Scheme.		
May 28, 2025	Reviewed and approved: 1. Proposal on repurchasing and cancelling part of the restricted shares under the initial grant of the 2022 Restricted Shares Incentive Scheme; 2. Proposal on the remuneration standards for Directors of the Fifth Board of Directors after the Company's issuance of overseas listed shares.		
October 30, 2025	Reviewed and approved: 1. Proposal on adjusting the exercise price of share options under the 2024 Share Option Incentive Scheme; 2. Proposal on the satisfaction of exercise conditions for the first exercise period of the 2024 Share Option Incentive Scheme.		

Corporate Governance, Environmental And Social (Continued)

Attendance of Remuneration and Evaluation Committee members at meetings during the reporting period is as follows:

Remuneration and Evaluation Committee Member Name	Independent Director	Attendance at Remuneration and Evaluation Committee Meetings: Number of Meetings Required to Attend	Attendance at Remuneration and Evaluation Committee Meetings: Number of Attendances
Mr. Liu Guisong *(Chairman)* (Resigned as Director and member of the Remuneration and Evaluation Committee with effect from January 15, 2026)	Yes	4	4
Gerald G Wong	No	4	4
Mr. Yao Minglong	Yes	4	4
Ms. Yuen Shuk Yee (Appointed as Chairwoman of the Remuneration and Evaluation Committee with effect from January 15, 2026)	Yes	N/A	N/A

Corporate Governance, Environmental And Social (Continued)

Strategy and ESG Committee

The primary duties of the Strategy and ESG Committee are to research and make recommendations on our medium and long term development strategies, major investment decisions and sustainable development strategies, and ensure ESG factors are fully taken into account in our strategic planning and decision-making process. The Strategy and ESG Committee comprises five members, namely Mr. Gerald G Wong, Executive Director (chairman), Mr. Zhao Haibo, Mr. Zhang Jie, Mr. Zhao Hongwei and Mr. Qin Guisen, Independent Non-executive Director. The performance of duties of the Strategy and ESG Committee during the Reporting Period is as follows:

Meeting Date	Meeting Content	Key Opinions and Suggestions	Other Duty Performance
February 27, 2025	Reviewed and approved: 1. Proposal on renaming the Board Strategy Committee and amending the working rules; 2. 2025 Action Plan for "Improving Quality, Increasing Efficiency and Emphasizing Returns".		
March 28, 2025	Reviewed and approved: 1. Proposal on the issuance of H shares and listing on the Stock Exchange of Hong Kong Limited; 2. Proposal on the plan for the issuance of H shares and listing on the Stock Exchange of Hong Kong Limited, including: 2–1 Listing Place, 2–2 Type and Par Value of the Shares to be Issued, 2–3 Issuance and Listing Time, 2–4 Target Issuance Objects, 2–5 Issuance Method, 2–6 Issuance Scale, 2–7 Pricing Method, 2–8 Offering Principles, 2–9 Underwriting Method, 2–10 Financing Cost Analysis, 2–11 Engagement of Intermediaries; 3. Proposal on converting the Company into a joint stock limited company offering shares overseas; 4. Proposal on the fund use plan for the issuance of H shares.		
April 7, 2025	Reviewed and approved: 1. 2024 General Manager's Work Report and 2025 Business Plan; 2. 2024 Environmental, Social and Governance (ESG) Report.		
September 5, 2025	Reviewed and approved the 2025 Semi-Annual Assessment Report on the Action Plan for "Improving Quality, Increasing Efficiency and Emphasizing Returns".		
October 13, 2025	Reviewed and approved the proposal on determining matters in relation to the global offering of H shares and listing on the Stock Exchange of Hong Kong Limited.		
November 25, 2025	Reviewed and approved the proposal on signing the supplementary agreement to the joint venture agreement.		
December 8, 2025	Reviewed and approved: 1. Proposal on increasing capital to the wholly-owned overseas subsidiary; 2. Proposal on acquiring and participating in the subscription of investment fund shares and making joint investments with professional institutions.		

Corporate Governance, Environmental And Social (Continued)

Attendance of Strategy and ESG Committee members at meetings during the reporting period is as follows:

Strategy and ESG Committee Member Name	Independent Director	Attendance at Strategy and ESG Committee Meetings: Number of Meetings Required to Attend	Number of Attendances
Mr. Gerald G Wong *(Chairman)*	No	7	7
Mr. Zhao Haibo	No	7	7
Mr. Zhang Jie	No	7	7
Mr. Zhao Hongwei	No	7	7
Mr. Qin Guisen	Yes	7	7

Nomination Committee

The main responsibilities of the Nomination Committee include:

- Nominating or appointing and removing Directors, and engaging or dismissing senior management; formulating the selection criteria, procedures and methods for the Company's Directors and senior management and submitting them to the Board for consideration; reviewing the structure, size and composition of the Board (in terms of skills, knowledge and experience) at least annually; and making recommendations on any proposed changes to the Board to align with the Company's strategy;

- Identifying individuals with appropriate qualifications to serve as Directors; conducting due diligence on other senior management nominated by the General Manager; and selecting and nominating such individuals to serve as Directors or other senior management, or providing opinions thereto to the Board; and

- Conducting a comprehensive assessment of the skills, knowledge and experience of the Directors and senior management, and evaluating the independence of the Independent Non-executive Directors.

The selection and appointment procedures for Directors and senior management are as follows:

1. The Nomination Committee shall actively communicate with the relevant departments of the Company, study the Company's demand for new Directors and senior management, and form written materials;

2. The Nomination Committee may extensively search for candidates for Directors and senior management within the Company, its holding (equity-invested) enterprises and the talent market, etc.;

3. Collect information such as the career, educational background, professional title, detailed work experience and all part-time positions of the preliminary candidates, and form written materials;

4. Seek the consent of the nominees to the nomination, otherwise they shall not be regarded as candidates for Directors and senior management;

5. Convene a meeting of the Nomination Committee to conduct qualification review on the preliminary candidates in accordance with the appointment qualifications for Directors and senior management;

6. Submit recommendations and relevant materials on candidates of Directors and newly engaged senior management to the Board one to two months prior to the election of new Directors and the engagement of new senior management;

7. Conduct other follow-up work in accordance with the decisions and feedback of the Board.

The Nomination Committee will comprise three members, namely Mr. Qin Guisen (chairman), Independent Non-executive Director, Mr. Zhao Haibo, Executive Director and Ms. Yuen Shuk Yee, Independent Non-executive Director. The performance of duties of the Nomination Committee during the Reporting Period is as follows:

Meeting Date	Meeting Content	Key Opinions and Suggestions	Other Duty Performance
April 7, 2025	Reviewed and approved the proposal on adding an Independent Director to the Fifth Board of Directors of the Company.		

Attendance of Nomination Committee members at meetings during the reporting period is as follows:

Name of member of the Nomination Committee	An independent director or not	Participation in meetings of the Nomination Committee: Number of meetings of the Nomination Committee required to attend in the year	Number of attendances
Qin Guisen (chairman)	Yes	1	1
Liu Guisong (Ceased to be a member of the Nomination Committee with effect from October 28, 2025)	Yes	1	1
Zhao Haibo	No	1	1
Yuen Shuk Yee (Appointed as a member of the Nomination Committee with effect from October 28, 2025)	Yes	N/A	N/A

BOARD DIVERSITY

We have adopted our board diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity on our Board. Our Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the CG Code. Our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis. Our Board comprises seven members, including four Executive Directors and three Independent Non-Executive Directors.

Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Directors, ranging from 45 years old to 72 years old, are able to bring a balance of diverse perspectives to our Board. We have taken steps to promote gender diversity of our Board and currently one of our Directors is female. Going forward, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, we will actively identify female individuals suitably qualified to become our Board members and we aim to maintain at least one female Director on our Board, subject to our Directors: (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of our Company and our Shareholders as a whole when deliberating on the appointment. Our Board and our Nomination Committee will assess our Board composition annually in accordance with the CG Code. We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to further enhance the effectiveness of our corporate governance. Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out above, we will: (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management members who have the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to senior management or our Board so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

The following table sets forth the diversity profile of the Board as at December 31, 2025:

Category of Directors	**Executive Directors**	**Independent Non-executive Directors**	
	4	3	
Gender	**Male Directors**	**Female Directors**	
	6	1	
Age group	**50 years or below**	**51–60 years**	**61 years or above**
	2	3	2
Length of service	**Less than 4 years**	**4–9 years**	**9 years or above**
	3	2	2

The Board possesses skills, experience and diverse backgrounds relevant to the Company's strategies, governance and business. The strengths of individual members enable the Board to function effectively and enhance efficiency. The professional expertise and experience profile of each member of the Board are set out below:

Executive leadership and strategic management/experience as a Director or senior management of other listed companies:	7/7
Professional knowledge in the optical and wireless connectivity devices industry/industry management experience:	4/7
Professional financial knowledge/financial management experience:	2/7
Legal profession/corporate governance experience:	7/7
Professional knowledge and experience in capital markets:	7/7

Note: The percentage in the chart represents the proportion of Directors with relevant professional and experience to the total Directors.

EMPLOYEE DIVERSITY

We highly value workplace equality and diversity, ensuring that no employee is discriminated against due to gender, race, marital status, surname, geographic origin, religious beliefs, or other differences during their employment. We safeguard employees' right to equal employment, foster a respectful work environment, fully respect the dignity and equal personality of our employees, and ensure that employees are not subjected to any form of physical, verbal, psychological, or gender-based harassment or abuse. As of December 31, 2025, the Company had a total of 4 senior management members, all of whom are male; the Group had a total of 1,354 employees, of whom 946 are male, accounting for 70%, and 408 are female, accounting for 30%.

Corporate Governance, Environmental And Social (Continued)

The Company has formulated and implemented a board diversity policy, aiming at continuously optimizing the scientific nature of Board decisions and the effectiveness of corporate governance by attracting individuals of different genders, professional backgrounds, and experiences to participate in governance. The Nomination Committee is responsible for regularly reviewing the implementation status of the gender diversity policy and the reasonableness of quantifiable targets in light of the Company's business development needs and the Board's overall functional positioning, and dynamically optimizing them based on actual circumstances.

Taking into account the attributes of the technology industry in which the Company operates, its talent structure characteristics, and the current status of the Board team, the Company has set the following measurable gender diversity targets:

1. At the Board level

- o Basic Target: To maintain at least one female Director on the Board;
- o Staged Target: To gradually increase the proportion of female directors to no less than 15% within the next five years.

As at the end of the Reporting Period, the Board consists of 8 members, including 1 female Director, accounting for approximately 12.5%. The basic diversity target has been achieved, and the phased enhancement target is progressing as planned.

2. At the employee development and structure level

- o Short-term Target: To ensure that female employees account for no less than 35% of total participants in various training programs by the end of 2030;
- o Medium-to-Long-term Target: To maintain the overall proportion of female employees in the Group stably within the range of 30% to 40% by the end of 2040.

The Company will continue to improve its recruitment, appointment, training, and promotion mechanisms, eliminate systemic barriers related to gender, and steadily advance the optimization of employee structure and the implementation of gender diversity governance targets.

Corporate Governance, Environmental And Social (Continued)

Details of employees

Number of existing employees of the parent company	763
Number of existing employees of major subsidiaries	591
Total number of existing employees	1,354
Number of retired employees for whom the parent company and major subsidiaries are required to bear expenses	0

Professions

Type of professions	Number of individuals
Production staff	327
Sales staff	93
Technical staff	758
Finance staff	29
Administrative staff	147
Total	1,354

Educational Background

Education level	Number of individuals
Doctor	8
Master/postgraduate	134
Bachelor/undergraduate	654
Junior college/higher vocational	247
Secondary specialized/technical school	95
High school and below	216
Total	1,354

Establishment and implementation of the evaluation and incentive system for the senior management

The Company has formulated the selection, evaluation, incentive and restraint mechanisms for senior management in accordance with the needs of its business expansion and development planning. The Company has established the Remuneration and Evaluation Committee of the Board, with a majority of Independent Non-executive Directors and an Independent Non-executive Director as its convener, and has formulated the Implementation Rules of the Remuneration and Evaluation Committee of the Board, and conducts annual target evaluation on the Company's senior management based on relevant indicators. At the beginning of each year, the Company determines the annual financial indicators of economic responsibilities and development quality targets with senior management, and carries out performance evaluation on the completion of the annual responsibility targets after the end of the year. Based on the above performance evaluation results, together with the performance of duties of senior management, the Remuneration and Evaluation Committee proposes the amount of remuneration as well as the reward and penalty measures for such senior management.

Corporate Governance, Environmental And Social (Continued)

In addition, the Company has set out corresponding restrictions on the performance of duties, authority, and responsibilities of senior management through the Articles of Association, the signing of Employment Contracts, and internal management systems such as financial and human resources management.

Remuneration Policy

The Company's employee remuneration policy is set out below:

1. Remuneration structure: monthly standard income + various bonuses + overtime pay + social insurance and housing provident fund + other benefits

(1) Monthly standard income: Consists of basic salary and performance bonus, formulated with reference to the market remuneration level for corresponding positions. The Company divides all positions into three levels of senior management, middle-level core staff and junior-level staff, and further categorizes them into four major categories of functional management, production and manufacturing, marketing and sales, and technology R&D. The corresponding monthly standard income is determined according to different levels and categories.

(2) Various bonuses: The bonus system applies to all formal employees of the Company, and is divided into annual bonus, project bonus and floating bonus. Annual bonus is generally issued based on comprehensive consideration of the Company's overall annual operating performance, the performance of employees in each department, and the length of service of employees; project bonus is mainly allocated based on the project's operating performance and the contribution of personnel participating in the project; floating bonus is mainly issued after evaluation based on the employee's performance during the period.

(3) Overtime pay: Strictly implemented in accordance with national laws and regulations. Where an employee is arranged to work overtime on statutory holidays, overtime pay shall be paid at 300% of the employee's daily or hourly wage; where an employee is arranged to work overtime on rest days, overtime pay shall be paid at 200% of the employee's daily or hourly wage if no compensatory leave can be arranged for the employee; for positions implementing the comprehensive working hour system, the corresponding overtime pay shall be paid in accordance with the standards of relevant national regulations.

(4) Social insurance and housing provident fund: In accordance with relevant national, provincial and municipal regulations, the Company pays pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident fund for employees.

(5) Other benefits: Including travel allowance, meal allowance, transportation allowance, communication allowance, commercial insurance, and other employee benefits issued according to specific circumstances.

Corporate Governance, Environmental And Social (Continued)

2. Remuneration adjustment

The Company's employee salary adjustment methods mainly include adjustments based on considerations of external market compensation levels and special adjustments.

(1) Adjustments based on considerations of external market compensation levels: The Company regularly purchases external remuneration reports, and conducts comparative analysis on employees' remuneration levels in combination with internal evaluation of employees' position value. The overall adjustment cycle and range are determined according to the Company's operating efficiency, development status and external market remuneration levels. The plan is proposed by the Human Resources Department, and implemented after being reviewed and approved by the General Manager's Office.

(2) Special adjustment: Implemented in accordance with the change in employee's job grade, change in position, performance evaluation results or other special circumstances, to ensure the timeliness and rationality of remuneration adjustment, so as to adapt to the different stages of employees' career development and the changing needs of the Company's business.

Training programs

The Company has always placed great emphasis on employee training and development, striving to create a work environment filled with learning opportunities and room for growth. The Company's training management is divided into two parts: headquarters training management and factory training management.

1. Headquarters Training Management

In 2025, building upon the consistent delivery of new employee orientation, campus recruit training, mentorship training, and various routine training programs, the Company systematically advanced training initiatives closely aligned with its strategic goals and business development needs, providing robust support for enhancing organizational capabilities. By fully leveraging the function of resource integration and sharing, it facilitated regular series of R&D case studies across departments such as Hardware, Software, and Testing, covering multiple technical areas including structural design, hardware electronics, and hardware RF. This promoted the effective accumulation and transformation of internal knowledge, allowing excellent practices to benefit more employees and comprehensively enhancing the Company's overall R&D capabilities. Addressing actual business needs, it carefully selected and introduced high-quality external courses and lecturer resources, focusing on practical training programs such as business English proficiency enhancement and management skills development for mid-to-senior level managers. These programs helped participants continuously update their knowledge structures, improve professional skills and personal competencies, and better achieve work objectives.

Throughout the training process, in line with training practices and business development needs, the Company continuously refined the training system, optimized training processes, promoted the development of an internal trainer team and course development, and improved internal training incentives and mentorship policies. This helped stimulate the trainers' enthusiasm and vitality, fostered a positive learning atmosphere, and strengthened team cohesion. Simultaneously, it fully utilized the functionalities of the online training module in the e-HR system to enhance the flexibility and efficiency of training organization and follow-up. It also promoted specialized training on topics such as information security, stress management, antitrust, and business ethics to better support the implementation of the Company's strategic objectives.

In 2026, while continuing to provide new employee orientation, campus recruit training, mentorship training, and routine programs, the Training Department will further integrate internal and external resources to systematically advance key training initiatives focused on the Company's strategic goals and business development needs, as detailed below:

(1) Professional Skill Enhancement: Conduct training such as hardware case studies and software professional skills enhancement to solidify employees' professional foundations;

(2) Management Capability Development: Launch management project training programs to help managers improve their skills in team management, project management, and performance feedback;

(3) General Competency Development: Continue to promote business English proficiency enhancement training to meet business expansion needs;

(4) Mental Health Series: Focus on employee mental health by conducting mental health training activities, such as emotional management, to alleviate work-related stress;

(5) Audit and Compliance Category: Conduct online compliance training for all employees on topics such as ESG, antitrust, information security, and business ethics to strengthen employees' compliance awareness and support the Company's stable operations.

2. *Factory Training Management*

In response to the rapid changes in the external environment, the Company deeply recognized the urgent need to enhance employees' knowledge and skills reserves. It launched five training camp programs covering all employees, focusing on five key areas: new employee integration, grassroots backbone growth, technical talent cultivation, management advancement, and deepening professional expertise. This formed a complete training chain from orientation to leadership development. Through regular, scenario-based learning activities, it created a strong organizational learning atmosphere, effectively improving employees' job adaptability and professional competence. To ensure the systematic and scientific nature of the training, the Company established a clear training framework, focusing on general courses, production courses, quality courses, management courses, and technical courses, comprehensively covering learning needs across various professional fields.

Corporate Governance, Environmental And Social (Continued)

The factory course system is introduced as follows:

(1) Eaglet Training Camp (New Employees): Focuses on new employees, utilizing systematic orientation, corporate culture immersion, and on-the-job mentoring to help new members integrate quickly into the team and solidify their career foundations;

(2) Elite Training Camp (Supervisors, Team Leaders): Targets supervisors and team leaders to strengthen their grassroots management capabilities and execution, forging a core force that connects management and front-line operations;

(3) Seedling Training Camp (Technical Trainees): Deepens industry-university integration and collaborative education, continuously strengthens long-term cooperation with universities, implements targeted development programs, and consistently supplies fresh talent for technical positions;

(4) Mid-Level Training Camp (Managers, Core Personnel): Aims to enhance the systemic thinking, team leadership, and goal decomposition capabilities of mid-level managers, building the mainstay for organizational development;

(5) Technical Training Camp (Engineers, Technicians): Encourages technical personnel to step outside the Company, engage with the forefront of the industry, conduct in-depth exchanges with peers and outstanding enterprises, broaden their professional horizons, and spark innovation, thereby maintaining the Company's leading edge in core technical capabilities.

In the new year, the Company will continue to leverage its systems as the foundation and processes as the guarantee, advancing training efforts from comprehensive coverage to precise empowerment. It aims to make learning the engine of organizational evolution and growth the driving force for employees' progress. By integrating various training practices, it will continuously deepen and refine the training system, allowing training to better support the achievement of the Company's strategic goals and working together with all employees to write a new chapter in the Company's high-quality development.

Details of labor outsourcing

Total working hours for labour outsourcing	4,289,256.50 hours
Total remuneration paid for labour outsourcing (00'000)	14,463.32

Corporate Governance, Environmental And Social (Continued)

CG CODE

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. The Company has adopted all code provisions of the CG Code as its corporate governance code. During the Reporting Period, the Company has complied with the code provisions set out in the CG Code, except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and Chief Executive should be separate and should not be performed by the same individual. We do not have a separate chairman and Chief Executive and Mr. Gerald G Wong currently performs these two roles. We believe that vesting the roles of both chairman and Chief Executive in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. We consider that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the Chief Executive of our Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions as the code of conduct for its Directors in respect of securities transactions. After making specific enquiries with all Directors, each Director has confirmed that they have complied with the standards governing Directors' securities transactions set out in the Model Code for Securities Transactions during the reporting period. The Company has not identified any non-compliance with the Model Code for Securities Transactions by employees who may possess inside information of the Company.

AUDITORS' REMUNERATION

For the year ended December 31, 2025, Grant Thornton Zhitong Certified Public Accountants LLP (致同會計師事務所(特殊普通合夥)) and its member firms provided services to the Company for a total of RMB6.05 million，which included audit service fees of RMB5.1 million, internal control service fees of RMB0.8 million, and transfer pricing report service fees of RMB0.15 million.

CONFIRMATION BY DIRECTORS AND AUDITORS

The Directors have reviewed the effectiveness of the Group's internal control system, which covers all material control aspects, including financial control, operational control, compliance control and risk management function. The Directors are responsible for overseeing the preparation of the annual accounts to give a true and fair view of the financial position, operating results and cash flows of the Company for the year.

In preparing the financial statements for the Reporting Period, the Directors have selected appropriate accounting policies; adopted appropriate accounting standards; made prudent and reasonable judgments and estimates; and ensured that the accounts have been prepared on a going concern basis. The Directors confirm that the preparation of the Group's financial statements complies with statutory requirements and applicable accounting standards. So far as our Directors are aware, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the auditor regarding its reporting responsibilities in respect of the financial statements is set out in the "Report of the Independent Auditor" in this report.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Jin Zeqing (金澤清先生) and Ms. So Lai Shan (蘇麗珊女士) as Joint Company Secretaries. Mr. Jin Zeqing, deputy general manager, secretary to the Board and joint company secretary, is the principal contact person between Ms. So Lai Shan and the internal department of the Company. During the Reporting Period, Mr. Jin Zeqing and Ms. So Lai Shan have received no less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has continuously improved and optimized its internal control system in accordance with the Basic Standards for Enterprise Internal Control and its supporting guidelines and other regulatory requirements on internal control, combined with the Company's internal control systems and evaluation measures, and based on the daily supervision and special supervision of internal control while adhering to the risk-oriented principle, so as to adapt to the ever-changing external environment and internal management requirements. Through the operation, analysis and evaluation of the internal control system, the Company has effectively prevented risks in operation and management and promoted the achievement of internal control objectives.

Our Board of Directors and senior management are responsible for devising and supervising the execution and efficacy of our internal control framework. The Board is responsible for planning and establishing the risk management framework of the Company, formulating the risk management policies and relevant guidelines of the Company and overseeing the implementation of risk management measures. The Company has formulated risk management policies to identify and analyse the risks faced by the Company, and will regularly assess changes in the market environment and the Company's operating activities to determine whether to update the risk management policies and systems. The risk management of the Company is undertaken by the Audit Committee in accordance with the policies approved by the Board. The Audit Committee identifies, evaluates and mitigates relevant risks through close cooperation with other business departments of the Company. The internal audit department of the Company conducts regular reviews of risk management controls and procedures, and reports the review results to the Audit Committee of the Company. Such framework is robust in structure and ensures that we continuously comply with the relevant laws and regulations governing business activities and corporate governance, thereby preventing the occurrence of non-compliance. We firmly believe that the existing internal control mechanisms and procedures are comprehensive in coverage, adequate in feasibility and effective in operation.

Corporate Governance, Environmental And Social (Continued)

Daily Risks and Measures

In the regular course of our business activities, we are inherently exposed to a range of risks, encompassing operational, market, financial and environmental, social and governance (ESG) risks. Recognizing these exposures, we firmly believe that implementing robust and adaptable risk management strategies is essential to our long-term success. Through this approach, we aim to mitigate risks, safeguard our operations against potential adversities, and secure our competitive edge and financial stability. To effectively manage risks relating to our business and industry, we have implemented the following measures:

- Continuously strengthened information disclosure and established a rigorous and efficient information disclosure mechanism, including the Information Disclosure Management System and the Inside Information Insider Registration Management System, to ensure the timeliness, accuracy and completeness of information transmission;

- The Board is responsible for comprehensively assessing the inherent risks in the Group's operations and ensuring that all material decisions with significant risk implications are reviewed and approved by the Board, including conducting critical assessments on transactions with unapproved suppliers;

- By establishing solid and positive relationships with existing suppliers and customers, we strive to regularly expand our customer and supplier base to reduce operational risks arising from reliance on a single entity;

- We actively seek to enter into various agreements to expand our supplier network where it is in the interests of the Group and proven to be economically viable;

- Our management team is committed to closely monitoring market trends, including fluctuations in the prices of raw materials and components, to consistently compare our procurement expenses with prevailing market rates and ensure that we source raw materials, parts and components at competitive prices;

- We implement stringent information technology controls, which significantly reduce the likelihood of failures in our information technology systems and safeguard the integrity of our operations;

- To attract and retain professional and technical talent, we regularly review and adjust the remuneration structure for our management and employees to ensure that it remains competitive and aligned with the strategic development of the Group;

- Our Directors exercise stringent oversight over the Group's liquidity and financial health and stand ready to secure financing whenever deemed necessary and beneficial to support our business activities and expansion plans; and

- In respect of ESG risks, we have established a top-down three-tier ESG governance structure, integrated ESG performance indicators into daily operational management. We implement the Board's ESG strategy through data-driven tools, including setting carbon reduction targets, health and safety goals, etc., and regularly track the progress of key initiatives.

Corporate Governance, Environmental And Social (Continued)

Management and control of subsidiaries during the reporting period

As at the end of the Reporting Period, the structure of the Company's subsidiaries has remained stable, and except that CIG Zhejiang Telecommunication Equipment Co., Ltd.* (浙江劍橋通信設備有限公司) is a controlled subsidiary, all other subsidiaries (including domestic and overseas wholly-owned subsidiaries and sub-subsidiaries) are wholly-owned subsidiaries of the Company. The core businesses of each subsidiary are carried out in an orderly manner in line with the Company's overall development strategy, forming a synergistic development pattern.

During the reporting period, the Company improved its internal control system and strengthened the full-process management and control over its subsidiaries, taking into account the regulatory requirements following the issuance and listing of H shares and the actual operational management of its subsidiaries. The Company continued to implement the CIG Shanghai Co., Ltd. External Investment Management System (《上海劍橋科技股份有限公司對外投資管理制度》) and the CIG Shanghai Co., Ltd. Internal Reporting System for Material Information (《上海劍橋科技股份有限公司重大信息內部報告制度》). Furthermore, the Management System for Controlled Subsidiaries (《控股子公司管理制度》) was revised pursuant to the resolution of the 14th Meeting of the Fifth Board of Directors held on May 28, 2025, and the External Guarantee Management System (《對外擔保管理制度》) (applicable after the issuance and listing of H shares) was revised pursuant to the resolution of the First Extraordinary Shareholders' Meeting of 2025 held on June 16, 2025. These revisions refined management requirements, clearly defined the division of powers and responsibilities, enhanced the pertinence and operability of the systems, and provided institutional safeguards for the standardized operation of the subsidiaries.

During the reporting period, in strict accordance with the aforementioned internal control systems and relevant regulatory provisions, the Company implemented comprehensive supervision and management over its subsidiaries' material matters, including standardized operations, production and operations, project construction, external investments, external guarantees, financial management, personnel appointments and removals, and safety and environmental protection. In terms of operational management, the Company urged each subsidiary to carry out business in line with the Company's annual operational objectives, with a focus on advancing CIG US's capacity expansion, R&D upgrades, and market expansion in North America. The Company injected US$100 million into CIG US with proceeds from the H-share offering. This capital increase was deliberated and approved at the 23rd Meeting of the Fifth Board of Directors held on December 8, 2025, and was conducted in strict compliance with internal decision-making and information disclosure procedures, thereby ensuring that the subsidiaries' business development remained aligned with the Company's overall strategy.

Corporate Governance, Environmental And Social (Continued)

In terms of financial management, the Company strictly implemented the financial reporting and assessment system for its subsidiaries, requiring each subsidiary to submit financial statements, operational reports, and budget reports periodically. The Company strengthened the regular inventory and reconciliation of its investment assets to ensure alignment between books and actuals, and enhanced supervision and guidance over the subsidiaries' fund utilization and cost control, thereby safeguarding asset security and ensuring standardized fund operations. In terms of personnel management, in accordance with the revised Management System for Controlled Subsidiaries, the Company standardized the procedures for appointing, recommending, and assessing the Directors and senior management of its subsidiaries, requiring them to regularly report on their work to the Company to ensure they faithfully perform their duties and safeguard the Company's rights and interests. Simultaneously, the Company urged its subsidiaries to improve their labor and personnel management systems and timely report their staff rosters and changes in management personnel. Regarding the control of material matters, the Company strictly managed the decision-making processes for significant matters such as external investments and external guarantees by its subsidiaries, clearly stipulating that relevant transaction matters must be submitted to the Company's Board of Directors or Shareholders' meeting for deliberation as required, thereby preventing any actions outside their authority.

In terms of information management, the Company reinforced the internal reporting obligations of its subsidiaries for material information, explicitly designating the chairman/executive Director of each subsidiary as the primary responsible person for information disclosure. They are required to submit board resolutions, Shareholders' Meeting resolutions, and information on various material matters in a timely, truthful, accurate, and complete manner. This ensures that the Company is promptly apprised of its subsidiaries' operational dynamics, strictly fulfills its information disclosure obligations, and safeguards investors' right to be informed.

During the reporting period, the Company strengthened the supervision and inspection of its subsidiaries' implementation of systems through methods such as regular inspections, special audits, and on-site investigations. It promptly identified and rectified issues in management, thereby enhancing the level of standardized operations of its subsidiaries. Each subsidiary strictly complied with the Company's various management systems and relevant laws and regulations, and no material matters violating system provisions or regulatory requirements occurred. The Company's management control over its subsidiaries is effective, ensuring their standardized and orderly development, promoting the realization of the Company's overall strategic objectives, and safeguarding the legitimate rights and interests of the Company and all its shareholders.

Internal control review by the Board of Directors and audit report

In accordance with the CG Code, the Board of Directors has conducted a review of the effectiveness of the Company's risk management and internal control systems during the reporting period. During the reporting period, there were no significant changes in risk assessment (including environmental, social and governance risks) or in the risk management and internal control systems. Having reviewed and evaluated all material aspects of the risk management and internal control systems, the Board of Directors considers that the Company's risk management and internal control systems are effective and adequate, and are capable of appropriately and effectively achieving the objectives set out in the CG Code. The aforementioned review covered all material control aspects of the Company, including financial controls, operational controls, compliance controls, and the control over risk management functions (including, among others, fraud and environmental, social and governance risks).

Meanwhile, Grant Thornton Zhitong Certified Public Accountants LLP (致同會計師事務所(特殊普通合夥)), engaged by the Company, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2025, and has issued the 2025 Internal Control Audit Report (《2025 年度內部控制審計報告》), concluding that the Company maintained effective internal control over financial reporting in all material respects in accordance with the Basic Standards for Corporate Internal Control (《企業內部控制基本規範》) and relevant regulations as of December 31, 2025. This report was not qualified. The businesses and matters covered by the evaluation scope encompass the main aspects of the Company's current operation and management, including: organizational structure, development strategy, corporate culture, risk assessment, procurement and payment, sales and collections, inventory and cost, human resources and remuneration, fund management, fixed assets, research and development, intangible assets, financing management, financial reporting, contract management, budget management, information systems, etc. There are no material omissions in the internal control of the above businesses and matters. Based on the identification criteria for material internal control deficiencies of the Company, as of the benchmark date of the internal control evaluation report, there were no material internal control deficiencies. The Board of Directors is of the view that the Company has maintained effective internal control over financial reporting in all material respects in accordance with the requirements of the enterprise internal control standard system and relevant regulations. For details, please refer to the 2025 Internal Control Audit Report, which has been published on the Shanghai Stock Exchange website (www.sse.com.cn) and the Hong Kong Stock Exchange website (www.hkexnews.hk) on March 30, 2026.

The Audit Committee is responsible for overseeing the work of the Supervision and Audit Department, and provides opinions and recommendations regarding the assessment and changes of personnel for the head of the Supervision and Audit Department. During the aforementioned review and examination process of the Company's risk management and internal control systems, if any serious deficiencies in risk management and internal control are identified, the Company's Supervision and Audit Department will urge the relevant responsible persons to implement rectifications within a specified time frame. After confirmation of the completion of rectifications by an independent internal control consultant, the rectification results will be reported to the Board of Directors and the Audit Committee. The Company has formulated the Administrative Measures for Information Disclosure, providing guidance on the management, protection, and appropriate disclosure of unpublished information. The Company's Directors, management, and employees are all required to strictly comply with the statutory requirements, rules, and regulations regarding the confidentiality of such information, as well as the Company's internal rules on inside information. Currently, the Company is not aware of any significant deficiencies in the risk management and internal control of the Company and its subsidiaries.

SHAREHOLDERS' RIGHTS

As the owners of the Company, the Company's Shareholders are entitled to various rights stipulated by laws, administrative regulations, and the Articles of Association. The Shareholders' meeting is the supreme authority of the Company, through which Shareholders exercise their power.

The procedures for Shareholders to convene a Shareholders' meeting are as follows:

Shareholders who individually or jointly hold more than 10% of the Company's shares (including preference shares with restored voting rights, etc.) shall have the right to request the Board of Directors to convene an extraordinary Shareholders' Meeting and shall submit the request to the Board of Directors in writing. Shareholders may submit their request to the Board of Directors through the contact information of the Board Secretary set out below.

Corporate Governance, Environmental And Social (Continued)

The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, submit a written feedback indicating whether it agrees or disagrees to convene the extraordinary Shareholders' Meeting within 10 days upon receipt of the request. If the Board of Directors agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within 5 days after passing the resolution of the Board of Directors. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board of Directors disagrees to convene the extraordinary Shareholders' Meeting, or fails to provide feedback within 10 days upon receipt of the request, shareholders who individually or jointly hold more than 10% of the Company's shares (including preference shares with restored voting rights, etc.) shall have the right to propose to the audit committee to convene an extraordinary Shareholders' Meeting and shall submit the request to the audit committee in writing. If the audit committee agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within 5 days upon receipt of the request. Any changes to the original proposal in the notice shall be subject to the consent of the relevant shareholders. If the audit committee fails to issue a notice for the Shareholders' Meeting within the specified time limit, it shall be deemed that the audit committee will not convene and preside over the Shareholders' Meeting. Shareholders who individually or jointly hold more than 10% of the Company's shares (including preference shares with restored voting rights, etc.) for more than 90 consecutive days may convene and preside over the shareholders' meeting on their own.

The procedures for Shareholders to submit proposals at the Shareholders' meeting are as follows:

Shareholders who individually or jointly hold more than 1% of the Company's shares (including preference shares with restored voting rights, etc.) may put forward an extraordinary proposal 10 days before the convening of the Shareholders' Meeting and submit it in writing to the convener. Shareholders may submit their proposals to the convener through the contact information of the Board Secretary set out below.

The convener shall issue a supplementary notice of the Shareholders' Meeting within 2 days after receiving the proposal, announce the content of the extraordinary proposal, and submit the extraordinary proposal to the Shareholders' Meeting for deliberation.

The procedures for enquiry from Shareholders to the Board of Directors are as follows:

Shareholders may make enquiries to the Board of Directors through the contact information of the Board Secretary set out below.

The contact information of the Board Secretary is as follows:

Contact Address:	5th Floor, Building 8, No. 2388 Chenhang Road, Minhang District, Shanghai
Tel	021–60904272
Fax	021–61510279
Email	investor@cigtech.com

INVESTOR RELATIONS

The Company has adopted the Investor Relations Management System (《投資者關係管理制度》) to enhance investors' understanding and recognition of the Company, effectively protect the legitimate rights and interests of investors, particularly public investors, foster the establishment of a long-term and stable positive relationship between the Company and its investors, improve the corporate governance structure, achieve integrity, self-discipline, and standardized operations of the Company, and enhance the Company's intrinsic value.

During the reporting period, the Company engaged in dialogue with its Shareholders through multiple channels and methods to facilitate two-way communication regarding the Company's situation and development prospects, thereby enhancing mutual understanding between Shareholders and the Company. These investor relations activities included: Shareholders' meetings, periodic report results briefings and information disclosure via the Shanghai Stock Exchange website, the Hong Kong Stock Exchange website, the Company's website and/or Chinese newspapers.

The participating interactive groups mainly include small and medium-sized investors, institutional investors, industry analysts, media journalists, and potential investors. During the Reporting Period, the Company participated in and organized performance briefings. Mr. Gerald G Wong (the Chairman and General Manager), Mr. Cheng Gucheng (the Deputy General Manager and Head of Finance), Mr. Jin Zeqing (the Deputy General Manager and Board Secretary), and one Independent Director represented the Company in interactions with the aforementioned groups. Shareholders' meetings were attended by the then directors.

Follow-up mechanism for interaction results: The Company's Securities Department is designated to be responsible for collating and archiving interaction issues and suggestions. For matters that can be publicly addressed, responses are provided in a timely manner through channels such as performance briefings, the SSE eInteraction platform, and the Investor Relations section on the Company's official website. Suggestions requiring internal discussion are submitted to relevant functional departments for evaluation and implementation, with follow-up on progress. Records of investor relations activities are retained for reference as required, thus effectively safeguarding investors' rights to information and participation.

In accordance with the requirements of the Shanghai and Hong Kong listing rules, the Company prepares its corporate communications distributed to Shareholders in both Chinese and/or English to facilitate Shareholders' understanding of the contents. Subject to compliance with the PRC Company Law, the SSE Listing Rules, the Hong Kong Listing Rules, and other applicable laws and regulations, the Company may choose to send or make available corporate communications to its Shareholders by electronic means or by posting information on the Company's website and the Hong Kong Stock Exchange website, in lieu of sending corporate communications to Shareholders by physical delivery or by prepaid mail.

The Company's published announcements, meeting notices, circulars, and other documents can be accessed on the Shanghai Stock Exchange website (www.sse.com.cn), the Hong Kong Stock Exchange website (www.hkexnews.hk), and the Company's website (www.cigtech.com).

During the reporting period, the Board of Directors reviewed the implementation and effectiveness of the Shareholders' communication policy. Having considered the existing multiple channels for Shareholder communication and the actual circumstances of Shareholder participation in communications, the Board of Directors is of the view that the Shareholders' communication policy of the Company has been properly implemented and is effective.

PROPOSAL ON PROFIT DISTRIBUTION OR CAPITAL RESERVE CONVERSION

Formulation, implementation, or adjustment of cash dividend policy

As of the Latest Practicable Date, we did not maintain any fixed dividend payout policy.

The Company has revised the relevant provisions of the profit distribution policy in the Articles of Association and formulated the Shareholder Dividend Return Plan in accordance with the requirements of the CSRC's No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號—上市公司現金分紅(2025年修訂)》). The revised profit distribution policy and dividend return plan specify the proportion, basis, conditions, implementation procedures, and adjustment matters regarding dividends, and include an analysis of its reasonableness. The Company's profit distribution system has been relatively well-established. The Company will strictly implement the relevant provisions of the profit distribution policy in the Articles of Association, actively implement profit distribution to Shareholders when conditions for profit distribution are met, based on the Company's operating conditions and development plans, effectively safeguard the legitimate rights and interests of investors, and strive to enhance the level of Shareholder returns.

According to the Articles of Association and the Plan for Shareholder Dividend Returns for the Three Years (2024–2026) (《未來三年(2024年–2026年)股東分紅回報規劃》), the Company values reasonable returns on investment for its investors while also taking into account the Company's sustainable development. It implements a consistent and stable dividend distribution policy. Dividends are distributed in the form of cash, shares, or a combination of cash and shares. The specifics are as follows:

1. ***Form of profit distribution:*** The Company adopts an active cash or stock dividend distribution policy and fulfills its dividend distribution policy in accordance with the requirements of laws, regulations, and regulatory provisions. Cash dividends have priority over stock dividends as a method of profit distribution. If conditions for cash dividend distribution are met, the Company shall distribute profits by means of cash dividends. When conditions permit, the Company may distribute interim cash dividends based on its profitability and capital requirements.

2. ***Specific conditions for cash dividends:*** When the Company records profits for the year, has positive distributable profits, and its cash flow can satisfy the needs of daily operations and sustainable development, the Company shall distribute dividends in cash.

3. ***Specific proportion for cash dividends:*** Subject to compliance with the laws, regulations and regulatory provisions in effect at the time, the profits distributed by the Company in cash each year shall not be less than 15% of the distributable profits realized in that year. If a Shareholder illegally occupies funds of the listed company, the Company shall deduct such amount from the cash dividends to be distributed to that Shareholder to repay the funds occupied.

Corporate Governance, Environmental And Social (Continued)

The Board of Directors of the Company shall, based on comprehensive consideration of factors such as the characteristics of the industry it operates in, its stage of development, its business model, its level of profitability, and whether there are significant capital expenditure arrangements, distinguish between the following circumstances and propose specific cash dividend policies:

1. If the Company is in a mature stage of development and has no significant capital expenditure arrangements, the proportion of cash dividends distributed in the profit distribution for that occasion shall be no less than 80%;

2. If the Company is in a mature stage of development and has significant capital expenditure arrangements, the proportion of cash dividends distributed in the profit distribution for that occasion shall be no less than 40%;

3. If the Company is in a growth stage of development and has significant capital expenditure arrangements, the proportion of cash dividends distributed in the profit distribution for that occasion shall be no less than 20%.

"Significant capital expenditure arrangements" refers to matters where the total assets involved in transactions such as asset purchases and external investments made by the Company within one year account for more than 10% (inclusive) of the Company's latest audited total assets.

4. ***Specific conditions for distributing stock dividends:*** When the Company records profits and has positive distributable profits for the year, and on the premise of ensuring the Company's reasonable share capital scale and equity structure, based on the consideration of rewarding investors and sharing corporate value, the Company may distribute stock dividends when the valuation of the Company's shares is within a reasonable range.

Special notes on cash dividend policy

Whether it complies with the provisions of the Articles of Association or the requirements of the resolution of Shareholders' Meetings	✓Yes ☐No
Whether the dividend standard and ratio are specific and clear	✓Yes ☐No
Whether the relevant decision-making procedures and mechanisms are sufficient	✓Yes ☐No
Whether the independent Directors have performed their duties and responsibilities and played their due roles	✓Yes ☐No
Whether minority Shareholders have adequate opportunities to express their opinions and requests, and whether their legitimate rights and interests are adequately protected	✓Yes ☐No

When the Company records profits and the parent company records positive profits for distribution to Shareholders during the reporting period, but no proposal for cash profit distribution is put forward, the Company shall disclose in detail the reasons, as well as the usage and usage plan for the retained profits

☐Applicable ✓Not applicable

Corporate Governance, Environmental And Social (Continued)

Proposal on profit distribution and capital reserve conversion into share capital during the reporting period

Unit: yuan Currency: RMB

Number of bonus shares for every 10 shares (share)	0
Amount of dividend for every 10 shares (RMB) (inclusive of tax)	3.252
Number of increased shares for every 10 shares (share)	0
Cash dividend amount (inclusive of tax)	110,856,601.25
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements	263,485,209.59
Percentage of cash dividend amount to net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	42.07
Amount included in cash dividends for repurchased shares in cash	0
Total dividend amount (inclusive of tax)	110,856,601.25
Percentage of total dividend amount to net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	42.07

Note: The "Number of bonus shares for every 10 shares "and "Cash dividend amount" in the above table include the interim cash dividends already distributed.

Cash dividend distribution in the last three fiscal years

Unit: yuan Currency: RMB

Accumulated cash dividend amount (inclusive of tax) in the last three fiscal years (1)	213,516,626.35
Accumulated repurchase and cancellation amount in the last three fiscal years(2)	0
Accumulated amount of cash dividend and repurchase and cancellation in the last three fiscal years (3)=(1)+(2)	213,516,626.35
Average net profit amount in the last three fiscal years (4)	176,254,179.53
Proportion of cash dividends in the last three fiscal years (%)(5)=(3)/(4)	121.97
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements of the latest fiscal year	263,485,209.59
Retained profits at the end of the parent company's statement of the latest fiscal year	858,035,770.32

AMENDMENT TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Board considered and approved the Resolution in relation to the Revision of the Draft Articles of Association and Relevant Draft Procedural Rules Applicable after the Issue of Overseas-Listed Shares on August 18, 2025, and such resolution was considered and approved at the extraordinary shareholders' meeting on September 3, 2025. The revised articles of association became effective on the date of listing of H Shares, i.e., October 28, 2025.

Corporate Governance, Environmental And Social (Continued)

Based on actual circumstances and needs, the Board of Directors considered and approved the proposed amendment to the Articles of Association on March 30, 2026, subject to the approval of the Shareholders at the forthcoming Annual General Meeting. For details, please refer to the announcement dated March 30, 2026, and the relevant circular to shareholders will be published in due course.

SOCIAL RESPONSIBILITY REPORT, SUSTAINABILITY REPORT OR ESG REPORT

The Company is scheduled to formally disclose the 2025 Environmental, Social and Governance (ESG) Report on April 2, 2026. Please refer to the websites of the Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) or the Company's official website (www.cigtech.com) for the full text of the report.

SOCIAL RESPONSIBILITY COMMITMENTS

External donations, public welfare projects	Quantity/ Content	Description
Total investment(RMB ten-thousand)	3.57	Includes a corporate contribution of RMB19,998.75, employee cash donations of RMB8,500, and dedicated expenditure for the "Wish Fulfillment" program of RMB7,200. All funds were used exclusively for the designated purposes, which included purchasing classroom heating supplies, student living essentials, study materials, and gifts for fulfilling student wishes for schools in impoverished mountainous areas.
Of which: funds(RMB ten-thousand)	0.85	This represents the amount of voluntary cash donations from employees, which was included in the total public welfare investment and used for targeted procurement of various materials needed for assistance efforts.
cash converted from materials (RMB ten thousand)	2.72	Represents the imputed value of materials donated by the Company and its employees, including 5 tons of coal, 2 heating stoves, 80 cotton quilts, 300 scarves, 300 cotton hats, 69 backpacks, 120 hot water bottles, 670 pairs of cotton socks, over 4,500 study supplies, over 600 items of clothing, and 400 books. Additionally, employees personally donated approximately 700 kg of clothing, study supplies, books, etc., which were not included in this imputed value due to the lack of a clear basis for valuation.
Number of beneficiaries (persons)	325	Provided assistance to 2 impoverished schools in mountainous areas, benefiting 278 students and 47 teachers and staff. All donated materials were procured in quantities based on the actual number of teachers and students.

Corporate Governance, Environmental And Social (Continued)

Upholding its original aspiration for public welfare and practicing social responsibility, the Company has consistently focused on the educational development of impoverished mountainous areas over the past decade. It has continuously paid attention to impoverished mountain schools and villages in regions such as Gansu, Sichuan, and Guangxi, delivering corporate warmth through concrete actions, supporting the growth and success of children in mountainous areas, and fulfilling its corporate social responsibility with dedication and commitment.

In 2025, the Company further intensified its public welfare efforts, precisely targeting impoverished primary and secondary schools in remote mountainous and plateau regions of Gansu and Sichuan. By integrating corporate resources and employee efforts, it carried out targeted and precise assistance actions. Addressing the real challenges faced by these schools — such as inadequate heating conditions in winter and shortages of essential study and living supplies for students — the Company initiated a special public welfare campaign. It pooled contributions with employees to purchase various supplies, effectively resolving practical difficulties faced by teachers and students at the assisted schools and significantly improving the schooling conditions and students' quality of life.

Concurrently, the Company innovated its approach by launching a unique "Student Micro-Wish Fulfillment" activity. Through in-depth communication and coordination with the assisted schools, it extensively gathered personalized micro-wishes from the students and encouraged employees to voluntarily participate in fulfilling them. This year, a total of 141 employees actively participated in donations and wish fulfillment, successfully realizing the wishes of 48 students. This brought the power of public welfare directly to those in need and planted seeds of warmth in the mountain campuses. This public welfare effort covered 2 impoverished primary and secondary schools, benefiting a total of 325 teachers and students. It not only provided material support but also conveyed the Company's humanistic care and demonstrated its proactive role in shouldering social responsibility.

Corporate Governance, Environmental And Social (Continued)

Poverty alleviation and rural revitalization projects	Quantity/ Content	Description
Total investment (RMB ten-thousand)	5.96	In 2025, the Company utilized the "procurement in lieu of donation" model for consumption assistance, purchasing a total of RMB59,600 worth of specialty products from assisted regions, all of which were cash investments.
Of which: funds (RMB ten-thousand)	5.96	The funds were used to purchase specialty products from assisted districts and counties, such as handmade soap from Qianjiang, Chongqing, and millet milk from Yanchuan, Shaanxi. There were no material contributions included in this amount.
cash converted from materials (RMB ten thousand)		This year's rural revitalization assistance efforts all involved purchasing products from assisted regions in cash; there were no direct material donations, hence no imputed value for materials.
Number of beneficiaries (persons)		Through consumption assistance, the Company helped drive the development of specialty industries in assisted regions, contributed to increasing the income of local farmers, and benefited industrial practitioners and the local population in those areas.
Forms of assistance (such as industrial assistance, employment assistance, education assistance, etc.)	Industrial Poverty Alleviation (Consumption Assistance)	Adopted the "procurement in lieu of donation" model for consumption assistance, deeply integrating corporate operations and employee benefits with rural revitalization efforts.

The Company consistently integrates the consolidation and expansion of poverty alleviation achievements and the promotion of rural revitalization into its corporate development strategy. It actively fulfills its corporate social responsibility, explores sustainable assistance models, and supports industrial development and livelihood improvement in assisted regions through concrete actions. In 2025, focusing on industrial poverty alleviation, the Company innovatively adopted the "procurement in lieu of donation" consumption assistance model. It precisely connected with poverty-alleviated districts and counties such as Qianjiang in Chongqing and Yanchuan in Shaanxi, making targeted purchases of local specialty agricultural products and cultural creative goods, thereby achieving a precise link between corporate demand and the industrial development of the assisted areas.

Corporate Governance, Environmental And Social (Continued)

In September this year, the Company made a group purchase of handmade soap, a specialty product from the assisted district of Qianjiang in Chongqing, totaling RMB51,075, and distributed these as Mid-Autumn Festival gifts to employees. In December, it made a group purchase of millet milk, a specialty product from the assisted district of Yanchuan in Shaanxi, totaling RMB8,515, to serve as the designated beverage for the Company's 20th-anniversary celebration dinner. The cumulative consumption assistance fund input for the year amounted to RMB59,590. Through this "procurement in lieu of donation" model, the Company not only met its actual needs for employee welfare and corporate events, reducing costs associated with both welfare procurement and public welfare efforts, but also effectively boosted the market sales of specialty products from the assisted regions. This helped improve the quality and efficiency of local specialty industries and supported the stable income growth of farming households in these areas, achieving a virtuous cycle and mutual benefit between the Company and rural revitalization efforts.

In the future, the Company will continue to deepen its consumption assistance model, further expand the range of assisted regions and specialty product categories, and continuously improve the long-term mechanism for integrating corporate social responsibility with rural revitalization development. It will use more pragmatic measures to help consolidate and expand the achievements of poverty alleviation and inject sustained corporate strength into rural revitalization efforts.

LITIGATION AND ARBITRATION NOT DISCLOSED IN PROVISIONAL ANNOUNCEMENTS OR WITH SUBSEQUENT DEVELOPMENTS

Unit: Yuan Currency: RMB

During the Reporting Period:

Prosecutor (applicant)	Respondent	Party bearing joint and several liability	Type of litigation (arbitration)	Basic information about litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) results in estimated liabilities and amount	Progress of litigation (arbitration)	Trial results and influence of litigation (arbitration)	Execution of litigation (arbitration) judgment
Qiu Liang	Gerald G Wong	N/A	Civil Lawsuit	Qiu Liang v. Gerald G Wong (Dispute over Other Contracts)	Unknown	No	The case has been concluded, with no new developments that have a significant impact on the Company	The Company is not required to bear any related payment obligations, nor does it have any potential significant contingent liabilities	Unknown
APPLIED OPTOELECTRONICS, INC.	CAMBRIDGE INDUSTRIES USA, INC.	N/A	Intellectual Property Infringement Dispute	AOI v. CIG USA for Infringement of 8 U.S. Patents	Not estimable	No provision has been recognized, and potential losses cannot be estimated	Court proceedings have been suspended, with status reports submitted every 90 days; and IPR2025–00437 has been filed, with oral arguments scheduled for June 2026	The outcome is unknown, the likelihood of an unfavourable outcome cannot be assessed, and the potential loss cannot be reasonably estimated	Not executed

Corporate Governance, Environmental And Social (Continued)

1. Qiu Liang v. Gerald G Wong — Other Contract Dispute (Regarding Equity Incentive)

   In the case of Qiu Liang v. Gerald G Wong and the Company concerning an equity incentive contract dispute [(2023) H74MC No.1047], the Company's status was changed from an original defendant to a third party. As at the date of this report, the case has been concluded, with no new developments having a material impact on the Company. The Company is not required to bear any related payment obligations, nor does it have any potential significant contingent liabilities.

2. Concerning APPLIED OPTOELECTRONICS INC. (AOI) v. CAMBRIDGE INDUSTRIES USA INC. (CIG USA)

   CIG USA, a wholly-owned subsidiary of the Company, is involved in a patent infringement lawsuit with AOI in the U.S. District Court for the Northern District of California (Case No.3:24-cv-01010-JD). The plaintiff, AOI, alleged that CIG USA infringed eight U.S. patents related to optical module technology. The court had originally scheduled a jury trial for June 2026. In April 2025, the court ruled to stay the proceedings of this case after CIG USA reported to the court that it had initiated Inter Partes Review (IPR) proceedings with the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office for five of the eight patents in January 2025. In April 2025, the plaintiff filed a motion with the PTAB to dismiss the IPR application. In June 2025, the PTAB decided to grant the plaintiff's motion to dismiss the IPR petition for two of the patents and denied the plaintiff's motion to dismiss the IPR petition for the remaining three patents. In July-August 2025, the PTAB decided to institute one of the remaining three IPR petitions, but declined to institute the other two IPR petitions. The instituted IPR petition is scheduled for an oral argument in June 2026. To the Company's knowledge, the court will re-schedule proceedings after the PTAB issues final decisions on all relevant IPR cases. This case is currently not expected to have any material adverse impact on the Company.

   For previous disclosures regarding the aforementioned litigation matters, please refer to the relevant sections of the Company's previous periodic reports.

Report of The Board of Directors

The Board is pleased to present the 2025 Report of the Board of Directors and the audited consolidated financial information of the Group.

PRINCIPAL BUSINESS

The Company's principal business is the research and development, production and sales of telecommunications, digital communication , terminal equipment for communication connections in the fields of enterprise networks and home networks (including telecommunications broadband, wireless networks and edge computing), and high-speed optical module products. There was no significant change in the nature of the Company's principal business during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is set out in the "Management Discussion and Analysis" section of this report. The results of the Group for the Reporting Period are set out in the consolidated financial statements on pages 213 to 358 of this report. A summary of the operating results and assets and liabilities of the Group for the last five financial years is set out in the "Financial Summary" section of this report. Material events affecting the Group which have occurred since the end of the Reporting Period are set out in the "Report of The Board of Directors — Significant Events After the Reporting Period" section of this report.

PROFIT DISTRIBUTION

The Profit Distribution and Capital Reserve Conversion to Share Capital Proposal for 2025 was considered and approved at the 28th meeting of the fifth session of the Board held on March 30, 2026: For the year 2025, based on the total share capital on the equity record date for the implementation of the profit distribution, the Company proposes to distribute a cash dividend of RMB0.28 per share (tax inclusive) to all shareholders, with no conversion of capital reserve into share capital, and the remaining undistributed profits will be carried forward for distribution in future years. If there is any change in the total share capital entitled to profit distribution when this profit distribution plan is implemented, the total profit distribution will be adjusted based on the total share capital entitled to profit distribution on the record date for equity distribution, while keeping the distribution amount per share unchanged. Dividends for A shares will be distributed in RMB, and dividends for H shares will be distributed in HKD, with the actual distribution amount converted based on the average benchmark exchange rate for CNY to HKD announced by the People's Bank of China over the five working days prior to the date of the 2025 annual shareholders' meeting. The aforementioned plan is still subject to deliberation by the Company's shareholders' meeting.

There was no arrangement under which a shareholder waived or agreed to waive any dividend during the Reporting Period.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to shareholders by reason of their holding of the Company's listed securities. Shareholders are advised to consult their professional advisers if they are in any doubt about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising any rights in respect of the Company's shares.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The success of the Group relies on maintaining good and sustainable relationships with its employees, customers, and suppliers to achieve long-term positive impact. The Company continues to deepen the talent mechanism around "recruitment, training, deployment and retention", improving the dual-track promotion system that runs parallel with the "professional development channel" and the "management development channel". In 2025, the Company completed the unlocking of the 2022 Restricted Stock Incentive Plan (involving 467 incentive recipients) and exercised the 2024 Stock Option Incentive Plan (involving 743 incentive recipients), strengthening the long-term alignment of interests between core employees and the Company. In terms of employee care, the Company has established a diversified welfare system covering five social insurances and one housing fund, supplementary commercial insurance, regular health check-ups, flexible working arrangements, etc. It also provides barrier-free facilities for employees with disabilities, sets up nursing rooms for female employees, and fully respects the dietary habits of ethnic minority employees, with the employee satisfaction reaching 95.57%. The training system has been increasingly improved. In 2025, 8,344 training sessions were conducted, totaling 15,532 hours, covering 100% of employees, including multi-dimensional courses such as onboarding training, on-the-job skill enhancement, management capability cultivation, and mental health care, and achieving a full coverage of new employee onboarding training. Details on the remuneration policies and training plans for employees are set out in the section titled "Employees of the Parent Company and Its Principal Subsidiaries at the End of the Reporting Period in the Corporate Governance Report".

In terms of customer service, the Company consistently adheres to the principle of "customer first" and is guided by customer needs. It has established multi-channel communication mechanisms including telephone, email, and social media platform. It offers both Joint Design Manufacturing (JDM) and Original Design Manufacturing (ODM) service models and has optimized the RMA after-sales process to shorten the processing cycle. To address customer feedback, the Company establishes a three-tier complaint grading mechanism of "general, important and urgent", along with response time limits of 1 working day, 4 hours, and 1 hour, respectively, so as to ensure timely and closed-loop resolution of issues. In 2025, all 18 customer complaints were resolved within the specified time limits, achieving a customer satisfaction rate of 88.44%. Furthermore, the Company places high importance on customer data security and privacy protection, and has passed the ISO27001 information security management system certification. No major information security or privacy leakage incidents have occurred so far.

Report of The Board of Directors (Continued)

We work closely with core suppliers to build a comprehensive management system covering the entire process from entry, assessment, cooperation and exit, implement a "red-yellow-light: tiered control mechanism, and have completed audits of 16 suppliers in 2025. Through measures such as sharing typical cases, conducting ESG-themed training, and implementing project quality assurance plans, we work with partners to enhance quality performance. We require all suppliers to conclude the "Supplier Integrity and Honesty Agreement" and anti-bribery commitments. Our survey coverage rate against these suppliers involved in conflict mineral procurement has reached 100%. We engage in deep technical collaboration with partners such as suppliers and customers, while jointly advancing innovative R&D in high-speed optical modules and low-power products. In 2025, we launched over 50 new products, of which 5 achieved technical indicators ranking in the industry's top tier. Through technological integration, we continuously enrich solutions aligned with market trends, enhancing technical efficiency and industrial collaboration value.

During the Reporting Period,

(i) purchases from the Group's largest supplier accounted for 14.72% (2024: 10.4%) of the Group's total purchases and purchases from the five largest suppliers accounted for 35.61% (2024: 38.8%) of the Group's total purchases; and

(ii) sales to the Group's largest customer accounted for 33.78% (2024: 41.8%) of the Group's total sales and sales to the five largest customers accounted for 86.10% (2024: 74.9%) of the Group's total sales.

None of the Directors or their respective close associates or any shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in the Group's five largest customers and suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

For details of the risks that the Group may be exposed to, please refer to "Management Discussion and Analysis — VI. Discussion and Analysis of the Company Concerning the Future Development of the Company (IV) Potential risks" in this report.

FIXED ASSETS

Please refer to note V to the consolidated financial statements for details of the movements in fixed assets of the Group during the Reporting Period.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained earnings amounted to RMB691.99 million (as of December 31, 2024: RMB534.8 million). Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at December 31, 2025 are set out in note V to the consolidated financial statements. The Group did not issue any convertible bonds during the Reporting Period.

SUBSIDIARIES

Details of the subsidiaries of the Company during the Reporting Period are set out in note VII to the consolidated financial statements.

SHARE CAPITAL AND PUBLIC FLOAT

As at December 31, 2025, the share capital of the Company was as follows:

	Number of Shares	Percentage of total number of issued shares
A Shares	275,588,373	78.15%
H Shares	77,062,000 (Note)	21.85%
Total share capital	352,650,373	100.00%

Note:

Based on the information that is publicly available and within the knowledge of the Directors as at the Latest Practicable Date, as of December 31, 2025, all H Shares of the Company were held by the public.

Report of The Board of Directors (Continued)

Based on the information that is publicly available and within the knowledge of the Directors as at the Latest Practicable Date: during the Reporting Period and up to the Latest Practicable Date, the Company has maintained the public float required under Rule 19A.28B(2)(b) of the Hong Kong Listing Rules; As of December 31, 2025, the portion of H Shares listed on the Stock Exchange and held by the public represented approximately 21.85% of the total number of issued shares (excluding treasury shares) of the Company.

Details of the movements in the share capital of the Company during the Reporting Period are set out below:

Unit: Shares

	Before this change		Increase (+)/Decrease (−) in this change					After this change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Surplus reserve converted	Others	Sub-total	Number	Percentage (%)
I.Shares subject to lock-up conditions	2,964,632	1.11	32,762,750			−2,964,632	29,798,118	32,762,750	9.29
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	2,810,500	1.05				−2,810,500	−2,810,500	0	0.00
Including: domestic non-state-owned legal person shares									
domestic individual shares	2,810,500	1.05				−2,810,500	−2,810,500	0	0.00
4. Foreign-investment shares	154,132	0.06	32,762,750			−154,132	32,608,618	32,762,750	9.29
Including: overseas legal person shares			32,762,750				32,762,750	32,762,750	0.00
overseas individual shares	154,132	0.06				−154,132	−154,132	0	0.00
II. Tradable shares not subject to lock-up conditions	265,077,209	98.89	51,867,782			2,942,632	54,810,414	319,887,623	90.71
1. Renminbi-denominated ordinary shares	265,077,209	98.89	7,568,532			2,942,632	10,511,164	275,588,373	78.15
2. Domestic listed foreign shares									
3. Overseas listed foreign shares			44,299,250				44,299,250	44,299,250	12.56
4. Others									
III. Total number of shares	268,041,841	100.00	84,630,532			−22,000	84,608,532	352,650,373	100.00

(1) On April 14, 2025, the restricted shares subject to the second release period under the first grant of the Company's 2022 Restricted Share Incentive Scheme were released from lock-up and became tradable on the market. A total of 467 grantees were eligible for this release, with an aggregate of 2,942,632 restricted shares released. For details, please refer to the Company's announcement titled "Announcement on the Release and Listing of Restricted Shares under the First Grant of the 2022 Restricted Share Incentive Scheme for the Second Release Period" disclosed on the Shanghai Stock Exchange website on April 9, 2025 (Announcement No. Lin 2025–021).

(2) On July 24, 2025, the Company repurchased and cancelled 22,000 restricted shares under the 2022 Restricted Share Incentive Scheme, which were originally granted to eight participants who had ceased employment (thereby ceasing to be eligible participants) and one participant who had retired (thereby ceasing to be an eligible participant). Following this repurchase and cancellation, the total share capital decreased from 268,041,841 shares to 268,019,841 shares, and the registered capital of the Company was reduced from RMB268,041,841 to RMB268,019,841 accordingly. The Company has completed the relevant industrial and commercial registration procedures for the changes in share capital and registered capital, as well as the filing procedures for the Articles of Association, and obtained the new Business License issued by the Shanghai Municipal Administration for Market Regulation on August 20, 2025. For details, please refer to the Company's "Announcement on the Implementation of Repurchase and Cancellation of Certain Restricted Shares under the Share Incentive Scheme" disclosed on the Shanghai Stock Exchange website on July 22, 2025 (Announcement No. Lin 2025–042), Legal Opinion of Shanghai Jun Lan Law Firm on Matters Relating to the Implementation of Repurchase and Cancellation under the 2022 Restricted Share Incentive Scheme of CIG SHANGHAI CO., LTD. and the "Announcement on Completion of Industrial and Commercial Registration Procedures for the Changes" disclosed on August 21, 2025 (Announcement No. Lin 2025–051).

(3) On October 28, 2025, the Company's overseas listed foreign shares (H shares) were listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited for the first time. The number of H shares issued in this offering was 67,010,500 shares. Following the issuance, the Company's total share capital increased from 268,019,841 shares to 335,030,341 shares. Please refer to the H-share prospectus and the "Announcement of Final Offer Price and Allotment Results" dated October 27, 2025.

(4) On November 10, 2025, the Company fully exercised the over-allotment option in respect of its H shares, resulting in the issuance of an additional 10,051,500 H shares. Following the completion of the over-allotment, the total number of H shares increased to 77,062,000 shares, and the Company's total share capital increased from 335,030,341 shares to 345,081,841 shares. Please refer to the "Announcement on Full Exercise of Over-allotment Option" dated November 10, 2025.

(5) On November 26, 2025, the shares under the first exercise period of the Company's 2024 Share Option Incentive Scheme were exercised and listed for trading. A total of 743 grantees exercised their options, representing 7,568,532 shares. Following the exercise, the Company's total A Share capital increased from 268,019,841 shares to 275,588,373 shares, and the Company's total share capital increased from 345,081,841 shares to 352,650,373 shares and the registered capital of the Company was correspondingly increased from RMB268,019,841 to RMB352,650,373 (comprising 275,588,373 A Shares and 77,062,000 H shares). The Company has completed the relevant industrial and commercial registration procedures for the changes in share capital and registered capital, as well as the filing procedures for the Articles of Association, and obtained the new Business License issued by the Shanghai Municipal Administration for Market Regulation on December 12, 2025. Please refer to the "Overseas Regulatory Announcement — Announcement on the Exercise Results and Share Listing for the First Exercise Period of the 2024 Share Option Incentive Scheme" dated November 20, 2025, and the "Overseas Regulatory Announcement — Announcement on the Completion of Business Registration Changes" dated December 15, 2025.

Report of The Board of Directors (Continued)

Based on the total share capital of 268,041,841 shares before the change, the basic earnings per share and net assets per share for the year of 2025 were RMB0.98 and RMB27.79, respectively. Based on the total share capital of 352,650,373 shares at the end of the period after the change, the basic earnings per share and net assets per share for the year of 2025 would be RMB0.94 and RMB21.12, respectively. Accordingly, the above-mentioned increase of 84,608,532 shares in the total share capital has decreased the Company's basic earnings per share and net assets per share for the year of 2025 by RMB0.04 and RMB6.67, respectively.

During the Reporting Period, details of the changes in the Company's shares subject to lock-up are set out as follows:

Unit: Shares

Name of Shareholders	Number of locked-up shares at the beginning of year	Number of shares released from lock-up in the year	Number of additional locked-up shares i n the year	Number of locked-up shares at the end of year	Reason for lock-up	Date of release from lock-up
Zhang Jie (張傑)	19,000	19,000	0	0	The restricted shares granted to the participants under the second release period of the first grant of the 2022 Restricted Share Incentive Scheme	2025-04-14
Zhao Hongwei (趙宏偉)	19,000	19,000	0	0	As above	As above
Core management and technical (business) personnel	2,904,632	2,904,632	0	0	As above	As above
Others	22,000	22,000	0	0	Repurchase and cancellation of certain 2022 restricted shares not satisfying the conditions for release	/
H Share Cornerstone Investors (16 investors)	0	0	32,762,750	32,762,750	The H Share cornerstone investors have undertaken not to reduce their holding of the Offer Shares purchased within six months from the listing date	2026-04-28
Total	2,964,632	2,964,632	32,762,750	32,762,750	/	/

ISSUE AND LISTING OF SECURITIES

Issue of Securities during the Reporting Period

Unit: Shares Currency: RMB

Type of share and its derivative securities	Date of issue	Issue price (or interest rate)	Shares issued	Date of listing	Number of shares approved for listing	Date of termination of trading
Ordinary shares						
H Shares — Initial Issuance	2025-10-28	HK$68.88 per share	67,010,500	2025-10-28	67,010,500	
H Shares — Issuance upon Exercise of Over-allotment Option	2025-11-10	HK$68.88 per share	10,051,500	2025-11-12	10,051,500	
A Shares — Issuance upon Exercise of Share Option Incentive Scheme	2025-11-19	RMB29.1848 per share	7,568,532	2025-11-26	7,568,532	

(1) H Shares — Initial Issuance: 67,010,500 underlying shares of overseas listed foreign shares (H Shares) were issued (before the exercise of the Over-allotment Option), of which 10% were offered in the Hong Kong public offering and 90% in the international offering. The offer price was HK$68.88 per share. The shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on October 28, 2025 (stock code: 6166). The closing price of H Shares on that day was HKD92.2. Please refer to the H-share prospectus and the "Announcement of Final Offer Price and Allotment Results" dated October 27, 2025.

(2) H Shares — Issuance upon Exercise of Over-allotment Option: The over-allotment option was fully exercised by the sole sponsor and overall coordinator on November 10, 2025, resulting in the issuance of an additional 10,051,500 H Shares at HK$68.88 per share (excluding related expenses). Subsequent to this issuance, the total number of H Shares increased to 77,062,000 shares. The closing price of H Shares on that day was HKD84. Please refer to the "Announcement on Full Exercise of Over-allotment Option" dated November 10, 2025.

(3) A Shares — Issuance upon Exercise of Share Option Incentive Scheme: During the first exercise period of the 2024 Share Option Incentive Scheme, 743 grantees (including Directors, senior management and core personnel) exercised options for 7,568,532 A Shares at an exercise price of RMB29.1848 per share. The shares were sourced from a directional issuance by the Company. The new shares were registered on November 19, 2025, and became available for trading on November 26, 2025. The closing price of A Shares on that day was RMB103.95. Please refer to the "Overseas Regulatory Announcement — Announcement on the Exercise Results and Share Listing for the First Exercise Period of the 2024 Share Option Incentive Scheme" dated November 20, 2025.

Report of The Board of Directors (Continued)

Changes in the Company's Total Number of Shares and Shareholder Structure, and Changes in the Company's Asset and Liability Structure

1. *Changes in Total Number of Shares*

The unlocking conditions for the second unlocking period under the first grant of the 2022 Restricted Share Incentive Plan have been met. A total of 2,942,632 restricted shares held by 467 grantees were released from lock-up and became available for trading on the market starting from April 14, 2025. The changes are as follows:

Unit: share

Class of Securities	Before this Change	Change in this Change	After this Change
A Shares — shares subject to lock-up conditions	2,964,632	−2,942,632	22,000
A Shares — shares not subject to lock-up conditions	265,077,209	2,942,632	268,019,841
Total	268,041,841	0	268,041,841

On July 24, 2025, the Company repurchased and canceled 22,000 restricted shares under the 2022 Restricted Share Incentive Plan. These shares were held by 8 grantees who had resigned and 1 grantee who had retired, thus no longer meeting the eligibility criteria for grantees. The total number of shares of the Company changed from 268,041,841 shares to 268,019,841 shares. The changes are as follows:

Unit: share

Class of Securities	Before this Change	Change in this Change	After this Change
A Shares — shares subject to lock-up conditions	22,000	−22,000	0
A Shares — shares not subject to lock-up conditions	268,019,841	0	268,019,841
Total	268,041,841	−22,000	268,019,841

Report of The Board of Directors (Continued)

On October 28, 2025, the Company's newly issued overseas listed foreign shares (H Shares) were listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited. The number of H Shares issued in this offering was 67,010,500 shares. Subsequent to this issuance, the total number of shares of the Company changed from 268,019,841 shares to 335,030,341 shares. The changes are as follows:

Unit: share

Class of Securities	Before this Change	Change in this Change	After this Change
A Shares — shares subject to lock-up conditions	0	0	0
A Shares — shares not subject to lock-up conditions	268,019,841	0	268,019,841
H Shares — shares subject to lock-up conditions	0	32,762,750	32,762,750
H Shares — shares not subject to lock-up conditions	0	34,247,750	34,247,750
Total	268,019,841	67,010,500	335,030,341

On November 10, 2025, the Company fully exercised the over-allotment option of H Shares, resulting in the issuance of an additional 10,051,500 H Shares. Upon completion of this over-allotment, the total number of H Shares increased to 77,062,000 shares, and the total number of shares of the Company changed from 335,030,341 shares to 345,081,841 shares. The changes are as follows:

Unit: share

Class of Securities	Before this Change	Change in this Change	After this Change
A Shares — shares subject to lock-up conditions	0	0	0
A Shares — shares not subject to lock-up conditions	268,019,841	0	268,019,841
H Shares — shares subject to lock-up conditions	32,762,750	0	32,762,750
H Shares — shares not subject to lock-up conditions	34,247,750	10,051,500	44,299,250
Total	335,030,341	10,051,500	345,081,841

On November 26, 2025, the shares exercised during the first exercise period of the Company's 2024 Stock Option Incentive Plan became available for trading. A total of 743 grantees exercised options for 7,568,532 shares. Following this exercise, the total number of A Shares of the Company increased from 268,019,841 shares to 275,588,373 shares, and the total number of shares of the Company changed from 345,081,841 shares to 352,650,373 shares. The changes are as follows:

Unit: share

Class of Securities	Before this Change	Change in this Change	After this Change
A Shares — shares subject to lock-up conditions	0	0	0
A Shares — shares not subject to lock-up conditions	268,019,841	7,568,532	275,588,373
H Shares — shares subject to lock-up conditions	32,762,750	0	32,762,750
H Shares — shares not subject to lock-up conditions	44,299,250	0	44,299,250
Total	345,081,841	7,568,532	352,650,373

2. *Changes in Shareholder Structure*

As of December 31, 2025, the total number of shares of the Company was 352,650,373 shares, comprising 275,588,373 A Shares, accounting for 78.15% of the total share capital; and 77,062,000 H Shares, accounting for 21.85% of the total share capital. Prior to the initial H-share issuance on October 28, 2025, all shares of the Company were A Shares. Following the completion of the H-share issuance and the exercise of the over-allotment option, the Company established a shareholding structure with the co-existence of A Shares and H Shares.

3. *Changes in Asset and Liability Structure*

(1) *Changes in Asset Structure*

① Cash and Cash Equivalents: In 2025, the Company raised funds through the H-share issuance and the exercise of stock options, leading to a significant increase in the scale of cash. Specifically, the total proceeds raised from the H-share issuance amounted to approximately HK$5.3 billion (with the net proceeds of approximately HK$4.48 billion after deducting issuance expenses), and the total proceeds from the exercise of stock options were RMB220,886,300. These funds were primarily used to supplement working capital and support the Company's business development, resulting in a significant increase in the proportion of cash in total assets.

② Other Asset Items: The Company's overall asset structure remained stable. The scale of long-term assets such as fixed assets and intangible assets increased slightly in line with business development, primarily due to capacity layout and technology R&D investments made by the Company to support its core business expansion. The scale of current assets such as accounts receivable and inventories remained commensurate with the scale of business operations, with no significant unusual fluctuations.

(2) *Changes in liability structure*

① Current Liabilities: The liability structure is primarily composed of current liabilities, mainly including operating liabilities such as accounts payable and employee benefits payable. Their scale changed reasonably in line with the growth of business scale, and no significant risks related to short-term debt repayment pressure were observed.

② Long-term Liabilities: There was no significant change in the scale of long-term liabilities. The Company has no significant rigid liabilities such as large long-term borrowings. The overall liability structure is stable, and the solvency is sound.

(3) *Changes in Asset-Liability Ratio*

Benefiting from the increase in equity funds from the H-share issuance and the exercise of stock options, the Company's asset-liability ratio decreased, its financial structure became more robust, and its ability to withstand risks was further enhanced.

SHAREHOLDERS AND ACTUAL CONTROLLERS

Total Number of Shareholders

Total number of ordinary shareholders at the end of the Reporting Period (person)	83,813 (including: Number of A-share shareholders: 83,810; Number of H-share shareholders: 3)
Total number of ordinary shareholders as at the end of the latest month before the date of disclosure of the annual report (person)	124,580 (including: Number of A-share shareholders: 124,576; Number of H-share shareholders: 4)
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period (person)	Not applicable
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the latest month before the date of disclosure of the annual report (person)	Not applicable

Report of The Board of Directors (Continued)

Shareholdings of the Top 10 Shareholders and Top 10 Holders of Tradable Shares (or Shareholders not subject to Lock-up Conditions) as at the end of the Reporting Period

Unit: share

Shareholding of the Top 10 Shareholders (Excluding Shares Lent under the Margin Refinancing Transfer)

Name of shareholder (full name)	Change during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares subject to lock-up conditions	Pledged, tagged, or frozen		Nature of shareholder
					Status of shares	Number	
HKSCC NOMINEES LIMITED	77,061,949	77,061,949	21.85	32,762,750	Nil		Overseas legal person
Cambridge Industries Company Limited	−4,530,718	32,025,735	9.08	0	Nil		Overseas legal person
Bank of Jiangsu Co., Ltd. —Zhonghang Opportunity Navigator Hybrid Initiated Securities Investment Fund (江蘇銀行股份有限公司—中航機遇領航混合型發起式證券投資基金)	7,368,270	7,368,270	2.09	0	Nil		Others
Shanghai Kangling Technology Partnership (Limited Partnership) (上海康令科技合夥企業(有限合夥))	−1,600,600	5,850,476	1.66	0	Nil		Others
Hong Kong Securities Clearing Company Limited	−684,854	4,104,604	1.16	0	Nil		Others
Ping An Bank Co., Ltd. — Yongyin Technology Intelligence Select Hybrid Initiated Securities Investment Fund (平安銀行股份有限公司—永赢科技智選混合型發起式證券投資基金)	3,251,990	3,251,990	0.92	0	Nil		Others
China Merchants Bank Co., Ltd. — China Southern CSI 1000 Exchange Traded Open-end Index Securities Investment Fund (招商銀行股份有限公司—南方中證1000交易型開放式指數證券投資基金)	314,210	2,528,810	0.72	0	Nil		Others
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu (中國人壽保險股份有限公司—傳統—普通保險產品—005L—CT001滬)	2,460,900	2,460,900	0.70	0	Nil		Others
Bank of Beijing Co., Ltd. — Xin'ao Performance-Driven Mixed Securities Investment Fund	2,403,135	2,403,135	0.68	0	Nil		Others
Industrial and Commercial Bank of China Co., Ltd. — Guotai CES All Share Communication Equipment ETF	1,299,644	1,991,569	0.56	0	Nil		Others

Report of The Board of Directors (Continued)

Shareholding of the Top 10 Shareholders not subject to Lock-up Conditions (Excluding Shares Lent under the Margin Refinancing Transfer)			
		Types and number of shares	
Name of shareholder	Number of tradable shares held not subject to lock-up conditions	Types	Number
HKSCC NOMINEES LIMITED	44,299,199	Overseas Listed Foreign Shares	44,299,199
Cambridge Industries Company Limited	32,025,735	RMB Ordinary Shares	32,025,735
Bank of Jiangsu Co., Ltd. — AVIC Opportunity Pilot Mixed Open-end Securities Investment Fund	7,368,270	RMB Ordinary Shares	7,368,270
Shanghai Kangling Technology Partnership (Limited Partnership)	5,850,476	RMB Ordinary Shares	5,850,476
Hong Kong Securities Clearing Company Limited	4,104,604	RMB Ordinary Shares	4,104,604
Ping An Bank Co., Ltd. — Yonyou Technology Smart Selection Mixed Open-end Securities Investment Fund	3,251,990	RMB Ordinary Shares	3,251,990
China Merchants Bank Co., Ltd. — China Southern CSI 1000 ETF	2,528,810	RMB Ordinary Shares	2,528,810
China Life Insurance Company Limited — Traditional — General Insurance Products — 005L — CT001 Shanghai	2,460,900	RMB Ordinary Shares	2,460,900
Bank of Beijing Co., Ltd. — Xin'ao Performance-Driven Mixed Securities Investment Fund	2,403,135	RMB Ordinary Shares	2,403,135
Industrial and Commercial Bank of China Co., Ltd. — Guotai CES All Share Communication Equipment ETF	1,991,569	RMB Ordinary Shares	1,991,569
Explanation on the special account for repurchase of the top ten shareholders	There is no special account for repurchase among the top ten shareholders.		
Explanation on the entrusting voting right, entrusted voting right and waive of voting right of the above shareholders	The Company is not aware of any situation where the above shareholders have entrusted voting rights, been entrusted with voting rights, or waived voting rights.		

Report of The Board of Directors (Continued)

Shareholding of the Top 10 Shareholders not subject to Lock-up Conditions (Excluding Shares Lent under the Margin Refinancing Transfer)			
		Types and number of shares	
Name of shareholder	Number of tradable shares held not subject to lock-up conditions	Types	Number
Explanation on the related party relationship or acting in concert among the above shareholders	Cambridge Industries Company Limited is an entity controlled by Gerald G Wong, the Company's actual controller; Zhao Haibo, the actual controller of Shanghai Kangling Technology Partnership (Limited Partnership), has signed a concert party agreement with Gerald G Wong, the Company's actual controller, thus Zhao Haibo is a person acting in concert with the Company's actual controller. Furthermore, the Company is not aware of any connected relationships among the top ten shareholders, the top ten shareholders not subject to lock-up conditions, the top ten shareholders subject to lock-up conditions or between these groups, or whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies.		
Explanation on shareholders of preference shares with the voting rights restored and their shareholding	Not applicable		

Shareholding and Lock-up Condition of Top Ten Shareholders subject to Lock-up Conditions

Unit: share

No.	Name of shareholder subject to lock-up conditions	Number of shares held subject to lock-up conditions	Status of shares subject to lock-up conditions becoming available for trading: Date available for trading	Status of shares subject to lock-up conditions becoming available for trading: Number of newly available shares for trading	Lock-up condition
1	HKSCC NOMINEES LIMITED	32,762,750	2026-04-28	3,389,250	H-share cornerstone investors commit not to dispose of the offering shares purchased within six months from the date of listing.

Strategic Investors or General Legal Persons who Became Top Ten Shareholders due to Placing of Shares

Name of strategic investor or general legal person	Agreed shareholding start date	Agreed shareholding end date
HKSCC NOMINEES LIMITED	2025-10-28	2026-04-27
Explanation on agreed shareholding period of strategic investors or general legal persons participating in placing of new shares	H-share cornerstone investors have agreed that, during the period of six months from the date of listing and trading, they will not, directly or indirectly, sell any offering shares purchased pursuant to relevant cornerstone investment agreements.	

DONATIONS

During the Reporting Period, total donations made by the Company amounted to approximately RMB0.38 million (2024: approximately RMB0.07 million).

DIRECTORS' SERVICE CONTRACTS

The Company has not entered into any service contract with any Director which is not determinable by the Company within one year without payment of compensation (other than normal statutory compensation).

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at the end of the year or at any time during the Reporting Period, none of the Directors or entities associated with them had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company or any of its subsidiaries.

Report of The Board of Directors (Continued)

DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE BANK

As at the end of the year or at any time during the Reporting Period, none of the Directors had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 108 to 112 of this report. Save as disclosed below, up to the date of this report, there has been no change in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules:

1. Effective on October 28, 2025, Mr. Zhang Jie ceased to be a member of the Audit Committee, and Mr. Liu Guisong ceased to be a member of the Nomination Committee. They were replaced by Ms. Yuen Shuk Yee as a member of both the Audit Committee and the Nomination Committee; and

2. Effective on January 15, 2026, Mr. Liu Guisong resigned as a Director and ceased to be the Chairman of the Remuneration and Evaluation Committee and a member of the Audit Committee. Ms. Yuen Shuk Yee succeeded him as the Chairwoman of the Remuneration and Evaluation Committee, and Mr. Qin Guisen succeeded him as a member of the Audit Committee.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract or letter of appointment with the Company. The principal particulars of those service contracts and letters of appointment are (a) the term of service; and (b) terminable in accordance with their respective terms. During the Reporting Period and up to the date of this report, there was no service contract between any Director and the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory compensation).

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

(a) Interests of Directors and Chief Executives

As at December 31, 2025, the interests or short positions of Directors and chief executives in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO), which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), and as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Report of The Board of Directors (Continued)

Name of Director or chief executive	Position	Nature of interest	Number and class of shares[1]	Approximate percentage of shareholding in the Company's total shares[2]	Approximate percentage in the relevant class of shares [2]
Mr. Gerald G Wong[3]	Chairman of our Board, Executive Director and general manager (chief executive officer)	(i) Interest in controlled corporation	32,025,735 A Shares	9.08%	11.62%
		(ii) Interest held jointly with other persons	5,850,476 A Shares	1.66%	2.12%
Mr. Zhao Haibo (趙海波先生)[4]	Executive Director, deputy general manager, chief technology officer	(i) Interest in controlled corporation	5,850,476 A Shares	1.66%	2.12%
		(ii) Interest held jointly with other persons	32,025,735 A Shares	9.08%	11.62%
Mr. Zhao Hongwei (趙宏偉先生)[5]	Executive Director, chief operating officer	Beneficial owner	94,100 A Shares	0.027%	0.034%
Mr. Zhang Jie (張傑先生)[6]	Executive Director, manager of broadband products division	(i) Beneficial owner	147,000 A Shares	0.042%	0.053%
		(ii) Interest of spouse	3,700 A Shares	0.0010%	0.0013%

Notes:

(1) All interests stated are long positions.

(2) Percentages are calculated based on 77,062,000 H Shares and 275,588,373 A Shares in issue as at December 31, 2025.

(3) As of the Latest Practicable Date, (i) Mr. Gerald G Wong wholly owned CIG Cayman and was the sole director of CIG Cayman. Therefore, Mr. Gerald G Wong was deemed to be interested in 32,025,735 A Shares held by CIG Cayman; (ii) Pursuant to the Concert Party Agreement, Mr. Gerald G Wong was deemed to be interested in 5,850,476 A Shares held by Mr. Zhao Haibo (through Shanghai Kangling).

(4) As of the Latest Practicable Date, (i) Mr. Zhao Haibo was the executive partner of Shanghai Kangling. Therefore, Mr. Zhao Haibo was deemed to be interested in 5,850,476 A Shares held by Shanghai Kangling; (ii) Pursuant to the Concert Party Agreement, Mr. Zhao Haibo was deemed to be interested in 32,025,735 A Shares held by Mr. Gerald G Wong (through CIG Cayman).

(5) As of the Latest Practicable Date, Mr. Zhao Hongwei held 56,600 A Shares, and was interested in 37,500 outstanding options granted under the 2024 Share Option Incentive Scheme.

(6) As of the Latest Practicable Date, Mr. Zhang Jie held 109,500 A Shares, and was interested in 37,500 outstanding options granted under the 2024 Share Option Incentive Scheme; Mr. Zhang Jie's spouse, Ms. Wang Meihua (王美華女士), held 3,700 A Shares as of the Latest Practicable Date.

So far as our Directors are aware, none of our Directors or chief executive has any interests and/or short positions in the shares or underlying shares of our associated corporations.

(b) Directors' Rights to Subscribe for Shares or Debentures

As at the Latest Practicable Date, the 2024 Share Option Incentive Scheme adopted by the then shareholders of the Company on August 26, 2024 remained in effect. Pursuant to the 2024 Share Option Incentive Scheme, as at the Latest Practicable Date, Director Mr. Zhao Hongwei and Director Mr. Zhang Jie had interests in 37,500 and 37,500 outstanding options respectively granted under the 2024 Share Option Incentive Scheme. For details, please refer to the section headed "Report of the Board of Directors — Share Scheme" in this report.

Save as disclosed above, Neither the Company, its subsidiaries, its parent company and/or any subsidiaries of its parent company has granted any rights to subscribe for shares or debentures of the Company or any other body corporate to any Director, supervisor or their respective spouses or children under 18 years of age, nor have such persons exercised any such rights to subscribe for the aforementioned shares or debentures.

Report of The Board of Directors (Continued)

(c) Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at December 31, 2025, as recorded in the register of interests and/or short positions in shares required to be kept under Section 336 of Part XV of the SFO, the interests and/or short positions of substantial shareholders (other than Directors and chief executives of the Company) in shares or underlying shares of the Company were as follows:

Name of Shareholder	Nature of interest	Number and class of Shares (1)	Approximate% of shareholding in total Shares of our Company (2)	Approximate% of relevant class of Shares (2)
CIG Cayman (3)	Beneficial owner	32,025,735 A Shares (L)	9.08%	11.62%
Morgan Stanley (4)	Interest in controlled corporation	11,267,358 H Shares (L) 383,046 H Shares (S)	3.20% 0.11%	14.62% 0.50%
Morgan Stanley & Co. LLC (4)	Beneficial owner	3,829,828 H Shares (L)	1.09%	4.97%
Morgan Stanley & Co. International plc (4)	Beneficial owner	7,437,530 H Shares (L) 383,046 H Shares (S)	2.11% 0.11%	9.65% 0.50%
UBS AG (5)	Person having a security interest in Shares	4,724,908 H Shares (L)	1.34%	6.13%
Yang Jin (6)	Interest in controlled corporation	4,568,093 H Shares (L)	1.30%	5.93%
CloudAlpha Capital Management Limited (6)	Interest in controlled corporation	4,568,093 H Shares (L)	1.30%	5.93%
Cithara Investment International Limited (7)	Investment manager	4,488,350 H Shares (L)	1.27%	5.82%
Cithara Global Multi-Strategy SPC (7)	Beneficial owner	4,488,350 H Shares (L)	1.27%	5.82%
Cohen Steven Alan (8)	Interest in controlled corporation	4,139,100 H Shares (L)	1.17%	5.37%
Point72 Asset Management, L.P. (8)	Interest in controlled corporation	4,139,100 H Shares (L)	1.17%	5.37%
Point72 Capital Advisors, Inc (8)	Interest in controlled corporation	4,139,100 H Shares (L)	1.17%	5.37%
Point72 Capital Holdings, L.P. (8)	Interest in controlled corporation	4,139,100 H Shares (L)	1.17%	5.37%
Point72 Capital International, Ltd. (8)	Interest in controlled corporation	4,139,100 H Shares (L)	1.17%	5.37%
Point72, L.P. (8)	Interest in controlled corporation	4,139,100 H Shares (L)	1.17%	5.37%
Point72 Associates, LLC (8)	Beneficial owner	4,139,100 H Shares (L)	1.17%	5.37%

Notes:

(1) (L) — Long position, (S) — Short position.

(2) The percentages are calculated based on the number of 77,062,000 H Shares and 275,588,373 A Shares in issue as of December 31, 2025.

(3) Mr. Gerald G Wong wholly owns CIG Cayman, and is the sole director of CIG Cayman. CIG Cayman, as beneficial owner, is interested in the 32,025,735 A Shares held.

(4) According to the notice of disclosure of interest filed by Morgan Stanley on December 15, 2025, Morgan Stanley & Co. LLC (as beneficial owner) held 3,829,828 H Shares (long position), and Morgan Stanley & Co. International plc (as beneficial owner) held 7,437,530 H Shares (long position) and 383,046 H Shares (short position). Each of Morgan Stanley & Co. LLC and Morgan Stanley & Co. International plc was indirectly wholly-owned by Morgan Stanley, and therefore Morgan Stanley was deemed to be interested in the H Shares held by Morgan Stanley & Co. LLC and Morgan Stanley & Co. International plc, respectively.

(5) According to the notice of disclosure of interest filed by UBS AG on November 3, 2025, UBS AG (as person having a security interest in Shares) held 4,724,908 H Shares (long position).

(6) According to the notice of disclosure of interest filed by Yang Jin on November 14, 2025, Yang Jin held 75% equity interest in CloudAlpha Capital Management Limited, which wholly-owned Singularity Master Fund (as beneficial owner holding 3,357,227 H Shares (long position)), Singularity Winners Master Fund (as beneficial owner holding 338,925 H Shares (long position)), Boothbay Absolute Return Strategies, LP (as beneficial owner holding 286,246 H Shares (long position)), Boothbay Diversified Alpha Master Fund LP (as beneficial owner holding 74,718 H Shares (long position)), BEMAP Master Fund Ltd. (as beneficial owner holding 233,953 H Shares (long position)), Blackstone CSP-MST FMAP Fund (as beneficial owner holding 178,339 H Shares (long position)) and Manifold Master Fund (as beneficial owner holding 98,685 H Shares (long position)) (collectively, the "CloudAlpha Group"). Therefore, Yang Jin and CloudAlpha Capital Management Limited were deemed to be interested in the H Shares held by the CloudAlpha Group.

(7) According to the notice of disclosure of interest filed by Cithara Global Multi-Strategy SPC and Cithara Investment International Limited on December 31, 2025, respectively, Cithara Global Multi-Strategy SPC, as beneficial owner, held 4,488,350 H Shares (long position), and therefore Cithara Investment International Limited, as the investment manager of Cithara Global Multi-Strategy SPC, was deemed to be interested in the H Shares held by Cithara Global Multi-Strategy SPC.

(8) According to the notice of disclosure of interest filed by Cohen Steven Alan on November 17, 2025, Cohen Steven Alan held Point72 Associates, LLC through Point72 Asset Management, L.P., Point72 Capital Advisors, Inc, Point72 Capital Holdings, L.P., Point72 Capital International, Ltd. and Point72, L.P. (collectively, the "Point72 Group"), respectively, and therefore Cohen Steven Alan and the Point72 Group were deemed to be interested in the H Shares held by Point72 Associates, LLC.

SHARE SCHEMES

During the Reporting Period, our Company had two equity incentive plans in effect, namely the 2022 restricted share incentive scheme and the 2024 share option incentive scheme. The terms of the 2022 restricted share incentive scheme and the 2024 share option incentive scheme are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules as they do not involve any options granted by our Company after the Listing.

The Board of Directors of our Company has approved the adoption of the 2026 A Share Option and Restricted Share Incentive Scheme and the H Share Restricted Share Incentive Scheme on March 30, 2026, subject to approval by the Shareholders at the forthcoming annual general meeting. Please refer to the announcement dated March 30, 2026 for details, and the relevant Shareholders' circular will be published in due course.

2024 Share Option Incentive Scheme

At the 2024 first extraordinary general meeting convened on August 26, 2024, the 2024 share option incentive scheme of our Company (the "2024 Share Option Incentive Scheme") was approved by the Shareholders. For details, please refer to the H Share Prospectus.

Purpose

The purpose of the 2024 Share Option Incentive Scheme is to improve our Company's corporate governance structure, establish and improve our Company's long-term incentive mechanism, attract and retain the Directors, senior management, core management and technical/business personnel of our Group, and fully mobilize their enthusiasm and creativity to enhance the cohesion of our core team and core competitiveness, so as to realize our development strategies and business objectives.

Administration

The 2024 Share Option Incentive Scheme has been approved by the Shareholders' general meeting, and administered by the Board of our Company.

Participants

The participants of the 2024 Share Option Incentive Scheme include the Directors, senior management, core management and technical/business personnel of our Group. The scope of incentive participants excludes independent Directors, and Shareholders or actual controllers who individually or collectively hold more than 5% of the Shares of our Company and their spouse, parents and children.

Source and maximum number of Shares

The Shares underlying the 2024 Share Option Incentive Scheme shall be A Shares issued by our Company to the eligible grantees. The maximum number of options that can be granted under the 2024 Share Option Incentive Scheme is 15,601,000 A Shares. Each option granted represents the right to purchase one A Share within the exercise period at the exercise price.

Validity period

The validity period of the 2024 Share Option Incentive Scheme shall be from the date of grant of the options up to the date when all options granted to the eligible grantees are exercised or cancelled, provided that the validity period shall not exceed 36 months.

Report of The Board of Directors (Continued)

Exercise price

The eligible grantees shall pay the exercise price upon fulfilment of all the conditions of the options to purchase the A Shares from our Company. The exercise price of each option shall not be lower than the nominal value of each A Share and, in principle, shall not be lower than the higher of (1) the average trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) the average trading price of the A Shares during the 20 trading dates before the announcement of the draft scheme.

The number of options granted and/or the exercise price will be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares, share consolidation, placing and dividend distribution.

Exercise

The options granted are subject to a waiting period before exercise. The waiting period commences from the date of completion of registration of the options granted to the eligible grantees, and the interval between the date of grant and the date of exercise of the options shall not be less than twelve months. The exercise schedule of the options is as below:

Exercise period	Exercise schedule	Exercise proportion
First period	The first trading date after the 12-month anniversary from the date of grant, till the last trading day up to the 24-month anniversary of the date of grant	50%
Second period	The first trading date after the 24-month anniversary from the date of grant, till the last trading day up to the 36-month anniversary of the date of grant	50%

Options may be exercised upon fulfilling the conditions same as the grant conditions stipulated above and with reference to the eligible grantees' personal performance and our Company's performance targets in each of the two years ended December 31, 2025, which are as below:

Exercise period	Performance targets
First period	Revenue for the year of 2024 is not less than RMB3,400 million, or, net profit for the year of 2024 is not less than RMB115 million
Second period	Revenue in aggregate for the two years of 2024 and 2025 is not less than RMB7,140 million, or, net profit in aggregate for the two years of 2024 and 2025 is not less than RMB235 million

In the event that the grant conditions are not fulfilled or our Company's performance does not meet the performance targets, the options which have been granted but not yet exercised shall be canceled by our Company. Upon expiry of the exercise period, options granted but not exercised will cease to be exercisable and shall be canceled by our Company.

Blackout period for our Directors and senior management

If the eligible grantees are our Directors and senior management, the Shares to be transferred in each year during their tenure of office shall not exceed 25% of the total Shares of our Company he or she holds; and no Share held by such Directors or senior management can be transferred within six months after termination of his or her employment.

Dividend and voting rights

During the waiting period, the options granted to eligible grantees shall not be transferred, pledged or settled for debt repayment. Upon exercise of the options, the eligible grantees will be entitled to exercise the right of Shareholders, including but not limited to the right to receive dividends and voting rights.

Completion of the grant of all options and outstanding options

Our Company completed the grant of all options, involving the grant of 15,601,000 options to 780 eligible grantees under the 2024 Share Option Incentive Scheme on August 26, 2024, and no grant consideration was paid/payable for the options granted to each of the eligible grantees. As of December 31, 2025, the exercise price for the options was RMB29.1848 per A Share and no further option under the 2024 Share Option Incentive Scheme could be granted.

On October 30, 2025, the Audit Committee of the Board and the Board considered and approved that the vesting conditions for the first exercise period of the share options under the 2024 Share Option Incentive Scheme were satisfied. The number of participants who satisfied the vesting conditions was 743, and the number of share options that satisfied the vesting conditions was 7,569,150 (including 618 share options to be cancelled as certain eligible participants voluntarily waived the right to exercise part of their share options for personal reasons), representing approximately 2.15% of the total issued Shares of our Company as of the Latest Practicable Date. As of December 31, 2025, the number of options granted but not yet exercised was 8,024,468 (including 454,700 share options to be cancelled due to termination of employment of certain eligible participants).

Report of The Board of Directors (Continued)

The following table sets forth the details of the movements in options under the 2024 Share Option Incentive Scheme during the Reporting Period:

Name or category of grantee	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2025	During the Reporting Period Granted	Cancelled	Exercised	Outstanding as at December 31, 2025
Mr. Zhang Jie (Executive Director)	August 26, 2024	50% during September 10, 2025 to September 9, 2026; 50% during September 10, 2026 to September 9, 2027	RMB29.1848	75,000	—	—	37,500	37,500
Mr. Zhao Hongwei (Executive Director)				75,000	—	—	37,500	37,500
Mr. Cheng Gucheng (Deputy general manager and financial officer)				75,000	—	—	37,500	37,500
The remaining eligible grantees (being core management and technical/business personnel of our Company)				15,368,000	—	—	7,456,032	7,911,968
Total				15,593,000	—	—	7,568,532	8,024,468(Note)

Note:

As of December 31, 2025, 454,700 share options granted under the 2024 Share Option Incentive Scheme would be cancelled pursuant to the terms of this scheme due to the termination of employment of certain eligible participants; and another 618 share options would be cancelled pursuant to the terms of this scheme as certain eligible participants voluntarily waived the right to exercise part of their share options for personal reasons.

2022 Restricted Share Incentive Scheme

At the 2022 first extraordinary general meeting convened on November 30, 2022, the 2022 restricted share incentive scheme of our Company (the “2022 Restricted Share Incentive Scheme”) was approved by the Shareholders.

Purpose

The purpose is to further improve our Company’s corporate governance structure, establish and improve our Company’s long-term incentive and constraint mechanism, attract and retain the Directors, senior management, core management and technical (business) personnel of our Company (including subsidiaries), and fully mobilize their enthusiasm and creativity to effectively enhance the cohesion of our core team and core corporate competitiveness, and effectively align the interests of the Shareholders, our Company and our core team so that all parties focus on the long-term development of our Company, so as to ensure the realization of our Company’s development strategies and business objectives.

Administration

The 2022 Restricted Share Incentive Scheme has been approved by the Shareholders' general meeting, and administered by the Board of our Company.

Participants

The participants of the 2022 Restricted Share Incentive Scheme include the Directors, senior management, core management and technical/business personnel of our Group. The scope of incentive participants excludes independent Directors, and Shareholders or actual controllers who individually or collectively hold more than 5% of the Shares of our Company and their spouse, parents and children.

Source and maximum number of Shares

The Shares underlying the 2022 Restricted Share Incentive Scheme shall be A Shares issued by our Company to the incentive participants. The maximum number of options that can be granted under the 2022 Restricted Share Incentive Scheme is 6,506,000 A Shares.

Validity period

The validity period of the 2022 Restricted Share Incentive Scheme shall be from the date of grant of the restricted Shares up to the date when all restricted Shares granted to the incentive participants are unlocked or repurchased and cancelled, which shall not exceed 36 months.

Grant price

The grant price for the restricted Shares initially granted under this incentive scheme is RMB6.19 per Share.

The grant price for the restricted Shares initially granted under this incentive scheme shall not be lower than the nominal value of Shares, and shall not be lower than the higher of the following prices: (I) 50% of the average trading price of our Company's Shares on the trading date before the announcement of this draft incentive scheme, which is RMB6.19 per Share; and (II) 50% of the average trading price of our Company's Shares during the 120 trading dates before the announcement of this draft incentive scheme, which is RMB5.89 per Share.

Report of The Board of Directors (Continued)

Unlocking arrangement

The unlocking arrangement for the restricted Shares initially granted is set out in the table below:

Unlocking period	Unlocking arrangement	Unlocking proportion
First unlocking period	From the first trading date after the 12-month anniversary from the initial grant date till the last trading day within the 24-month anniversary of the initial grant date	50%
Second unlocking period	From the first trading date after the 24-month anniversary from the initial grant date till the last trading day within the 36-month anniversary of the initial grant date	50%

The unlocking arrangement for the reserved portion of restricted Shares is set out in the table below:

Unlocking period	Unlocking arrangement	Unlocking proportion
First unlocking period	From the first trading date after the 12-month anniversary from the grant date of the reserve portion till the last trading day within the 24-month anniversary of the grant date of the reserve portion	50%
Second unlocking period	From the first trading date after the 24-month anniversary from the grant date of the reserve portion till the last trading day within the 36-month anniversary of the grant date of the reserve portion	50%

Restricted Shares that do not meet the unlocking conditions within the above agreed periods shall not be unlocked or deferred to subsequent periods for unlocking, and our Company will repurchase and cancel the corresponding restricted Shares of the incentive participants that have not yet been unlocked according to the principles stipulated in this incentive scheme.

After the unlocking conditions for the restricted Shares are satisfied, our Company will handle the unlocking matters of the restricted Shares in a unified manner.

Report of The Board of Directors (Continued)

Blackout period for our Directors and senior management

If the incentive participants are Directors and senior management of our Company, the Shares to be transferred in each year during their tenure of office shall not exceed 25% of the total Shares of our Company he or she holds; and no Shares of our Company he or she holds can be transferred within half a year after termination of his or her employment. If incentive participants resign before the expiry of their term, they shall comply with the above restrictive provisions during the term determined upon assuming office and for the six months following the expiry of that term.

Dividend and voting rights

Restricted Shares granted to incentive participants under this incentive scheme shall not be transferred, used as collateral or settled for debt repayment during the lock-up period. Restricted Shares granted to the incentive participants shall, upon registration by the registration and settlement company, enjoy the rights attached to their Shares, including but not limited to the right to dividends, rights to rights issue and voting rights on such Shares. Stock dividends, shares obtained through capital reserve, rights issue shares and shares placed to original Shareholders during the additional issue obtained by the incentive participants during the lock-up period arising from the restricted Shares granted shall be subject to the same lock-up restrictions, and shall not be sold in the secondary market or transferred by other means. The deadline for the lock-up period of such Shares shall be the same as that of the restricted Shares.

Completion of the grant and unlocking of all restricted Shares

Our Company completed the initial grant of 5,991,260 restricted Shares to 484 incentive participants under the 2022 Restricted Share Incentive Scheme on December 1, 2022, at an initial grant price of RMB6.19 per Share. During the first unlocking period, the unlocking of 2,963,528 Shares was completed on March 18, 2024, and the relevant restricted Shares were listed for trading on March 27, 2024; the repurchase and cancellation of an aggregate of 63,100 restricted Shares from the initial grant under the 2022 Restricted Share Incentive Scheme was completed on June 4, 2024; during the second unlocking period, the unlocking of 2,942,632 Shares was completed on April 7, 2025, and the relevant restricted Shares were listed for trading on April 14, 2025. On July 24, 2025, our Company completed the repurchase and cancellation of an aggregate of 22,000 restricted Shares from the initial grant under the 2022 Restricted Share Incentive Scheme.

Report of The Board of Directors (Continued)

The following table sets forth the details of the movements of restricted shares under the 2022 Restricted Share Incentive Scheme during the reporting period:

Name or category of grantee	Date of grant	Unlocking period	Grant price	As at January 1, 2025, the lock-up period has not been released	During the reporting period			As at December 31, 2025, the lock-up period has not been released
					Granted	Repurchased/ Cancelled	Unlocking period	
Mr. Zhang Jie (Executive Director)	December 1, 2022	50% held between December 1, 2023 and December 1, 2024; 50% held between December 1, 2024 and December 1, 2025	RMB6.19	19,000	—	—	19,000	—
Mr. Zhao Hongwei (Executive Director)				19,000	—	—	19,000	—
The remaining eligible grantees (being core management and technical/business personnel of the Company)				2,926,632	—	22,000	2,904,632	—
Total				2,964,632	—	22,000	2,942,632	—

EQUITY-LINKED AGREEMENTS

No equity linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the reporting period or subsisted at the end of the reporting period.

MANAGEMENT CONTRACTS

No contracts concerning the management and operation of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31,2025, the Group had 1,354 employees (as of December 31, 2024: 1,231).

We believe that our employees are valuable assets that contribute to the success of our Group. We recruit our employees based on a number of factors such as their industry experience, their educational background, and our vacancy needs. We offer employees fair and competitive compensation and benefits, and incentivize employees to improve their performance with a performance-based compensation system. Our compensation system includes base pay, performance-based salary, bonuses, project bonuses, and allowances and subsidies, while our benefits system includes statutory benefits, supplementary commercial insurance, leaves, health check-ups, and holiday benefits. We encourage employees to participate in discussing and improving the system of compensation and benefits, keep abreast of employees' demands and expectations, and make appropriate adjustments based on actual conditions. These efforts aim to ensure that the system of compensation and benefits meets both employees' demands and our Company's development needs, and improve employee satisfaction and recognition of the system. We typically enter into individual employment contracts with our employees covering matters such as wages, employee benefits, employment scope, and grounds for termination.

For the year ended December 31, 2025, the total employee benefit expenses incurred by the Group amounted to approximately RMB480.6 million (2024: RMB401.9 million). During the year ended December 31, 2025, the Group did not experience any material labour disputes or strikes that may have a material adverse effect on our business, financial condition or results of operations or create difficulties in recruiting employees.

The Remuneration and Evaluation Committee makes recommendations to the Board on the remuneration and remuneration packages of the Directors and senior management, taking into account the salaries paid by comparable companies, the time commitment and responsibilities of the Directors and senior management, and the results of the Group, so that the Board can review and determine the remuneration and remuneration packages of the Directors and senior management on a regular basis.

RETIREMENT BENEFIT PLANS

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

Employee benefits for all eligible employees of overseas subsidiaries are made in accordance with the rules set out in the labour agreements and are recorded as an expense and charged to the statement of profit or loss over the period when they become due.

Details of the retirement benefit schemes of the Group are set out in note V to the consolidated financial statements.

During the reporting period, there were no forfeited contributions under the Group's retirement benefit schemes and the Company has not utilized the forfeited contributions (as permitted by applicable laws) to reduce the existing level of contributions.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in note XI to the consolidated financial statements.

No Director waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

CORPORATE GOVERNANCE AND ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Company has adopted all the code provisions of the CG Code as the Company's code of corporate governance. During the reporting period, except for code provision C.2.1 of the CG Code, the Company has complied with the code provisions set out in the CG Code. For a discussion on the corporate governance of the Company during the reporting period, please refer to "Corporate Governance, Environment and Society" in this report.

The Company is committed to improving its environmental performance and compliance with relevant environmental laws and regulations, please refer to "Corporate Governance, Environment and Society" in this report for details, and the Environmental, Social and Governance and Social Responsibility Report separately published by the Company in accordance with the Hong Kong Listing Rules, which is prepared in accordance with Appendix C2 of the Hong Kong Listing Rules and relevant applicable laws and regulations.

USE OF PROCEEDS

Non-public Issuance of A Shares in 2020

On April 21, 2020, the Company completed the non-public issuance of 24,224,806 new A Shares to 13 subscribers, all of whom are independent third parties, at an issue price of RMB30.96 per A Share, raising a total proceeds of approximately RMB750.0 million and net proceeds of approximately RMB732.5 million after deducting related expenses. The actual usage and intended timetable for use of the unutilized proceeds as at December 31, 2025 are detailed as follows:

Intended use	Budgeted amount *(RMB million)*	Amount used during the reporting period *(RMB million)*	Accumulated amount utilized *(RMB million)*	Unutilized amount *(RMB million)*	Intended timetable for use of the unutilized amount
High-speed photonics and 5G wireless communication network photonics project	362.9	—	362.9	—	—
CIG Optoelectronics Technology Intelligent Manufacturing Base Project (劍橋科技光電子技術智造基地項目)	266.6	153.9	273.8	—	—
Supplement of working capital	103.0	—	103.0	—	—
Utilization of the remaining proceeds as supplementary working capital	—	—	0.1	—	—
Total	732.5	153.9	739.8	—	—

Pursuant to the relevant provisions of laws and regulations, including the Supervisory Guidelines for Listed Companies No. 2 — Supervisory Requirements on the Management and Use of Proceeds Raised by Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》) issued by CSRC, the Guidelines No. 1 for the Application of Self-regulatory Rules of Companies Listed on the Shanghai Stock Exchange — Standard Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》, and the Company's Administrative Measures on the Use of Funds Raised (《募集資金使用制度》), the Company, together with its ongoing supervision sponsor CITIC Securities and the Agricultural Bank of China Limited Zhejiang Yangtze River Delta Integration Demonstration Zone Sub-branch, entered into the Quadripartite Agreement on Supervision of Special Deposit Accounts for Proceeds (《募集資金專戶存儲四方監管協議》) on September 6, 2023 to manage the fund raised in dedicated accounts for specified purposes.

Initial Public Offering of H Shares

On October 28, 2025, the H shares of the Company were successfully listed on the Hong Kong Stock Exchange and 67,010,500 H shares were issued at HK$68.88 per H share with gross proceeds of approximately HK$4,615.7 million and net proceeds of approximately HK$4,480.0 million after deducting related expenses (i.e., net proceeds per H-share amount to approximately HKD66.86).

Report of The Board of Directors (Continued)

On November 10, 2025, the Over-allotment Option was fully exercised and 10,051,500 H Shares were issued at HK$68.88 per H Share for gross proceeds of HK$692.3 million and net proceeds of approximately HK$677.1 million after deducting related expenses (i.e., net proceeds per H-share amount to approximately HKD67.36).

The above net proceeds, in aggregate, amounted to approximately HK$5,157.1 million, which will be used for the intended use of the proceeds as disclosed in the H Share Prospectus. The actual usage and intended timetable for use of the unutilized proceeds as at December 31, 2025 are detailed as follows:

Intended use	Budgeted amount *(HKD' million)*	Amount used during the reporting period *(HKD' million)*	Unutilized amount *(HKD' million)*	Intended timetable for use of the unutilized amount
Increase our production capacity in photonics, broadband and wireless products				
• In relation to our broadband products, including our 50G/25GPON products	618.9	3.8	615.1	By the end of 2027
• In relation to our wireless products, including our Wi-Fi7 and Wi-Fi8 products	670.4	0.1	670.3	By the end of 2027
• In relation to our photonics products, including our 800G/1.6T products	1,289.3	221.5	1,067.8	By the end of 2027
Enhance our R&D talents and technologies to achieve more breakthroughs				
• Recruitment of R&D talents	283.6	—	283.6	By the end of 2027
• Upgrade machinery and software to support our R&D efforts	489.9	0.0	489.9	By the end of 2027
• Materials used to support R&D efforts	257.9	0.7	257.2	By the end of 2027
Strengthen business promotion and marketing efforts				
• Recruit sales and marketing talents	242.4	—	242.4	By the end of 2030
• Industry associations and global events	15.4	—	15.4	By the end of 2030
Strategic investment	773.6	174.9	598.7	By the end of 2030
Working capital	515.7	515.7	—	N/A
Total	5,157.1	916.8	4,240.3	

As of December 31, 2025, the unused proceeds of the Company have been deposited with reputable banks in Chinese Mainland and will continue to be used in a manner consistent with the planned use of the proceeds as disclosed in the Prospectus and in accordance with the proposed schedule of use as set out above.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On May 28, 2025, the Board, the Remuneration and Evaluation Committee of the Board and the Supervisory Board considered and approved the Resolution on the Repurchase and Cancellation of Part of the Restricted Shares Granted in the Initial Grant under the Restricted Share Incentive Scheme 2022 (《關於回購註銷2022年限制性股票激勵計劃首次授予中部分限制性股票的議案》), respectively. Pursuant to the provisions of the Restricted Share Incentive Scheme 2022 and the relevant shareholders' authorisation, the Company repurchased a total of 18,000 restricted shares which had been granted to 8 resigned incentive recipients but for which the restricted period had not yet been released, at a repurchase price of RMB6.19 per share, and repurchased 4,000 restricted shares which had been granted to 1 retired incentive recipient but for which the restricted period had not yet been released, at a repurchase price comprising RMB6.19 per share plus interest calculated based on the corresponding period's deposit interest rate of the People's Bank of China. The total amount involved is RMB136,577.67 (including interest compensation of RMB397.67), all of which was funded by the Company's own resources. All the above shares were cancelled on July 24, 2025. The Company's monthly report on share repurchases during the year 2025 is as follows:

Month	Number of Shares Repurchased *(Shares)*	Highest Price per Share *(RMB)*	Lowest Price per Share *(RMB)*	Total Funds Used *(RMB, Excluding Transaction Costs)*
May 2025	22,000 A Shares	RMB6.29	RMB6.19	RMB136,577.67

As of December 31, 2025, the Company did not hold any treasury shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares (including any sale or transfer of treasury shares) during the reporting period.

CONNECTED TRANSACTIONS

During the reporting period, the Company strictly complied with the regulatory rules of the China Securities Regulatory Commission and the listing rules in Shanghai and Hong Kong to implement standardised management of related party/connected transactions, adhered to commercial principles and conducted related party/connected transactions at conditions no better than those of similar transactions with unrelated parties/non-connected parties. During the reporting period, there were no unfair related party/connected transactions. Save as disclosed below, none of the related party transactions set out in note XI to the consolidated financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed under the Hong Kong Listing Rules. In respect of the non-exempt connected transactions that occurred during the reporting period, the Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Continuing connected transactions under the Hong Kong Listing Rules

To provide stable and suitable factory premises to meet the Group's daily production, operations, office, and warehousing needs, on February 27, 2026 (after trading hours), the Company's subsidiary, CIG Zhejiang Telecommunication Equipment Co., Ltd. (as the lessee), entered into a lease agreement with Jiashan Zhongxin Industrial Development Investment Company Limited (as the lessor) for the leased property located at Factory No. 2, 378 Zhongxin Avenue, Weitang Street, Jiashan (with a gross floor area of 88,815.11 square meters as stated in the property title certificate). The lease term is from April 1, 2026, to December 31, 2035 (inclusive), lasting nine years and nine months, with the leased premises intended for industrial/office/warehousing use. The rental rates are as follows: (1) From April 1, 2026, to December 31, 2030: Based on the market appraisal value in the "Valuation Report," both parties agreed on a rent of RMB10 per month per square meter (inclusive of VAT) for the leased area of 88,815.11 square meters. Therefore, the total rent for this lease period is approximately RMB50.6246 million; and (2) From January 1, 2031, to December 31, 2035: The rent will be calculated based on the actual area used by the lessee at that time, with a 40% discount applied to the market appraisal value in the "Valuation Report," resulting in a rent of RMB6 per month per square meter (inclusive of VAT). If calculated based on the initial leased area, the total rent for this period would be approximately RMB31.9734 million. Rent is payable in arrears on an annual basis. In accordance with PRC Accounting Standards for Business Enterprises No. 21 — Leases, the Group, as a lessee, is required to recognise right-of-use assets and lease liabilities under the leases agreements in the consolidated statement of financial position. Accordingly, the transactions under the leases agreements constitute one-off connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The aggregate value of right-of-use assets to be recognised by the Group under the leases agreements is approximately RMB63,785,500. The amount is calculated by reference to the present value of the aggregate rental payable (including value-added tax) for the entire lease term under the leases agreements and is unaudited and the final amount is subject to the amount further confirmed by the Company and the auditor.

This lease arrangement primarily addresses the actual needs arising from the Group's continuously expanding production scale. The leased property boasts a superior geographical location and complete supporting facilities. It not only effectively accommodates new production capacity and meets the Group's long-term development plan but also helps avoid operational disruptions, capacity fluctuations, and additional costs associated with frequent relocations, providing solid support for the steady expansion of the business.

Jiashan Zhongxin Industrial Development Investment Company Limited* holds approximately 33.33% equity interest in CIG Zhejiang Telecommunication Equipment Co., Ltd.*, a material subsidiary of the Company, which is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules and the transactions under the Lease Agreement constitute connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated February 27, 2026.

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Company has complied with all relevant laws and regulations that have a significant impact on the Company. During the reporting period, there was no material breach of or noncompliance with the applicable laws and regulations by the Company.

INTERESTS OF THE SINGLE LARGEST SHAREHOLDER GROUP IN CONTRACTS OF SIGNIFICANCE

During the reporting period, no contract of significance was entered into between the Company or any of its subsidiaries and the single largest shareholder group or any of its subsidiaries, nor was there any contract of significance entered into by the single largest shareholder group or any of its subsidiaries for the provision of services to the Company or any of its subsidiaries.

PERMITTED INDEMNITY PROVISION

During the reporting period and up to December 31, 2025, the Company has maintained liability insurance for the Directors and Supervisors to provide them with appropriate protection against liabilities arising from or in connection with the performance of their duties.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in "Financial Summary" of this report. This summary does not form part of the audited consolidated financial statements.

AUDIT COMMITTEE

As of the date of this report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yao Minglong, Mr. Qin Guisen and Ms. Yuen Shuk Yee, with Mr. Yao Minglong as the chairman. The primary duties of the Audit Committee are to assist the Board by providing an independent opinion on the effectiveness of the Company's financial reporting process, internal control and risk management systems, and to oversee the audit process.

Report of The Board of Directors (Continued)

The Audit Committee has reviewed with the management and the Company's external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2025.

AUDITORS

Grant Thornton Zhitong Certified Public Accountants LLP* (致同會計師事務所(特殊普通合夥)), the domestic financial report auditor for 2025, was considered and appointed at the 2024 annual general meeting of the Company held on April 28, 2025. On the same day, the Company engaged Grant Thornton Hong Kong Limited as the auditing institution for issuing H Shares and applying for listing on the Main Board of the Hong Kong Stock Exchange, and its work content and scope are audit services related to the issuance and listing of H Shares of the Company. On October 28, 2025, the Company completed the issuance and listing of H Shares on the Main Board of the Hong Kong Stock Exchange, and the relevant work of Grant Thornton Hong Kong Limited was completed and its appointment period ended accordingly. Given that Grant Thornton Zhitong Certified Public Accountants LLP* is qualified to provide audit services to PRC issuers using the auditing standards in Chinese Mainland, the Company has decided not to engage a separate overseas financial report auditor, and Grant Thornton Zhitong Certified Public Accountants LLP* shall undertake the audit responsibilities of the Company's A share and H share financial reports in 2025. For details, please refer to the announcement of the Company dated January 9, 2026 in relation to the uniform adoption of China accounting standards for business enterprises for financial report preparation and discontinuation of separate engagement of overseas financial reporting auditors.

Except for the changes noted above, the Company has not changed its auditor in the past three years.

The audited consolidated financial statements for the year ended December 31, 2025 have been audited by Grant Thornton Zhitong Certified Public Accountants LLP*. Grant Thornton Zhitong Certified Public Accountants LLP* will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Grant Thornton Zhitong Certified Public Accountants LLP* as auditors of the Company and to authorize the Chairman to fix specific matters including but not limited to his remuneration.

CONTINGENT LIABILITIES AND SIGNIFICANT LITIGATION

Details of significant events of the Group after the Reporting Period are set out in Note XIII to the consolidated financial statements.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of significant events of the Group after the Reporting Period are set out in Note XIV to the consolidated financial statements.

By Order of the Board of Directors
Mr. Gerald G Wong
Chairman, Executive Director, and General Manager
(Chief Executive Officer)

Shanghai, March 30, 2026

Auditor's Report

ZTSZ (2026) No.310A006203

To: All shareholders of CIG SHANGHAI CO., LTD.

I. AUDIT OPINIONS

We have audited the financial statements of CIG SHANGHAI CO., LTD. (hereinafter referred to as "CIG Company"), including Consolidated and Company Balance Sheet as at December 31, 2025, as well as Consolidated and Company Income Statement, Consolidated and Company Cash Flow Statement and Consolidated and Company Statement on Changes in Shareholders' Equity, as well as Notes to Financial Statements for 2025 then ended.

In our opinion, the accompanying financial statements are prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and reflect the consolidated and company financial conditions as at December 31, 2025 as well as the consolidated and company operating results and the consolidated and company cash flows for 2025 then ended of CIG Company truly and fairly.

II. BASIS FOR FORMING AUDIT OPINIONS

We performed the audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborated our responsibilities under these guidelines. In accordance with the requirements regarding independence for public interest entities set forth in the Code of Ethics for Chinese Certified Public Accountants and the Independence Standards for Chinese Certified Public Accountants (where applicable), we are independent of CIG Company and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Critical audit matters are those that we consider most important according to our professional judgment for our audit of the financial statements for the period. The response to these matters is based on the audit of the financial statements as a whole and the formation of audit opinions, and we do not express an opinion on these matters separately.

(A) Revenue recognition

For relevant information, please refer to Notes III.25 and V.38 to the financial statements.

Auditor's Report (Continued)

1. Matter description

CIG Company is primarily engaged in the research and development, production, and sales of terminal equipment for telecommunications, data communication, and enterprise networks, as well as high-speed optical module products. Its operating revenue for the year 2025 was RMB4,823,405,700. Operating revenue is a key performance indicator for CIG Company. There is an inherent risk that the Management of CIG Company (hereinafter referred to as "the Management") may improperly recognize operating revenue to achieve specific goals or expectations. Therefore, we have identified the recognition of operating revenue as a key audit matter.

2. Audit response

The main audit procedures we performed regarding the recognition of operating revenue for CIG Company include:

(1) We understood, evaluated, and tested the design of internal controls related to the recognition of operating revenue and the operation effectiveness of key controls.

(2) We selected samples and examined sales contracts to identify the terms and conditions related to the transfer of risks and rewards in the ownership of goods, and evaluated whether the recognition timing of operating revenue complied with the requirements of the Accounting Standards for Business Enterprises.

(3) We performed analytical procedures to analyze changes in operating revenue and gross profit margins, and assessed the reasonableness of such changes.

(4) We selected samples and examined supporting documents related to the recognition of operating revenue, including sales orders, invoices, delivery notes, customer receipts, customs declarations, and bills of lading. For export revenue, we obtained electronic port information and reconciled it with book records to verify the authenticity and accuracy in recognizing operating revenue.

(5) We selected samples and performed confirmation procedures with customers regarding transaction amounts and closing balances, and performed alternative tests for customers that did not respond to the confirmations.

(6) For operating revenue recognized around the balance sheet date, we selected samples and examined relevant supporting documents to assess whether operating revenue was recorded in the appropriate accounting period.

(B) Provisions for inventory depreciation reserves

For relevant information, please refer to Notes III.13 and V.6 to the financial statements.

1. Matter description

As of December 31, 2025, the inventory balance of CIG Company was RMB2,461,959,300, the provision for inventory depreciation reserves was RMB86,205,300, and the carrying value of inventories was RMB2,375,753,900. The carrying value of inventories accounted for 19.96% of the total assets.

Inventories are measured using the lower of cost or net realizable value. The net realizable value is determined by subtracting estimated selling expenses and related taxes and fees from the estimated selling price of goods in stock. The Management estimates the expected selling price based on the condition of goods in stock, and significant judgment is required in this estimation process.

The provision for inventory depreciation reserves of CIG Company has a significant impact on the financial statements, and involves significant judgment by the Management in the provision process. Therefore, we have identified the provision for inventory depreciation reserves as a key audit matter.

2. Audit response

The main audit procedures we performed regarding the provision for inventory depreciation reserves include:

(1) We understood, evaluated, and tested the design and implementation effectiveness of internal controls related to the provision for inventory depreciation reserves of CIG Company.

(2) We performed inventory observation procedures for the closing inventories of CIG Company, checked the quantity and condition of inventories, paid attention to inventories with a long age, and analyzed the adequacy of the provision for inventory depreciation reserves.

(3) We understood the provision policy for inventory depreciation reserves of CIG Company and evaluated its reasonableness in conjunction with its business model and industry practices.

(4) We obtained the calculation table for the closing provision for inventory depreciation reserves of CIG Company, discussed with the Management the sources of relevant data used in the calculation process, and selected samples to review the data in the calculation table for the provision for inventory depreciation reserves, including querying market selling prices of inventories and checking pending sales contracts or recent selling prices to assess their reasonableness.

Auditor's Report (Continued)

(5) We recalculated the calculation table for the provision for inventory depreciation reserves to check the accuracy of the calculations.

(6) We examined changes in the provision for inventory depreciation reserves as accrued in previous years during the current period, and analyzed the adequacy and appropriateness of the provision for inventory depreciation reserves.

IV. OTHER INFORMATION

The Management of CIG Company is responsible for other information. Other information includes information covered in the 2025 Annual Report of CIG Company, but excludes the financial statements and our audit report.

Our audit opinions on the financial statements do not cover other information, nor do we issue any form of verification conclusions on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with, or appears to be materially misstated in, the financial statements or what we learned in the course of our audit.

Based on the work we have performed, if we determine that other information is materially misstated, we should report that fact. In this regard, we have nothing to report.

V. MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of CIG Company is responsible for the preparation of financial statements in accordance with the provisions of the Accounting Standards for Business Enterprises, to enable them to achieve fair reflection, and for designing, implementing and maintaining necessary internal controls so that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing CIG Company's ability to continue as a going concern, disclosing issues related to going concern (if applicable) and applying the going concern assumption unless the Management plans to liquidate CIG Company or terminate operations, or there are no other realistic options.

Those charged with governance are responsible for overseeing CIG Company's financial reporting process.

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY FOR AUDITING FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

(6) Obtain sufficient and appropriate audit evidence on the financial information of the entities or business activities of CIG Company, so as to express opinions on the financial statements. We are responsible for guiding, supervising and executing corporate audit and take full responsibility for audit opinion.

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

Auditor's Report (Continued)

We also provide a statement to those charged with governance that we have complied with the professional ethics requirements related to our independence, and communicate with those charged with governance all relationships and other matters that may reasonably be considered to affect our independence, as well as relevant preventive measures (if applicable).

From the matters communicated with those charged with governance, we determine which matters are the most important for the audit of the current financial statements, so they constitute key audit matters. We describe these matters in the audit report, unless laws and regulations prohibit public disclosure of such matters, or in rare cases, if it is reasonably expected that the negative consequences caused by communicating a matter in the audit report outweigh the benefits in the public interest, we are sure that the matter should not be communicated in the audit report.

Grant Thornton Zhitong	Chinese CPA
Certified Public Accountants LLP	(Project Partner)
	Chinese CPA
Beijing, China	March 30, 2026

Consolidated Income Statement

For the Year Ended December 31, 2025

Unit: RMB Yuan

Item	Note	Current Amount	Prior Amount
I. Total revenue	V.38	4,823,405,697.64	3,652,050,837.76
Less: Operating costs	V.38	3,747,519,553.18	2,885,657,804.93
Taxes and surcharges	V.39	14,023,412.02	4,911,125.24
Selling and distribution expenses	V.40	110,006,908.11	90,065,406.15
General and administrative expenses	V.41	243,731,722.49	197,962,791.37
R&D expenses	V.42	354,981,732.42	320,368,198.92
Financial expenses	V.43	122,983,200.89	22,651,723.40
Including: Interest expenses	V.43	59,455,335.09	52,889,974.55
Interest income	V.43	21,496,916.80	16,399,022.81
Add: Other income	V.44	25,283,674.48	32,622,659.28
Investment income ("—" for losses)	V.45		6,344,656.69
Including: Investment income from joint ventures and associates			
Income on derecognition of financial assets measured at amortized cost ("—" for losses)			
Income on net exposure hedging ("—" for losses)			
Income on changes in fair value ("—" for losses)			
Losses on credit impairment ("—" for losses)	V.46	−12,166,744.90	−1,351,251.08
Losses on credit impairment ("—" for losses)	V.47	−42,027,387.79	−4,113,790.45
Income on asset disposal ("—" for losses)	V.48	−252,041.08	2,691,272.37
II. Operating profit ("—" for losses)		200,996,669.24	166,627,334.56
Add: Non-operating income	V.49	842,460.93	152,334.73
Less: Non-operating expenses	V.50	1,614,288.02	3,344,589.27
III. Total profit ("—" for total losses)		200,224,842.15	163,435,080.02
Less: Income tax expenses	V.51	−22,372,311.95	−3,606,032.72

Consolidated Income Statement (Continued)

For the Year Ended December 31, 2025

Item	*Note*	Current Amount	Prior Amount
Ⅳ.Net profit ("—" for net losses)		222,597,154.10	167,041,112.74
(A)Classification by business continuity:			
Including: Net profit from going concern ("—" for net losses)		222,597,154.10	167,041,112.74
Net profit from discontinued operations ("—" for net losses)			
(B) Classification by ownership:			
Including: Net profit attributable to shareholders of the parent company ("—" for net losses)		263,485,209.59	166,681,204.70
Net profit attributable to non-controlling interests ("—" for net losses)		−40,888,055.49	359,908.04
V.Net after-tax amount of other comprehensive income		−5,827,038.08	−1,844,574.20
Net after-tax amount of other comprehensive income attributable to shareholders of the parent company		−5,827,038.08	−1,844,574.20
(A) Other comprehensive income that cannot be reclassified into profits or losses			
(B) Other comprehensive income that can be reclassified into profits or losses		−5,827,038.08	−1,844,574.20
1. Translation differences from foreign currency financial statements		−5,827,038.08	−1,844,574.20
Net after-tax amount of other comprehensive income attributable to minority interests			
Ⅵ.Total comprehensive income		216,770,116.02	165,196,538.54
Total comprehensive income attributable to shareholders of the parent company		257,658,171.51	164,836,630.50
Total comprehensive income attributable to minority interests		−40,888,055.49	359,908.04
VII. Earnings per share			
(A) Basic earnings per share		0.94	0.62
(B) Diluted earnings per share		0.94	0.62

Consolidated Balance Sheet

As of December 31, 2025

Unit: RMB Yuan

Item	*Note*	**Closing Balance**	Prior Ending Balance
Current assets:			
Cash and cash equivalents	V.1	**4,790,693,031.65**	527,341,089.80
Trading financial assets			
Notes receivable	V.2	**27,040.00**	8,001,722.94
Accounts receivable	V.3	**1,997,720,164.78**	1,230,114,103.48
Receivables financing			
Prepayments	V.4	**168,639,509.56**	24,380,541.56
Other receivables	V.5	**8,416,085.80**	14,660,232.68
Including: Interest receivable			
Dividends receivable			
Inventories	V.6	**2,375,753,927.22**	1,685,544,390.33
Including: Data resources			
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	V.7	**214,197,419.08**	143,129,250.06
Total current assets		**9,555,447,178.09**	3,633,171,330.85

Consolidated Balance Sheet (Continued)

As of December 31, 2025

Item	*Note*	Closing Balance	Prior Ending Balance
Non-current assets:			
Debt investments			
Other debt investments			
Long-term accounts receivable			
Long-term equity investments	V.8	**128,737,434.00**	
Investment in other equity investments			
Other non-current financial assets	V.9	**14,560,490.00**	14,560,490.00
Investment property			
Fixed assets	V.10	**874,474,927.65**	423,230,012.49
Construction in progress	V.11	**457,643,424.22**	227,366,548.70
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V.12	**126,370,497.24**	148,705,315.96
Intangible assets	V.13	**436,338,995.74**	445,368,336.03
Including: Data resources			
Development expenditures	V.14	**103,604,145.95**	133,124,425.04
Including: Data resources			
Goodwill	V.15	**98,968,519.23**	98,968,519.23
Long-term deferred expenses	V.16	**16,049,231.20**	4,969,253.32
Deferred income tax assets	V.17	**39,420,399.71**	32,448,268.50
Other non-current assets	V.18	**54,279,725.31**	26,902,231.14
Total non-current assets		**2,350,447,790.25**	1,555,643,400.41
Total assets		**11,905,894,968.34**	5,188,814,731.26

Consolidated Balance Sheet (Continued)

As of December 31, 2025

Item	*Note*	**Closing Balance**	Prior Ending Balance
Current liabilities:			
Short-term borrowings	V.20	1,939,913,706.47	991,608,652.14
Trading financial liabilities			
Notes payable	V.21	49,445,057.64	117,281,967.01
Accounts payable	V.22	1,779,655,480.60	1,160,457,402.40
Receipts in advance			
Contract liabilities	V.23	7,073,810.84	33,363,013.63
Employee benefits payable	V.24	42,106,915.10	37,677,677.20
Taxes and fees payable	V.25	27,362,844.91	11,141,015.60
Other payables	V.26	46,647,299.78	54,961,599.62
Including: Interest payable			
Dividends payable	V.26	146,008.14	1,710,298.31
Held-for-sale liabilities			
Non-current liabilities due within one year	V.27	268,776,780.41	20,224,677.57
Other current liabilities	V.28	11,323,858.77	2,288,813.17
Total current liabilities		4,172,305,754.52	2,429,004,818.34

Consolidated Balance Sheet (Continued)

As of December 31, 2025

Item	*Note*	Closing Balance	Prior Ending Balance
Non-current liabilities:			
Long-term borrowings	V.29		91,900,000.00
Bonds payable			
Lease liabilities	V.30	114,626,772.04	135,938,101.17
Long-term payables			
Estimated liabilities			
Deferred income	V.31	53,827,703.11	42,512,595.33
Deferred income tax liabilities	V.17	6,306,361.78	28,469,905.27
Other non-current liabilities			
Total non-current liabilities		174,760,836.93	298,820,601.77
Total liabilities		4,347,066,591.45	2,727,825,420.11
Capital stock	V.32	352,650,373.00	268,041,841.00
Capital reserve	V.33	6,301,868,862.84	1,452,684,577.02
Less: Treasury stocks	V.34		18,351,072.08
Other comprehensive income	V.35	−20,696,681.46	−14,869,643.38
Special reserve			
Surplus reserve	V.36	123,591,917.44	88,426,430.78
Undistributed profit	V.37	691,985,921.38	534,749,900.28
Total equity attributable to shareholders of the parent company		7,449,400,393.20	2,310,682,033.62
Minority shareholders' equity		109,427,983.69	150,307,277.53
Total shareholders' (owners') equity		7,558,828,376.89	2,460,989,311.15
Total liabilities and shareholders' (owners') equity		11,905,894,968.34	5,188,814,731.26

These financial statements were approved by the Board of Directors on March 30, 2026 and were signed on its behalf by:

Gerald G Wong
DIRECTOR

Zhao Haibo
DIRECTOR

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended December 31, 2025

Unit: RMB Yuan

Item	Current Amount: Shareholders' Equity Attributable to the Parent Company									Prior Amount: Shareholders' Equity Attributable to the Parent Company								
	Capital Stock	Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Undistributed Profit	Minority Shareholders' Equity	Total Shareholders' (or Owners') Equity	Capital Stock	Capital Reserve	Less: Treasury Stocks	Other Comprehensive Income	Special Reserve	Surplus Reserve	Undistributed Profit	Minority Shareholders' Equity	Total Shareholders' (or Capital Reserve Owners') Equity
I. Ending balance in prior year	**268,041,841.00**	**1,452,684,577.02**	**18,351,072.08**	**−14,869,643.38**		**88,426,430.78**	**534,749,900.28**	**150,307,277.53**	**2,460,989,311.15**	268,104,941.00	1,440,978,574.84	58,230,275.79	−13,025,069.18		71,363,290.56	428,822,655.88	149,946,540.44	2,287,960,657.75
Add: Changes in accounting policies																		
Correction of prior errors																		
Others																		
II. Beginning balance in current year	**268,041,841.00**	**1,452,684,577.02**	**18,351,072.08**	**−14,869,643.38**		**88,426,430.78**	**534,749,900.28**	**150,307,277.53**	**2,460,989,311.15**	268,104,941.00	1,440,978,574.84	58,230,275.79	−13,025,069.18		71,363,290.56	428,822,655.88	149,946,540.44	2,287,960,657.75
III. Increase/decrease in current year ("—" for decrease)	**84,608,532.00**	**4,849,184,285.82**	**−18,351,072.08**	**−5,827,038.08**		**35,165,486.66**	**157,236,021.10**	**−40,879,293.84**	**5,097,839,065.74**	−63,100.00	11,706,002.18	−39,879,203.71	−1,844,574.20		17,063,140.22	105,927,244.40	360,737.09	173,028,653.40
(A) Total comprehensive income				**−5,827,038.08**			**263,485,209.59**	**−40,888,055.49**	**216,770,116.02**				−1,844,574.20			166,681,204.70	359,908.04	165,196,538.54
(B) Capital investment and reduction by shareholders	**84,608,532.00**	**4,849,184,285.82**	**−18,351,072.08**					**8,761.65**	**4,952,152,651.55**	−63,100.00	11,706,002.18	−39,879,203.71					829.05	51,522,934.94
1. Common stocks invested by shareholders	**77,062,000.00**	**4,843,272,830.80**	**−18,351,072.08**						**4,938,685,902.88**	−63,100.00	−327,489.00	−39,879,203.71						39,488,614.71
2. Share-based payment recognized in shareholders' equity	**7,546,532.00**	**5,920,216.67**							**13,466,748.67**		12,034,320.23							12,034,320.23
3. Others		**−8,761.65**						**8,761.65**			−829.05						829.05	
(C) Profit distribution						**35,165,486.66**	**−106,249,188.49**		**−71,083,701.83**						17,063,140.22	−60,753,960.30		−43,690,820.08
1. Extraction of surplus reserve						**35,165,486.66**	**−35,165,486.66**								17,063,140.22	−17,063,140.22		
2. Distribution to shareholders							**−71,083,701.83**		**−71,083,701.83**							−43,690,820.08		−43,690,820.08
3. Others																		
(D) Inter-account movements in shareholders' equity																		
1. Conversion of capital reserve into capital stock																		
2. Conversion of surplus reserve into capital stock																		
3. Surplus reserve to offset losses																		
4. Retained earnings carried over from other comprehensive income																		
5. Others																		
(E) Special reserve																		
1. Current extraction																		
2. Current use																		
(F) Others																		
IV. Ending balance in current year	**352,650,373.00**	**6,301,868,862.84**		**−20,696,681.46**		**123,591,917.44**	**691,985,921.38**	**109,427,983.69**	**7,558,828,376.89**	268,041,841.00	1,452,684,577.02	18,351,072.08	−14,869,643.38		88,426,430.78	534,749,900.28	150,307,277.53	2,460,989,311.15

Consolidated Cash Flow Statement

For the year ended December 31, 2025

Unit: RMB Yuan

Item	Note	Current Amount	Prior Amount
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		5,657,431,507.84	4,449,596,197.92
Refunds of taxes and surcharges		513,140,000.30	311,308,851.21
Other cash received relating to operating activities	V.52(1)	86,656,737.60	67,347,921.74
Subtotal of cash inflows from operating activities		6,257,228,245.74	4,828,252,970.87
Cash paid for goods and services		6,092,346,945.90	3,774,302,985.25
Cash paid to and on behalf of employees		402,921,942.41	330,107,596.91
Taxes and surcharges paid		73,262,411.15	52,053,569.45
Other cash payments relating to operating activities	V.52(2)	159,345,310.88	109,819,594.50
Subtotal of cash outflows from operating activities		6,727,876,610.34	4,266,283,746.11
Net cash flows from operating activities		–470,648,364.60	561,969,224.76

Consolidated Cash Flow Statement (Continued)

For the year ended December 31, 2025

Item	*Note*	Current Amount	Prior Amount
II. Cash flows from investing activities:			
Cash received from investment recovery			20,349,634.41
Cash received from investment income			6,281,022.28
Net cash from disposal of fixed assets, intangible assets and other long-term assets		2,025,477.02	6,290,102.82
Net cash from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		2,025,477.02	32,920,759.51
Cash paid to acquire fixed assets, intangible assets and other long-term assets		957,566,187.53	306,582,450.31
Cash paid to investments		128,737,434.00	20,286,000.00
Net cash from subsidiaries and other operating companies			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		1,086,303,621.53	326,868,450.31
Net cash flows from investing activities		−1,084,278,144.51	−293,947,690.80

Consolidated Cash Flow Statement (Continued)

For the year ended December 31, 2025

Item	Note	Current Amount	Prior Amount
III.Cash flows from financing activities:			
Cash received from capital contribution		4,950,998,028.79	
Including:Cash received from subsidiaries' absorbing minority shareholders' investment			
Cash received from borrowings		2,758,328,520.46	1,640,584,950.99
Other cash receipts relating to financing activities	V.52(4)	14,934,387.50	
Subtotal of cash inflows from financing activities		7,724,260,936.75	1,640,584,950.99
Cash paid for debt repayments		1,656,510,774.05	1,668,560,740.80
Cash paid for dividends and interest expense		124,364,499.78	85,871,673.93
Including: Dividends and profits for subsidiaries to pay minority shareholders			
Other cash payments relating to financing activities	V.52(5)	52,535,809.58	86,885,118.93
Subtotal of cash outflows from financing activities		1,833,411,083.41	1,841,317,533.66
Net cash flows from financing activities		5,890,849,853.34	−200,732,582.67
IV.Effect of foreign exchange rate changes on cash and cash equivalents		−54,225,424.50	22,075,082.14
V.Net increase in cash and cash equivalents		4,281,697,919.73	89,364,033.43
Add: Opening balance of cash and cash equivalents		507,341,089.80	417,977,056.37
VI.Closing balance of cash and cash equivalents		4,789,039,009.53	507,341,089.80

I. BASIC INFORMATION ABOUT THE COMPANY

CIG SHANGHAI CO., LTD. (hereinafter referred to as the "Company" or "Our Company") was established as a joint-stock limited company through an overall restructuring of Xinjiao Network Equipment (Shanghai) Co., Ltd. (hereinafter referred to as "Shanghai Xinjiao"). Shanghai Xinjiao was approved for establishment by the People's Government of Xuhui District, Shanghai, as per the document XF (2006) No.63, "Approval on the Articles of Association and Feasibility Study Report of the Wholly Foreign-Owned Company Called Xinjiao Network Equipment (Shanghai) Co., Ltd." The Shanghai Municipal People's Government issued the Approval Certificate for Foreign-Invested Enterprises (SWZHXDZ (2006) No.0509) on March 9, 2006, and the Company was established with capital contributed by Cambridge Industries Company Limited. The Company's Unified Social Credit Code is 9131000078585112XY, and it was listed on the Shanghai Stock Exchange in November 2017.

On March 26, 2020, the Company received the "Approval on the Non-public Issuance of Shares by CIG SHANGHAI CO., LTD." (ZJXK [2020] No.207) from the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), approving the Company to issue no more than 33,482,805 new shares through non-public offering. The Company completed the aforementioned non-public offering on April 21, 2020, issuing an additional 24,224,806 shares.

On July 1, 2020, in line with the Company's "2018 Stock Option and Restricted Stock Incentive Plan" and "Implementation and Assessment Management Measures for the 2018 Stock Option and Restricted Stock Incentive Plan", the Company increased its share capital by 1,368,749 shares due to the second exercise of the first tranche of stock options as granted in 2018.

On April 27, 2020, the 24th meeting of the 3rd session of the Company's Board of Directors and the 18th meeting of the 3rd session of the Company's Board of Supervisors respectively deliberated and adopted the "Proposal on the Cancellation of Certain Stock Options and the Repurchase and Cancellation of Certain Restricted Stocks". It was agreed that, in accordance with the authorization granted by the 2018 First Extraordinary General Meeting of Shareholders and in line with the provisions of the "2018 Stock Option and Restricted Stock Incentive Plan" and the "Implementation and Assessment Management Measures for the 2018 Stock Option and Restricted Stock Incentive Plan", the Company would repurchase and cancel 984,425 restricted shares as held by 116 incentive recipients that had been granted but did not meet the criteria for release from the lock-up period, as the unlock conditions for the second lock-up period of the initially granted restricted shares were not met. Due to the failure to meet the unlock conditions for the second lock-up period and the resignation of 3 incentive recipients, the Company proposed to repurchase and cancel a total of 1,026,675 restricted shares as held by 119 incentive recipients. After the completion of this repurchase and cancellation, the remaining registered restricted shares as held by all incentive recipients were 0 share. The Company completed the relevant cancellation procedures on July 3, 2020, reducing its share capital by 1,026,675 shares.

On April 27, 2020, the 24th meeting of the 3rd session of the Company's Board of Directors and the 18th meeting of the 3rd session of the Company's Board of Supervisors respectively deliberated and adopted the "2019 Profit Distribution and Capital Reserve Conversion into Share Capital Proposal". The Company proposed to convert capital reserves into share capital by distributing 3 additional shares for every 10 shares as held by all shareholders. The Company completed this conversion on August 14, 2020, increasing its share capital by 58,204,746 shares.

I. BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

On June 28, 2022, the 2021 Annual General Meeting of Shareholders deliberated and adopted the "Proposal on the Amendment to the Articles of Association". Due to the implementation of the 2021 Restricted Stock Incentive Plan, the Company's registered capital increased by RMB3,361,000, and the share capital increased by 3,361,000 shares. After the implementation of the aforementioned matters, the Company's total share capital changed from 252,220,566 shares to 255,581,566 shares.

At the 36th meeting of the 4th session of the Board of Directors held on December 1, 2022, the Company deliberated and adopted the "Proposal on the Initial Grant of Restricted Stocks to Incentive Recipients", agreeing to set December 1, 2022 as the initial grant date. As of December 30, 2022, the Company had received the contributions for 5,991,260 restricted shares from a total of 484 directors, senior executives, and core management and technical (business) personnel serving at the Company (including its subsidiaries). After the implementation of the aforementioned matters, the Company's total share capital changed to 261,572,826 shares.

During the first exercise period of the stock options as initially granted under the Company's 2021 Stock Option Incentive Plan, 38 incentive recipients exercised their options and subscribed for 388,615 freely tradable shares without restrictions on sale, with the registration of new shares completed on February 20, 2023.

During the second exercise period of the stock options as initially granted under the Company's 2021 Stock Option Incentive Plan, 422 incentive recipients exercised their options and subscribed for 6,261,500 freely tradable shares without restrictions on sale, with the registration of new shares completed on April 21, 2023.

On August 3, 2023, the Company repurchased and canceled 118,000 restricted shares that had been granted to 10 incentive recipients who no longer met the incentive conditions and did not meet the conditions for release from the lock-up period.

On May 31, 2024, the Company repurchased and canceled 63,100 restricted shares that had been granted to 11 incentive recipients who no longer met the incentive conditions and did not meet the conditions for release from the lock-up period.

On July 24, 2025, the Company repurchased and canceled 22,000 restricted shares that had been granted to 9 incentive recipients who no longer met the incentive conditions and did not meet the conditions for release from the lock-up period.

I. BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

During the first exercise period of the stock options as initially granted under the Company's 2024 Stock Option Incentive Plan, 735 incentive recipients exercised their options and subscribed for 7,568,532 freely tradable shares without restrictions on sale, with the registration of new shares completed on November 19, 2025.

On September 30, 2025, the Company received the "Notice on the Filing for Overseas Issuance and Listing by CIG SHANGHAI CO., LTD." (GHH (2025) No.1682) from the CSRC, confirming the filing for the Company's proposed issuance of no more than 77,062,000 overseas-listed ordinary shares (H shares) and listing on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "HKEX"). With the approval of the HKEX, the Company issued 67,010,500 H shares on October 28, 2025, and completed the over-allotment of an additional 10,051,500 H shares on November 12, 2025. A cumulative total of 77,062,000 H shares were issued, and the relevant shares were simultaneously listed and traded on the Main Board of the HKEX at the time of issuance.

As of December 31, 2025, the Company's total issued share capital was 352,650,373 shares, with a registered capital of RMB352,650,373.00.

Registered Address: Room 501, Building 8, No.2388 Chenxing Road, Minhang District, Shanghai

Headquarters Address: Room 501, Building 8, No.2388 Chenxing Road, Minhang District, Shanghai

Primary Business Activities: The Company operates in the communications industry, and is primarily engaged in the research and development, production, and sales of terminal equipment for telecommunications, data communication, and enterprise networks (including telecommunications broadband, wireless networks, small cells, switches, and basic hardware for industrial IoT), as well as high-speed optical module products.

These financial statements and the notes thereto were approved at the 28th meeting of the 5th session of the Company's Board of Directors on March 30, 2026.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

II. PREPARATION BASIS OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance and its application guidelines, interpretations and other relevant regulations (collectively referred to as the Accounting Standards for Business Enterprises). In addition, the Company also discloses relevant financial information in accordance with the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 — General Provisions on Financial Reports (Revised in 2023) as released by the China Securities Regulatory Commission.

The financial statements are based on a going-concern assumption.

The accounting of the Company is based on accrual basis. These financial statements are measured on a historical cost basis, except for certain financial instruments. If any asset is impaired, the corresponding provision for impairment shall be made according to relevant regulations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Based on its own production and operation characteristics, the Company has determined the accounting policies for fixed asset depreciation, intangible asset amortization, capitalization conditions for research and development expenses, and revenue recognition. Specific accounting policies are as detailed in Note III.15, Note III.18, Note III.19 and Note III.25.

1. Statement on Observing the Accounting Standards for Business Enterprises

The financial statements comply with the requirements of the Accounting Standards for Business Enterprises, and fully and accurately reflect the consolidated and company financial standing as at December 31, 2025, as well as the consolidated and company operating results, the consolidated and company cash flows and other information concerned for 2025 then ended.

2. Accounting Period

The fiscal year of the Company is from Gregorian calendar January 1 to December 31.

3. Business Cycle

The business cycle of the Company is 12 months.

4. Bookkeeping Currency

The bookkeeping currency of the Company and its domestic subsidiaries is RMB. Overseas subsidiaries of the Company determine their own bookkeeping currency based on the primary economic environment in which they operate. The currency adopted by the Company in preparing these financial statements is RMB.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Methods for Determining and Basis for Selecting Materiality Criteria

Item	Materiality Criteria
Significant receivables individually accrued for bad debts	RMB5 million
Significant write-off of receivables during the current period	RMB5 million
Significant construction in progress	Projects under construction with a budget amount exceeding 5% of the Company's total shareholders' equity
Important non-wholly-owned subsidiaries	Subsidiaries with total assets exceeding 5% of the Company's total shareholders' equity

6. Accounting Treatment Methods for Business Combination under Common Control or Not under Common Control

(1) Business combination under common control

For a business combination under common control, the assets and liabilities of the combined party obtained by the combining party in the combination shall be measured at their carrying values in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the carrying value of the consideration paid for the combination and the carrying value of the net assets obtained in the combination shall be adjusted against capital reserve. If the capital reserve is insufficient to cover the difference, the remaining value shall be adjusted against retained earnings.

For a business combination under common control achieved through multiple transactions in steps

The assets and liabilities of the combined party obtained by the combining party in the combination shall be measured at their carrying values in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the sum of the carrying value of the investments held prior to the combination and the carrying value of the consideration newly paid on the combination date, and the carrying value of the net assets obtained in the combination, shall be adjusted against capital reserve. If the capital reserve is insufficient to cover the difference, the remaining value shall be adjusted against retained earnings. For long-term equity investments held by the combining party before obtaining control over the combined party, any gains or losses, other comprehensive income, and other changes in owners' equity recognized between the date of obtaining the original equity interest and the later of the date when the combining party and the combined party come under common control of the same ultimate controlling party and the combination date shall be separately offset against the opening retained earnings of the comparative financial statements or the current profits or losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Accounting Treatment Methods for Business Combination under Common Control or Not under Common Control (Continued)

(2) Business combination not under common control

For a business combination not under common control, the combination cost represents the fair value of assets given up, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control over the acquiree on the acquisition date. On the acquisition date, the acquiree's assets, liabilities, and contingent liabilities obtained shall be recognized at their fair values.

The excess of the combination cost over the fair value of the acquiree's identifiable net assets acquired in the combination shall be recognized as goodwill and subsequently measured at cost less accumulated impairment reserves. Conversely, if the combination cost is less than the fair value of the acquiree's identifiable net assets acquired, the difference shall be included in the current profits or losses after rechecking.

For a business combination not under common control achieved through multiple transactions in steps

The combination cost represents the sum of the consideration paid on the acquisition date and the fair value of the equity interest in the acquiree already held prior to the acquisition date. The equity interest in the acquiree already held prior to the acquisition date shall be remeasured at its fair value on the acquisition date, with the difference between the fair value and its carrying value recognized in the current investment income. Other comprehensive income and changes in other owners' equity related to the equity interest in the acquiree already held prior to the acquisition date shall be transferred to the current income on the acquisition date, except for other comprehensive income arising from the remeasurement of net liabilities or net assets of the defined benefit plan by the investee and other comprehensive income related to non-transactional equity instrument investments designated at fair value through other comprehensive income.

(3) Treatment of transaction expenses in a business combination

Intermediary expenses such as for audit, legal services, evaluation and consulting and other related management expenses incurred for a business combination shall be included in the current profits or losses when incurred. The transaction expenses of equity securities or debt securities issued as the combination consideration shall be included in the initial recognition amount of such equity securities or debt securities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Criteria for Determining Control and Methods for Preparing Consolidated Financial Statements

(1) Criteria for determining control

The scope of consolidation for consolidated financial statements shall be determined based on the concept of control. Control means that the Company holding power over the investee is entitled to variable returns by participating in relevant activities of the investee and has the ability to exercise its power over the investee to affect the amount of its returns. The Company shall reassess its control determination when changes in relevant facts and circumstances affect the elements involved in the definition of control.

When determining whether to include a structured entity in the scope of consolidation, the Company shall evaluate all facts and circumstances, including assessing the purpose and design of the structured entity, identifying the types of variable returns, and determining whether it assumes part or all of the variability of returns through its participation in the relevant activities of the structured entity.

(2) Methods for preparing consolidated financial statements

Consolidated financial statements are prepared by the Company based on its own and its subsidiaries' financial statements, along with other relevant information. When preparing consolidated financial statements, the Company and its subsidiaries are required to maintain consistent accounting policies and accounting periods, with significant intercompany transactions and balances offset.

Subsidiaries and businesses added during the reporting period due to business combinations under common control shall be treated as if they had been included in the Company's scope of consolidation from the date when they came under the control of the same ultimate controlling party, with their operating results and cash flows included in the consolidated income statement and the consolidated cash flow statement, respectively, from that date.

Subsidiaries and businesses added during the reporting period due to business combinations not under common control have their revenues, expenses, and profits from the acquisition date to the end of the reporting period included in the consolidated income statement, with their cash flows included in the consolidated cash flow statement.

The portion of a subsidiary's shareholders' equity not owned by the Company shall be separately presented as minority shareholders' equity under shareholders' equity in the consolidated balance sheet. The share of the subsidiary's current net profits or losses attributable to minority shareholders' equity shall be presented as "minority interest income" under the net profit item in the consolidated income statement. If the loss of a subsidiary shared by minority shareholders exceeds the portion of minority shareholders in the subsidiary's opening owners' equity, the balance shall still offset against the minority shareholders' equity.

Notes to the Consolidated Financial Statements (Continued)
For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Criteria for Determining Control and Methods for Preparing Consolidated Financial Statements (Continued)

(3) Acquisition of minority shareholders' equity in subsidiaries

The difference between the cost of new long-term equity investments acquired by purchasing minority equity and the share of the subsidiaries' net assets continuously calculated from the acquisition date or combination date based on the new shareholding ratio, as well as the difference between the disposal price obtained from partially disposing of equity investments in subsidiaries without losing control and the share of the subsidiaries' net assets continuously calculated from the acquisition date or combination date corresponding to the disposed long-term equity investments, shall be both adjusted against capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to cover the difference, the remaining value shall be adjusted against retained earnings.

(4) Treatment of loss of control over subsidiaries

If control over a former subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity shall be remeasured at its fair value on the date when control is lost. The difference between the sum of the consideration received from the disposal of equity and the fair value of the remaining equity, minus the sum of the share of the former subsidiary's net assets continuously calculated from the acquisition date based on the original shareholding ratio and goodwill, shall be recognized in the investment income for the period when control is lost.

Other comprehensive income related to the equity investment in the former subsidiary shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the former subsidiary when control is lost. Changes in other owner's equity related to the former subsidiary under the equity method shall be transferred to the current profits or losses when control is lost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Classification of Joint Arrangement and Accounting Treatment Method of Common Operation

A joint arrangement refers to an arrangement collectively controlled by two or more participants, Joint arrangement of the Company is divided into common operation and joint venture.

(1) Common operation

A common operation refers to a joint arrangement in which the Company possesses the related assets of the arrangement and bears relevant liabilities thereof.

The Company recognizes the following items related to the Company in the share of interest in the common operation and is subject to the accounting treatment in accordance with relevant accounting standards:

A. To recognize the assets held separately and the assets held jointly by their share;

B. To recognize the liabilities assumed separately and the liabilities assumed jointly by their share;

C. To recognize the sale of the income generated from the output share of common operation enjoyed by them;

D. To recognize the income generated from the sale of output in the common operation by their share; and

E. To recognize the costs incurred separately, and the costs of joint operation by their share.

(2) Joint venture

A joint venture refers to a joint arrangement in which the Company is only entitled to the net assets of the arrangement.

The Company shall conduct accounting treatment on the investment in joint ventures in accordance with the provisions of the equity method accounting for long-term equity investments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Recognition Standard for Cash and Cash Equivalents

The term "cash" refers to cash on hand and deposits that are available for payment at any time. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

10. Foreign Currency Transactions and Foreign Currency Statement Translation

(1) Foreign currency transactions

For foreign currency transactions, the spot exchange rate on the transaction date is taken as the translation exchange rate to translate the foreign currency amount into RMB for accounting purposes.

On the balance sheet date, the balance of foreign currency monetary items is translated at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in the current profits or losses, except for the exchange differences arising from the special borrowings in foreign currency related to the purchase and construction of assets eligible for capitalization, which are handled according to the principle of capitalization of borrowing costs.

(2) Translation of foreign currency financial statements

Assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. Except for "retained earnings", other items of owner's equity are converted at the spot exchange rate at the time of occurrence. The income and expense items in the income statement shall be translated at the spot exchange rate on the transaction date.

When overseas operations are disposed of, the difference in the conversion of the statements in foreign currency related to such operations shall be transferred to the current profits or losses of disposal from the item of owner's equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments

A financial instrument refers to a contract that forms a financial asset of one party and a financial liability or equity instrument of other parties.

(1) Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

If a financial asset meets one of the following conditions, it is derecognized:

① where the contractual rights for collecting the cash flow of the said financial asset are terminated; and

② where the financial asset has been transferred and meets the derecognition conditions for the transfer of financial assets.

When all or part of the current obligations of a financial liability have been discharged, the financial liability or part thereof shall be derecognized. Where the Company (the debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall derecognize of the existing financial liability, and shall at the same time recognize the new financial liability.

Financial assets bought and sold in a conventional manner shall be recognized and derecognized on a transaction date basis.

(2) Classification and measurement of financial assets

According to the business model for managing financial assets and the contractual cash flow features of financial assets upon initial recognition, the Company classifies financial assets as: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets shall be measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction expenses shall be directly included in the current profits or losses; and for other types of financial assets, relevant transaction expenses shall be included in the initial recognition amount. For the receivables arising from the sale of products or the provision of labor services that do not contain or consider significant financing components, the Company shall take the amount of consideration expected to be entitled to charge as the initial recognition amount.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Financial assets at amortized cost

Financial assets that meet the following conditions simultaneously and are not designated as at fair value through profit or loss shall be classified as financial assets at amortized cost:

- The business model of the Company to manage the financial asset is to collect contractual cash flows; and

- The contractual terms of the financial asset stipulate that the cash flows generated on a specific date are only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets shall be measured at amortized cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortized cost but not part of any hedging relationship shall be included in the current profits or losses when they are derecognized, amortized or impaired according to the effective interest rate method.

Financial assets at fair value through other comprehensive income

Financial assets that meet the following conditions simultaneously and are not designated as at fair value through profit or loss shall be classified as financial assets at fair value through other comprehensive income:

- The business model of the Company to manage the financial asset is to both collect contractual cash flows and sell the financial asset; and

- The contractual terms of the financial asset stipulate that the cash flows generated on a specific date are only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets shall be subsequently measured at fair value. Interest, impairment losses or gains and exchange gains and losses calculated using the effective interest method shall be included in the current profits or losses, while other gains or losses shall be recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in the current profits or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Financial assets at fair value through profit or loss

Except for the above-mentioned financial assets at amortized cost and at fair value through other comprehensive income, the Company classifies others as financial assets at fair value through profit or loss. Upon initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate some financial assets that should be at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, the fair value shall be adopted for subsequent measurement of such financial assets, and the resulting gains or losses (including interest and dividend income) shall be included in the current profits or losses, unless such financial assets are part of the hedging relationship.

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flows. The business model determines whether the source of cash flows from the financial assets managed by the Company is to collect contractual cash flows, sell financial assets or both. The Company determines the business model for managing financial assets on the basis of objective facts and specific business objectives for managing financial assets as determined by key management personnel.

The Company shall evaluate the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows arising from relevant financial assets on a particular date are solely payments of principal and interest based on the outstanding principal amount. Among them, principal refers to the fair value of financial assets at the time of initial recognition; and interest includes consideration for the time value of money, credit risk associated with outstanding principal amount in a specific period, and other underlying lending risks, costs and profits. In addition, the Company shall evaluate the contract terms that may cause changes in the time distribution or amount of contractual cash flows of financial assets to determine whether they meet the requirements of the above-mentioned contractual cash flow characteristics.

Only when the Company changes its business model for managing financial assets, all affected related financial assets shall be reclassified on the first day of the first reporting period after the change of business model, otherwise such financial assets shall not be reclassified after initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(3) *Classification and measurement of financial liabilities*

Upon initial recognition, financial liabilities shall be classified as: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. For financial liabilities not at fair value through profit or loss, relevant transaction expenses shall be included in the initial recognition amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities designated as at fair value through profit or loss upon initial recognition. With regard to such financial liabilities, they shall be subsequently measured at fair value, and gains or losses resulting from the changes in fair value and dividends and interest expenses related to financial liabilities shall be included in the current profits or losses.

Financial liabilities at amortized cost

Other financial liabilities shall be subsequently measured at amortized cost using the effective interest method, and gains or losses arising from derecognition or amortization shall be included in the current profits or losses.

Distinguishing between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

① The contractual obligations to deliver cash or other financial assets to any other entity.

② The contractual obligations to exchange with other entity financial assets or financial liabilities under potentially unfavorable conditions.

③ The contractual obligations to non-derivative instruments which must be settled or may be settled by an enterprise with its own equity instruments in the future, whereby an enterprise will deliver an unfixed amount of equity instruments of its own according to the said contract.

④ The contractual obligations to non-derivative instruments which must be settled or may be settled by an enterprise with its own equity instruments in the future, excluding the contractual obligations to the derivative instruments for which an enterprise will exchange for a fixed amount of its own equity instruments with a fixed amount of cash or any other financial assets.

Equity instruments refer to contracts that can prove the remaining equities in an enterprise's assets after deducting all liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(3) Classification and measurement of financial liabilities (Continued)

Distinguishing between financial liabilities and equity instruments (Continued)

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument needs to be settled by or can be settled by the Company's own equity instrument, it is necessary to consider whether the Company's own equity instrument used to settle the instrument is used as a substitute for cash or other financial assets, or to enable the holder of the instrument to enjoy the residual equity in the assets of the issuer after deducting all liabilities. If it is the former, the instrument shall be the financial liability of the Company; and if it is the latter, the instrument shall be the equity instrument of the Company.

(4) Derivative financial instruments and embedded derivatives

The Company's derivative financial instruments include currency swap contracts and others. They shall be initially measured at fair value on the date when a derivative transaction contract is concluded, and then subsequently measured at fair value. A derivative financial instrument with a positive fair value shall be recognized as an asset and with a negative fair value shall be considered a liability. Any gains or losses arising from changes in fair value that do not conform to the hedging accounting regulations shall be directly recorded into the current profits or losses.

For a hybrid instrument containing embedded derivatives, if the master contract is about financial assets, the relevant provisions on the classification of financial assets shall apply to the hybrid instrument as a whole. If the master contract is not about financial assets and the hybrid instrument is not accounted for at fair value through profit or loss, the embedded derivative does not have a close relationship with the master contract in terms of economic characteristics and risks and has the same conditions with an embedded derivative, and the instrument that exists separately conforms to the definition of the derivative, the embedded derivative shall be split from the hybrid derivative and treated as a separate derivative financial instrument. If it is impossible to measure the embedded derivatives separately at the time of acquisition or on subsequent balance sheet dates, the hybrid instrument shall be designated as a financial asset or financial liability at fair value through profit or loss as a whole.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(5) Fair value of financial instruments

The determination method of fair value of financial assets and financial liabilities is as detailed in Note III.12.

(6) Impairment of financial assets

Based on the expected credit loss, the Company shall conduct impairment accounting treatment for the following items and recognize the loss reserve:

- Financial assets at amortized cost;
- Receivables and investments in debt instruments at fair value through other comprehensive income;
- Contract assets as defined in the Accounting Standards for Business Enterprises No.14 — Revenue;
- Lease receivables;
- Financial guarantee contracts (at fair value through profit or loss, except for those arising from the transfer of financial assets that do not meet the criteria for derecognition or from continued involvement in transferred financial assets).

Measurement of expected credit losses

By considering reasonable and well-founded information about past events, current situations and forecasts of future economic situations, taking the risk of default as the weight, calculating the probability weighted amount of the present value of the difference between the cash flows receivable and the cash flows expected to be received under the contract, the Company shall recognize the expected credit losses.

For receivables and contract assets formed by the transactions regulated by the Accounting Standards for Business Enterprises No.14 — Revenue, regardless of whether they contain significant financing components, the Company shall always measure the loss reserves at an amount equivalent to the expected credit loss in the entire duration.

For lease receivables arising from transactions governed by the Accounting Standards for Business Enterprises No.21 — Lease, the Company shall always measure the loss reserves at an amount equivalent to the expected credit loss in the entire duration.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit losses (Continued)

For other financial instruments, the Company shall assess the changes in the credit risks of related financial instruments since the initial recognition on each balance sheet date.

By comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date, the Company shall determine the relative changes of default risk during the expected duration of financial instruments, so as to assess whether the credit risk of financial instruments has increased significantly since the initial recognition. Normally, when it is overdue for more than 30 days, the Company shall consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence indicating that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risk of a financial instrument is low on the balance sheet date, the Company shall consider that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risks of financial instruments have increased significantly since the initial recognition, the Company shall measure the loss reserves according to the amount equivalent to the expected credit losses on such financial instruments in the entire duration; and if the credit risks of financial instruments have not increased significantly since the initial recognition, the Company shall measure the loss reserves according to the amount equivalent to the expected credit losses on such financial instruments in the next 12 months. The increase or reversal amount of loss reserves resulting therefrom shall be included in the current profits or losses as impairment losses or gains. For a financial asset (debt instrument) at fair value through other comprehensive income, the Company shall recognize its loss reserves in other comprehensive income, and include impairment losses or gains in the current profits or losses without reducing carrying value of the financial asset listed in the balance sheet.

If there is objective evidence indicating that a specific receivable has incurred a credit impairment, the Company shall make a provision for impairment on an individual basis for such receivable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit losses (Continued)

Except for the aforementioned receivables for which the provisions for bad debts are made on an individual basis, the Company shall classify their remaining financial instruments into several combinations based on their credit risk characteristics and determine the expected credit losses on a combination basis. The combination categories and determination criteria for making provisions for expected credit losses by the Company for notes receivable, accounts receivable, receivables financing, other receivables, contract assets, long-term receivables, etc., are as follows:

Item	Combination Category	Determination Criteria
Notes receivable	Commercial acceptance bills and bank acceptance bills	Fund Nature
Accounts receivable	Aging combination and related parties within the scope of consolidation	Aging
Other receivables	Deposits, margins and intercourse funds	Fund Nature

At any time when the Company no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in whole or in part, the carrying balance of the financial asset shall be directly written down.

(7) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to another party (the transferee) other than the issuer of the financial assets.

If almost all risks and rewards on the ownership of the financial asset have been transferred to the transferor, the financial asset shall be derecognized; and if almost all risks and rewards on the ownership of the financial asset are retained, the financial asset shall not be derecognized.

Where the Company has neither transferred nor retained nearly all risks and rewards on the ownership of a financial asset, it shall be treated as follows: if it has given up control over the financial asset, it shall derecognize the financial asset and recognize the generated assets and liabilities; and if the control over the financial asset has not been relinquished, the relevant financial asset shall be recognized based on its continued involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Financial Instruments (Continued)

(8) Offsetting of financial assets and financial liabilities

When the Company has the statutory right to offset the recognized financial assets and financial liabilities, and the legal rights can be enforced currently, while the Company plans to settle the financial assets on a net basis or simultaneously realize the financial assets and pay off the financial liabilities, the financial assets and financial liabilities are presented in the balance sheet at the offsetting amounts. Apart from this, financial assets and financial liabilities are presented separately in the balance sheet and do not offset.

12. Fair Value Measurement

Fair value refers to the price that a market participant receives from selling an asset or pays for transferring a liability in an orderly transaction on the measurement date.

The Company shall measure related assets or liabilities at fair value, assuming that orderly transactions of selling assets or transferring liabilities are carried out in the main markets of such assets or liabilities; and where there is no major market, the Company shall assume that the transaction is conducted in the most favorable market for the underlying assets or liabilities. The main market (or the most favorable market) refers to the trading market that the Company can enter on the measurement date. The Company shall adopt the assumptions used by market participants in pricing the assets or liabilities to maximize their economic benefits.

For financial assets or financial liabilities with active markets, the Company shall adopt a quotation in an active market to determine their fair values. If there is no active market for financial instruments, the Company shall adopt valuation techniques to determine fair value.

When non-financial assets are measured at fair value, the ability of market participants to use the assets for the best use to generate economic benefits or to sell the assets to other market participants who can use the assets for the best use to generate economic benefits shall be considered.

The Company shall adopt valuation techniques that are applicable in the current situations and supported by sufficient available data and other information, give priority to relevant observable inputs, and only apply observable inputs when it is impossible or impractical to obtain observable inputs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Fair Value Measurement (Continued)

Assets and liabilities that are measured or disclosed at fair value in the financial statements shall be determined a fair value hierarchy to which they belong based on the lowest level input that is significant to fair value measurement as a whole, wherein the input value of the first level is the unadjusted quotation of the same asset or liability that can be obtained in the active market on the measurement date, the input value of the second level is the input value that is directly or indirectly observable for related assets or liabilities except the input value of the first level, and the input value of the third level is the unobservable input value of related assets or liabilities.

On each balance sheet date, the Company shall reevaluate the assets and liabilities recognized in the financial statements that are continuously measured at fair value to determine whether there is a conversion between fair value measurement levels.

13. Inventories

(1) Classification of inventories

Inventories of the Company are classified into raw materials, in-process products, materials consigned for processing, goods in stock, and goods shipped, etc.

(2) Valuation method for issued inventories

Inventories of the Company are valued at actual cost upon acquisition. Inventories are valued using the first-in-first-out (FIFO) method when issued.

(3) Determination criteria and accrual method of inventory depreciation reserves

On the balance sheet date, inventories shall be measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, the inventory depreciation reserves shall be made.

The net realizable value of inventories is the amount with the estimated selling price of inventories minus the estimated cost to be incurred upon completion, the estimated selling expenses and related taxes and fees.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Inventories (Continued)

(3) Determination criteria and accrual method of inventory depreciation reserves (Continued)

For finished products, goods in stock, materials for sales and other goods inventories directly for sales, the net realizable value shall be determined with the estimated selling price minus the estimated selling expenses and relevant taxes and fees in the normal process of production and operation; and for inventories that need to be processed, the net realizable value shall be determined in the normal production and operation process with the estimated selling price of the finished products produced minus the estimated cost to be incurred when completion, the estimated selling expenses and relevant taxes and fees. The net realizable value of the inventories held for the execution of sales contracts or labor contracts shall be calculated on the basis of contract price. And if the quantity of inventories held exceeds the ordered quantity in the sales contract, the net realizable value of excess inventories shall be calculated on the basis of general sales price.

On the balance sheet date, if the factors affecting the previous write-down of inventory value have disappeared, the inventory depreciation reserves shall be reversed within the original accrued amount.

(4) Inventory system of inventories

The inventory system of the Company shall be the perpetual inventory system.

(5) Amortization method of low-value consumables and packaging materials

The Company shall adopt the one-time write-off method for low-value consumables and packaging materials.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term Equity Investments

Long-term equity investments include equity investments in subsidiaries, joint ventures, and associates. An investee on which the Company can exert significant influence is an associate of the Company.

(1) Determination of initial investment cost

Long-term equity investments formed through a business combination: For long-term equity investments acquired through a business combination under common control, the investment cost shall be determined based on the carrying value share of the combined party's owners' equity in the consolidated financial statements of the ultimate controlling party on the combination date. For long-term equity investments acquired through a business combination not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired through other means: For long-term equity investments acquired by paying cash, the initial investment cost shall be the actual purchase price paid. For long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the issued equity securities.

(2) Subsequent measurement and recognition method for profits or losses

Investments in subsidiaries shall be accounted for under the cost method, unless the investments meet the criteria for held-for-sale; and investments in associates and joint ventures shall be accounted for under the equity method.

For long-term equity investments accounted for under the cost method, except for cash dividends or profits declared but not yet paid that are included in the actual purchase price or consideration paid upon acquisition, cash dividends or profits declared by the investee shall be recognized as investment income and included in the current profits or losses.

For long-term equity investments accounted for under the equity method, if the initial investment cost is greater than the fair value share of the investee's identifiable net assets at the time of investment, the investment cost of the long-term equity investment shall not be adjusted. But, if the initial investment cost is less than the fair value share of the investee's identifiable net assets at the time of investment, the carrying value of the long-term equity investment shall be adjusted, and the difference shall be included in the current profits or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term Equity Investments (Continued)

(2) Subsequent measurement and recognition method for profits or losses (Continued)

When the equity method is used for accounting, the investment income and other comprehensive income shall be respectively recognized according to the share of net profits or losses and other comprehensive income as realized by the investee that should be enjoyed or shared, and the carrying value of long-term equity investment shall be adjusted simultaneously; the carrying value of long-term equity investment shall be reduced correspondingly according to the portion of the profits or cash dividends as declared and distributed by the investee that should be enjoyed upon calculation; and the carrying value of long-term equity investment shall be adjusted and recorded in the capital reserve (other capital reserve) for other changes in the owners' equity of the investee except for net profits or losses, other comprehensive income and profit distribution. When the share of the investee's net profits or losses that should be enjoyed is recognized, based on the fair value of various identifiable assets of the investee at the time of acquiring the investment while with reference to the accounting policies and accounting period of the Company, the net profits of the investee shall be recognized after adjustment.

If, due to additional investments or other reasons, significant influence or joint control can be exerted over the investee without constituting control, then on the conversion date, the sum of the fair value of the original equity interest and the cost of the new investments shall be taken as the initial investment cost for accounting under the equity method. If the original equity interest is classified as a non-transactional equity instrument investment at fair value through other comprehensive income, the accumulated fair value changes originally recorded in other comprehensive income related to it shall be transferred to retained earnings upon conversion to equity method accounting.

If joint control or significant influence over the investee is lost due to the disposal of a portion of the equity investment, the remaining equity interest after disposal shall be accounted for in accordance with the Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments on the date of losing joint control or significant influence, with the difference between fair value and carrying value included in the current profits or losses. Other comprehensive income recognized from the original equity investment due to accounting under the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee upon termination of the equity method; and other changes in owners' equity related to the original equity investment shall be transferred to the current profits or losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term Equity Investments (Continued)

(2) Subsequent measurement and recognition method for profits or losses (Continued)

If control over the investee is lost due to the disposal of a portion of the equity investment, and the remaining equity interest after disposal enables joint control or significant influence over the investee, it shall be accounted for under the equity method, and adjustments shall be made to such remaining equity interest as if the equity method had been applied since acquisition; if the remaining equity interest after disposal does not enable joint control or significant influence over the investee, it shall be accounted for in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments, with the difference between fair value and carrying value on the date of losing control included in the current profits or losses.

Where the shareholding ratio of the Company decreases due to the increase in capital by other investors, thus losing control but exercising joint control over or exerting significant influence on the investee, then according to the new shareholding ratio, the Company's share of the net assets increased by the investee due to capital increase and share expansion shall be recognized, and the difference between the original carrying value of the long-term equity investment corresponding to the decreased shareholding ratio that should be carried forward shall be included in the current profits or losses; and then according to the new shareholding ratio, it shall be regarded as adjusted by the equity method when the investment is acquired.

The portion of unrealized internal transaction gains or losses between the Company and its associates and joint ventures that is attributable to the Company and calculated based on its shareholding ratio, shall be recognized as investment gains or losses on a net-of-offset basis. However, if the unrealized losses from internal transactions between the Company and the investee fall into impairment losses of the transferred assets, they will not be offset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term Equity Investments (Continued)

(3) Basis for determining joint control over and significant influence on the investee

Joint control means the common control over an arrangement according to relevant agreements, and the activities relating to the arrangement must be decided after consensus of the participants sharing control. When determining whether joint control exists, the first step is to assess whether the arrangement is collectively controlled by all participating parties or a combination of participating parties, followed by evaluating whether decisions regarding relevant activities of the arrangement require unanimous consent from those participating parties that collectively control the arrangement. If all participating parties or a specific group of participating parties must act in unison to decide on the relevant activities of an arrangement, it is deemed that all participating parties or that group of participating parties collectively control the arrangement. However, if there are two or more combinations of participating parties capable of collectively controlling the arrangement, this does not constitute joint control. When judging whether there is a joint control, the protective rights enjoyed are not considered.

Significant influence refers to the power of the investor to participate in decision-making on the financial and operational decisions of the investee, but it cannot control or jointly control the formulation of these policies with other parties. In determining whether significant influence can be exercised over an investee, the investor's direct or indirect holding of voting shares in the investee and the effect of current exercisable potential voting rights held by the investor and others upon their assumed conversion into equity interests in the investee's units shall be considered, including the effect of current convertible warrants, share options and convertible corporate bonds issued by the investee.

When the Company directly or indirectly (through its subsidiaries) holds 20% or more (but less than 50%) of the voting shares of an investee, it is generally considered to have significant influence over the investee unless there is clear evidence indicating that, under such circumstances, it cannot participate in the production and operational decision-making of the investe and thus does not exert significant influence. When the Company holds less than 20% of the voting shares of an investe, it is generally not considered to have significant influence over the investe unless there is clear evidence indicating that, under such circumstances, it can participate in the production and operational decision-making of the investe and thereby exerts significant influence.

(4) Impairment test method and accrual method for provision for impairment

For the investments in subsidiaries, associates and joint ventures, the method of accruing asset impairment is as seen in Note III. 20.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed Assets

(1) Recognition criteria for fixed assets

Fixed assets refer to tangible assets that are held for the production of goods, provision of labor services, leases or business management, with a service life no less than one accounting year.

Fixed assets may only be recognized upon satisfaction of both of the following: Economic benefit related to such fixed assets will likely go to the Company; and the cost of such fixed assets may be reliably measured.

The fixed assets of the Company shall be initially measured at actual cost at the time of acquisition.

Subsequent expenditures related to fixed assets shall be included in the cost of fixed assets when it is probable that the associated economic benefits will flow into the Company and the cost can be reliably measured. Daily repair expenses for fixed assets that do not meet the criteria for capitalization of subsequent expenditures on fixed assets shall, when incurred, be included in the current profits or losses based on the beneficiary or included in the cost of related assets. For the replaced portions, their carrying values are derecognized.

(2) Depreciation method for various fixed assets

The Company may adopt the straight-line method to accrue depreciation. The depreciation of fixed assets begins when they reach the intended usable state, and stops when they are derecognized or classified as held-for-sale non-current assets. Without considering the impairment reserves, the Company shall determine the annual depreciation rate of various fixed assets as follows with reference to the category, estimated service life and estimated residual value of fixed assets:

Category	Service Life (Year)	Residual Value%	Annual Depreciation Rate%
Houses and buildings	20	0.00	5.00
Machinery and equipment	10	0.00	10.00
Production equipment	5	0.00	20.00
Instruments and meters	5	0.00	20.00
Office equipment	5	0.00–10.00	18.00–20.00
Electronic equipment	3	0.00–10.00	30.00–33.33
Means of transportation	4	0.00–10.00	22.5–25.00

Among them, the depreciation rate of the fixed assets for which impairment reserves has been accrued shall be calculated and determined by deducting the accumulated amount of impairment reserves of fixed assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed Assets (Continued)

(3) The methods for impairment test and accrual for impairment reserves of fixed assets are as seen in Note III.20.

(4) The Company shall review the service life, estimated net residual value and depreciation method of fixed assets at the end of each year.

If the estimated service life is different from the original estimate, the service life of fixed assets shall be adjusted; and if the estimated net residual value is different from the original estimate, the estimated net residual value shall be adjusted.

(5) Disposal of fixed assets

When a fixed asset is disposed of or is not expected to generate economic benefits through use or disposal, the fixed asset shall be derecognized. The difference in the disposal income from the sale, transfer, scrapping or damage of fixed assets after being deducted the carrying value and relevant taxes and fees shall be included in the current profits or losses.

16. Construction in Progress

The cost of construction in progress of the Company shall be determined based on the actual engineering expenditure, including all necessary engineering expenses incurred during construction, the borrowing costs to be capitalized before the project reaches the intended usable state, and other related expenses.

Construction in progress shall be transferred to fixed assets when it is ready for its intended use.

The methods for accrual for asset impairment of construction in progress are as seen in Note III.20.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the cost of related assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits or losses. Borrowing costs shall be capitalized when the following conditions are met at the same time:

① The expenditure on assets has been incurred, which includes the expenditure incurred in the form of cash payments, transfer of non-cash assets or assumption of interest-bearing debt for acquisition or production of the assets eligible for capitalization;

② The borrowing costs have already incurred;

③ The acquisition, construction and production activities which are necessary to prepare the asset for its intended use or sales have already started.

(2) Capitalization period of borrowing costs

When the assets acquired, constructed, or produced by the Company that meet the criteria for capitalization reach their intended usable or marketable state, the capitalization of borrowing costs shall be ceased. The borrowing costs incurred after the assets eligible for capitalization are ready for their intended use or for sale shall be recognized as expenses at the time of occurrence and included in the current profits or losses.

Where the acquisition and construction or production of an eligible asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended; but the borrowing costs incurred during the normal interruption period will continue to be capitalized.

(3) Calculation method of capitalization rate and capitalized amount of borrowing costs

The to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment; and the to-be-capitalized amount of interests on the general borrowings shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowings by the capitalization rate of the general borrowings used. The capitalization rate shall be determined based on the weighted average interest rate of general borrowings.

In the capitalization period, the exchange balance on the foreign currency specific borrowings shall be capitalized; and exchange differences on the general foreign currency borrowings shall be included in the current profits or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible Assets

Intangible assets of the Company include land use rights, software, intangible assets formed through capitalization during internal research and development, patent licensing rights, etc.

Intangible assets of the Company shall be initially measured at cost, and their useful lives shall be analyzed and judged when they are acquired. When the service life is limited, they shall be amortized over the estimated service life from the time when the intangible assets are available for use, by adopting the amortization method that reflects the expected realization of the economic benefits related to the assets; and if the expected implementation cannot be reliably determined, the amortization shall be conducted using straight-line method; and intangible assets with an indefinite service life shall not be amortized.

The amortization methods for intangible assets with a limited service life are as follows:

Category	Service Life	Determination Criteria for Useful Life	Amortization Method	Remarks
Land use rights	50 year	Term specified on land certificate	Straight-line method	
Software	10 year	Expected benefit period	Straight-line method	
Intangible assets capitalized during internal development	5 year	Expected benefit period	Straight-line method	
Patent licensing rights	6.75 year	Contractually agreed term	Straight-line method	

At the end of each year, the Company shall review service life and amortization method of the intangible assets with a limited useful life. If it is different from the previous estimates, the original estimates shall be adjusted and it shall be treated according to the changes in accounting estimates.

If, on the balance sheet date, it is anticipated that a certain intangible asset can no longer generate future economic benefits for the enterprise, the entire carrying value of such intangible asset shall be transferred to the current profits or losses.

The methods for accrual for asset impairment of intangible assets are as seen in Note III.20.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Research and Development Expenditures

The research and development expenditures of the Company consist of costs directly related to its research and development activities, including compensation for research and development personnel, consumed materials, and relevant depreciation and amortization expenses. The Company shall account for research and development expenses on a project-by-project basis, and aggregate all related expenditures.

The Company divides the expenditures of internal research and development projects into expenditures in the research stage and expenditures in the development stage.

Expenditures in the research stage shall be included in the current profits or losses when incurred.

Expenditures in the development stage can be capitalized when meeting the following conditions simultaneously: It is technically feasible to finish intangible assets for use or sale; it is intended to finish and use or sell the intangible assets; the usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and the development expenditures of the intangible assets can be reliably measured. Development expenditures not meeting the above conditions shall be included in the current profits or losses.

Research and development projects of the Company shall enter the development stage when meeting the above conditions, passing technical feasibility and economic feasibility study, and being established.

The capitalized expenditures at the development stage shall be listed as development expenditures on the balance sheet, and converted into intangible assets from the date when they reach the intended usable state.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Asset Impairment

The asset impairment of long-term equity investments, fixed assets, intangible assets, construction in progress, right-of-use assets, goodwill, etc. (except inventories, deferred income tax assets and financial assets) of subsidiaries, associates and joint ventures shall be determined as follows:

On the balance sheet date, it shall check whether there is any indication of impairment to the intangible assets, and conduct an impairment test to recognize its recoverable amount if there is any indication of impairment. For goodwill arising from business combination, intangible assets with an uncertain service life and intangible assets that have not yet reached the intended usage state, the impairment test shall be carried out every year regardless of whether there are indications of impairment.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. The estimated recoverable amount of an asset shall be based on an individual asset; and when it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The recognition of an asset group shall base on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets.

When the recoverable amount of an asset or asset group is less than its carrying value, the carrying value shall be written down to its recoverable amount, and the amount of write-down shall be included in the current profits or losses, together with a corresponding provision for asset impairment.

It shall conduct an impairment test against goodwill, and the carrying value of goodwill arising from business combination shall be apportioned to relevant asset groups in reasonable methods from the acquisition date; and if it is difficult to allocate to the relevant asset group, it shall be apportioned to the relevant combinations of asset groups. A related asset group or combination of asset groups is an asset group or combination of asset groups that can benefit from the synergies of the business combination and is not greater than the reporting segment determined by the Company.

When conducting an impairment test, if there are indications of impairment in the asset group or combination of asset groups related to goodwill, an impairment test shall be first conducted on the asset group or combination of asset groups not containing goodwill, the recoverable amount shall be calculated and the corresponding impairment loss shall be recognized accordingly. Then, the asset group or combination of asset groups containing goodwill shall be tested for impairment, and its carrying value shall be compared with the recoverable amount. And if the recoverable amount is lower than the carrying value, the impairment loss of goodwill shall be recognized accordingly.

Once the losses on asset impairment are recognized, it shall not be reversed in subsequent accounting periods.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Long-term Deferred Expenses

Long-term deferred expenses incurred by the Company shall be valuated at actual cost and amortized on average over the expected benefit period. For long-term deferred expenses that cannot benefit future accounting periods, the amortized value shall be fully included in the current profits or losses.

22. Employee Benefits

(1) Scope of employee benefits

The term "employee benefits" refers to all kinds of remuneration and compensations given by an employer in exchange of the services offered by its employees or for the termination of labour relationship. It includes short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the Company to its employees' spouses, children, dependants, survivors of deceased employees and other beneficiaries also belong to employee benefits.

(2) Short-term benefits

During the accounting period in which employees render services, the Company shall recognize as liabilities the actual salaries, bonuses, social insurance contributions such as medical insurance, work-related injury insurance, and maternity insurance paid for employees based on prescribed benchmarks and rates, as well as housing provident fund contributions, and include them in the current profits or losses or the cost of related assets.

(3) Post-employment benefits

Post-employment benefits plan is divided into defined contribution plan and defined benefit plan. Among them, the defined contribution plan refers to the post-employment benefits plan that an enterprise no longer undertakes further payment obligations after paying fixed fees to independent funds, while the defined benefit plan refers to the post-employment benefits plan other than defined contribution plan.

Defined contribution plan

The Company procures basic endowment insurance and unemployment insurance for its employees pursuant to relevant regulations of local government. During the accounting period when employees render services to the Company, the payable amount shall be calculated according to local payment base and proportion, recognized as a liability and included in the current profits or losses or the cost of related assets. The Company contributes to the local social insurance institution/annuity plan according to a certain proportion of the total salaries to its employees, and includes the corresponding expenses in the current profits or losses or the cost of related assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Employee Benefits (Continued)

(3) Post-employment benefits (Continued)

Defined benefit plan

According to the formula determined in the expected cumulative welfare unit method, the Company shall attribute the welfare obligations generated by the defined benefit plan to the period when employees render services, and include them in the current profits or losses or the cost of related assets.

The deficit or surplus formed by subtracting the fair value of the assets of the defined benefit plan from the present value of the obligations of the defined benefit plan shall be recognized as a net liability or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the Company shall measure net assets of the defined benefit plan at the lower of the surplus and asset limit of the defined benefit plan.

All defined benefit plan obligations, including those expected to be paid within twelve months after the end of the annual reporting period during which employees render services, shall be discounted according to the market yield of treasury bonds or high-quality corporate bonds in active markets that match the duration and currency of defined benefit plan obligations on the balance sheet date.

The service costs incurred by the defined benefit plan and the net interest on net liabilities or net assets of the defined benefit plan shall be included in the current profits or losses or the cost of related assets; and the changes arising from remeasuring net liabilities or net assets of the defined benefit plan shall be included in other comprehensive income, and will not be reversed to profits or losses in subsequent accounting periods. Upon termination of the original defined benefit plan, the portion originally recorded in other comprehensive income shall be fully transferred to undistributed profit within the scope of equity.

At the time of defined benefit plan settlement, the settlement gains or losses shall be recognized according to the difference between the present value of the defined benefit plan obligations and the settlement price as determined on the settlement date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Employee Benefits (Continued)

(4) Termination benefits

The employee benefits liabilities generated from termination benefits shall be recognized in the earlier date of the following two and recorded into the current profits or losses: the Company cannot unilaterally withdraw termination benefits due to termination of employment relationships or layoff proposal; and the Company recognizes the costs or expenses involved in the reorganization of payment of termination benefits.

If an employee internal retirement plan is implemented, the economic compensation prior to the official retirement date is a termination benefit, and the proposed salary and social insurance premiums to be paid to the internally retired employee between the employee's cessation of services and the normal retirement date shall be recorded as a lump sum in the current profits or losses. Economic compensation after the official retirement date (such as normal pension benefits) shall be treated as post-employment benefits.

(5) Other long-term benefits

If other long-term employee benefits provided by the Company to its employees meet the criteria for the defined contribution plan, they shall be handled in accordance with the relevant provisions concerning defined contribution plan as mentioned above If they meet the criteria for the defined benefit plan, they shall be handled in accordance with the relevant provisions concerning defined benefit plan as mentioned above. However, the portion of the "changes from re-measuring net liabilities or net assets of the defined benefit plan" within the relevant cost of employee benefits shall be included in the current profits or losses or the cost of related assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Estimated Liabilities

If an obligation related to contingencies meets the following conditions at the same time, the Company will recognize it as an estimated liability:

(1) That obligation is a current obligation of the Company;

(2) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

(3) The amount of the obligation can be measured in a reliable way.

Estimated liabilities shall be initially measured according to the best estimate of the expenditures required to fulfill relevant current obligations, and factors such as risks, uncertainties and time value of money related to contingencies shall be comprehensively considered. If the time value of money has great influence, the best estimate shall be determined by discounting the relevant future cash outflow. The carrying value of the estimated liability shall be reviewed on each balance sheet date; and if there is any change, the carrying value shall be adjusted to reflect the current best estimate.

If all or part of the expenses required to pay off the recognized estimated liabilities are expected to be compensated by a third party or other party, the compensation amount shall only be recognized as an asset when it is basically recognized that it can be received. And the recognized compensation amount shall not exceed the carrying value of the recognized liabilities.

24. Share-based Payment and Equity Instruments

(1) Type of share-based payment

The share-based payment of the Company shall be divided into equity-settled share-based payment and cash-settled share-based payment.

(2) Determination of fair value of equity instruments

For equity instruments such as options that have an active market, the fair value shall be determined according to the quotation in the active market. And for equity instruments such as options that do not have an active market, the fair value shall be determined according to the option pricing model, etc. The option pricing model shall be selected under the premise of considering the following factors: A. Exercise price of the option; B. Validity period of the option; C. Current price of the underlying shares; D. Expected volatility of the share price; E. Expected dividends on the shares; and F. Risk-free interest rate over the validity period of the option.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Share-based Payment and Equity Instruments (Continued)

(3) Basis for determining the best estimate of vesting equity instruments

On each balance sheet date in the waiting period, the best estimate shall be made based on the latest changes in the number of employees and other follow-up information, and the number of expected vesting equity instruments shall be amended accordingly. On the vesting date, the number of the final expected vesting equity instruments shall be consistent with the actual number of vesting rights.

(4) Relevant accounting treatment of implementation, modification and termination of share-based payment plan

The equity-settled share-based payment in return for employee services shall be measured at fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the grant date, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the grant date. The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owners' equity which have been recognized.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. If the right may be exercised immediately after the grant, the fair value of the liabilities undertaken by the Company shall, on the grant date, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liabilities undertaken by the Company. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits or losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Share-based Payment and Equity Instruments (Continued)

(4) Relevant accounting treatment of implementation, modification and termination of share-based payment plan (Continued)

When the Company modifies the share-based payment plan, if the modification increases the fair value of granted equity instruments, the increase in the acquired services shall be recognized according to the increase in the fair value of the equity instruments; and if the modification increases the number of granted equity instruments, the fair value of the increased equity instruments shall be recognized as increase in the acquired services. The increase in fair value of the equity instruments refers to the difference between the fair value of equity instruments before and after modification on the modification date. If the modification reduces the total fair value of share-based payment or adopts other methods unfavorable to the employees to modify the terms and conditions of the share-based payment plan, the accounting treatment for the acquired services will continue, and it will be deemed that the change has never occurred, unless the Company cancels some or all of the granted equity instruments.

If the granted equity instruments are canceled during the waiting period (except for cancellations due to the failure to meet non-market vesting conditions), the Company shall treat the granted equity instruments because of cancellation as accelerated exercise, and immediately record the amount to be recognized during the remaining waiting period into the current profits or losses, and recognize capital reserve at the same time. If the employee or other party can choose to meet the non-vesting condition but fails to meet it within the waiting period, the Company shall cancel it as an instrument for granting rights and interests.

(5) Restricted stock

In an equity incentive plan, the Company will grant restricted stocks to the motivated object, and the motivated object will subscribe for the stocks first. If the unlocking conditions stipulated in the equity incentive plan are not met later, the Company may buy back the stocks at the price agreed in advance. If the restricted stocks issued to employees have gone through the registration and other capital increase procedures according to relevant regulations, then on the grant date, the Company shall recognize share capital and capital reserve (stock premium) according to the subscription amount received from employees; and in the meantime, treasury stocks and other payables shall be recognized for repurchase obligations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenue

(1) General principles

When the Company has fulfilled its performance obligation in the contract, that is, the customer obtains control over relevant goods or services, the revenue shall be recognized.

If a contract contains two or more performance obligations, the Company shall, on the contract start date, allocate the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation, and measure income at the transaction price apportioned to each individual obligation.

When one of the following conditions is satisfied, the Company shall fulfill its performance obligations within a certain period of time; otherwise, it shall fulfill its performance obligation at a certain point of time:

① The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

② The customer can control the products in process during the Company's performance.

③ The goods produced by the Company during its performance have irreplaceable uses, and the Company is entitled to collect payments for accumulated performance of the contract so far during the entire contract period.

For an obligation performed within a certain period of time, the Company recognizes revenue according to the performance progress within that period of time. When the performance progress cannot be reasonably determined, if the costs already incurred by the Company are expected to be compensated, the Company shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenue (Continued)

(1) General principles (Continued)

For an obligation performed at a point of time, the Company shall recognize revenue at the point in time at which a customer obtains control over relevant goods or services. In judging whether customers have gained control over goods or services, the Company shall consider the following signs:

① The Company has the right to collect the current payment for the products or services, that is, the customer has the current payment obligation for the products;

② The Company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods.

③ The Company has transferred the physical object of the goods to the customer, that is, the customer has physically possessed the goods;

④ The Company has transferred the main risks and rewards on the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards on the ownership of the goods.

⑤ The customer has accepted the goods or services.

⑥ Other signs indicating that the customer has gained control over the goods.

(2) Specific methods

A. The revenue recognition point for non-cross-border product sales is when the products have been shipped and the customer has signed for acceptance.

B. The revenue recognition point for cross-border product sales is when the goods have been delivered to the delivery location designated by the customer, and the export customs declaration form and bill of lading returned by the customs have been obtained.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Contract Cost

Contract cost includes incremental cost incurred in obtaining the contract and contract performance cost.

Incremental cost incurred in obtaining the contract refers to the cost that the Company will not incur without obtaining the contract, such as sales commission. If the cost is expected to be recovered, the Company shall recognize it as an asset as the contract acquisition cost. Other expenses incurred by the Company for obtaining the contract, except for the incremental cost expected to be recovered, shall be included in the current profits or losses when incurred.

If the cost incurred for the performance of the contract does not fall within the scope of other accounting standards for business enterprises such as about inventories and meets the following conditions, the Company shall recognize it as an asset as the contract performance cost:

① The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), cost clearly borne by the customer and other costs incurred only due to the contract;

② The cost increases the resources used by the Company to fulfill its performance obligations in the future; and

③ The cost is expected to be recovered.

The assets recognized at contract acquisition cost and the assets recognized at contract performance cost (hereinafter referred to as the "assets related to contract cost") shall be amortized using the same basis as revenue recognition for the goods or services to which the assets relate and shall be included in the current profits or losses. If the amortization period does not exceed one year, it shall be included in the current profits or losses when incurred.

When the carrying value of an asset related to contract cost is higher than the difference between the following two, the Company shall provide for impairment and recognize it as a loss on asset impairment for the excess:

① The remaining consideration that the Company is expected to obtain due to the transfer of goods related to the asset; and

② The cost expected to be incurred for transfer of the relevant goods or services.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Government Subsidies

A government subsidy can only be recognized when the Company can meet the conditions attached and can receive it.

If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at fair value; and if the fair value cannot be obtained reliably, it shall be measured at the nominal amount of RMB1.

Government subsidies pertinent to assets refer to the government assets that are obtained by the Company for acquiring, constructing or forming long-term assets by other ways. And all the others are government subsidies pertinent to income.

For those whose subsidy targets are not clearly specified in government documents and can form long-term assets, the government subsidies corresponding to the asset value shall be regarded as government subsidies pertinent to assets, and the remaining part shall be regarded as government subsidies pertinent to income; and if it is difficult to distinguish, such government subsidies shall be treated as government subsidies pertinent to income as a whole.

If the government subsidies pertinent to assets are recognized as deferred income, they shall be included in gains or losses in a reasonable and systematic manner within the service life of related assets. Government subsidies pertinent to income, which are used to compensate the relevant costs or losses that have occurred, shall be included in the current profits or losses; and if it is used to compensate the relevant costs or losses in future periods, it shall be included in the deferred income, and included in the current profits or losses during the period when such costs or losses are recognized. And government subsidies measured at the nominal amount shall be recognized directly in the current profits or losses. The Company shall adopt a consistent approach to handle the same or similar government subsidies.

Government subsidies pertinent to daily activities of the Company shall be included in other income according to economic nature. Government subsidies not pertinent to such daily activities shall be included in non-operating revenue.

When a recognized government subsidy needs to be refunded, if the carrying value of related assets is offset at the time of initial recognition, the carrying value shall be adjusted; and if there is a balance of relevant deferred income, the carrying balance of relevant deferred income shall be offset, and the excess shall be included in the current profits or losses; and for other circumstances, it shall be directly included in the current profits or losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Deferred Income Tax Assets and Deferred Income Tax Liabilities

Income tax includes current income tax and deferred income tax. Except for the adjusted goodwill arising from business combination or the deferred income tax related to the transactions or events directly included in the owners' equity is included in the owners' equity, all the others are recognized as income tax expenses and recorded in the current profits or losses.

The Company recognizes the deferred income tax using the balance sheet liability method based on the temporary difference between the carrying value of the assets and liabilities on the balance sheet date and the tax base.

All taxable temporary differences shall be recognized as deferred tax liabilities, unless they arise from the following transactions:

(1) The initial recognition of goodwill, or the initial recognition of assets or liabilities arising from transactions with the following characteristics: Such transactions are not business combinations, and at the time of transaction, they neither affect accounting profit nor taxable income (excluding individual transactions where the initially recognized assets and liabilities result in equal amounts of taxable temporary differences and deductible temporary differences); and

(2) For the taxable temporary differences related to the investments in subsidiaries, associates and joint ventures, the time for the temporary differences to be reversed can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

For deductible temporary differences, deductible losses that can be carried forward to future years and tax deductions, the Company shall recognize deferred tax assets arising from them to the extent that it is likely to obtain future taxable income to offset deductible temporary differences, deductible losses and tax deductions, unless deductible temporary differences arise from the following transactions:

(1) Such transactions are not business combinations, and at the time of transaction, they neither affect accounting profit nor taxable income (excluding individual transactions where the initially recognized assets and liabilities result in equal amounts of taxable temporary differences and deductible temporary differences); and

(2) The deductible temporary differences related to the investments in subsidiaries, associates and joint ventures that can meet the following at the same time shall be recognized as deferred income tax assets: the temporary differences are likely to be reversed in the foreseeable future, and it is likely that in the future, the taxable income will be used to offset the deductible temporary differences.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

On the balance sheet date, the Company shall measure the deferred income tax assets and the deferred income tax liabilities at the applicable tax rates in the period in which the assets are recovered or settled, and reflect the income tax impact based on the expected manner of asset recovery or liability settlement on the balance sheet date.

On the balance sheet date, the Company shall review the carrying value of deferred income tax assets. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of deferred tax assets, the carrying value of deferred tax assets shall be written off. When it is probable that sufficient taxable income will be obtained, the write-down amount shall be reversed.

On the balance sheet date, deferred tax assets and deferred tax liabilities shall be presented as a net amount after offsetting when the following conditions are satisfied simultaneously:

(1) The tax-paying entity within the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis; and

(2) The deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax authority on the same tax-paying entity within the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Lease

(1) Identification of lease

On the commencement date of a contract, the Company, as the lessee or lessor, shall evaluate whether the customers in the contract have the right to obtain almost all the economic benefits arising from the use of identified assets during the use, and have the right to dominate the use of identified assets in that period. If a party to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or contains a lease.

(2) The Company as the lessee

On the commencement date of lease term, the Company shall recognize right-of-use assets and lease liabilities for all leases, except for short-term leases and low-value asset leases under simplified treatment.

The accounting policy for right-of-use assets is as seen in Note III.30.

Lease liabilities are initially measured at the present value of the lease payments not yet paid as at the lease commencement date, as calculated using the lease embedded interest rate. If the lease embedded interest rate cannot be determined, the incremental borrowing rate shall be taken as the discount rate. Lease payments include: ① fixed payments and substantially fixed payments, net of the amounts related to lease incentives, if lease incentives exist; ② variable lease payments that depend on an index or rate; ③ the exercise price of a purchase option, provided that the lessor reasonably determines that the option will be exercised; ④ the amount to be paid to exercise the lease termination option, provided that the lease term reflects that the lessor will exercise the lease termination option; and ⑤ the amount expected to be paid based on the residual value of the guarantee provided by the lessor. Subsequently, the Company shall calculate the interest expenses of the lease liability in each period of the lease term according to the fixed periodic interest rate, which is then included in the current profits or losses. Variable lease payments that are not included in the measurement of lease liabilities shall be included in the current profits or losses when actually incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Lease (Continued)

(2) The Company as the lessee (Continued)

Short-term lease

Short-term lease refers to a lease with a lease term not exceeding 12 months from the commencement date of lease term, except for the lease with a purchase option.

The Company shall record the lease payments for short-term lease into the cost of related assets or the current profits or losses on a straight-line basis for each period during the lease term.

For short-term lease, the Company shall elect to adopt the aforementioned simplified treatment method to these items meeting the criteria for short-term lease, as categorized by the type of leased assets.

- Houses and buildings

Low-value asset lease

Low-value asset lease refers to a lease whose value is less than RMB40,000 when a single leased asset is brand new.

The Company shall record the lease payments for low-value asset lease into the cost of related assets or the current profits or losses on a straight-line basis for each period during the lease term.

For low-value asset lease, the Company shall elect to adopt the aforementioned simplified treatment method based on the specific conditions of each lease.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Lease (Continued)

(2) The Company as the lessee (Continued)

Lease change

If the lease changes and the following conditions are satisfied at the same time, the Company shall take the lease change as a separate lease for accounting treatment: ① The lease change expands the lease scope by increasing the right to use one or more leased assets; and ② The increased consideration is equivalent to the separate price of the expanded lease scope as adjusted according to the contract conditions.

When a lease change is not accounted for as a separate lease on the effective date of lease change, the Company shall re-allocate the consideration of the changed contract, re-determine the lease term, and re-measure the lease liability at the present value calculated with the changed lease payments and the revised discount rate.

If the lease scope is reduced or the lease term is shortened due to the lease change, the Company shall reduce the carrying value of the right-of-use assets accordingly, and record the gains or losses related to partial or complete termination of the lease into the current profits or losses.

In case of re-measurement of lease liabilities due to other lease changes, the Company shall adjust the carrying value of the right-of-use assets accordingly.

(3) The Company as the lessor

The Company shall recognize the lease whose all risks and remuneration related to the ownership of assets have been substantially transferred as financial lease, while other leases other than the financial lease shall be recognized as operating lease.

Financial lease

On the lease commencement date, the net lease investments (the sum of the unsecured residual value and the present value of the lease receipts not received at the beginning of the lease term as discounted at the lease embedded interest rate) shall be taken as the entry value of financial lease receivables. The Company shall calculate and recognize interest income for each period of the lease term at a fixed periodic interest rate. The amount of variable lease payments obtained by the Company that are not included in the measurement of net lease investment shall be included in the current profits or losses when actually incurred.

The derecognition and impairment of financial lease receivables are accounted for in accordance with the provisions of the Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No.23 — Transfer of Financial Assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Lease (Continued)

(3) The Company as the lessor (Continued)

Operating lease

The rent from operating lease shall be recorded in the current profits or losses on a straight-line basis over each period of the lease term. The initial direct expenses related to operating lease shall be capitalized when incurred, and shall be apportioned on the same basis as the rental income recognition during the lease term, and included into the current profits or losses by stages. Variable lease payments acquired by the Company in connection with operating leases that are not included in lease receipts shall be included in the current profits or losses when actually incurred.

Lease change

If an operating lease changes, the Company shall account for it as a new lease from the effective date of the change, and the advance or receivable lease receipts related to the lease before the change shall be regarded as receipts of the new lease.

If the financial lease changes and the following conditions are satisfied at the same time, the Company shall take the lease change as a separate lease for accounting treatment: ① The lease change expands the lease scope by increasing the right to use one or more leased assets; and ② The increased consideration is equivalent to the separate price of the expanded lease scope as adjusted according to the contract conditions.

If the change to a financial lease is not accounted for as a separate lease, the Company shall deal with the changed lease under the following circumstances: ① If the lease change takes effect on the lease commencement date and the lease will be classified as an operating lease, the Company shall account for it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the carrying value of the leased asset; and ② If the lease change takes effect on the lease commencement date and the lease will be classified as a financial lease, the Company shall carry out accounting treatment in accordance with the provisions on modifying or renegotiating contracts under the Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Lease (Continued)

(4) Sublease

As a sub-lessor, the Company shall classify a sub-lease based on the right-of-use assets generated from the original lease. If the original lease is a short-term lease and the Company applies simplified treatment to it, the sublease is classified as an operating lease.

(5) Sale and leaseback

The lessee and the lessor shall assess and determine whether an asset transfer in a sale and leaseback transaction is a sale or not in accordance with the provisions of the Accounting Standards for Business Enterprises No.14 — Revenue.

If an asset transfer in a sale and leaseback transaction qualifies as a sale, the lessee shall measure the right-of-use asset arising from the sale and leaseback based on the portion of the original carrying value of the asset that relates to the right-of-use obtained through the leaseback, and recognize gains or losses only in relation to the rights transferred to the lessor. The lessor shall account for the purchase of the asset in accordance with other applicable accounting standards for business enterprises and account for the asset lease in accordance with these standards.

If an asset transfer in a sale and leaseback transaction does not qualify as a sale, the lessee shall continue to recognize the transferred asset and simultaneously recognize a financial liability equal to the transfer proceeds, while accounting for this financial liability in accordance with the Accounting Standards for Business Enterprises No.22 — Recognition and Measurement of Financial Instruments. The lessor shall not recognize the transferred asset but shall recognize a financial asset equal to the transfer proceeds and account for this financial asset in accordance with the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Right-of-use Assets

(1) Recognition criteria for right-of-use assets

A right-of-use asset refers to the right of the Company as the lessee to use the leased assets during the lease term.

On the commencement date of the lease term, right-of-use assets shall be initially measured at cost. The cost of right-of-use assets includes: the initial measurement amount of leased liabilities; the lease payments paid on or before the commencement date of the lease term (after deducting the lease incentive related amount as already enjoyed); the initial direct expenses incurred by the Company as the lessee; and the cost incurred by the Company for dismantling and removing the leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms. As the lessee, the Company shall recognize and measure the costs of demolition and restoration in accordance with the Accounting Standards for Business Enterprises No.13 — Contingencies. And subsequent adjustments shall be made for any remeasurement of lease liabilities.

(2) Depreciation method for right-of-use assets

The Company shall adopt the straight-line method to accrue depreciation for the right-of-use assets. If it can be reasonably determined that the ownership of leased assets can be acquired when the lease term expires, the Company shall accrue depreciation during the remaining service life of the leased assets. If it cannot be reasonably determined that the ownership of leased assets can be acquired when the lease term expires, the Company shall accrue depreciation within the shorter of the lease term and the remaining service life of the leased assets.

(3) The methods for impairment test and accrual for impairment reserves of right-of-use assets are as seen in Note III.20.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Significant Accounting Judgments and Estimates

Based on historical experience and other factors, including reasonable expectations for future events, the Company shall continuously evaluate the significant accounting estimates and key assumptions adopted. Significant accounting estimates and key assumptions that are likely to result in significant adjustment risks to the carrying values of assets and liabilities in the following fiscal year are set out below:

Goodwill impairment

The Company shall assess whether goodwill is impaired at least annually. This requires an estimate of the use value of the asset group to which goodwill has been apportioned. When estimating the use value, the Company shall estimate the future cash flow from the asset group and select an appropriate discount rate to calculate the present value of the future cash flow.

Development expenditures

When determining the amount to be capitalized, the Management must make assumptions regarding the expected future cash generation of the asset, the discount rate to be applied, and the estimated benefit period.

Deferred income tax assets

Deferred income tax assets shall be recognized for all unused tax losses to the extent that it is probable that sufficient taxable profits will be available to offset the losses. This requires the Management to apply a large number of judgments to estimate the time and amount of future taxable profits, and meanwhile combine tax planning strategies to determine the amount of deferred income tax assets that should be recognized.

32. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in significant accounting policies

None.

(2) Changes in significant accounting estimates

None.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

IV. TAXES

1. Main taxes and tax rates

Tax Category	Tax Basis	Statutory Tax Rate
VAT	Taxable value-added amount (the taxable amount shall be calculated by multiplying the taxable sales by the applicable tax rate less the current input tax allowed for deduction)	6%, 9%, 13%
Consumption tax (for Japan)	Consumption tax is calculated based on the revenue from the sale of goods and the taxable services as computed in accordance with Japanese tax laws. After deducting the allowable consumption tax credits for the current period, the difference represents the consumption tax payable	10%
Urban maintenance and construction tax	Turnover tax as actually paid	5%, 7%
Enterprise income tax	Taxable income	15%, 16.5%, 19%, 20%, 21%, 25% and 35%

If there are taxpayers with different enterprise income tax rates, the disclosure shall be made as follows:

Name of Taxpayer	Income Tax Rate (%)
Cambridge Industries Group Limited	16.50
Cambridge Industries USA Inc.	21.00
CIG Photonics Japan Limited	35.00
Cambridge Industries Group Telecommunication Limited	16.50
Actiontec Electronics,Inc	21.00
CIG Photonics Europe GmbH	19.00
Actiontec Electronics Taiwan Inc.	20.00
CIG Zhejiang Telecommunication Equipment Co., Ltd.	15.00
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	Not applicable
Other subsidiaries	25.00

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

IV. TAXES (CONTINUED)

2. Tax incentives and approvals

In accordance with Paragraph 2 of Article 28 of the Enterprise Income Tax Law of the People's Republic of China: "High-tech enterprises that are key recipients of national support shall be subject to enterprise income tax at a reduced rate of 15%." The Company has been recognized as a high-tech enterprise and has obtained the High-Tech Enterprise Certificate numbered GR202331002787, as issued on November 15, 2023 with a validity period of 3 years. During the Reporting Period, the Company's enterprise income tax rate was levied at 15%.

In accordance with Paragraph 2 of Article 28 of the Enterprise Income Tax Law of the People's Republic of China: "High-tech enterprises that are key recipients of national support shall be subject to enterprise income tax at a reduced rate of 15%." The Company's subsidiary, CIG Zhejiang Telecommunication Equipment Co., Ltd., has been recognized as a high-tech enterprise and has obtained the High-Tech Enterprise Certificate numbered GR202533010032, as issued on December 19, 2025 with a validity period of 3 years. During the Reporting Period, the Company's enterprise income tax rate was levied at 15%.

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

Item	Closing Balance	Prior Ending Balance
Cash on hand	**1,980.00**	1,980.00
Bank deposits	**4,789,035,855.86**	507,337,936.98
Other monetary funds	**1,173.67**	20,001,172.82
Accrued interest on deposits	**1,654,022.12**	
Total	**4,790,693,031.65**	527,341,089.80
Including: Total funds deposited overseas	**462,444,769.47**	107,582,384.61

(1) At the end of the period, the Company had no funds subject to pledge, mortgage or freeze, or funds deposited overseas with restrictions on repatriation.

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable

Type of Notes	Closing Balance Carrying Balance	Closing Balance Provision for Bad Debts	Closing Balance Carrying Value	Prior Ending Balance Carrying Balance	Prior Ending Balance Provision for Bad Debts	Prior Ending Balance Carrying Value
Bank acceptance bills	**27,040.00**		**27,040.00**	2,228,750.00		2,228,750.00
Commercial acceptance bills				5,831,285.80	58,312.86	5,772,972.94
Total	**27,040.00**		**27,040.00**	8,060,035.80	58,312.86	8,001,722.94

(1) At the end of the period, the Company had no pledged notes receivable

(2) At the end of the period, the Company had notes receivable that have been endorsed or discounted but are not yet due

Category	Closing Derecognized Amount	Closing Underecognized Amount
Bank acceptance bills	**735,028.00**	27,040.00
Total	**735,028.00**	27,040.00

(3) At the end of the period, the Company had no notes transferred to accounts receivable due to the drawer's non-performance

(4) Classified by bad debt accrual method

Category	Closing Balance Carrying Balance Amount	Carrying Balance Proportion (%)	Provision for Bad Debts Amount	Provision for Bad Debts Expected Credit Loss Rate (%)	Carrying value
Provision for bad debts on a combination basis	**27,040.00**	**100.00**			**27,040.00**
Including:					
Bank acceptance bills	**27,040.00**	**100.00**			**27,040.00**
Commercial acceptance bills					
Total	**27,040.00**	**100.00**			**27,040.00**

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable (Continued)

(4) Classified by bad debt accrual method (Continued)

Combined accrual item: Bank acceptance bill

Name	Closing Balance Notes Receivable	Closing Balance Provision for Bad Debts	Closing Balance Expected Credit Loss Rate (%)	Prior Ending Balance Notes Receivable	Prior Ending Balance Provision for Bad Debts	Prior Ending Balance Expected Credit Loss Rate (%)
Bank acceptance bills	27,040.00			2,228,750.00		
Total	27,040.00			2,228,750.00		

Combined accrual item: Commercial acceptance bill

Name	Closing Balance Notes Receivable	Closing Balance Provision for Bad Debts	Closing Balance Expected Credit Loss Rate (%)	Prior Ending Balance Notes Receivable	Prior Ending Balance Provision for Bad Debts	Prior Ending Balance Expected Credit Loss Rate (%)
Commercial acceptance bills				5,831,285.80	58,312.86	1.00
Total				5,831,285.80	58,312.86	1.00

(5) Current provision for bad debts as accrued, recovered or reversed

	Amount of Provision for Bad Debts
Opening balance	58,312.86
Current accrual	
Current recovery or reversal	58,312.86
Current written-off	
Closing balance	

(6) There were no notes receivable actually written off in the period.

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable

(1) Disclosure by aging

An aging analysis of accounts receivables (including amounts due from related parties) as at the transaction date is as follows:

Aging	Closing Balance	Prior Ending Balance
Within 1 year	**1,980,639,539.51**	1,233,139,302.02
1 to 2 years	**38,412,049.09**	9,861,871.62
2 to 3 years	**4,945,772.43**	1,391,925.83
Over 3 years	**1,395,365.79**	34,896.31
Subtotal	**2,025,392,726.82**	1,244,427,995.78
Less: Provision for bad debts	**27,672,562.04**	14,313,892.30
Total	**1,997,720,164.78**	1,230,114,103.48

(2) Classified disclosure by bad debt accrual method

	Closing Balance				
	Carrying Balance		Provision for Bad Debts		
Category	Amount	Proportion (%)	Amount	Expected Credit Loss Rate (%)	Carrying Value
Provision for bad debts on an individual basis					
Provision for bad debts on a combination basis	2,025,392,726.82	100.00	27,672,562.04	1.37	1,997,720,164.78
Including:					
Accounts receivable from related parties within the scope of combination					
Other customers	2,025,392,726.82	100.00	27,672,562.04	1.37	1,997,720,164.78
Total	2,025,392,726.82	100.00	27,672,562.04	1.37	1,997,720,164.78

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (Continued)

(2) Classified disclosure by bad debt accrual method (Continued)

Continued:

	Prior Ending Balance				
	Carrying Balance		Provision for Bad Debts		
Category	Amount	Proportion (%)	Amount	Expected Credit Loss Rate (%)	Carrying Value
Provision for bad debts on an individual basis					
Provision for bad debts on a combination basis	1,244,427,995.78	100.00	14,313,892.30	1.15	1,230,114,103.48
Including:					
Accounts receivable from related parties within the scope of combination					
Other customers	1,244,427,995.78	100.00	14,313,892.30	1.15	1,230,114,103.48
Total	1,244,427,995.78	100.00	14,313,892.30	1.15	1,230,114,103.48

Accounts receivable for which bad debt provisions are accrued by combination

Combined accrual item: Other customers

	Closing Balance			Prior Ending Balance		
Aging	**Carrying Balance**	**Provision for Bad Debts**	**Expected Credit Loss Rate (%)**	Carrying Balance	Provision for Bad Debts	Expected Credit Loss Rate (%)
Within 1 year	**1,980,639,539.51**	**19,963,105.14**	**1.01**	1,233,139,302.02	12,596,845.90	1.02
1 to 2 years	**38,412,049.09**	**3,841,204.90**	**10.00**	9,861,871.62	986,187.17	10.00
2 to 3 years	**4,945,772.43**	**2,472,886.21**	**50.00**	1,391,925.83	695,962.92	50.00
Over 3 years	**1,395,365.79**	**1,395,365.79**	**100.00**	34,896.31	34,896.31	100.00
Total	**2,025,392,726.82**	**27,672,562.04**	**1.37**	1,244,427,995.78	14,313,892.30	1.15

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (Continued)

(3) Current provision for bad debts as accrued, recovered or reversed

	Amount of Provision for Bad Debts
Opening balance	14,313,892.30
Current accrual	13,358,669.74
Current recovery or reversal	
Current written-off	
Closing balance	27,672,562.04

(4) There were no accounts receivable actually written off in the current period

(5) Top 5 entities in terms of closing balances of accounts receivable and contract assets aggregated by debtor

Unit Name	Closing Balance of Accounts Receivable	Closing Balance of Contract Assets	Closing Balances of Accounts Receivable and Contract Assets	Proportion to Total Closing Balances of Accounts Receivable and Contract Assets (%)	Closing Balances of Provision for Bad Debts for Accounts Receivable and Impairment Reserves for Contract Assets
First	596,196,088.76		596,196,088.76	29.44	8,985,546.19
Second	378,831,909.70		378,831,909.70	18.70	3,788,319.10
Third	323,263,382.21		323,263,382.21	15.96	3,232,633.82
Fourth	303,980,556.49		303,980,556.49	15.01	3,049,582.95
Fifth	228,737,057.49		228,737,057.49	11.29	2,287,370.57
Total	1,831,008,994.65		1,831,008,994.65	90.40	21,343,452.63

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Prepayments

(1) Prepayments by aging

	Closing Balance		Prior Ending Balance	
Aging	Amount	Proportion%	Amount	Proportion%
Within 1 year	**161,625,978.02**	**95.84**	22,779,992.41	93.43
1 to 2 years	**5,809,990.84**	**3.45**	90,610.21	0.37
2 to 3 years	**3,000.00**	**—**	333,382.99	1.37
Over 3 years	**1,200,540.70**	**0.71**	1,176,555.95	4.83
Total	**168,639,509.56**	**100.00**	24,380,541.56	100.00

(2) Top 5 entities in terms of closing balance of prepayments aggregated by prepayment recipient

Unit Name	Closing Balance of Prepayments	Proportion to Total Closing Balance of Prepayments (%)
First	60,000,000.00	35.58
Second	35,000,000.00	20.75
Third	19,754,202.02	11.71
Fourth	14,057,600.00	8.34
Fifth	8,026,616.00	4.76
Total	136,838,418.02	81.14

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

Item	Closing Balance	Prior Ending Balance
Interest receivable		
Dividends receivable		
Other receivables	**8,416,085.80**	14,660,232.68
Total	**8,416,085.80**	14,660,232.68

(1) Other receivables

① *Disclosure by aging*

Aging	Closing Balance	Prior Ending Balance
Within 1 year	**1,894,103.92**	9,490,536.28
1 to 2 years	**5,834,377.50**	3,955,518.52
2 to 3 years	**2,731,494.72**	4,168,510.43
Over 3 years	**2,062,556.66**	2,749,123.04
Subtotal	**12,522,532.80**	20,363,688.27
Less: Provision for bad debts	**4,106,447.00**	5,703,455.59
Total	**8,416,085.80**	14,660,232.68

② *Disclosure by fund nature*

	Closing Amount			Prior Ending Amount		
Item	Carrying Balance	Provision for Bad Debts	Carrying Value	Carrying Balance	Provision for Bad Debts	Carrying Value
Deposits and margins	**12,292,536.71**	**4,047,522.09**	**8,245,014.62**	19,381,490.43	5,081,401.77	14,300,088.66
Intercourse funds and advanced payments	**229,996.09**	**58,924.91**	**171,071.18**	982,197.84	622,053.82	360,144.02
Total	**12,522,532.80**	**4,106,447.00**	**8,416,085.80**	20,363,688.27	5,703,455.59	14,660,232.68

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(1) Other receivables (Continued)

③ Status of provision for bad debts

Provision for bad debts in the first stage at the end of the period

Category	Carrying Balance	Expected Credit Loss Rate in the Next 12 Months (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	**154,472.83**	**5.00**	**7,723.65**	**146,749.18**
Deposits and margins	**1,739,631.09**	**5.00**	**86,981.55**	**1,652,649.54**
Total	**1,894,103.92**	**5.00**	**94,705.20**	**1,799,398.72**

Provision for bad debts in the second stage at the end of the period

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	**42,644.00**	**42.97**	**18,322.00**	**24,322.00**
Deposits and margins	**8,523,228.22**	**22.65**	**1,930,863.14**	**6,592,365.08**
Total	**8,565,872.22**	**22.76**	**1,949,185.14**	**6,616,687.08**

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(1) Other receivables (Continued)

③ *Status of provision for bad debts (Continued)*

Provision for bad debts in the third stage at the end of the period

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	**32,879.26**	**100.00**	**32,879.26**	
Deposits and margins	**2,029,677.40**	**100.00**	**2,029,677.40**	
Total	**2,062,556.66**	**100.00**	**2,062,556.66**	

Provision for bad debts in the first stage at the end of prior year

Category	Carrying Balance	Expected Credit Loss Rate in the Next 12 Months (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	268,242.68	5.00	13,410.83	254,831.85
Deposits and margins	9,222,293.60	5.00	461,114.67	8,761,178.93
Total	9,490,536.28	5.00	474,525.50	9,016,010.78

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(1) Other receivables (Continued)

③ Status of provision for bad debts (Continued)

Provision for bad debts in the second stage at the end of prior year

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	117,013.52	10.00	11,701.35	105,312.17
Deposits and margins	8,007,015.43	30.82	2,468,105.70	5,538,909.73
Total	8,124,028.95	30.52	2,479,807.05	5,644,221.90

Provision for bad debts in the third stage at the end of prior year

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	596,941.64	100.00	596,941.64	
Deposits and margins	2,152,181.40	100.00	2,152,181.40	
Total	2,749,123.04	100.00	2,749,123.04	

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(1) Other receivables (Continued)

④ *Current provision for bad debts as accrued, recovered or reversed*

Provision for Bad Debts	Phase I Expected Credit Loss in the Next 12 Months	Phase II Expected Credit Loss for the Entire Duration (No Impairment of Credit Occurred)	Phase III Expected Credit Loss for the Entire Duration (Impairment of Credit Occurred)	Total
Opening Balance	474,525.50	2,479,807.05	2,749,123.04	5,703,455.59
Opening balance in the current period				
— Transfer to Phase II	-459,077.68	459,077.68		
— Transfer to Phase III				
— Reverse to Phase II				
— Reverse to Phase I				
Current accrual	79,257.38			79,257.38
Current reversal		989,699.59	223,169.77	1,212,869.36
Current resale			463,396.61	463,396.61
Current written-off				
Other changes				
Closing Balance	94,705.20	1,949,185.14	2,062,556.66	4,106,447.00

⑤ *Other receivables actually written off in the current period*

Item	Write-off Amount
Blue Castle	463,396.61

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(1) Other receivables (Continued)

⑥ *Top 5 entities in terms of closing balance of other receivables aggregated by debtor*

Unit Name	Fund Nature	Closing Balance of Other Receivables	Aging	Proportion to Total Closing Balance of Other Receivables (%)	Provision for Bad Debts Closing Balance
Yokogawa Rental & Lease Corporation	Deposits and margins	4,641,301.60	1 to 2 years	37.06	464,130.16
The IRVINE COMPANY LLC	Deposits and margins	2,493,628.46	2 to 3 years	19.91	1,246,814.23
Shanghai Shenzhou New Energy Development Co., Ltd.	Deposits and margins	1,809,677.40	Over 3 years	14.45	1,809,677.40
China Export & Credit Insurance Corporation Shanghai Branch	Deposits and margins	1,494,104.90	Within 1 year; 1 to 2 years	11.93	119,410.49
Shenzhen ZTE Kangxun Telecom Company Limited	Deposits and margins	1,000,000.00	Within 1 year	7.99	50,000.00
Total		11,438,712.36		91.34	3,690,032.28

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

(1) Classification of inventories

Item	Closing Balance			Prior Ending Balance		
	Carrying Balance	Depreciation Reserves/ Impairment Reserves of Contract Performance Cost	Carrying Value	Carrying Balance	Depreciation Reserves/ Impairment Reserves of Contract Performance Cost	Carrying Value
Raw materials	**1,577,851,622.68**	**56,442,694.42**	**1,521,408,928.26**	1,054,035,289.21	38,789,547.90	1,015,245,741.31
In-process products	**495,049,839.92**	**10,421,517.48**	**484,628,322.44**	249,327,802.65	3,227,948.37	246,099,854.28
Goods in stock	**201,194,748.72**	**19,341,138.06**	**181,853,610.66**	269,096,545.62	2,160,465.90	266,936,079.72
Goods issued	**54,482,012.07**		**54,482,012.07**	9,581,859.70		9,581,859.70
Consigned processing materials	**133,381,053.79**		**133,381,053.79**	147,680,855.32		147,680,855.32
Total	**2,461,959,277.18**	**86,205,349.96**	**2,375,753,927.22**	1,729,722,352.50	44,177,962.17	1,685,544,390.33

(2) Inventory depreciation reserves and contract performance cost impairment reserves

Item	Opening Balance	Current Increase Accrual	Current Decrease Reversal or Writing-off	Closing Balance
Raw materials	38,789,547.90	19,896,555.43	2,243,408.91	56,442,694.42
In-process products	3,227,948.37	7,220,999.49	27,430.38	10,421,517.48
Goods in stock	2,160,465.90	17,192,477.00	11,804.84	19,341,138.06
Total	44,177,962.17	44,310,031.92	2,282,644.13	86,205,349.96

7. Other current assets

Item	Closing Balance	Prior Ending Balance
Input tax to be deducted	**164,099,891.67**	90,144,811.34
Prepaid income tax	**47,744,404.84**	51,363,277.05
Japanese consumption tax to be deducted	**2,353,122.57**	1,621,161.67
Total	**214,197,419.08**	143,129,250.06

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Long-term equity investments

			Current Movement									
Investee	Opening Balance (Carrying Value)	Opening Balance of Impairment Reserves	Additional/New Investment	Reduced Investment	Investment Gains and Losses Recognized under the Equity Method	Adjustment to Other Comprehensive Income	Changes in Other Equity	Declared Cash Dividends or Profits	Accrual of Impairment Reserves	Others	Closing Balance (Carrying Value)	Closing Balance of Impairment Reserves
① Joint venture												
Subtotal												
② Associate												
Nanjing Casela Technologies Corporation Limited			128,737,434.00								128,737,434.00	
Subtotal			128,737,434.00								128,737,434.00	
Total			128,737,434.00								128,737,434.00	

9. Other non-current financial assets

Category	Closing Balance	Prior Ending Balance
Equity instrument investments	**14,560,490.00**	14,560,490.00
Total	**14,560,490.00**	14,560,490.00

10. Fixed assets

Item	Closing Balance	Prior Ending Balance
Fixed assets	**874,474,927.65**	423,230,012.49
Total	**874,474,927.65**	423,230,012.49

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Fixed assets (Continued)

(1) Fixed assets

① Status of fixed assets

Item	Houses and Buildings	Machinery and Equipment	Means of Transportation	Electronic Equipment	Instruments and Meters	Production Equipment	Office Equipment	Total
I. Original carrying value:								
1. Opening balance	92,580,970.12	271,518,343.89	2,664,846.85	56,308,024.80	457,843,953.88	299,212,888.87	7,249,956.07	1,187,378,984.48
2. Current increase	246,776,455.16	34,151,864.25	134,070.79	11,737,276.81	125,492,512.36	159,952,279.85	561,761.04	578,806,220.26
(1) Acquisition		2,888,927.31	134,070.79	8,788,570.85	11,441,802.32	19,996,539.77	539,033.57	43,788,944.61
(2) Transfer-in of construction in progress	246,776,455.16	31,262,919.08		2,948,705.96	114,050,710.04	139,955,740.08	22,599.17	535,017,129.49
(3) Exchange rate adjustment		17.86					128.30	146.16
3. Current decrease		2,298,773.89	554,800.00	2,053,649.78	5,702,467.60	13,246,267.96	581,880.69	24,437,839.92
(1) Disposal or scrapping		1,700,106.27		1,875,447.96	3,762,053.50	12,209,036.03	427,381.35	19,974,025.11
(2) Exchange rate adjustment		598,667.62		178,201.82	1,940,414.10	1,037,231.93	154,499.34	3,909,014.81
(3) Others			554,800.00					554,800.00
4. Closing balance	339,357,425.28	303,371,434.25	2,244,117.64	65,991,651.83	577,633,998.64	445,918,900.76	7,229,836.42	1,741,747,364.82
II. Accumulated depreciation								
1. Opening balance	45,904,730.28	137,847,971.11	1,554,751.84	51,262,442.14	288,879,210.63	234,176,228.30	4,523,637.69	764,148,971.99
2. Current increase	9,956,390.99	32,207,079.89	148,856.85	3,152,983.66	52,785,719.48	24,551,683.71	662,943.25	123,465,657.83
(1) Accrual	9,956,390.99	32,207,077.80	148,856.85	3,152,983.66	52,785,719.48	24,551,683.71	662,922.07	123,465,634.56
(2) Exchange rate adjustment		2.09					21.18	23.27
3. Current decrease		1,730,956.73		1,894,761.59	4,691,122.26	11,521,496.59	503,855.48	20,342,192.65
(1) Disposal or scrapping		1,261,958.51		1,739,023.71	3,571,716.19	11,352,597.70	427,381.28	18,352,677.39
(2) Exchange rate adjustment		468,998.22		155,737.88	1,119,406.07	168,898.89	76,474.20	1,989,515.26
(3) Others								
4. Closing balance	55,861,121.27	168,324,094.27	1,703,608.69	52,520,664.21	336,973,807.85	247,206,415.42	4,682,725.46	867,272,437.17
III. Impairment reserves								
1. Opening balance								
2. Current increase								
(1) Accrual								
(2) Other increases								
3. Current decrease								
(1) Disposal or scrapping								
(2) Other decreases								
4. Closing balance								
IV. Carrying value								
1. Closing carrying value	283,496,304.01	135,047,339.98	540,508.95	13,470,987.62	240,660,190.79	198,712,485.34	2,547,110.96	874,474,927.65
2. Opening carrying value	46,676,239.84	133,670,372.78	1,110,095.01	5,045,582.66	168,964,743.25	65,036,660.57	2,726,318.38	423,230,012.49

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Fixed assets (Continued)

(1) Fixed assets (Continued)

② Temporarily idle fixed assets: Not applicable

③ Fixed assets leased out through operating lease: Not applicable

④ Fixed assets without property right certificate: Not applicable

11. Construction in progress

Item	Closing Balance	Prior Ending Balance
Construction in progress	**457,643,424.22**	227,366,548.70
Total	**457,643,424.22**	227,366,548.70

(1) Construction in progress

① *Details of construction in progress*

Item	Closing Balance			Prior Ending Balance		
	Carrying Balance	Impairment Reserves	Net Carrying Value	Carrying Balance	Impairment Reserves	Net Carrying Value
Houses and buildings				127,821,611.02		127,821,611.02
Production equipment				435,595.07		435,595.07
Self-built equipment	**457,643,424.22**		**457,643,424.22**	99,109,342.61		99,109,342.61
Total	**457,643,424.22**		**457,643,424.22**	227,366,548.70		227,366,548.70

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

(1) Construction in progress (Continued)

② Changes in significant constructions in progress

Project Name	Opening Balance	Current Increase	Amount Transferred to Fixed Assets	Other Decrease	Accumulated Amount of Interest Capitalization	Including: Current Amount of Interest Capitalization	Current Rate of Interest Capitalization (%)	Closing Balance
Cambridge Technology Optoelectronic Technology Smart Manufacturing Base Project — Buildings and Structures	127,821,611.02	118,954,844.14	246,776,455.16					
Total	127,821,611.02	118,954,844.14	246,776,455.16					

Changes in significant constructions in progress (continued):

Project Name	Budget	Proportion of Accumulated Project Investment to Budget (%)	Project Progress	Source of Funds
Cambridge Technology Optoelectronic Technology Smart Manufacturing Base Project — Buildings and Structures	RMB 242.825 million	101.63%	100.00%	Self-funded
Total	RMB 242.825 million	101.63%	100.00%	

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Right-of-use assets

Item		Houses and Buildings	Total
I.	Original carrying value:		
	1. Opening balance	239,137,582.47	239,137,582.47
	2. Current increase	5,278,635.60	5,278,635.60
	(1) Lease-in	5,277,852.64	5,277,852.64
	(2) Exchange rate adjustment	782.96	782.96
	3. Current decrease	5,356,946.62	5,356,946.62
	(1) Lease expiration		
	(2) Other decreases		
	(3) Exchange rate adjustment	5,356,946.62	5,356,946.62
	4. Closing balance	239,059,271.45	239,059,271.45
II.	Accumulated depreciation		
	1. Opening balance	90,432,266.51	90,432,266.51
	2. Current increase	24,634,046.50	24,634,046.50
	(1) Accrual	24,633,771.80	24,633,771.80
	(2) Exchange rate adjustment	274.70	274.70
	3. Current decrease	2,377,538.80	2,377,538.80
	(1) Lease expiration		
	(2) Other decreases	98,495.03	98,495.03
	(3) Exchange rate adjustment	2,279,043.77	2,279,043.77
	4. Closing balance	112,688,774.21	112,688,774.21
III.	Impairment reserves		
	1. Opening balance		
	2. Current increase		
	(1) Accrual		
	3. Current decrease		
	(1) Lease expiration		
	(2) Other decreases		
	4. Closing balance		
IV.	Carrying value		
	1. Closing carrying value	126,370,497.24	126,370,497.24
	2. Opening carrying value	148,705,315.96	148,705,315.96

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets

(1) Status of intangible assets

Item	Land Use Rights	Software	Patent Licensing Rights	Intangible Assets Capitalized during Internal Development	Total
I. Original carrying value					
1. Opening balance	35,565,282.00	170,809,708.21	65,600,000.00	812,802,039.74	1,084,777,029.95
2. Current increase		5,386,324.00		130,699,489.93	136,085,813.93
(1) Acquisition		5,386,324.00			5,386,324.00
(2) Internal R&D				130,699,489.93	130,699,489.93
3. Current decrease		5,680,796.42		8,403,113.15	14,083,909.57
(1) Other decreases		5,680,796.42		8,403,113.15	14,083,909.57
4. Closing balance	35,565,282.00	170,515,235.79	65,600,000.00	935,098,416.52	1,206,778,934.31
II. Accumulated depreciation					
1. Opening balance	770,581.11	119,808,873.07	55,881,481.49	439,028,514.35	615,489,450.02
2. Current increase	711,305.64	10,064,603.12	9,718,518.51	113,352,468.98	133,846,896.25
(1) Accrual	711,305.64	10,064,603.12	9,718,518.51	113,352,468.98	133,846,896.25
3. Current decrease		107,651.15		2,708,000.45	2,815,651.60
(1) Other decreases		107,651.15		2,708,000.45	2,815,651.60
4. Closing balance	1,481,886.75	129,765,825.04	65,600,000.00	549,672,982.88	746,520,694.67
III. Impairment reserves					
1. Opening balance				23,919,243.90	23,919,243.90
2. Current increase					
(1) Accrual					
(2) Other increases					
3. Current decrease					
(1) Disposal					
(2) Other decreases					
4. Closing balance				23,919,243.90	23,919,243.90
IV. Carrying value					
1. Closing carrying value	34,083,395.25	40,749,410.75		361,506,189.74	436,338,995.74
2. Opening carrying value	34,794,700.89	51,000,835.14	9,718,518.51	349,854,281.49	445,368,336.03

At the end of the period, the proportion of intangible assets formed through internal research and development to the balance of intangible assets was 82.85%.

(2) Land use right without property right certificate: None

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Development expenditures

	Opening Balance	Current Increase	Current Decrease	Closing Balance
Development expenditures	133,124,425.04	101,179,210.84	130,699,489.93	103,604,145.95

For details, please refer to Note VI — Research and Development Expenditures.

15. Goodwill

(1) Original carrying value of goodwill

Name of Investee or Matters Forming Goodwill	Opening Balance	Current Increase Formation by Business Combination	Current Decrease Disposal	Closing Balance
Actiontec Electronics, Inc	98,968,519.23			98,968,519.23
Total	98,968,519.23			98,968,519.23

(2) Impairment reserves of goodwill: Not applicable

(3) Information about the asset group or combination of asset groups to which goodwill belongs

Name of Investee or Matters Forming Goodwill	Composition and Basis of the Asset Group or Combination	Operating Segment and Basis	Consistent with Prior Year or Not
Actiontec Electronics, Inc.	Generating cash flow through independent operations	Not applicable	Yes

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Goodwill (Continued)

(3) Information about the asset group or combination of asset groups to which goodwill belongs (Continued)

The asset group or combination of asset groups has not changed

Name of Investee or Matters Forming Goodwill	Composition before Change	Composition after Change	Change-leading Objective Facts and Basis
Actiontec Electronics, Inc.	No change during the current period	No change during the current period	Not applicable

(4) Specific determination methods for recoverable amount

The recoverable amount is determined as the net amount of fair value less disposal expenses:

The recoverable amount of an asset group is determined based on the higher of the following two values: the present value of the expected future operating net cash flows over the life of the assessed asset, and the net amount of the market value (fair value) of the assessed asset less disposal expenses and relevant taxes and fees.

The present value of the expected future net cash flows of the asset group is calculated using the cash flow forecasting method, based on the Management's budget for the next five years and an adjusted discount rate. It also incorporates a stable growth rate to extrapolate cash flows beyond the detailed five-year forecast period. Specifically, the cash flow forecast period spans from 2026 to 2030 (followed by a perpetuity period), with a discount rate of 17.54%.

Other key data used in the impairment test include operating revenue, operating costs, related expenses, and capital expenditures.

According to the asset appraisal report issued by Beijing Zhongqihua Asset Appraisal Co., Ltd., which was engaged by the Company, no impairment of goodwill has occurred to Actiontec Electronics, Inc. upon testing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Long-term deferred expenses

Item	Opening Balance	Current Increase	Current Decrease		Closing Balance
			Current Amortization	Other Decrease	
Renovation expenses for Jiashan Cleanroom		13,069,724.77			13,069,724.77
Renovation expenses for the R&D Center in the United States	1,731,533.67		286,213.69		1,445,319.98
Renovation expenses for the office building in Shanghai		970,122.05	188,634.84		781,487.21
Renovation expenses for the office building in Taiwan	1,025,640.69	10,351.84	283,293.29		752,699.24
Renovation and alteration expenditures for leased properties	2,212,078.96		2,212,078.96		
Total	4,969,253.32	14,050,198.66	2,970,220.78		16,049,231.20

17. Deferred income tax assets and deferred income tax liabilities

(1) Unoffset deferred income tax assets and deferred income tax liabilities

Item	Closing Balance		Prior Ending Balance	
	Deductible/ Taxable Temporary Differences	Deferred Income Tax Assets/ Liabilities	Deductible/ Taxable Temporary Differences	Deferred Income Tax Assets/ Liabilities
Deferred income tax assets:				
Provision for asset impairment	**81,475,265.61**	**12,423,020.78**	51,975,830.11	7,830,623.14
Deferred income	**53,827,703.11**	**8,074,155.47**	40,142,595.33	6,021,389.30
Deductible loss	**123,975,040.43**	**18,596,256.06**	123,975,040.43	18,596,256.06
Lease liabilities	**1,835,578.96**	**326,967.40**		
Subtotal	**261,113,588.11**	**39,420,399.71**	216,093,465.87	32,448,268.50
Deferred income tax liabilities:				
Depreciation of fixed assets	**39,524,815.18**	**5,928,722.28**	170,547,546.64	25,582,132.00
Appraisal appreciation of intangible assets arising from business combination not under common control			9,718,518.51	2,823,424.53
Right-of-use assets	**2,022,519.41**	**377,639.50**	257,394.95	64,348.74
Subtotal	**41,547,334.59**	**6,306,361.78**	180,523,460.10	28,469,905.27

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Other non-current assets

Item	Closing Balance			Prior Ending Balance		
	Carrying Balance	Impairment Reserves	Carrying Value	Carrying Balance	Impairment Reserves	Carrying Value
Prepaid equipment funds	**50,286,716.04**		**50,286,716.04**	25,044,190.42		25,044,190.42
Prepayments for intangible assets	**3,993,009.27**		**3,993,009.27**	1,858,040.72		1,858,040.72
Total	**54,279,725.31**		**54,279,725.31**	26,902,231.14		26,902,231.14

19. Assets with restricted ownership or use rights

Item	Closing Carrying Balance	Closing Carrying Value	Restriction Type	Restriction Status
None				
Total				

Continued:

Item	Prior Ending Carrying Balance	Prior Ending Carrying Value	Restriction Type	Restriction Status
Cash and cash equivalents	20,000,000.00	20,000,000.00	Pledge	Notes margins
Total	20,000,000.00	20,000,000.00		

20. Short-term borrowings

(1) Classification of short-term borrowings

Item	Closing Balance	Prior Ending Balance
Credit borrowings	**1,937,180,557.24**	989,662,810.83
Short-term borrowings — Interest payable	**2,733,149.23**	1,945,841.31
Total	**1,939,913,706.47**	991,608,652.14

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Notes payable

Category	Closing Balance	Prior Ending Balance
Commercial acceptance bills	**49,445,057.64**	117,281,967.01
Total	**49,445,057.64**	117,281,967.01

There were no notes payable due but unpaid at the end of the period.

22. Accounts payable

(1) Accounts payable disclosed by nature

Item	Closing Balance	Prior Ending Balance
Accounts payable to suppliers	**1,779,655,480.60**	1,160,457,402.40
Total	**1,779,655,480.60**	1,160,457,402.40

(2) Significant accounts payable aging over 1 year

At the end of the period, the Group has no significant accounts payable with an aging of more than 1 year or overdue.

The aging analysis of accounts payable (including accounts payable to related parties) based on the transaction date is as follows:

Item	Closing Balance	Prior Ending Balance
Within one year	**1,777,138,716.80**	1,147,984,031.60
1–2 years	**95,173.33**	9,883,881.36
2–3 years	**1,525,924.41**	36,180.90
Over 3 years	**895,666.06**	2,553,308.55
Total	**1,779,655,480.60**	1,160,457,402.40

23. Contract liabilities

Item	Closing Balance	Prior Ending Balance
Prepayments for goods	**7,073,810.84**	33,363,013.63
Total	**7,073,810.84**	33,363,013.63

There were no significant contract liabilities aged for over 1 year at the end of the period

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Employee benefits payable

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Short-term benefits	22,328,189.18	424,133,314.06	420,208,515.53	26,252,987.71
Post-employment benefits — defined contribution plan	15,349,488.02	56,505,964.77	56,001,525.40	15,853,927.39
Total	37,677,677.20	480,639,278.83	476,210,040.93	42,106,915.10

(1) Short-term benefits

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Salaries, bonuses, allowances and subsidies	17,899,448.81	363,869,013.05	360,590,795.32	21,177,666.54
Employee welfare	42,423.42	2,815,997.41	2,792,729.66	65,691.17
Social insurance premiums	2,232,480.63	28,592,765.90	28,221,187.37	2,604,059.16
Including: 1. Medical insurance premiums	1,627,730.00	24,626,694.44	24,329,822.58	1,924,601.86
2. Work-related injury insurance premiums	24,000.76	539,558.88	525,302.82	38,256.82
3. Others	580,749.87	3,426,512.58	3,366,061.97	641,200.48
Housing accumulation fund	2,153,836.32	28,855,537.70	28,603,803.18	2,405,570.84
Total	22,328,189.18	424,133,314.06	420,208,515.53	26,252,987.71

(2) Defined contribution plan

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Post-employment benefits				
Including: Basic endowment insurance premiums	3,511,544.82	54,206,108.35	53,565,757.65	4,151,895.52
Unemployment insurance premiums	11,837,943.20	2,299,856.42	2,435,767.75	11,702,031.87
Total	15,349,488.02	56,505,964.77	56,001,525.40	15,853,927.39

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Taxes and fees payable

Taxes	Closing Balance	Prior Ending Balance
VAT	**21,434,284.55**	7,264,209.84
Enterprise income tax	**270,212.20**	381,428.94
Individual income tax	**2,572,463.64**	2,326,230.86
Urban maintenance and construction tax	**2,857.05**	88,583.34
Educational surcharge	**2,541.95**	63,691.22
Property tax	**181,047.87**	181,047.83
Stamp duty	**2,899,275.75**	835,823.57
River management fees	**161.90**	
Total	**27,362,844.91**	11,141,015.60

26. Other payables

Item	Closing Balance	Prior Ending Balance
Interest payable		
Dividends payable	**146,008.14**	1,710,298.31
Other payables	**46,501,291.64**	53,251,301.31
Total	**46,647,299.78**	54,961,599.62

(1) Dividends payable

Item	Closing Balance	Prior Ending Balance
Common stock dividends	**146,008.14**	1,710,298.31
Total	**146,008.14**	1,710,298.31

Note: There were no outstanding dividends payable that have remained unpaid for more than 1 year at the end of the period.

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables (Continued)

(2) Other payables (listed by fund nature)

Item	Closing Balance	Prior Ending Balance
Share-based Payment		18,228,425.83
Intercourse funds and advanced payments	**10,510,229.09**	24,012,643.42
Accrued expenses	**17,579,140.21**	7,483,569.16
Labor outsourcing services	**18,399,042.34**	3,516,662.90
Deposits and margins	**12,880.00**	10,000.00
Total	**46,501,291.64**	53,251,301.31

Specifically, there were no significant other payables aged for over 1 year.

27. Non-current liabilities due within one year

Item	Closing Balance	Prior Ending Balance
Long-term borrowings due within one year	**246,416,194.33**	91,020.41
Lease liabilities due within one year	**22,360,586.08**	20,133,657.16
Total	**268,776,780.41**	20,224,677.57

Long-term borrowings due within one year

Item	Closing Balance	Prior Ending Balance
Credit borrowings	**246,416,194.33**	91,020.41
Total	**246,416,194.33**	91,020.41

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Other current liabilities

Item	Closing Balance	Prior Ending Balance
Notes receivable not derecognized	**27,040.00**	2,260,035.80
Output tax to be written off	**16,818.78**	28,777.37
Sale-and-leaseback lease payments due within one year	**11,279,999.99**	
Total	**11,323,858.77**	2,288,813.17

29. Long-term borrowings

Item	Closing Balance	Interest Rate Range	Prior Ending Balance	Interest Rate Range
Credit borrowings	**246,200,000.00**	**2.80%–3.35%**	91,900,000.00	3.25%–3.35%
Subtotal	**246,200,000.00**		91,900,000.00	
Less: Long-term borrowings due within one year	**246,200,000.00**			
Total			91,900,000.00	

30. Lease liabilities

Item	Closing Balance	Prior Ending Balance
Lease liabilities	**155,774,203.46**	181,650,415.19
Unrecognized financing expenses	**–18,786,845.34**	–25,578,656.86
Subtotal	**136,987,358.12**	156,071,758.33
Less: Lease liabilities due within 1 year	**22,360,586.08**	20,133,657.16
Total	**114,626,772.04**	135,938,101.17

The interest expenses on lease liabilities accrued in 2025 amounted to RMB6.6094 million, which was recorded under “financial expenses — interest expenditure”.

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred income

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance	Cause of Formation
Government subsidies	42,512,595.33	30,000,000.00	18,684,892.22	53,827,703.11	Government allocation
Total	42,512,595.33	30,000,000.00	18,684,892.22	53,827,703.11	

Details of government subsidies accounted for as deferred income can be found in Note VIII — Government Subsidies.

32. Share capital (in shares)

Item	Opening Balance	Current Movement (+, —)					Closing Balance
		Issue of New Shares	Bonus Share	Conversion of Capital Reserves into Share Capital	Others	Subtotal	
Total shares	268,041,841	84,630,532.00			−22,000.00	84,608,532.00	352,650,373.00

Note: For details on changes in share capital during the current period, please refer to the relevant descriptions in Note I — Basic Information about the Enterprise.

33. Capital reserve

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Equity premium	1,377,220,653.38	4,866,367,496.79	23,094,665.99	6,220,493,484.18
Other capital reserve	75,463,923.64	5,920,216.67	8,761.65	81,375,378.66
Total	1,452,684,577.02	4,872,287,713.46	23,103,427.64	6,301,868,862.84

Notes:

(1) Increase in stock premium:

A. The Company completed an overseas listing and issued new H Shares during the current period. The issuance premium was credited to capital reserve, resulting in an increase of RMB4,653,049,767.21 in capital reserve for the current period.

B. The first tranche of the stock option incentive plan met the exercise conditions during the current period. Employees exercised their options to subscribe for shares, resulting in a stock premium, which led to an increase of RMB213,317,729.58 in capital reserve for the current period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Capital reserve (Continued)

(2) Decrease in stock premium:

A. During the current period, the Company repurchased and canceled its own shares. The difference between the repurchase price and the par value of the stocks was written off against the capital reserve (share premium), resulting in a decrease of RMB114,180.00 in capital reserve for the current period.

B. The issuance expenses incurred in the issuance of new shares during the current period were written off against the capital reserve (share premium) as regulated, resulting in a decrease of RMB22,980,485.99 in capital reserve for the current period.

(3) Increase in other capital reserves:

This was primarily due to the equity incentive expenses related to stock options recognized during the current period, resulting in an increase of RMB5,920,216.67 in other capital reserves for the current period.

(4) Decrease in other capital reserves:

Due to the impact of minority shareholders on the equity incentive granted to employees of the controlled subsidiary, CIG Zhejiang Telecommunication Equipment Co., Ltd., other capital reserves at the consolidated level decreased by RMB8,761.65 during the current period.

34. Treasury stocks

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Restricted stock	18,351,072.08		18,351,072.08	
Total	18,351,072.08		18,351,072.08	

Notes:

(1) Decrease in treasury stocks:

A. The restrictive stocks met the unlocking conditions and were unblocked during this period. Accordingly, 2,942,632 treasury stocks were written off, resulting in a decrease of RMB18,214,892.08 in the treasury stock amount for the current period.

B. A total of 22,000 granted but unvested restricted stocks were repurchased and canceled during this period, resulting in a decrease of RMB136,180.00 in the treasury stock amount for the current period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income

Other comprehensive income attributable to the parent company in the balance sheet:

Item	Opening Balance (1)	Current Amount Incurred: Amount Attributable to the Parent Company After Tax (2)	Current Amount Incurred: Less: Amount Included in Other Comprehensive Income in the Prior Period but Transferred to Retained Earnings in the Current Period (3)	Closing Balance (4)=(1)+(2)−(3)
I. Other comprehensive income that cannot be reclassified into profits or losses				
II. Other comprehensive income that can be reclassified into profits or losses	−14,869,643.38	−5,827,038.08		−20,696,681.46
1. Differences on translating foreign currency financial statements	−14,869,643.38	−5,827,038.08		−20,696,681.46
Total other comprehensive income	−14,869,643.38	−5,827,038.08		−20,696,681.46

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Surplus reserve

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Statutory surplus reserve	88,426,430.78	35,165,486.66		123,591,917.44
Total	88,426,430.78	35,165,486.66		123,591,917.44

The increase in the current period is due to the extraction of statutory surplus reserve.

37. Undistributed profit

Item	Current Amount Incurred	Prior Amount Incurred	Extraction or Distribution Ratio
Undistributed profit at the end of prior year before adjustment	**534,749,900.28**	428,822,655.88	
Total adjusted amount to opening undistributed profit (+ for increase and – for decrease)			
Opening undistributed profit after adjustment	**534,749,900.28**	428,822,655.88	
Add: Current net profits attributable to shareholders of the parent company	**263,485,209.59**	166,681,204.70	
Other adjustments			
Less: Extraction of statutory surplus reserve	**35,165,486.66**	17,063,140.22	
Common stock dividends payable	**71,083,701.83**	43,690,820.08	
Closing undistributed profit	**691,985,921.38**	534,749,900.28	

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Current Amount Incurred Income	Current Amount Incurred Cost	Prior Amount Incurred Income	Prior Amount Incurred Cost
Primary business	**4,821,752,352.67**	**3,745,491,269.61**	3,649,888,766.59	2,883,527,864.29
Other business	**1,653,344.97**	**2,028,283.57**	2,162,071.17	2,129,940.64
Total	**4,823,405,697.64**	**3,747,519,553.18**	3,652,050,837.76	2,885,657,804.93

(2) Operating revenue and operating costs by industry (or product type)

Main Product Types (or Industries)	Current Amount Incurred Income	Current Amount Incurred Cost	Prior Amount Incurred Income	Prior Amount Incurred Cost
Primary business:				
Telecom broadband access terminals	**1,992,407,158.65**	**1,713,232,743.31**	2,032,688,264.33	1,650,743,066.88
Wireless network and edge computing	**1,153,962,178.57**	**934,761,127.13**	1,125,673,080.58	860,320,492.70
High-speed optical components and optical modules	**1,675,383,015.45**	**1,097,497,399.17**	491,527,421.68	372,464,304.71
Subtotal	**4,821,752,352.67**	**3,745,491,269.61**	3,649,888,766.59	2,883,527,864.29
Other business:				
Income on lease	**1,653,344.97**	**2,028,283.57**	2,162,071.17	2,129,940.64
Subtotal	**1,653,344.97**	**2,028,283.57**	2,162,071.17	2,129,940.64
Total	**4,823,405,697.64**	**3,747,519,553.18**	3,652,050,837.76	2,885,657,804.93

(3) Operating revenue and operating costs by region

Main Operating Area	Current Amount Incurred Income	Current Amount Incurred Cost	Prior Amount Incurred Income	Prior Amount Incurred Cost
Export sales	**4,529,793,771.74**	**3,493,227,911.37**	3,381,690,524.77	2,643,653,589.08
Domestic sales	**293,611,925.90**	**254,291,641.81**	270,360,312.99	242,004,215.85
Total	**4,823,405,697.64**	**3,747,519,553.18**	3,652,050,837.76	2,885,657,804.93

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Operating revenue and operating costs (Continued)

(4) Operating revenue and operating costs by timing of goods transfer

Item	Current Amount Incurred		Prior Amount Incurred	
	Income	Cost	Income	Cost
Primary business				
Including: Recognized at a certain point in time	**4,821,752,352.67**	**3,745,491,269.61**	3,649,888,766.59	2,883,527,864.29
Recognized over a period of time				
Other business				
Including: Lease income	**1,653,344.97**	**2,028,283.57**	2,162,071.17	2,129,940.64
Total	**4,823,405,697.64**	**3,747,519,553.18**	3,652,050,837.76	2,885,657,804.93

39. Business taxes and surcharges

Item	Current Amount Incurred	Prior Amount Incurred
Stamp duty	**6,019,070.52**	3,330,713.96
Property tax	**900,203.80**	952,683.70
Urban maintenance and construction tax	**3,320,354.75**	331,125.90
Educational surcharge	**3,309,478.75**	246,556.68
Land use tax	**469,851.00**	47,825.00
Vehicle and vessel tax	**2,880.00**	2,220.00
River management fees	**1,573.20**	
Total	**14,023,412.02**	4,911,125.24

The calculation and payment standards of various taxes and surcharges are as seen in Note IV — Taxes.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Selling expenses

Item	Current Amount Incurred	Prior Amount Incurred
Employee benefits	**73,144,375.74**	62,994,311.82
Office fees	**13,287,792.56**	9,015,178.29
Travel expenses	**6,609,425.34**	4,721,878.32
Service charges	**3,811,567.23**	2,155,607.17
Maintenance cost	**2,729,387.42**	2,949,648.60
Insurance premiums	**2,568,933.56**	1,120,494.14
Business entertainment expenses	**2,315,922.09**	2,103,310.27
Business promotion fees	**2,029,521.86**	872,632.00
Taxes	**1,711,611.98**	1,539,617.09
Others	**680,596.40**	514,855.34
Sample fees	**648,031.50**	1,564,645.62
Depreciation and amortization	**469,742.43**	513,227.49
Total	**110,006,908.11**	90,065,406.15

41. Administrative expenses

Item	Current Amount Incurred	Prior Amount Incurred
Employee benefits	**113,256,509.06**	85,089,600.24
Depreciation and amortization	**56,858,238.94**	54,236,009.78
Intermediary consulting fees	**29,862,375.27**	22,106,191.20
Office fees	**9,945,454.53**	7,601,713.83
Travel expenses	**6,194,986.84**	4,067,149.44
Share-based Payment	**5,920,216.67**	12,034,320.25
Service charges	**4,952,474.67**	3,868,113.12
Rental fees	**4,204,824.36**	3,489,044.21
Insurance premiums	**2,881,716.31**	2,124,766.22
Customs duties	**43,365.16**	987,280.17
Other sporadic expenses	**9,611,560.68**	2,358,602.91
Total	**243,731,722.49**	197,962,791.37

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. R&D expenses

Item	Current Amount Incurred	Prior Amount Incurred
Employee benefits	**193,942,893.23**	164,617,056.82
Depreciation and amortization	**120,933,576.12**	112,166,859.25
Service charges	**22,964,678.44**	21,752,044.60
Material expenses	**10,008,323.31**	10,641,741.68
Travel expenses	**2,871,647.96**	3,479,337.42
Other sporadic expenses	**1,981,883.07**	2,369,852.11
Rental fees	**1,485,992.03**	2,399,716.22
Office fees	**673,600.69**	2,886,346.16
Decoration fees	**119,137.57**	55,244.66
Total	**354,981,732.42**	320,368,198.92

43. Financial expenses

Item	Current Amount Incurred	Prior Amount Incurred
Interest expenses	**59,455,335.09**	52,889,974.55
Less: Interest income	**21,496,916.80**	16,399,022.81
Exchange gains or losses	**84,617,097.61**	−14,435,643.60
Commissions and others	**407,684.99**	596,415.26
Total	**122,983,200.89**	22,651,723.40

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Other income

Item	Current Amount Incurred	Prior Amount Incurred
Government subsidies	**24,994,541.05**	30,949,692.68
Refund of handling fee for withholding individual income tax	**289,133.43**	1,672,966.60
Total	**25,283,674.48**	32,622,659.28

Specific information on government subsidies is as seen in Note VIII — Government Subsidies.

45. Investment income

Item	Current Amount Incurred	Prior Amount Incurred
Investment income from disposing of long-term equity investments		6,281,022.28
Others		63,634.41
Total		6,344,656.69

46. Losses on credit impairment ("-" for losses)

Item	Current Amount Incurred	Prior Amount Incurred
Losses on bad debts of notes receivable	**58,312.86**	−58,312.86
Losses on bad debts of accounts receivable	**−13,358,669.74**	−1,626,881.33
Losses on bad debts of receivables financing		155,383.44
Losses on bad debts of other receivables	**1,133,611.98**	178,559.67
Total	**−12,166,744.90**	−1,351,251.08

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Losses on asset impairment ("-" for losses)

Item	Current Amount Incurred	Prior Amount Incurred
Inventory depreciation losses and contract performance cost impairment losses	**−42,027,387.79**	−4,113,790.45
Total	**−42,027,387.79**	−4,113,790.45

48. Income on asset disposal ("-" for losses)

Item	Current Amount Incurred	Prior Amount Incurred
Gains on disposal of fixed assets ("-" for losses)	**−252,041.08**	2,682,982.38
Gains on disposal of right-of-use assets ("-" for losses)		8,289.99
Total	**−252,041.08**	2,691,272.37

49. Non-operating revenue

Item	Current Amount Incurred	Prior Amount Incurred	Amount Included in Current Non-recurring Gains or Losses
Income on breach of contract and compensation	**448,186.48**	102,946.96	448,186.48
Gains from damage and retirement of non-current assets	**310,328.37**		310,328.37
Other sporadic projects	**83,946.08**	49,387.77	83,946.08
Total	**842,460.93**	152,334.73	842,460.93

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Non-operating expenses

Item	Current Amount Incurred	Prior Amount Incurred	Amount Included in Current Non-recurring Gains or Losses
Inventory loss	**1,431,246.73**	1,700,421.53	1,431,246.73
Losses on damage and scrapping of non-current assets	**144,653.22**	686,302.13	144,653.22
Public welfare donation expenditures	**19,998.75**	69,870.10	19,998.75
Expenditure on compensation	**15,462.82**	713,560.00	15,462.82
Other sporadic projects	**2,926.50**	174,435.51	2,926.50
Total	**1,614,288.02**	3,344,589.27	1,614,288.02

51. Income tax expenses

(1) Details of income tax expenses

Item	Current Amount Incurred	Prior Amount Incurred
Current income tax calculated according to tax laws and relevant regulations	**6,763,362.75**	3,539,951.29
Deferred income tax expenses	**−29,135,674.70**	−7,145,984.01
Total	**−22,372,311.95**	−3,606,032.72

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Income tax expenses (Continued)

(2) Relationship between income tax expenses and total profit

Item	Current Amount Incurred	Prior Amount Incurred
Total profit	**200,224,842.15**	163,435,080.02
Income tax expenses calculated at statutory (or applicable) tax rate	**30,033,726.31**	24,515,262.00
Impact of various tax rates applicable to certain subsidiaries	**−483,785.96**	−2,816,181.89
Adjustments to current income tax of prior periods	**145,401.08**	−50,341.58
Non-taxable income		431,220.00
Non-deductible costs, expenses and losses	**117,883.26**	116,917.37
Impact of tax rate changes on opening balance of deferred tax		
Tax effect of utilizing unrecognized deductible losses and deductible temporary differences from prior years (filled in with "-")	**−41,354,412.42**	−3,567,980.44
Tax impact of unrecognized deductible losses and deductible temporary differences	**25,332,191.84**	7,275,161.80
Tax impact of additional deductions for research and development expenses (filled in with "-")	**−36,163,316.06**	−29,510,089.98
Others		
Income tax expenses	**−22,372,311.95**	−3,606,032.72

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Notes to items in the Cash Flow Statement

(1) Other cash receipts relating to operating activities

Item	Current Amount Incurred	Prior Amount Incurred
Interest income	**19,842,894.68**	16,399,022.81
Non-operating revenue	**532,132.56**	152,334.73
Other income	**6,598,782.26**	22,097,924.71
Deferred income	**30,000,000.00**	22,658,500.00
Recovery of beginning restricted monetary funds during the current period	**20,000,000.00**	
Other intercourse funds among enterprises	**9,682,928.10**	6,040,139.49
Total	**86,656,737.60**	67,347,921.74

(2) Other cash payments relating to operating activities

Item	Current Amount Incurred	Prior Amount Incurred
Expense payments	**145,334,456.72**	102,554,402.73
Non-operating expenses	**38,388.07**	957,865.61
Other intercourse funds among enterprises	**13,972,466.09**	6,307,326.16
Total	**159,345,310.88**	109,819,594.50

(3) Cash payments relating to significant investment activities

Item	Current Amount Incurred	Prior Amount Incurred
Cash paid to investments	**128,737,434.00**	
Total	**128,737,434.00**	

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Notes to items in the Cash Flow Statement (Continued)

(4) Other cash receipts relating to financing activities

Item	Current Amount Incurred	Prior Amount Incurred
Repayment of loans for finance lease sale-and-leaseback transactions	**14,934,387.50**	
Total	**14,934,387.50**	

(5) Other cash payments relating to financing activities

Item	Current Amount Incurred	Prior Amount Incurred
Repayment of borrowings for finance lease sale-and-leaseback transactions	**3,871,333.33**	43,106,825.40
Rent paid for leased property	**27,738,707.24**	43,778,293.53
Intermediary fees	**20,925,769.01**	
Total	**52,535,809.58**	86,885,118.93

(6) Changes in various liabilities arising from financing activities

		Cash Changes		Non-cash Changes			
Item	Opening Balance	Cash Inflow	Cash Outflow	Accrued Interest	Changes in Fair Value	Others	Closing Balance
Short-term borrowings	991,608,652.14	2,603,328,520.46	1,701,336,397.46	46,312,931.33			1,939,913,706.47
Long-term borrowings (including those due within one year)	91,991,020.41	155,000,000.00	5,846,940.55	5,272,114.47			246,416,194.33
Lease liabilities (including those due within one year)	156,071,758.33		27,738,707.24	6,609,399.65		2,044,907.38	136,987,358.12
Total	1,239,671,430.88	2,758,328,520.46	1,734,922,045.25	58,194,445.45		2,044,907.38	2,323,317,258.92

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Supplementary information about the Cash Flow Statement

(1) Supplementary information about the Cash Flow Statement

Supplementary Information	Current Amount Incurred	Prior Amount Incurred
1. Reconciliation of net profits to cash flow from operating activities:		
Net profit	**222,597,154.10**	167,041,112.74
Add: Losses on asset impairment	**42,027,387.79**	4,113,790.45
Losses on credit impairment	**12,166,744.90**	1,351,251.08
Depreciation of fixed assets	**123,465,634.56**	112,659,234.61
Depreciation of right-of-use assets	**24,633,771.80**	42,470,470.27
Amortization of intangible assets	**133,846,896.25**	128,535,748.05
Amortization of long-term deferred expenses	**2,970,220.78**	11,291,251.08
Losses on disposal of fixed assets, intangible assets and other long-term assets (“-” for earnings)	**252,041.08**	−2,691,272.37
Losses on retirement of fixed assets (“-” for earnings)	**−165,675.15**	686,302.13
Losses on changes to fair value (“-” for earnings)		
Financial expenses (“-” for earnings)	**144,072,432.70**	38,454,330.95
Losses on investment (“-” for earnings)		−6,344,656.69
Decrease in deferred income assets (“-” for increase)	**−6,972,131.21**	−1,310,955.57
Increase in deferred income liabilities (“-” for decrease)	**−22,163,543.49**	−5,835,028.44
Decrease in inventories (“-” for increase)	**−732,236,924.68**	−116,204,035.91
Decrease in operating receivables (“-” for increase)	**−987,498,938.57**	−191,365,097.18
Increase in operating payables (“-” for decrease)	**572,356,564.54**	379,116,779.56
Others		
Net cash flows from operating activities	**−470,648,364.60**	561,969,224.76
2. Significant investing and financing activities not involved in cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
New right-of-use assets		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	**4,789,039,009.53**	507,341,089.80
Less: Beginning Balance of cash	**507,341,089.80**	417,977,056.37
Add: Closing balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	**4,281,697,919.73**	89,364,033.43

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Supplementary information about the Cash Flow Statement (Continued)

(2) Composition of cash and cash equivalents

Item	Closing Balance	Prior Ending Balance
I. Cash	**4,789,039,009.53**	507,341,089.80
Including: Cash on hand	**1,980.00**	1,980.00
Bank deposits available for payments at any time	**4,789,035,855.86**	507,337,936.98
Other monetary funds available for payments at any time	**1,173.67**	1,172.82
II. Cash equivalents		
Including: Bond investment due within 3 months		
III. Closing balance of cash and cash equivalents	**4,789,039,009.53**	507,341,089.80
Including: Restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

(3) Monetary funds not classified as cash and cash equivalents

Item	Closing Balance	Prior Ending Balance	Reasons for Not Being Classified as Cash and Cash Equivalents
Notes margins		20,000,000.00	Notes margins
Undue interest receivable	**1,654,022.12**		Undue interest receivable
Total	**1,654,022.12**	20,000,000.00	

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Foreign currency monetary items

(1) Foreign currency monetary items

Item	Closing Balance in Foreign Currency	Exchange Rate	Closing Balance in RMB
Cash and cash equivalents			4,556,984,002.94
Including: USD	100,760,049.16	7.0288	708,222,233.54
EUR	27,714.75	8.2355	228,244.82
HKD	4,240,227,103.51	0.90322	3,829,857,924.43
JPY	384,835,114.00	0.044797	17,239,458.60
TWD	6,437,210.00	0.2231	1,436,141.55
Accounts receivable			1,913,648,425.70
Including: USD	272,153,648.17	7.0288	1,912,913,562.27
JPY	16,404,300.00	0.044797	734,863.43
Other receivables			6,943,337.61
Including: USD	373,485.39	7.0288	2,625,154.11
EUR	2,176.00	8.2355	17,920.45
JPY	93,400,901.00	0.044797	4,184,080.16
TWD	520,766.00	0.2231	116,182.89
Accounts payable			2,117,455,431.58
Including: USD	301,225,173.43	7.0288	2,117,251,499.00
HKD	20,763.60	0.90322	18,754.10
JPY	4,133,725.06	0.044797	185,178.48
Other payables			10,877,495.24
Including: USD	1,514,499.74	7.0288	10,645,115.77
JPY	160,500.00	0.044797	7,189.92
TWD	1,009,366.00	0.2231	225,189.55

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Lease

(1) As the lessee

Item	Current Amount Incurred
Short-term rental expenses	24,193,016.20
Total	24,193,016.20

Note 1: The rental income derived from subleasing right-of-use assets during the current period amounted to RMB1,653,344.97.

Note 2: The total cash outflow related to leasing during the current period was RMB55,803,056.77.

VI. RESEARCH AND DEVELOPMENT EXPENDITURES

1. Research and development expenditures

Item	Current Amount Incurred		Prior Amount Incurred	
	Expensed Amount	Capitalized Amount	Expensed Amount	Capitalized Amount
Employee benefits	**193,942,893.23**	**73,041,865.74**	164,617,056.82	62,097,658.54
Depreciation and amortization	**120,933,576.12**	**4,778,531.16**	112,166,859.25	6,740,250.64
Service charges	**22,964,678.44**	**13,370,924.33**	21,752,044.60	11,825,062.39
Material expenses	**10,008,323.31**	**8,262,068.36**	10,641,741.68	6,719,614.34
Travel expenses	**2,871,647.96**	**965,193.99**	3,479,337.42	453,041.20
Other sporadic expenses	**1,981,883.07**	**399,592.47**	2,369,852.11	243,354.87
Rental fees	**1,485,992.03**	**98,801.51**	2,399,716.22	8,389.38
Office fees	**673,600.69**	**192,736.01**	2,886,346.16	97,556.12
Decoration fees	**119,137.57**	**69,497.27**	55,244.66	21,838.18
Total	**354,981,732.42**	**101,179,210.84**	320,368,198.92	88,206,765.66

VI. RESEARCH AND DEVELOPMENT EXPENDITURES (CONTINUED)

2. Development expenditures

Item	Opening Balance	Current Increase: Internal Development Expenditures	Current Increase: Other Increase	Current Decrease: Recognized as Intangible Assets	Current Decrease: Included in Current Profits or Losses	Current Decrease: Other Decrease	Closing Balance
High-speed optical modules	85,872,798.39	69,970,428.42		52,239,080.86			103,604,145.95
Wireless network and edge computing	47,251,626.65	31,208,782.42		78,460,409.07			
Total	133,124,425.04	101,179,210.84		130,699,489.93			103,604,145.95

(1) *Important capitalized R&D projects*

Item	R&D Progress	Estimated Completion Time	Expected Mode of Generating Economic Benefits	Timing of Capitalization	Specific Basis for Capitalization
OP-E160–1000753	Product development and testing stage	December 2026	Goods sales	January 2025	G1 stage
800G 8F+ SiP	Product development and testing stage	June 2026	Goods sales	August 2021	G1 stage
1.6T EML	Product development and testing stage	December 2027	Goods sales	January 2024	G1 stage
1.6T SIP	Product development and testing stage	December 2027	Goods sales	January 2024	G1 stage

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

VII. EQUITIES IN OTHER ENTITIES

1. Equities in subsidiaries

(1) Composition of enterprise group

Name of Subsidiary	Nature of Enterprise	Particulars of Issued and Paid Up Capital/ Registered Capital	Place of Primary Business	Place of Registration	Business Nature	Shareholding Ratio (%)		Acquisition Method
						Direct	Indirect	
CIG Optical Communication Co., Ltd.	Limited company	RMB5 million	Shanghai	Shanghai	Manufacturing	100.00		Establishment
CIG Shanghai Communication Equipment Co., Ltd.	Limited company	RMB205 million	Shanghai	Shanghai	Trade	100.00		Establishment
Cambridge Industries Group Limited	Limited company	HKD1	Hong Kong	Hong Kong	Trade	100.00		Business combination under common control
Cambridge Industries USA Inc.	Limited company	USD42 million	USA	USA	R&D and trade	100.00		Business combination under common control
CIG Photonics Europe GmbH	Limited company	EUR25,000	Germany	Germany	Trade	100.00		Business combination under common control
Cambridge Industries Group Telecommunication Limited	Limited company	HKD1	Hong Kong	Hong Kong	Trade		100.00	Establishment
CIG Xi'an Co., Ltd.	Limited company	RMB10 million	Xi'an	Xi'an	R&D	100.00		Establishment
CIG Wuhan Co., Ltd.	Limited company	RMB10 million	Wuhan	Wuhan	Manufacturing	100.00		Establishment
Shanghai Cambridge Communication Technology Co., Ltd.	Limited company	RMB1 million	Shanghai	Shanghai	Manufacturing	100.00		Establishment
CIG OPTICS LTD	Limited company	HKD10,000	Hong Kong	Hong Kong	Trade		100.00	Establishment
CIG TECH PHOTONICS SDN. BHD.	Limited company	RM1,000	Malaysia	Malaysia	Trade		100.00	Establishment
CIG Photonics Japan Limited	Limited company	JPY10,000	Japan	Japan	R&D		100.00	Business combination not under common control
Actiontec Electronics, Inc	Limited company	USD10	USA	USA	R&D and trade		100.00	Business combination not under common control
Actiontec Electronics (Shanghai), Inc.	Limited company	RMB1.654595 million	Shanghai	Shanghai	R&D	100.00		Business combination not under common control
CIG Zhejiang Telecommunication Equipment Co., Ltd.	Limited company	RMB450 million	Zhejiang	Zhejiang	Manufacturing	66.67		Establishment
Actiontec Electronics Taiwan Inc.	Limited company	TWD9.99929 million	Taiwan	Taiwan	R&D		100.00	Establishment
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)	Limited company	RMB400.01 million	Jiangsu	Jiangsu	Investment		99.9975	Business combination not under common control

As at December 31, 2025, none of the Company's subsidiaries had issued any share capital or securities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

VII. EQUITIES IN OTHER ENTITIES (CONTINUED)

1. Equities in subsidiaries (Continued)

(2) Important non-wholly-owned subsidiaries

Name of Subsidiary	Shareholding Ratio of Minority Shareholders (%)	Profits or Losses Attributable to Minority Shareholders for the Period	Dividends Declared to Minority Shareholders for the Period	Balance of Minority Shareholders' Equity at the End of the Period
CIG Zhejiang Telecommunication Equipment Co., Ltd.	33.33	−40,888,055.49		109,427,983.69

(3) Key financial information about significant non-wholly-owned subsidiaries

Name of Subsidiary	Closing Balance Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
CIG Zhejiang Telecommunication Equipment Co., Ltd.	1,092,100,918.10	757,395,241.31	1,849,496,159.41	1,493,498,148.72	27,714,059.30	1,521,212,208.02

Continued (1):

Name of Subsidiary	Prior Ending Balance Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
CIG Zhejiang Telecommunication Equipment Co., Ltd.	234,506,788.26	529,857,597.26	764,364,385.52	311,072,552.48	2,370,000.00	313,442,552.48

Continued (2):

Name of Subsidiary	Current Amount Incurred				Prior Amount Incurred			
	Operating Revenue	Net Profit	Total Comprehensive Income	Cash Flows from Operating Activities	Operating Revenue	Net Profit	Total Comprehensive Income	Cash Flows from Operating Activities
CIG Zhejiang Telecommunication Equipment Co., Ltd.	585,311,368.33	−122,664,166.14	−122,664,166.14	147,767,999.59	43,959,724.99	1,079,724.13	1,079,724.13	187,547,869.63

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

VII. EQUITIES IN OTHER ENTITIES (CONTINUED)

2. Equities in joint arrangements or associates

(1) Aggregated financial information about other immaterial joint ventures and associates

Item	Closing Balance/ Current Amount Incurred	Prior Ending Balance/Prior Amount Incurred
Associate:		
Total carrying amount of investments	**128,737,434.00**	
Total of the following items calculated according to shareholding ratio		
Net profit		
Other comprehensive income		
Total comprehensive income		

VIII. GOVERNMENT SUBSIDIES

1. Government subsidies included in other receivables

None.

2. Government subsidies included in deferred income

Classification	Opening Balance	Current Increase	Current Decrease	Closing Balance
Government subsidies pertinent to assets	42,512,595.33	30,000,000.00	18,684,892.22	53,827,703.11
Total	42,512,595.33	30,000,000.00	18,684,892.22	53,827,703.11

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

VIII. GOVERNMENT SUBSIDIES (CONTINUED)

2. Government subsidies included in deferred income (Continued)

(1) Government subsidies included in deferred income as subsequently measured using the gross method

Category	Opening Balance	Current New Subsidies	Amount Carried Forward and Recognized in Current Profits or Losses	Others Other Equities	Closing Balance	Reporting Items Carried Forward and Recognized in Current Profits or Losses
Government subsidies pertinent to assets:						
Zhangjiang Project 201609-MH-CHJ-C1085-003	928,478.93		928,478.93			
Technological Transformation for Production of Next-Generation Network Terminal Equipment (Adaptation to Industry 4.0 Capacity Expansion and Upgrade)	2,589,526.78		1,013,978.52		1,575,548.26	Other income
Application of Intelligent Manufacturing New Model for Key Components of 5G Communication Transmission Networks and ICT Network Equipment	3,523,842.52		1,819,176.77		1,704,665.75	Other income
High-Tech Industrialization Project — 10G Broadband Integrated Access Terminals	102,529.08		102,529.08			
Asset Transformation Special Project — 4G/5G Distributed Enterprise-Level Small Cell Project	36,280.88		36,280.88			
Research and Promotion of Dual-Calibration Technology (MOCA and BOSA) in Wireless Access Gateways	46,032.48		46,032.48			
Minhang District Advanced Manufacturing Support Project	6,959,349.64		2,096,857.61		4,862,492.03	Other income
2020 Shanghai Municipal Technological Transformation Project	12,741,564.22		4,400,844.87		8,340,719.35	Other income
2021 Minhang District Key Technological Transformation Project	10,248,325.47		3,335,185.74		6,913,139.73	Other income
Research and Industrialization of Key Technologies for 400G Optical Modules in Data Center Networks	450,000.00				450,000.00	Other income
2023 Shanghai Private Enterprise Headquarters Project Rental Subsidy	2,516,665.33		249,586.64		2,267,078.69	Other income
Cambridge Industries Group Optoelectronic Industrialization Base Project	2,370,000.00	30,000,000.00	4,655,940.70		27,714,059.30	Other income
Total	42,512,595.33	30,000,000.00	18,684,892.22		53,827,703.11	

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

VIII. GOVERNMENT SUBSIDIES (CONTINUED)

2. Government subsidies included in deferred income (Continued)

(2) Government subsidies included in deferred income as subsequently measured using the net method

None.

3. Government subsidies included in the current profits or losses using the gross method

Category	Current Amount Included in Profits or Losses	Prior Amount Included in Profits or Losses	Reporting Items Included in Profits or Losses
Government subsidies pertinent to assets:			
Zhangjiang Project 201609-MH-CHJ-C1085–003	**928,478.93**		Other income
Technological Transformation for Production of Next-Generation Network Terminal Equipment (Adaptation to Industry 4.0 Capacity Expansion and Upgrade)	**1,013,978.52**	1,013,978.52	Other income
Application of Intelligent Manufacturing New Model for Key Components of 5G Communication Transmission Networks and ICT Network Equipment	**1,819,176.77**	13,415.96	Other income
High-Tech Industrialization Project — 10G Broadband Integrated Access Terminals	**102,529.08**	479,345.78	Other income
Asset Transformation Special Project — 4G/5G Distributed Enterprise-Level Small Cell Project	**36,280.88**	413,719.12	Other income
Research and Promotion of Dual-Calibration Technology (MOCA and BOSA) in Wireless Access Gateways	**46,032.48**	273,967.52	Other income
Minhang District Advanced Manufacturing Support Project	**2,096,857.61**	1,238,650.36	Other income
2020 Shanghai Municipal Technological Transformation Project	**4,400,844.87**	4,058,435.78	Other income
2021 Minhang District Key Technological Transformation Project	**3,335,185.74**	2,102,674.53	Other income
Research and Industrialization of Key Technologies for 400G Optical Modules in Data Center Networks			Other income
2023 Shanghai Private Enterprise Headquarters Project Rental Subsidy	**249,586.64**	173,334.67	Other income
Cambridge Industries Group Optoelectronic Industrialization Base Project	**4,655,940.70**		Other income
Subtotal	**18,684,892.22**	9,767,522.24	

VIII. GOVERNMENT SUBSIDIES (CONTINUED)

3. Government subsidies included in the current profits or losses using the gross method (Continued)

Category	Current Amount Included in Profits or Losses	Prior Amount Included in Profits or Losses	Reporting Items Included in Profits or Losses
Government subsidies pertinent to income:			
Shanghai Municipal Funds for Market Diversification of Electromechanical Product Export Enterprises	**1,655,434.00**	314,935.00	Other income
Interest Subsidy for Specialized and Innovative SMEs by Shanghai Municipal Commission of Economy and Informatization (No Application Required)	**1,000,000.00**		Other income
Support Funds from China Export & Credit Insurance Corporation Shanghai Branch	**965,364.28**	857,587.39	Other income
Special Transfer Payment Funds from Shanghai Caohejing Hi-Tech Park Economic & Technological Development Co., Ltd.	**947,000.00**	88,000.00	Other income
Special Loan Subsidy for High-Quality Enterprise Development in Minhang District, Shanghai	**604,400.00**		Other income
Job Stabilization Subsidy	**458,095.58**	113,816.00	Other income
Funds from Shanghai Municipal Commission of Commerce to Encourage Enterprises to Explore Overseas Markets	**195,942.00**	3,792,335.00	Other income
2025 Jiashan County-Level Science and Technology Program Project Funds	**150,000.00**		Other income
2025 Shanghai Municipal Commission of Commerce Funds for Expanding into Key Overseas Markets	**100,000.00**		Other income
2025 First-Quarter Jiashan County Award for Supporting Industrial Enterprises in Quality and Efficiency Enhancement	**50,000.00**		Other income
Stocking Loan Project by Shanghai Municipal Commission of Economy and Informatization	**36,600.00**		Other income
One-Time Expansion Subsidy for College Graduates in Zhejiang Province	**25,500.00**		Other income
2025 Shanghai Municipal Commission of Commerce Funds for Reducing Export Shipping Costs for Foreign Trade Enterprises	**22,000.00**		Other income
Award for Exceeding the Proportion of Employed Persons with Disabilities	**17,324.10**	18,580.00	Other income
Special Funds for Stabilizing Foreign Trade by Minhang District Commission of Commerce, Shanghai	**8,000.00**		Other income
Subsidy for Fresh Graduates	**3,000.00**	1,000.00	Other income
Investment Award for Cambridge Industries Group Optoelectronic Industrialization Base		15,000,000.00	Other income
2024 Funds for Cultivating Leading Industries and Supporting Characteristic Park Development Policies from Enterprise Service Center		200,000.00	Other income
Award for Industrial Enterprises Meeting Revenue Thresholds		200,000.00	Other income
Shanghai Municipal Patent Pilot Project Funds		120,000.00	Other income
Intellectual Property Grant Fees from Minhang District Market Supervision Administration, Shanghai		61,700.00	Other income
2024 High-Tech Enterprise Certification Grant		50,000.00	Other income
One-Time Employment Subsidy for Key Enterprises		4,000.00	Other income
Other sporadic projects	**70,988.87**	360,217.05	Other income
Subtotal	**6,309,648.83**	21,182,170.44	
Total	**24,994,541.05**	30,949,692.68	

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

VIII. GOVERNMENT SUBSIDIES (CONTINUED)

4. Government subsidies offset against related costs using the net method

None.

5. Government subsidies returned this year

None.

IX. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's primary financial instruments include monetary funds, notes receivable, accounts receivable, receivables financing, other receivables, other current assets, other non-current financial assets, notes payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, lease liabilities, and long-term payables. Details of each financial instrument have been disclosed in the relevant notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce such risks are as follows: The Management of the Company manages and monitors these risk exposures to ensure that the aforementioned risks are controlled within defined limits.

1. Risk management objectives and policies

The primary risks arising from the Company's financial instruments are credit risk, liquidity risk, and market risk (including foreign exchange risk, interest rate risk, and other price risks).

(1) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from a counterparty's failure to fulfill its contractual obligations.

The Company's credit risk primarily arises from monetary funds, notes receivable, accounts receivable, receivables financing, other receivables, etc., as well as debt instrument investments at fair value through profit or loss and derivative financial assets not included in the scope of impairment assessment. As at the balance sheet date, the carrying value of the Company's financial assets represents its maximum exposure to credit risk;

The Company's monetary funds primarily consist of bank deposits placed with reputable state-owned banks and other large— to medium-sized listed banks with high credit ratings. The Company believes there is no significant credit risk, and it is highly unlikely to incur substantial losses due to bank defaults.

IX. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

(1) Credit risk (Continued)

In addition, for items such as notes receivable, accounts receivable, receivables financing, contract assets, and other receivables, the Company has established relevant policies to control credit risk exposure. The Company assesses the customers' credit qualifications and sets the corresponding credit period based on the customers' financial situations, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company will regularly monitor its customers' credit records. For customers with poor credit records, the Company will adopt written reminders, shorten the credit period or cancel the credit period to ensure that the overall credit risk of the Company is within the controllable range.

(2) Liquidity risk

Liquidity risk refers to the risk of shortage of funds when the Company fulfills its obligations to settle accounts by delivering cash or other financial assets.

It is the policy of the Company to ensure that sufficient cash is available to meet obligations as they fall due. Liquidity risk is centrally controlled by the financial department of the Company. The financial department ensures that the Company has sufficient funds to repay debts under all reasonable forecasts by monitoring cash balances, readily realizable securities and rolling forecasts of cash flows in the next 12 months. Simultaneously, it continuously monitors the Company's compliance with the terms of borrowing agreements and secures commitments from major financial institutions to provide sufficient backup funds to meet short— and long-term funding needs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

IX. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

(2) Liquidity risk (Continued)

At the end of the period, various financial liabilities of the Company are listed as follows by maturity date based on undiscounted contractual cash flows:

Item	Closing Balance Within 1 year	Within 1 to 2 Years	Within 2 to 5 Years	Over 5 Years	Total
Financial liabilities:					
Short-term borrowings	**1,939,913,706.47**				**1,939,913,706.47**
Notes payable					
Accounts payable	**1,779,655,480.60**				**1,779,655,480.60**
Other payables	**46,647,299.78**				**46,647,299.78**
Non-current liabilities due within one year	**274,667,896.73**				**274,667,896.73**
Long-term borrowings					
Lease liabilities		**26,552,416.82**	**78,291,713.76**	**22,678,370.48**	**127,522,501.06**
Total financial liabilities and contingent liabilities	**4,040,884,383.58**	**26,552,416.82**	**78,291,713.76**	**22,678,370.48**	**4,168,406,884.64**

At the end of the prior year, an analysis of the maturity profile of the Company's financial liabilities and off-balance-sheet guarantee items based on undiscounted remaining contractual cash flows is as follows (unit: RMB):

Item	Closing Balance in Prior Year Within 1 year	Within 1 to 2 Years	Within 2 to 5 Years	Over 5 Years	Total
Financial liabilities:					
Short-term borrowings	991,608,652.14				991,608,652.14
Notes payable	117,281,967.01				117,281,967.01
Accounts payable	1,160,457,402.40				1,160,457,402.40
Other payables	54,961,599.62				54,961,599.62
Non-current liabilities due within one year	26,779,128.35				26,779,128.35
Long-term borrowings		91,900,000.00			91,900,000.00
Lease liabilities		27,004,986.19	77,594,686.26	50,362,634.86	154,962,307.31
Total financial liabilities and contingent liabilities	2,351,088,749.52	118,904,986.19	77,594,686.26	50,362,634.86	2,597,951,056.83

The financial liability amounts disclosed in the above table represent undiscounted contractual cash flows and may therefore differ from the carrying amounts presented in the balance sheet.

IX. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Market risk

Market risk of financial instruments refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices, including interest rate risk, foreign exchange risk, and other price risks.

Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rate.

Fixed-rate and floating-rate interest-bearing financial instruments expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the proportion of fixed-rate and floating-rate instruments based on market conditions and maintains an appropriate mix of fixed and floating-rate instruments through regular reviews and monitoring. When necessary, the Company employs interest rate swap instruments to hedge against interest rate risk.

As at December 31, 2025, assuming all other variables remain constant, if the borrowing interest rate calculated on a floating-rate basis increases or decreases by 100 basis points, the Company's net profit will decrease or increase by RMB3,311,016.58 (December 31, 2024: RMB1,784,150.00). The Management believes that 100 basis points reasonably reflect the plausible range of potential interest rate changes for the upcoming year.

Exchange rate risk

Foreign exchange risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in foreign exchange rate.

The Company continuously monitors the scale of foreign currency transactions and foreign currency-denominated assets and liabilities to minimize its exposure to foreign exchange risk. Additionally, the Company may enter into forward foreign exchange contracts or currency swap contracts to hedge against foreign exchange risk. During the current and prior periods, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

IX. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

(3) Market risk (Continued)

Exchange rate risk (Continued)

As at the end of the period, the Company's foreign exchange risk primarily arises from financial assets and liabilities denominated in US dollars. The amounts of foreign currency-denominated financial assets and liabilities translated into RMB are presented below (unit: RMB):

	Foreign Currency-Denominated Liabilities		Foreign Currency-Denominated Assets	
Item	Closing Balance	Prior Ending Balance	Closing Balance	Prior Ending Balance
USD	**2,127,896,614.77**	471,108,662.16	**2,623,760,949.92**	1,497,795,221.26
EUR			**246,165.27**	1,661,030.66
HKD	**18,754.10**		**3,829,857,924.43**	192.83
JPY	**192,368.40**	3,491,411.21	**22,158,402.19**	11,332,966.01
TWD	**225,189.55**	124,879.94	**1,552,324.44**	2,290,118.73
Total	**2,128,332,926.82**	474,724,953.31	**6,477,575,766.25**	1,513,079,529.49

As at December 31, 2025, assuming all other variables remain constant, if the RMB appreciates or depreciates by 0.5% against the USD, the Company's net profit will increase or decrease by RMB2,479,321.68 (as at December 31, 2024: RMB5,133,432.80). The Management believes that a 0.5% change reasonably reflects the possible range of changes in the RMB-to-USD exchange rate in the coming year.

2. Capital management

The objective of the Company's capital management policy is to safeguard the Company's ability to continue as a going concern, thereby providing returns to shareholders and benefiting other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital.

To maintain or adjust the capital structure, the Company may modify its financing methods, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Company monitors its capital structure based on the asset-liability ratio (i.e., total liabilities divided by total assets). As at the end of the period, the Company's asset-liability ratio was 36.51% (by the end of the prior year: 52.57%).

X. FAIR VALUE

Based on the lowest level of inputs that have a significant impact on the overall measurement in fair value measurement, the fair value hierarchy can be divided into the following levels:

Level 1 inputs refer to the unadjusted quoted prices for identical assets or liabilities in the active market.

Level 2 inputs refer to the values that are directly (i.e., prices) or indirectly (i.e., derived from prices) observable, other than quoted prices in active markets for the assets or liabilities in Level 1.

Level 3 inputs refer to unobservable values for which any non-observable market data is used.

(1) Items and amounts measured at fair value

As at the end of the period, assets and liabilities measured at fair value are presented below according to the above three levels:

Item	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	Total
I. Continuous fair value measurement				
Other non-current financial assets			14,560,490.00	14,560,490.00

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XI. RELATED PARTIES AND ASSOCIATED TRANSACTIONS

1. Parent company of the Company

Name of Parent Company	Place of Registration	Business Nature	Registered Capital (RMB0,000)	Shareholding Ratio of the Parent Company in the Company (%)	Voting Right Ratio of the Parent Company in the Company (%)
CIG Cayman	Cayman	Trade	USD0.21 million	9.08	9.08

The ultimate controlling party of the Company is Gerald G Wong.

2. Subsidiaries of the Company

Details on subsidiaries of the Company are as seen in Note VII.1.

3. Joint ventures and associates of the Company

Details on joint ventures and associates are as seen in Note VII.2.

Other joint ventures or associates that have related party transactions with the Company in the current period, or have related party transactions with the Company in the prior period to form a balance are as follows:

Name of Joint Venture or Associate	Relationship with the Company
Nanjing Casela Technologies Corporation Limited	Associate

4. Other Related Parties of the Company

Not applicable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XI. RELATED PARTIES AND ASSOCIATED TRANSACTIONS (CONTINUED)

5. Associated transactions

(1) Remuneration to key management personnel

Item	Current Amount Incurred (RMB0,000)	Prior Amount Incurred (RMB0,000)
Remuneration to key management personnel	**910.71**	1,185.30

(2) Five highest paid individuals

For the financial years ended December 31, 2024 and 2025, the five highest paid individuals included one Director and four employees, respectively. The total remuneration of the four employees is as follows:

Item	Current Amount Incurred (RMB0,000)	Prior Amount Incurred (RMB0,000)
Salaries and allowances (including pension scheme contributions)	**1,151.29**	910.12
Share-based payment	**8.80**	18.23
Total	**1,160.09**	928.35

Distribution band of remuneration of non-directors among the five highest paid individuals

Item	Current Number of Individuals	Prior Number of Individuals
RMB1,000,001 — RMB1,500,000		
RMB1,500,001 — RMB2,000,000		
RMB2,000,001 — RMB2,500,000	**2**	**3**
RMB2,500,001 — RMB3,000,000	**1**	**1**
RMB3,000,001 — RMB3,500,000		
RMB4,000,001 — RMB4,500,000	**1**	
Total	**4**	**4**

For the financial year ended December 31, 2025, no other bonuses, which are discretionary or are based on the Company's, the Company's or any member of the Company's performance, were paid to or receivable by the 5 highest paid individuals, and no other emoluments were paid by the Company to the Directors of the Company and the 5 highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the Directors waived any emoluments during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XI. RELATED PARTIES AND ASSOCIATED TRANSACTIONS (CONTINUED)

6. Receivables and payables concerning related party

(1) Receivables due from related parties

		Closing Balance		Prior Ending Balance	
Item	Related Party	Carrying Balance	Provision for Bad Debts	Carrying Balance	Provision for Bad Debts
Prepayments	Nanjing Casela Technologies Corporation Limited	**35,000,000.00**			

(2) Payables due to related parties

Item	Related Party	Closing Balance	Prior Ending Balance
Accounts payable	Nanjing Casela Technologies Corporation Limited	**301,019.54**	

XII. SHARE-BASED PAYMENT

1. Share-based payment in general

(Quantity: 10,000 shares; Amount: RMB10,000)

	Current Grant		Current Exercise		Current Unlocking		Current Expiration	
Category of Grantees	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Directors and senior executives			11.25	328.33	3.80	23.52		
Core management and technical (business) personnel			745.60	21,760.28	290.46	1,797.97	2.26	15.42
Total			756.85	22,088.61	294.26	1,821.49	2.26	15.42

Note: The difference from the disclosure in the corporate announcement is due to rounding to two decimal places.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XII. SHARE-BASED PAYMENT (CONTINUED)

1. Share-based payment in general (Continued)

Outstanding stock options or other equity instruments at the end of the period

	Outstanding Stock Options at the End of the Period		Outstanding Other Equity Instruments at the End of the Period	
Category of Grantees	Range of Exercise Price	Remaining Contract Term	Range of Exercise Price	Remaining Contract Term
Directors and senior executives	RMB29.1848/ share	As detailed in notes	None	None
Core management and technical (business) personnel	RMB29.1848/ share	As detailed in notes	None	None

Notes: Range of exercise prices and remaining contract terms for other equity instruments at the end of the period: The exercise price for the stock options granted under this incentive plan is RMB29.48/share. On October 30, 2025, the Company, in accordance with the relevant provisions of this incentive plan and the authorization granted by the First Extraordinary General Meeting of Shareholders in 2024, adjusted the exercise price of the stock options in consideration of the Company's implementation of the 2024 semi-annual (in a dividend of RMB0.03 per share, tax included), 2024 annual (in a dividend of RMB0.22 per share, tax included), and 2025 semi-annual (in a dividend of RMB0.0452 per share, tax included) equity distributions. The exercise price was adjusted from RMB29.48/option to RMB29.1848/option. The validity period of these stock options starts from the grant date and continues until all stock options granted to incentive recipients are exercised or canceled, with a maximum duration not exceeding 36 months. The initially granted stock options become exercisable in two tranches after 12 months from the grant date, with each tranche representing 50% of the total options; and similarly, the reserved stock options also become exercisable in two tranches after 12 months from the grant date, with each tranche representing 50% of the total options. As at the end of this Reporting Period, the first waiting period has expired, and 7.56915 million out of the 15.5930 million granted stock options have been unlocked in this period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XII. SHARE-BASED PAYMENT (CONTINUED)

2. Equity-settled share-based payments

Recipients of equity-settled share-based payments	Directors, senior executives, and core management and technical (business) personnel of the Company (including its subsidiaries) who receive incentive equity in accordance with the Company's incentive plan.
Method for determining fair value of equity instruments on the grant date	For restricted stocks, the basis for calculating equity incentive expenses is the difference between the closing stock price on the grant date and the grant price. For stock options, the data as calculated using the Black-Scholes model serves as the basis for calculating equity incentive expenses.
Key parameters for fair value of equity instruments on the grant date	Closing price on the stock grant date
Basis for determining the number of vesting equity instruments	Best estimate of the expected exercisable options
Reasons for significant differences between current estimates and previous estimates	None
Accumulated amount of equity-settled share-based payment included in the capital reserve	81,384,140.31

3. Share-based payments for the current period

Category of Grantees	Equity-Settled Share-Based Payments	Cash-Settled Share-Based Payments
Directors, senior executives, and core management and technical (business) personnel	5,920,216.67	
Total	5,920,216.67	

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Significant commitments existing on the balance sheet date

① CAMBRIDGE INDUSTRIES USA INC, a wholly-owned subsidiary of the Company, has concluded a house leasing contract with SCS DEVELOPMENT JV LLC (hereinafter referred to as "SCS"). The Company leases the premises located at 2445 Augustine Drive, Santa Clara, CA 95054, USA, from SCS for its office and electronic laboratory purposes. It has a gross floor area of approximately 5,709.54 square meters, with a lease term of 96 months. The rent increases by 3% every 12 months, starting from November 1, 2023. The total contract amount is USD28,106,700. As at December 31, 2025, the Company has paid a cumulative rent of USD7,047,900.

As at December 31, 2025, the Company had no other commitments that should be disclosed.

2. Contingencies

(1) Contingent liabilities arising from pending litigation and arbitration and their financial impact

Since February 23, 2024, CAMBRIDGE INDUSTRIES USA, INC. (hereinafter referred to as "CIG USA"), a wholly-owned subsidiary of the Company, is engaged in a patent infringement lawsuit with AOI in the U.S. District Court for the Northern District of California (Case No.: 3:24-cv-01010-JD). The plaintiff, AOI, alleges that CIG USA has infringed eight U.S. patents related to optical module technology. The court originally scheduled the jury trial to commence on June 2026. On April 2025, as CIG USA initiated Inter Partes Review (IPR) proceedings with the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office (USPTO) on January 2025, regarding five of the eight patents involved in the case, the court ruled to suspend all litigation proceedings. In April 2025, the plaintiff filed a motion with the PTAB to dismiss the IPR petitions. In June 2025, the PTAB granted the plaintiff's motion to dismiss the IPR petitions for two of the patents and denied the plaintiff's motion to dismiss the IPR petitions for the remaining three patents. Between July and August 2025, the PTAB decided to institute one of the remaining three IPR petitions and denied institution for the other two. The oral argument for this case is scheduled for June 2026. To the Company's knowledge, the court will resume the litigation proceedings after the PTAB has made a ruling on all IPR cases. Currently, it is not possible to determine whether this case will have a significant adverse impact on the Company.

As at December 31, 2025, the Company had no other contingencies that should be disclosed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit distribution after the balance sheet date

Proposed profits or dividends to be distributed	98,742,104.44
Profits or dividends approved for distribution after deliberation	—

Note: Adopted at the 28th meeting of the 5th session of the Board of Directors held on March 30, 2026, the Company's dividend distribution plan for 2025 is as follows: The Company proposes to distribute a cash dividend of RMB0.28 per share (tax included) to all shareholders based on the total share capital as at the record date for the equity distribution implementation in 2025, without issuing bonus shares or transferring to share capital. As of December 31, 2025, the Company's total share capital is 352,650,373 shares (including 275,588,373 A shares and 77,062,000 H shares). Based on this, the total proposed cash dividends to be distributed amount to RMB98,742,104.44 (tax included). The total cash dividends for the year (including the interim cash dividend of RMB12,114,496.81 as already distributed) amount to RMB110,856,601.25. In the event of any change in the total share capital entitled to profit distribution when implementing the profit distribution plan, adjustments to the total dividend payout will be made based on the total share capital entitled to profit distribution as at the record date for the equity distribution, while maintaining the principle of a fixed dividend per share. A-share dividends will be distributed in RMB; and H-share dividends will be distributed in HKD, with the actual distribution amount translated based on the average benchmark exchange rate for RMB to HKD as announced by the People's Bank of China five working days before the date of the 2025 Annual General Meeting of Shareholders. This profit distribution plan is subject to deliberation by the General Meeting of Shareholders before implementation.

2. CIG Zhejiang Telecommunication Equipment Co., Ltd., a subsidiary of the Company, has concluded a House Lease Contract with Jiashan County Zhongxin Industrial Development Investment Co., Ltd. The lease term commences on April 1, 2026 and ends on December 31, 2035, with a leased area of 88,815.11 square meters. From April 1, 2026 to December 31, 2030: After considering the market assessment price in the "Asset Appraisal Report on the Leasehold Right of Real Estate Involved in the Proposed Real Estate Lease by Jiashan County Zhongxin Industrial Development Investment Co., Ltd.", both parties have agreed on a rent of RMB10 per square meter per month (including value-added tax), resulting in a total rent of approximately RMB50.6246 million for this period. From January 1, 2031 to December 31, 2035: The rent will be calculated at a 40% discount off the market assessment price in the "Asset Appraisal Report on the Leasehold Right of Real Estate Involved in the Proposed Real Estate Lease by Jiashan County Zhongxin Industrial Development Investment Co., Ltd.", based on the area actually used by the lessee at that time, i.e., RMB6 per square meter per month (including value-added tax). If calculated based on the initial leased area, the total rent for this period would be approximately RMB31.9734 million.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XIV. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

3. On March 30, 2026, the Company convened the 28th meeting of the 5th session of the Board of Directors, deliberating and adopting the "2026 Stock Option and Restricted Stock Incentive Plan (Draft)": This incentive plan proposes to grant a total of 15,571,300 equity instruments to incentive recipients, accounting for approximately 4.42% of the Company's total share capital of 352,650,373 shares as at the announcement date of this draft plan. Among them, the initially granted equity instruments amount to 14,571,300, accounting for approximately 4.13% of the Company's total share capital of 352,650,373 shares as at the announcement date of this draft plan and representing 93.56% of the total equity instruments to be granted under this plan. A total of 1,000,000 equity instruments are reserved, accounting for approximately 0.28% of the Company's total share capital of 352,650,373 shares as at the announcement date of this draft plan and representing 6.44% of the total equity instruments to be granted under this plan. This plan is subject to deliberation by the General Meeting of Shareholders before implementation.

4. On January 26, 2026, the Company convened the 26th meeting of the 5th session of the Board of Directors, which reviewed and approved the proposed signing of the Convertible Loan Agreement (《可轉換借款協議》) (hereinafter referred to as "Agreement") between Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership), a subsidiary of the Company, and Nanjing Casela Technologies Corporation Limited (hereinafter referred to as "Casela Technologies"), an investee company of the subsidiary. Yangzhong Fund (揚中基金) will provide a convertible loan of RMB80,000,000 to Casela Technologies, with a term from the effective date of the Agreement to February 1, 2027, at a fixed annual interest rate of 3%. Pursuant to the Agreement, if Casela Technologies meets the conditions for debt-to-equity conversion in any quarter of 2026, the principal of the loan within the current debt-to-equity conversion quota and the corresponding interest shall be waived and converted into equity investment of Yangzhong Fund in Casela Technologies in accordance with the Agreement. Any principal of the loan and corresponding interest that are not converted into equity investment shall be repaid in full by Casela Technologies to Yangzhong Fund on or before February 1, 2027 at the latest.

XV. OTHER SIGNIFICANT EVENTS

None.

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS

1. Notes receivable

Type of Notes	Closing Balance Carrying Balance	Closing Balance Provision for Bad Debts	Closing Balance Carrying Value	Prior Ending Balance Carrying Balance	Prior Ending Balance Provision for Bad Debts	Prior Ending Balance Carrying Value
Bank acceptance bills	**27,040.00**		**27,040.00**	2,228,750.00		2,228,750.00
Commercial acceptance bills				5,831,285.80	58,312.86	5,772,972.94
Total	**27,040.00**		**27,040.00**	8,060,035.80	58,312.86	8,001,722.94

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Notes receivable (Continued)

(1) At the end of the period, the Company had no pledged notes receivable

(2) At the end of the period, the Company had notes receivable that have been endorsed or discounted but are not yet due

Item	Closing Derecognized Amount	Closing Underecognized Amount
Bank acceptance bills	735,028.00	27,040.00
Total	735,028.00	27,040.00

(3) At the end of the period, the Company had no notes transferred to accounts receivable due to the drawer's non-performance

(4) Classified by bad debt accrual method

Category	Closing Balance				
	Carrying Balance		Provision for Bad Debts		
	Amount	Proportion (%)	Amount	Expected Credit Loss Rate (%)	Carrying Value
Provision for bad debts on a combination basis	27,040.00	100.00			27,040.00
Including:					
Bank acceptance bills	27,040.00	100.00			27,040.00
Commercial acceptance bills					
Total	27,040.00	100.00			27,040.00

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Notes receivable (Continued)

(4) Classified by bad debt accrual method (Continued)

Combined accrual item: Bank acceptance bill

Name	Closing Balance			Prior Ending Balance		
	Notes Receivable	Provision for Bad Debts	Expected Credit Loss Rate (%)	Notes Receivable	Provision for Bad Debts	Expected Credit Loss Rate (%)
Bank acceptance bills	**27,040.00**			2,228,750.00		
Total	**27,040.00**			2,228,750.00		

Combined accrual item: Commercial acceptance bills

Name	Closing Balance			Prior Ending Balance		
	Notes Receivable	Provision for Bad Debts	Expected Credit Loss Rate (%)	Notes Receivable	Provision for Bad Debts	Expected Credit Loss Rate (%)
Commercial acceptance bills				5,831,285.80	58,312.86	1.00
Total				5,831,285.80	58,312.86	1.00

(5) Current provision for bad debts as accrued, recovered or reversed

	Amount of Provision for Bad Debts
Opening balance	58,312.86
Current accrual	
Current recovery or reversal	58,312.86
Current written-off	
Closing balance	

(6) There were no notes receivable actually written off in the period

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable

(1) Disclosure by aging

An aging analysis of accounts receivables (including amounts due from related parties) as at the transaction date is as follows:

Aging	Closing Balance	Prior Ending Balance
Within 1 year	**3,676,324,320.74**	1,710,290,591.85
1 to 2 years	**70,134,959.95**	15,951,786.27
2 to 3 years	**12,846,118.18**	10,224,162.39
Over 3 years	**28,386,029.98**	18,806,189.58
Subtotal	**3,787,691,428.85**	1,755,272,730.09
Less: Provision for bad debts	**3,723,619.51**	4,991,643.69
Total	**3,783,967,809.34**	1,750,281,086.40

(2) Classified disclosure by bad debt accrual method

	Closing Balance				
	Carrying Balance		Provision for Bad Debts		
Category	Amount	Proportion (%)	Amount	Expected Credit Loss Rate (%)	Carrying Value
Provision for bad debts on an individual basis					
Provision for bad debts on a combination basis	**3,787,691,428.85**	**100.00**	**3,723,619.51**	**0.10**	**3,783,967,809.34**
Including:					
Accounts receivable from related parties within the scope of combination	**3,566,662,262.90**	**94.16**			**3,566,662,262.90**
Other customers	**221,029,165.95**	**5.84**	**3,723,619.51**	**1.68**	**217,305,546.44**
Total	**3,787,691,428.85**	**100.00**	**3,723,619.51**	**0.10**	**3,783,967,809.34**

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable (Continued)

(2) Classified disclosure by bad debt accrual method (Continued)

Continued:

	Prior Ending Balance				
	Carrying Balance		Provision for Bad Debts		
Category	Amount	Proportion (%)	Amount	Expected Credit Loss Rate (%)	Carrying Value
Provision for bad debts on an individual basis					
Provision for bad debts on a combination basis	1,755,272,730.09	100.00	4,991,643.69	0.28	1,750,281,086.40
Including:					
Accounts receivable from related parties within the scope of combination	1,324,797,310.93	75.48			1,324,797,310.93
Other customers	430,475,419.16	24.52	4,991,643.69	1.16	425,483,775.47
Total	1,755,272,730.09	100.00	4,991,643.69	0.28	1,750,281,086.40

Combined accrual item: Accounts receivable from related parties within the scope of combination

	Closing Amount			Prior Ending Amount		
Aging	**Carrying Balance**	**Provision for Bad Debts**	**Expected Credit Loss Rate (%)**	Carrying Balance	Provision for Bad Debts	Expected Credit Loss Rate (%)
Within 1 year	**3,458,838,081.70**			1,285,622,662.01		
1 to 2 years	**69,519,304.95**			10,154,321.40		
2 to 3 years	**9,928,870.72**			10,224,162.39		
Over 3 years	**28,376,005.53**			18,796,165.13		
Total	**3,566,662,262.90**			1,324,797,310.93		

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable (Continued)

(2) Classified disclosure by bad debt accrual method (Continued)

Combined accrual item: Other customers

Aging	Closing Amount Carrying Balance	Closing Amount Provision for Bad Debts	Closing Amount Expected Credit Loss Rate (%)	Prior Ending Amount Carrying Balance	Prior Ending Amount Provision for Bad Debts	Prior Ending Amount Expected Credit Loss Rate (%)
Within 1 year	**217,486,239.04**	**2,193,405.83**	**1.01**	424,667,929.84	4,401,872.75	1.04
1 to 2 years	**615,655.00**	**61,565.50**	**10.00**	5,797,464.87	579,746.49	10.00
2 to 3 years	**2,917,247.46**	**1,458,623.73**	**50.00**			
Over 3 years	**10,024.45**	**10,024.45**	**100.00**	10,024.45	10,024.45	100.00
Total	**221,029,165.95**	**3,723,619.51**	**1.68**	430,475,419.16	4,991,643.69	1.16

(3) Current provision for bad debts as accrued, recovered or reversed

	Amount of Provision for Bad Debts
Opening Balance	4,991,643.69
Current accrual	
Current recovery or reversal	1,268,024.18
Current written-off	
Closing Balance	3,723,619.51

(4) There were no accounts receivable actually written off in the current period

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable (Continued)

(5) Top 5 units in terms of closing balances of accounts receivable and contract assets aggregated by debtor

Unit Name	Closing Balance of Accounts Receivable	Closing Balance of Contract Assets	Closing Balances of Accounts Receivable and Contract Assets	Proportion to Total Closing Balances of Accounts Receivable and Contract Assets (%)	Closing Balances of Provision for Bad Debts for Accounts Receivable and Impairment Reserves for Contract Assets
First	1,290,215,824.92		1,290,215,824.92	34.06	
Second	1,158,650,822.65		1,158,650,822.65	30.59	
Third	1,050,897,477.65		1,050,897,477.65	27.75	
Fourth	101,189,981.03		101,189,981.03	2.67	1,010,900.38
Fifth	55,647,798.09		55,647,798.09	1.47	
Total	3,656,601,904.34		3,656,601,904.34	96.54	1,010,900.38

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables

Item	Closing Balance	Prior Ending Balance
Interest receivable		
Dividends receivable		
Other receivables	**351,328,456.32**	211,129,152.60
Total	**351,328,456.32**	211,129,152.60

(1) Other receivables

① Disclosure by aging

Aging	Closing Balance	Prior Ending Balance
Within 1 year	**141,443,328.96**	207,839,880.26
1 to 2 years	**207,183,022.77**	2,904,782.18
2 to 3 years	**2,775,176.70**	583,945.75
Over 3 years	**2,242,549.59**	2,455,418.27
Subtotal	**353,644,078.02**	213,784,026.46
Less: Provision for bad debts	**2,315,621.70**	2,654,873.86
Total	**351,328,456.32**	211,129,152.60

② Disclosure by fund nature

Item	Closing Amount			Prior Ending Amount		
	Carrying Balance	Provision for Bad Debts	Carrying Value	Carrying Balance	Provision for Bad Debts	Carrying Value
Deposits and margins	**4,954,286.19**	**2,312,063.08**	**2,642,223.11**	4,721,759.22	2,551,315.24	2,170,443.98
Intercourse funds and advanced payments	**348,689,791.83**	**3,558.62**	**348,686,233.21**	209,062,267.24	103,558.62	208,958,708.62
Total	**353,644,078.02**	**2,315,621.70**	**351,328,456.32**	213,784,026.46	2,654,873.86	211,129,152.60

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

(1) Other receivables (Continued)

③ Status of provision for bad debts

Provision for bad debts in the first stage at the end of the period

Category	Carrying Balance	Expected Credit Loss Rate in the Next 12 Months (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables from related parties within the scope of combination	348,686,233.21			348,686,233.21
Deposits and margins	1,649,503.89	5.00	82,475.19	1,567,028.70
Total	350,335,737.10	5.00	82,475.19	350,253,261.91

Provision for bad debts in the second stage at the end of the period

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables from related parties within the scope of combination				
Deposits and margins	1,275,104.90	15.68	199,910.49	1,075,194.41
Total	1,275,104.90	15.68	199,910.49	1,075,194.41

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

(1) Other receivables (Continued)

③ *Status of provision for bad debts (Continued)*

Provision for bad debts in the third stage at the end of the period

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	3,558.62	100.00	3,558.62	
Deposits and margins	2,029,677.40	100.00	2,029,677.40	
Total	2,033,236.02	100.00	2,033,236.02	

Provision for bad debts in the first stage at the end of prior year

Category	Carrying Balance	Expected Credit Loss Rate in the Next 12 Months (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables from related parties within the scope of combination	208,958,708.62			208,958,708.62
Deposits and margins	1,750,962.39	5.00	87,548.12	1,663,414.27
Total	210,709,671.01	5.00	87,548.12	210,622,122.89

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

(1) Other receivables (Continued)

③ Status of provision for bad debts (Continued)

Provision for bad debts in the second stage at the end of prior year

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables from related parties within the scope of combination				
Deposits and margins	818,615.43	38.06	311,585.72	507,029.71
Total	818,615.43	38.06	311,585.72	507,029.71

Provision for bad debts in the third stage at the end of prior year

Category	Carrying Balance	Expected Credit Loss Rate for the Entire Duration (%)	Provision for Bad Debts	Carrying Value
Provision for bad debts on an individual basis				
Provision for bad debts on a combination basis				
Other receivables	103,558.62	100.00	103,558.62	
Deposits and margins	2,152,181.40	100.00	2,152,181.40	
Total	2,255,740.02	100.00	2,255,740.02	

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

(1) Other receivables (Continued)

④ *Current provision for bad debts as accrued, recovered or reversed*

Provision for Bad Debts	Phase I Expected Credit Loss in the Next 12 Months	Phase II Expected Credit Loss for the Entire Duration (No Impairment of Credit Occurred)	Phase III Expected Credit Loss for the Entire Duration (Impairment of Credit Occurred)	Total
Opening Balance	87,548.12	311,585.72	2,255,740.02	2,654,873.86
Opening balance in the current period				
— Transfer to Phase II	−86,548.58	86,548.58		
— Transfer to Phase III				
— Reverse to Phase II				
— Reverse to Phase I				
Current accrual	81,475.65			81,475.65
Current reversal		198,223.81	222,504.00	420,727.81
Current resale				
Current written-off				
Other changes				
Closing Balance	82,475.19	199,910.49	2,033,236.02	2,315,621.70

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

(1) Other receivables (Continued)

⑤ *Top 5 entities in terms of closing balance of other receivables aggregated by debtor*

Unit Name	Fund Nature	Closing Balance of Other Receivables	Aging	Proportion to Total Closing Balance of Other Receivables (%)	Provision for Bad Debts Closing Balance
CIG Zhejiang Telecommunication Equipment Co., Ltd.	Intercourse funds and advanced payments	340,121,071.04	Within 1 year; 1 to 2 years; 2 to 3 years	96.18	
CIG Xi'an Co., Ltd.	Intercourse funds and advanced payments	5,950,000.00	Within 1 year; 1 to 2 years	1.68	
Cambridge Industries USA Inc.	Intercourse funds and advanced payments	2,405,848.60	Within 1 year; 2 to 3 years	0.68	
Shanghai Shenzhou New Energy Development Co., Ltd.	Deposits and margins	1,809,677.40	Over 3 years	0.51	1,809,677.40
China Export & Credit Insurance Corporation Shanghai Branch	Deposits and margins	1,494,104.90	Within 1 year; 1 to 2 years	0.42	119,410.49
Total		351,780,701.94		99.47	1,929,087.89

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments

	Closing Balance			Prior Ending Balance		
Item	**Carrying Balance**	**Impairment Reserves**	**Carrying Value**	Carrying Balance	Impairment Reserves	Carrying Value
Investment in subsidiaries	**909,456,322.90**		**909,456,322.90**	748,391,360.34		748,391,360.34
Investment in joint ventures						
Investment in associates						
Total	**909,456,322.90**		**909,456,322.90**	748,391,360.34		748,391,360.34

(1) Investment in subsidiaries

			Current Movement					
Investee	**Opening Balance (Carrying Value)**	**Opening Balance of Impairment Reserves**	**Additional Investment**	**Reduced Investment**	**Accrual of Impairment Reserves**	**Others**	**Closing Balance (Carrying Value)**	**Closing Balance of Impairment Reserves**
Cambridge Industries Group Limited	10,536,594.52						10,536,594.52	
Cambridge Industries USA Inc.	298,378,077.88					315,926.46	298,694,004.34	
CIG Optical Communication Co., Ltd.	5,062,189.64					151,141.44	5,213,331.08	
CIG Photonics Europe GmbH	193,782.71						193,782.71	
CIG Shanghai Communication Equipment Co., Ltd.	122,000,000.00						122,000,000.00	
CIG Wuhan Co., Ltd.	10,096,238.48					240,980.24	10,337,218.72	
Actiontec Electronics (Shanghai), Inc.	2,070,838.55					258,448.88	2,329,287.43	
CIG Zhejiang Telecommunication Equipment Co., Ltd.	300,002,487.60					26,284.49	300,028,772.09	
Actiontec Electronics,Inc	27,207.96					28,347.00	55,554.96	
CIG Xi'an Co., Ltd.	23,943.00					43,834.05	67,777.05	
Yangzhong Xingfu Jiayuan Venture Capital Partnership (Limited Partnership)			160,000,000.00				160,000,000.00	
Total	748,391,360.34		160,000,000.00			1,064,962.56	909,456,322.90	

Note: Others represent share-based payment.

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Current Amount Incurred Income	Current Amount Incurred Cost	Prior Amount Incurred Income	Prior Amount Incurred Cost
Primary business	**5,174,842,099.29**	**4,443,447,191.57**	3,712,876,324.60	3,243,371,495.51
Other business	**664,108.56**	**792,747.36**	336,624.13	822,743.58
Total	**5,175,506,207.85**	**4,444,239,938.93**	3,713,212,948.73	3,244,194,239.09

(2) Operating revenue and operating costs classified by industry (or product type)

Main Product Types (or Industries)	Current Amount Incurred Income	Current Amount Incurred Cost	Prior Amount Incurred Income	Prior Amount Incurred Cost
Primary business				
Telecom broadband access terminals	**2,481,954,323.09**	**2,240,722,969.07**	2,242,749,303.53	1,951,402,692.59
High-speed optical components and optical modules	**1,942,950,771.15**	**1,569,535,081.81**	358,805,890.59	346,212,065.50
Wireless network and others	**749,937,005.05**	**633,189,140.69**	1,111,321,130.48	945,756,737.42
Subtotal	**5,174,842,099.29**	**4,443,447,191.57**	3,712,876,324.60	3,243,371,495.51
Other business				
Income on lease	**664,108.56**	**792,747.36**	336,624.13	822,743.58
Subtotal	**664,108.56**	**792,747.36**	336,624.13	822,743.58
Total	**5,175,506,207.85**	**4,444,239,938.93**	3,713,212,948.73	3,244,194,239.09

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVI. NOTES TO KEY ITEMS IN THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Operating revenue and operating costs (Continued)

(3) Operating revenue and operating costs by region

Main Operating Area	Current Amount Incurred		Prior Amount Incurred	
	Income	Cost	Income	Cost
Export sales	**2,360,244,591.18**	**1,769,787,397.03**	2,167,703,323.11	1,870,169,173.56
Domestic sales	**2,815,261,616.67**	**2,674,452,541.90**	1,545,509,625.62	1,374,025,065.53
Subtotal	**5,175,506,207.85**	**4,444,239,938.93**	3,713,212,948.73	3,244,194,239.09

(4) Operating revenue and operating costs by timing of goods transfer

Item	Current Amount Incurred		Prior Amount Incurred	
	Income	Cost	Income	Cost
Primary business				
Including: Recognized at a certain point in time	**5,174,842,099.29**	**4,443,447,191.57**	3,712,876,324.60	3,243,371,495.51
Recognized over a period of time				
Other business				
Including: Lease income	**664,108.56**	**792,747.36**	336,624.13	822,743.58
Subtotal	**5,175,506,207.85**	**4,444,239,938.93**	3,713,212,948.73	3,244,194,239.09

6. Investment income

Item	Current Amount Incurred	Prior Amount Incurred
Income on long-term equity investment under the cost method	**26,655,910.00**	4,312,200.00
Total	**26,655,910.00**	4,312,200.00

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVII. SUPPLEMENTARY INFORMATION

1. Details of current non-recurring gains and losses

Item	Current Amount Incurred	Remarks
Gains or losses from disposal of non-current assets, including the written-off part for which provision for asset impairment has been made	−86,365.93	
Governmental subsidies recorded into the current profits or losses, except for those that are closely associated with normal business operations of an enterprise, comply with national policies and regulations, are enjoyed according to established criteria, and have a continuous impact on the profits or losses of an enterprise	6,309,648.83	
Other non-operating revenue and expenses other than the above items	−937,502.24	
Other profit or loss items meeting the definition of non-recurring profits or losses		
Total non-recurring profits or losses	5,285,780.66	
Less: Income tax impact of non-recurring profits or losses	510,563.31	
Net non-recurring gains and losses	4,775,217.35	
Less: Net impact of non-recurring gains and losses attributable to minority shareholders (after tax)	75,435.07	
Non-recurring gains and losses attributable to common shareholders of the Company	4,699,782.28	

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2025

XVII. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

Profit during the Reporting Period	Weighted Average Return on Net Assets (%)	Earnings Per Share Basic Earnings Per Share	Earnings Per Share Diluted Earnings Per Share
Net profit attributable to common shareholders of the Company	8.25	0.94	0.94
Net profit attributable to common shareholders of the Company after deducting non-recurring gains or losses	8.10	0.92	0.92

CIG SHANGHAI CO., LTD.
March 30, 2026