You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes. Our financial information has been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a supplier of power inductor solutions for advanced process chips used in consumer electronics, automotive electronics, and high-performance computing. According to the CIC Report, in 2024, we ranked first among suppliers headquartered in Chinese Mainland and sixth globally in terms of revenue from power inductor solutions for advanced process chips. During the Track Record Period, we recorded revenue of RMB362.2 million, RMB435.8 million, and RMB471.5 million in 2023, 2024 and 2025, respectively. Our gross profit was RMB63.6 million, RMB81.8 million, and RMB101.2 million in 2023, 2024 and 2025, respectively, with a gross profit margin of 17.6%, 18.8%, and 21.5%, respectively, in the same years.

BASIS OF PREPARATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 and Note 4 of the Accountants' Report in Appendix I to this document which conform with IFRS Accounting Standards issued by the IASB. For more information on the basis of preparation of the financial information included herein, see Note 2 to the Accountants' Report in Appendix I to this Document.

PRESENTATION AND MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are material to the preparation of our financial statements. Accounting policies that are material for understanding our financial condition and results of operations are set forth in detail in Note 4 of the Accountants' Report in Appendix I of this Document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. There had not been any material deviation from our management's estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Ability to Secure Contracts from our Key End Customers

The growth in our revenue and market share depends on our ability to secure and maintain long-term relationships with our end customers. We continually iterate our products to focus on product lifecycle planning, with a view to facilitating end customer success in their respective end markets. A growing end customer base will help us increase our shipments, thereby improving our revenue consolidating our market position.

Our end customers are primarily global and domestic brands in the consumer electronics, automotive and semiconductor industries. Our customers primarily consist of distributors, ODMs and OEMs of such end customers. We primarily sell through distributors, or via direct sales channels. In 2023, 2024 and 2025, our revenue from our five largest customers amounted to RMB285.1 million, RMB341.8 million and RMB330.9 million, accounting for 78.7%, 78.4% and 70.2%, respectively, of our revenue in the respective years. Revenue generated from our single largest customer for each year during the Track Record Period accounted for 34.1%, 34.7% and 32.5%, respectively, of our revenue in the respective years. If we fail to secure contracts from these customers, our business, financial condition, and results of operations may be materially and adversely affected.

Our Ability to Maintain Product Competitiveness through Customized Product and Solution

Our ability to maintain product competitiveness depends on our capability to provide customized product and solutions through a design-in business model. Instead of supplying standardized components, we engage with end customers during the design-stages of their product development cycle for customized products. In the power inductor solutions for advanced process chips industry, co-development cycles typically span several years depending on the end customers' demands. The design-in process significantly affected our results of operations.

We also expand the application of power inductors by working closely with end customers across a broad spectrum of sectors including consumer electronics, automotive electronics, and high-performance computing continuously. Our R&D and manufacturing efforts are seamlessly coordinated throughout the entire product development and delivery process, enabling us to continually deliver products based on proprietary technologies. If we fail to maintain product competitiveness through customized product and solution, our business, financial condition and results of operations may be materially and adversely affected.

Our Continuous Investment in R&D, Technologies, Products, and Talents

Our R&D competitiveness and experienced R&D team lay the foundation of our sustainable operation and R&D performance. We consistently upgrade and iterate our products to enhance both performance and cost-efficiency. Therefore, our core competitive strengths stem from our ability to continuously advance our technologies, iterate our products and maintain a comprehensive product portfolio.

According to the CIC Report, the power inductor solutions industry for advanced process chips is characterized by barrier like comprehensive R&D capability. As such, our development of next-generation products would require continuous and forward-looking R&D investment and strong execution capabilities to validate our R&D results. During the Track Record Period, we continuously invested in R&D. In 2023, 2024, and 2025, our research and development expenses amounted to RMB25.7 million, RMB28.8 million, and RMB28.3 million, respectively, accounting for 7.1%, 6.6%, and 6.0% of our revenue for the respective years. We expect to continue investing significant resources in R&D activities for technological breakthroughs, and the level and effectiveness of such investments may affect our future competitiveness and operating performance.

Downstream Market Size and Customer Demand

Our business performance is affected by the downstream market size and customer demand for power inductors. According to the CIC Report, measured by sales revenue, the global market size of power inductor solutions for advanced process chips increased from approximately RMB2.7 billion in 2020 to around RMB9.4 billion in 2024, representing a CAGR of 36.6%. It is expected that by 2030, the market size of the global power inductor solutions industry for advanced process chips will reach approximately RMB30.0 billion, representing a CAGR of 21.3% from 2024 to 2030 and reflecting the explosive demand for high-performance inductors driven by the age of AI.

We have capitalized on this growth by offering a competitive product portfolio that seeks to meet the evolving customer demands. For example, our revenue generated from sales of power inductors increased from 2023 to 2025, mainly driven by the ongoing upgrade of the semiconductor industry and the corresponding continuous advancement of wafer fabrication processes, which have significantly increased the demand for power inductors used around advanced process chips. Our ability to maintain competitive product portfolio, especially in high-performance computing and consumer electronics sectors, supports our revenue growth and margin expansion. We believe that our ability to provide customized power inductors, and our vertically integrated manufacturing, well position us to further expand our market share and capture the long-term market opportunities in global growing power inductor solutions industry.

Expansion of Production Capacity and Improvement of Production Efficiency

The growth in our revenue and market share depends on our ability to manage and expand our production capacity effectively. The successful upgrade and expansion of our production capability require the ability to formulate and execute upgrade and expansion plans, expand and construct new facilities, and maintain and purchase production equipment in cost-effective and efficient manners.

In order to meet growing customer demand for our products, we have in the past few years increased our production capacity and engaged outsource arrangement. We plan to prudently and efficiently expand our production capacity to sustain our market position and to meet the growing market demand for magnetic products, thereby driving revenue growth while maintaining operational efficiency. During the Track Record Period, our production utilization rate were 76.1%, 80.0%, and 86.1%, in 2023, 2024 and 2025, respectively.

As we continue to expand our production capacity, we expect to continue to incur substantial capital expenditures, which may be adjusted according to our ability to formulate and execute upgrade and expansion plans, expand and construct new facilities and maintain and purchase production equipment in cost-effective and efficient manners.

Product Mix and Solutions Portfolio

Our success depends on our ability to anticipate industry trends and develop customized power inductors that meet the evolving demands of our downstream customers across various application fields. We have a diverse range of products and solutions in our business portfolio, offering our customers a variety of options to meet their various needs. Currently, we plan to further diversify our products and solutions to seize market opportunities in a broad range of application scenarios.

During the Track Record Period, we consistently broadened our products and solutions portfolio to products and solutions matrix ranging from consumer electronics, automotive electronics, to high-performance computing. In 2023, 2024, and 2025, our gross profit margin for our power inductor segment increased primarily due to, among others, the higher revenue contribution of our consumer electronics sector, which has an increasing gross profit margin. The expansion and diversification of our products and solutions portfolio have contributed to a more balanced revenue structure and mitigated the risk of over-reliance on any individual product or solution type.

Supply Chain and Raw Material Costs Management

Our profitability has been affected and will continue to be affected by our ability to effectively manage supply chain and materials cost. In 2023, 2024 and 2025, our materials cost was RMB188.0 million, RMB184.5 million and RMB168.2 million, representing 63.0%, 52.1% and 45.4% of our total cost of sales, respectively. Our core raw materials include magnetic materials and copper wires. The prices of such raw materials are susceptible to price fluctuations due to various factors beyond our control.

We believe our ability to efficiently manage our supply chain and raw material costs is critical to sustaining the scale of our business, driving the continued growth of our total revenue and gross profit margin, and maintaining competitiveness. Going forward, we expect to continue enhancing our operational efficiency through automation, quality control upgrades and process optimization to mitigate input cost pressures and safeguard our profitability.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss in absolute amounts and as percentages of our revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
REVENUE	**362,208**	**100.0**	**435,761**	**100.0**	**471,450**	**100.0**
Cost of sales	(298,635)	(82.4)	(354,002)	(81.2)	(370,285)	(78.5)
GROSS PROFIT	**63,573**	**17.6**	**81,759**	**18.8**	**101,165**	**21.5**
Other income	4,278	1.2	4,945	1.1	3,395	0.7
Other gains and losses	1,499	0.4	5,671	1.3	(2,078)	(0.4)
Selling and marketing expenses	(23,757)	(6.6)	(27,165)	(6.2)	(26,384)	(5.6)
Administrative expenses	(32,369)	(8.9)	(35,857)	(8.2)	(42,331)	(9.0)
Research and development expenses	(25,721)	(7.1)	(28,828)	(6.6)	(28,337)	(6.0)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net impairment (losses) reversal under expected credit loss ("**ECL**") model	(2,303)	(0.6)	(1,999)	(0.5)	869	0.2
Finance costs	(17,963)	(5.0)	(17,348)	(4.0)	(20,748)	(4.4)
LOSS BEFORE TAX	**(32,763)**	**(9.0)**	**(18,822)**	**(4.3)**	**(16,742)**	**(3.5)**
Income tax expenses	(4,998)	(1.4)	(3,470)	(0.8)	(1,172)	(0.3)
LOSS FOR THE YEAR	**(37,761)**	**(10.4)**	**(22,292)**	**(5.1)**	**(17,914)**	**(3.8)**

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted (loss) (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We define adjusted loss for the year (non-IFRS measure) as loss for the year, adjusted by adding back interests on redemption liabilities and **[REDACTED]**. We exclude these items because they are not expected to result in future cash payments that are recurring in nature, as such the inclusion of these items do not indicate and provide true and fair view of our core operating results and business outlook to our **[REDACTED]**.

We believe that such non-IFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items that our management do not consider to be indicative of our operating performance and provides useful information to **[REDACTED]** and others in understanding and evaluating our consolidated statements of comprehensive income in the same manner as they help our management. However, our presentation of adjusted (loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted profit (non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute of, our combined statements of comprehensive income or financial condition as reported under IFRS.

The following table set forth a reconciliation of our adjusted loss for the year (non-IFRS measure) to the nearest measure presented in accordance with IFRS, which is loss for the year:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year	(37,761)	(22,292)	(17,914)
Add back:			
Interests on redemption liabilities[(1)]	14,496	15,114	13,036
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted loss for the year (non-IFRS measure)	**(23,265)**	**(7,178)**	**(2,585)**

Note: (1) Interests on redemption liabilities primarily represent interest in certain preferential rights, being an interest of 8% per annum calculated on a simple basis from the settlement date of the cash considerations paid by Series A Investors and Series B Investors, plus the accumulated cash dividend announced but not actually paid. See Note 25 of the Accountants' Report.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from the sales of power inductor and others. We recorded a continuous revenue increase. In 2023, 2024 and 2025, our revenue was RMB362.2 million, RMB435.8 million and RMB471.5 million, respectively. We recognize revenue upon delivery and acceptance by our customers.

Revenue by Types of Products

The following table sets forth a breakdown of our revenue in both absolute amount and percentage of our revenue by product types and application scenarios for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Power Inductor	348,344	96.2	425,145	97.6	470,705	99.8
– Consumer Electronics	229,588	63.4	290,531	66.7	318,076	67.5
– Automotive Electronics	91,804	25.4	105,204	24.1	106,312	22.5
– High-Performance Computing	26,952	7.4	29,410	6.8	46,317	9.8
Others(1)	13,864	3.8	10,616	2.4	745	0.2
Total	**362,208**	**100.0**	**435,761**	**100.0**	**471,450**	**100.0**

Note:

(1) Others mainly include sales of equipment.

Our revenue generated from sales of power inductors was RMB348.3 million in 2023 and RMB425.1 million in 2024, with a year-on-year growth of 22.0%, which was further increased by 10.7% to RMB470.7 million in 2025. This was mainly driven by the ongoing upgrade of the semiconductor industry and the corresponding continuous advancement of wafer fabrication processes, which have significantly increased the demand for power inductors used on advanced process chips. See "Industry Overview – Analysis of the Global Industry of Power Inductor Solutions for Advanced Process Chips".

In addition, we generated revenue from others, which was mainly consisted of sale of equipment. Our revenue generated from others decreased by 23.4% from RMB13.9 million in 2023 to RMB10.6 million in 2024. Our revenue generated from others was RMB10.6 million in 2024 and RMB0.7 million in 2025, with a year-on-year decrease of 93.0%. The continuous decrease was mainly due to the decrease in the demand of our customized equipment during the Track Record Period.

For details of the analysis of changes in our revenue during the Track Record Period, see "– Year to Year Comparison of Results of Operations".

The table below sets forth the breakdown of the selling volume and average selling price of our power inductors by application scenarios for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Selling Volume *(kps)*	**Average Selling Price** *(RMB)*	**Selling Volume** *(kps)*	**Average Selling Price** *(RMB)*	**Selling Volume** *(kps)*	**Average Selling Price** *(RMB)*
Consumer Electronics	718,851.9	0.32	948,239.8	0.31	1,083,305.7	0.29
Automotive Electronics	187,172.0	0.49	226,701.3	0.46	246,948.5	0.43
High-Performance Computing	35,482.6	0.76	40,440.8	0.73	52,594.2	0.88
Total	**941,506.5**	**0.37**	**1,215,381.9**	**0.35**	**1,382,848.4**	**0.34**

During the Track Record Period, the selling volume of our power inductors increased from 941,506.5 kps in 2023, to 1,215,381.9 kps in 2024 and further to 1,382,848.4 kps in 2025. During the Track Record Period, the average selling price of our power inductors decreased from RMB0.37, to RMB0.35, and further to RMB0.34.

Revenue by Geographic Location

Our customers primarily consist of distributors and ODMs and OEMs of our end customers. Our end customers are primarily global and domestic brands in the consumer electronics, automotive and semiconductor industries. The geographical information of our revenue is determined based on geographical location of the distributors and ODMs and OEMs. The following table sets forth our revenue in both absolute amount and percentage of our revenue by geographic location for the years indicated.

	Year ended December 31					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	218,340	60.3	258,206	59.3	299,407	63.6
Hong Kong	131,287	36.2	147,316	33.8	119,913	25.4
Taiwan	7,689	2.1	13,616	3.1	29,901	6.3
Others[(1)]	4,892	1.4	16,623	3.8	22,229	4.7
Total	**362,208**	**100.0**	**435,761**	**100.0**	**471,450**	**100.0**

Note:

(1) Others included Thailand, the U.S., and other countries or regions.

During the Track Record Period, our revenue generated from Chinese Mainland increased from RMB218.3 million in 2023 to RMB258.2 million in 2024 and further to RMB299.4 million in 2025 and our revenue generated from Hong Kong increased from RMB131.3 million in 2023 to RMB147.3 million in 2024, primarily due to the increase in our selling volume of power inductors under consumer electronics and automotive electronics sectors. During the Track Record Period, our revenue generated from Taiwan increased from RMB7.7 million in 2023 to RMB13.6 million in 2024 and further to RMB29.9 million in 2025 primarily due to the increase in our selling volume of power inductors under high-performance computing sector.

Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of materials cost, outsourcing cost, manufacturing cost and labor cost. The following table sets forth our cost of sales by nature, both in absolute amount and as a percentage of the total cost of sales, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Materials cost	187,953	63.0	184,530	52.1	168,156	45.4
Outsourcing cost	28,770	9.6	77,743	22.0	114,143	30.8
Manufacturing cost	46,669	15.6	49,994	14.1	47,230	12.8
Labor cost	35,243	11.8	41,735	11.8	40,756	11.0
Total	**298,635**	**100.0**	**354,002**	**100.0**	**370,285**	**100.0**

During the Track Record Period, the increases in our cost of sales were generally in line with our revenue growth. During the Track Record Period, our outsourcing cost increased continuously, mainly due to we outsourced some standardized and labor intensive manufacturing process of power inductors under consumer electronics sector in order to increase cost efficiency. During the Track Record Period, our materials cost decreased primarily due to our product miniaturization which resulted in less raw materials used.

Cost of Sales by Types of Products

During the Track Record Period, the proportion and fluctuation trends of our cost of sales were generally in line with changes in our revenue by product types and application scenarios. The following table sets forth our cost of sales by product types and application scenarios for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Power Inductor	287,514	96.3	346,203	97.8	369,905	99.9
– Consumer Electronics	192,723	64.6	235,303	66.5	245,430	66.3
– Automotive Electronics	77,976	26.1	88,514	25.0	88,189	23.8
– High-Performance Computing	16,815	5.6	22,386	6.3	36,286	9.8
Others(1)	11,121	3.7	7,799	2.2	380	0.1
Total	**298,635**	**100.0**	**354,002**	**100.0**	**370,285**	**100.0**

Note:

(1) Others mainly included sales of equipment.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product types and application scenarios for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Power Inductor	60,830	17.5	78,942	18.6	100,800	21.4
– Consumer Electronics	36,865	16.1	55,228	19.0	72,646	22.8
– Automotive Electronics	13,828	15.1	16,690	15.9	18,123	17.0
– High-Performance Computing	10,137	37.6	7,024	23.9	10,031	21.7
Others(1)	2,743	19.8	2,817	26.5	365	49.0
Total	**63,573**	**17.6**	**81,759**	**18.8**	**101,165**	**21.5**

Note:

(1) Others mainly included sales of equipment.

Our gross profit was RMB63.6 million, RMB81.8 million and RMB101.2 million in 2023, 2024 and 2025, respectively. Our gross profit margin was 17.6%, 18.8% and 21.5% for the same years, respectively.

In 2023, 2024 and 2025, we recorded gross profit of RMB60.8 million, RMB78.9 million and RMB100.8 million, respectively, from the sales of power inductors with gross profit margin of 17.5%, 18.6% and 21.4% for the same years. The increases in our gross profit margin were primarily due to the increase of our gross profit margin of consumer electronics sector, with an increasing contributions year by year, because we outsourced some standardized and labor intensive manufacturing process of power inductors under consumer electronics sector in order to increase our cost efficiency.

For details of the changes in our gross profit and gross profit margin during the Track Record Period, see "Year to Year Comparison of Results of Operations."

Other Income

Our other income primarily includes (i) income from disposal of production scrap, mainly consisting of scrap copper, defective inductors and scrap lead frames generated during the manufacturing process, and (ii) government grants recognized in profit or loss, primarily relating to rent subsidies. In 2023, 2024 and 2025, our other income amounted to RMB4.3 million, RMB4.9 million and RMB3.4 million, respectively. The following table sets forth a breakdown of our other income, in both absolute amount and percentage of our total other income, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other income						
Scrap sales	1,923	45.0	2,414	48.8	1,710	50.4
Government grants	1,792	41.9	1,659	33.5	709	20.9
Additional deduction of input VAT	–	–	157	3.2	584	17.2
Interest income	549	12.8	701	14.2	90	2.7
Others(1)	14	0.3	14	0.3	302	8.8
Total	**4,278**	**100.0**	**4,945**	**100.0**	**3,395**	**100.0**

Note:

(1) Others mainly included rental income and technical service fees.

Other Gains and (Losses)

Our other gains and losses primarily include (i) net foreign exchange gain or losses, (ii) net gain on termination of right of use assets and lease liabilities, and (iii) net (loss) gain on disposal of property, plant and equipment. The fluctuation in the gain and loss in foreign exchange is due to our settlement of expense and revenue in both RMB and U.S. dollar currency. In 2023 and 2024, our other gains amounted to RMB1.5 million and RMB 5.7 million, respectively. In 2025, our other losses amounted to RMB2.1 million. The following table sets forth a breakdown of our other gains and losses for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other gains and (losses)			
Net foreign exchange gain (loss)	1,674	5,461	(1,591)
Net gain on termination of right-of-use assets and lease liabilities	–	154	2
Net (loss) gain on disposal of property, plant and equipment	(146)	63	92
Others[1]	(29)	(7)	(581)
Total	**1,499**	**5,671**	**(2,078)**

Note:

(1) Others mainly included the liquidated damages paid in connection with the early termination of the long-term lease for one of our factory premises in 2025.

Selling and Marketing Expenses

Our selling and marketing expenses primarily include (i) employee benefits expense and (ii) promotion and marketing expense. In 2023, 2024 and 2025, our selling and marketing expenses amounted to RMB23.8 million, RMB27.2 million, and RMB26.4 million, respectively, accounting for 6.6%, 6.2%, and 5.6% of our revenue for the same years. The following table sets a breakdown of our selling and marketing expenses, both in absolute amount and as a percentage of total selling and marketing expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Selling and marketing expenses						
Employee benefits expense	16,298	68.6	18,407	67.8	17,901	67.9
Promotion and marketing expense	5,499	23.2	6,966	25.6	6,577	24.9
Office and travel expense	1,263	5.3	977	3.6	896	3.4
Depreciation and amortization expense	496	2.1	555	2.0	426	1.6
Others	201	0.8	260	1.0	584	2.2
Total	**23,757**	**100.0**	**27,165**	**100.0**	**26,384**	**100.0**

Administrative Expenses

Our administrative expenses primarily include (i) employee benefits expense, (ii) depreciation and amortization expense, (iii) consulting service expense and (iv) taxes and surcharges. In 2023, 2024 and 2025, our administrative expenses amounted to RMB32.4 million, RMB35.9 million and RMB42.3 million, respectively, accounting for 8.9%, 8.2% and 9.0% of our revenue for the same years. The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as a percentage of total administrative expenses, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Administrative expenses						
Employee benefits expense	16,674	51.5	16,465	45.9	17,627	41.6
Depreciation and amortization expense	5,194	16.0	6,921	19.3	7,831	18.5
Consulting service expense	3,129	9.7	3,705	10.3	4,342	10.3
Taxes and surcharges	864	2.7	1,940	5.4	5,297	12.5
Office and travel expense	2,695	8.3	3,359	9.4	3,554	8.4
Business entertainment expense	1,833	5.7	1,456	4.1	1,099	2.6
Others[(1)]	1,980	6.1	2,011	5.6	2,581	6.1
Total	**32,369**	**100.0**	**35,857**	**100.0**	**42,331**	**100.0**

Note:

(1) Others was primarily comprised of rent, environmental related fees and patent fees.

Research and Development Expenses

Our research and development expenses primarily include (i) employee benefit expenses and (ii) raw materials consumed. In 2023, 2024 and 2025, our research and development expenses amounted to RMB25.7 million, RMB28.8 million and RMB28.3 million, respectively, accounting for 7.1%, 6.6% and 6.0% of our revenue for the same years. The following table sets forth a breakdown of our research and development expenses, both in absolute amount and as a percentage of the total research and development expenses, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Research and development expenses						
Employee benefits expense	16,137	62.7	18,052	62.6	18,611	65.7
Raw materials consumed	5,441	21.2	5,195	18.0	4,162	14.7
Depreciation and amortization expense	1,736	6.7	2,781	9.7	3,025	10.7
Office expense	745	2.9	1,302	4.5	1,297	4.6
Others[(1)]	1,662	6.5	1,498	5.2	1,242	4.3
Total	**25,721**	**100.0**	**28,828**	**100.0**	**28,337**	**100.0**

Note:

(1) Others was primarily comprised of tooling and service fees.

Finance Costs

The following table sets forth a breakdown of our financial costs for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interests on borrowings	5,120	28.5	7,476	43.1	8,531	41.1
Interests on lease liabilities	1,665	9.3	389	2.3	244	1.2
Interests on redemption liabilities	14,496	80.7	15,114	87.1	13,036	62.8
	21,281	118.5	22,979	132.5	21,811	105.1
Less: amounts capitalised in the cost of construction in progress	(3,318)	(18.5)	(5,631)	(32.5)	(1,063)	(5.1)
Total	**17,963**	**100.0**	**17,348**	**100.0**	**20,748**	**100.0**

Income Tax Expenses

Our income tax expenses comprise current income tax and deferred income tax. In 2023, 2024 and 2025, our income tax expenses amounted to RMB5.0 million, RMB3.5 million and RMB1.2 million, respectively. We are subject to varying tax rates in different jurisdictions. See Note 11 of the Accountants' Report in Appendix I to this Document.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate.

PRC Corporate Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the Company, Tomuro, and Global Vision obtained the High-Tech Enterprise Certificate and were entitled to a preferential income tax rate of 15% for a period of 3 years from 2023 to 2025, with the Company obtaining such certificate on November 30, 2021 and December 16, 2024, Tomuro on December 13, 2023, and Global Vision on December 12, 2022. Pursuant to Caishui 2023 circular No. 7, the Company, Tomuro and Global Vision are also entitled to additional deduction of 100% on qualified research and development expenditures for a period of 3 years from 2023 to 2025. Other than as described above, the other subsidiaries established in the Chinese Mainland are subjected to PRC EIT rate of 25% for a period of 3 years from 2023 to 2025.

Corporate Income Tax in Other Jurisdictions

The income tax rates of our subsidiaries in other jurisdictions had been calculated on the estimated assessable profit for the Track Record Period at the respective rates prevailing in the relevant jurisdictions. See Note 11 of the Accountants' Report in Appendix I to this Document.

During the Track Record Period and as of the Latest Practicable Date, we had no material outstanding or potential disputes with the relevant tax authorities, and we had not been subject to any tax investigation, enquiries, penalties or surcharges.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Comparisons between 2025 and 2024

Revenue

Our revenue increased by 8.2% from RMB435.8 million in 2024 to RMB471.5 million in 2025, primarily due to increase from the sales of power inductors of RMB45.6 million.

Our revenue from the sales of power inductors increased by 10.7% from RMB425.1 million in 2024 to RMB470.7 million in 2025, primarily due to growth in the consumer electronics and high-performance computing sectors.

- Our revenue from consumer electronics sector increased mainly due to higher sales volumes driven by end customers' product upgrades and the mass shipment of newly certified product models of notebook computers in 2025, following the completion of their respective design-in processes. The average selling price of our consumer electronics sector was RMB0.31 in 2024 and RMB0.29 in 2025, primarily due to the direct contribution of fewer raw materials used for product miniaturization resulting in lower costs.

- Our revenue from automotive electronics increased as a result of higher sales volume.

- Our revenue from high-performance computing sector increased as a result of higher sales volumes and higher average selling prices. The average selling price of our high-performance computing sector increased from RMB0.73 in 2024 to RMB0.88 in 2025, primarily due to (i) an increase in new customers in the semiconductor industry in 2025; and (ii) mass shipment of newly certified product models in 2025 having a higher selling price.

Cost of Sales

Our cost of sales gradually increased by 4.6% from RMB354.0 million in 2024 to RMB370.3 million in 2025, generally in line with our growth in revenue, while offset by our strengthened cost control measures.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 23.7% from RMB81.8 million in 2024 to RMB101.2 million in 2025, driven by the increase in gross profit from increase in the sales of power inductors.

Our gross profit from the sales of power inductors increased by 27.7% from RMB78.9 million in 2024 to RMB100.8 million in 2025, and our gross profit margin increased from 18.6% in 2024 to 21.4% in 2025, primarily due to the increase of our gross profit margin of consumer electronics sector under power inductors because we outsourced some standardized and labor intensive manufacturing process of power inductors under consumer electronics sector in order to increase our cost efficiency.

- Our gross profit from consumer electronics sector increased by 31.5% from RMB55.2 million in 2024 to RMB72.6 million in 2025, and our gross profit margin for consumer electronics increased from 19.0% in 2024 to 22.8% in 2025, primarily due to the arrangement of outsourcing production which improved our cost efficiency.

- Our gross profit from automotive electronics sector increased by 8.6% from RMB16.7 million in 2024 to RMB18.1 million in 2025, primarily due to the increased in revenue resulted from increased in selling volumes. Our gross profit margin for automotive electronics was 15.9% in 2024 and 17.0% in 2025, which remained relatively stable.

- Our gross profit from high-performance computing sector increased by 42.8% from RMB7.0 million in 2024 to RMB10.0 million in 2025, primarily due to increased in revenue resulted from higher selling volumes and average selling price. Our gross profit margin for high-performance computing decreased from 23.9% in 2024 to 21.7% in 2025, primarily due to an increase in the costs of this type of product.

Other Income

Our other income decreased by 31.3% from RMB4.9 million in 2024 to RMB3.4 million in 2025, primarily due to (i) reduction in government subsidies which are one-off in nature, and (ii) a decrease in scrap sales income as compared to 2024.

Other Gains and Losses

We recorded other gains of RMB5.7 million in 2024 and other losses of RMB2.1 million in 2025, primarily due to our net foreign exchange loss resulted from the depreciation of U.S. dollar against Renminbi in 2025.

Selling and Marketing Expenses

We recorded selling and marketing expenses of RMB27.2 million and RMB26.4 million in 2024 and 2025, which remains relatively stable.

Administrative Expenses

Our administrative expenses increased by 18.1% from RMB35.9 million in 2024 to RMB42.3 million in 2025, primarily due to (i) an increase in tax and surcharges calculated and paid based on the exemption and deduction amount of VAT export rebates from the subsidiary; (ii) an increase in employee benefit expenses from the recruitment of office support personnel for our newly established subsidiary in Thailand and the Company; and (iii) an amortization of the renovation costs for our new factory.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB28.8 million and RMB28.3 million in 2024 and 2025.

Net Impairment (Losses) Reversal under Expected Credit Loss Model

Our net impairment losses under expected credit loss model was RMB2.0 million in 2024, which turned into net impairment reversal under expected credit loss model of RMB0.9 million in 2025, primarily due to a decrease in overall exposure in credit risk.

Finance Costs

Our finance costs increased by 19.6% from RMB17.3 million in 2024 to RMB20.7 million in 2025, primarily because (i) our new factory was completed in 2025, and the related capitalized interest was charged to finance costs in the same year; and (ii) our bank borrowings was increased to support our expanded business scale, leading to an increase in interest expenses.

Income Tax Expense

Our income tax expense decreased by 66.2% from RMB3.5 million in 2024 to RMB1.2 million in 2025, primarily due to the effect of accumulated tax losses from the Group.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 19.6% from RMB22.3 million in 2024 to net loss for the year of RMB17.9 million in 2025.

Comparisons Between 2024 and 2023

Revenue

Our revenue increased by 20.3% from RMB362.2 million in 2023 to RMB435.8 million in 2024.

Our revenue from the sales of power inductors increased by 22.0% from RMB348.3 million in 2023 to RMB425.1 million in 2024, primarily due to an increase in sales volume in the consumer electronics and automotive electronics sector.

- Our revenue from consumer electronics sector increased mainly due to higher sales volumes driven by the end customers' product upgrades. The average selling price of our consumer electronics sector was RMB0.32 in 2023 and RMB0.31 in 2024, primarily due to less raw material used in the miniaturization of our products.

- Our revenue from automotive electronics and high-performance computer sectors increased as a result of higher sales volumes.

Cost of Sales

Our cost of sales increased by 18.5% from RMB298.6 million in 2023 to RMB354.0 million in 2024, which was generally in line with our growth in revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 28.6% from RMB63.6 million in 2023 to RMB81.8 million in 2024, primarily driven by the increases in gross profit from the sales of power inductors. Our gross profit margin increased from 17.6% in 2023 to 18.8% in 2024, which remains relatively stable.

Our gross profit from the sales of power inductors increased by 29.8% from RMB60.8 million in 2023 to RMB78.9 million in 2024 and our gross profit margin increased from 17.5% in 2023 to 18.6% in 2024 primarily due to the increase of our gross profit margin of consumer electronics sector mainly due to we outsourced some standardized and labor intensive manufacturing process of power inductors under consumer electronics sector in order to increase our cost efficiency.

- Our gross profit from consumer electronics sector increased by 49.8% from RMB36.9 million in 2023 to RMB55.2 million in 2024 and our gross profit margin for consumer electronics increased from 16.1% in 2023 to 19.0% in 2024, primarily due to the arrangement of outsourcing production which decreased our cost of sales.

- Our gross profit from automotive electronics sector increased by 20.7% from RMB13.8 million in 2023 to RMB16.7 million in 2024, primarily due to increased revenue resulted from increased selling volumes. Our gross profit margin for automotive electronics increased from 15.1% in 2023 to 15.9% in 2024, which remains relatively stable.

- Our gross profit from high-performance computing sector decreased by 30.7% from RMB10.1 million in 2023 to RMB7.0 million in 2024 and our gross profit margin for high-performance computing decreased from 37.6% in 2023 to 23.9% in 2024, primarily due to (i) the annually average price decrease from our customers; and (ii) our growing selling volume in high-performance computing sector, leading to the increase in the corresponding materials cost and manufacturing cost.

Other Income

Our other income increased by 15.6% from RMB4.3 million in 2023 to RMB4.9 million in 2024, primarily due to our larger quantity of disposal of metal waste lead frames in our inventory, resulting in a growth in a scrap income.

Other Gains and Losses

Our other gains increased by 278.3% from RMB1.5 million in 2023 to RMB5.7 million in 2024, primarily due to our net foreign exchange gains resulted from appreciation of U.S. dollar against Renminbi.

Selling and marketing expenses

Our selling and marketing expenses increased by 14.3% from RMB23.8 million in 2023 to RMB27.2 million in 2024, which was generally in line with our growth in revenue.

Administrative Expenses

Our administrative expenses increased by 10.8% from RMB32.4 million in 2023 to RMB35.9 million in 2024, primarily due to (i) an increase in depreciation and amortization due to our early termination of a lease; and (ii) tax and surcharges calculated and paid based on the exemption and deduction amount of VAT export rebates.

Research and Development Expenses

We recorded research and development expenses of RMB25.7 million and RMB28.8 million in 2023 and 2024, primarily due to an increase in R&D headcount which resulted an increase in employee benefits expense.

Net Impairment (Losses) Reversal under Expected Credit Loss Model

Our net impairment reversal under expected credit loss model decreased by 13.2% from RMB2.3 million in 2023 to RMB2.0 million in 2024, primarily due to a decrease in overall exposure in credit risk.

Finance Costs

Our finance costs decreased by 3.4% from RMB18.0 million in 2023 to RMB17.3 million in 2024, primarily due to decreased interests on lease liabilities as a result of the early termination and expiration of several leases for our production facilities in 2024.

Income Tax Expense

Our income tax expense decreased by 30.6% from RMB5.0 million in 2023 to RMB3.5 million in 2024, primarily due to the effect of accumulated tax losses from the Group.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 41.0% from RMB37.8 million in 2023 to RMB22.3 million in 2024.

DESCRIPTION OF CERTAIN COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-current Assets and Non-current Liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	274,479	325,168	349,196
Right-of-use assets	24,302	17,456	13,804
Intangible assets	4,068	3,239	2,894
Deferred tax assets	3,035	1,701	1,459
Prepayment for acquisition of property, plant and equipment	546	239	1,818
Restricted bank deposits	1,710	1,851	1,851
Trade receivables, prepayment and other receivables	3,571	3,976	1,736
Total non-current assets	**311,711**	**353,630**	**372,758**
NON-CURRENT LIABILITIES			
Borrowings	84,011	158,787	180,393
Lease liabilities	7,169	5,614	3,678
Total non-current liabilities	**91,180**	**164,401**	**184,071**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, machinery and equipment, construction in progress and electronic equipment and furniture. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Property, Plant and Equipment			
Buildings	–	10,055	218,319
Machinery and equipment	103,053	120,915	120,123
Construction in progress	159,521	187,896	3,561
Electronic equipment and furniture	3,805	3,346	3,154
Leasehold improvement	5,235	976	2,744
Motor vehicles	2,865	1,980	1,295
Total	**274,479**	**325,168**	**349,196**

Our property, plant and equipment increased by 18.5% from RMB274.5 million as of December 31, 2023 to RMB325.2 million as of December 31, 2024, and further increased by 7.4% to RMB349.2 million as of December 31, 2025, primarily due to a newly constructed factory building in the Kunshan production base for production and office use.

Right-of-use Assets

Our right-of-use assets primarily consist of leased properties and leasehold lands. Our right-of-use assets decreased by 28.2% from RMB24.3 million as of December 31, 2023 to RMB17.5 million as of December 31, 2024, and further decreased to RMB13.8 million as of December 31, 2025, primarily because of our continuous transition to using our own facilities and production plants after the expiration and termination of the existing leases since 2024.

Intangible Assets

Our intangible assets consist of software license. Our intangible assets decreased by 20.4% from RMB4.1 million as of December 31, 2023 to RMB3.2 million as of December 31, 2024, and further decreased by 10.7% to RMB2.9 million as of December 31, 2025, primarily due to the ongoing amortization of intangible assets.

Net Current Assets/(Liabilities)

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
CURRENT ASSETS				
Inventories	49,473	62,731	67,788	99,663
Trade receivables, prepayment and other receivables	121,257	124,506	139,282	114,679
Restricted bank deposits	855	–	–	–
Cash and cash equivalents	103,406	71,989	73,144	72,064
Total current assets	**274,991**	**259,226**	**280,214**	**286,406**
CURRENT LIABILITIES				
Trade and other payables	153,581	116,984	111,119	105,469
Income tax payables	–	777	117	–
Contract liabilities	131	15	304	55
Borrowings	95,064	94,583	124,988	130,932
Lease liabilities	5,940	2,123	1,974	2,656
Redemption liabilities	354,038	369,152	–	–
Warranty provisions	1,798	2,157	2,354	277
Total current liabilities	**610,552**	**585,791**	**240,856**	**239,389**
NET CURRENT (LIABILITIES) ASSETS	**(335,561)**	**(326,565)**	**39,358**	**47,017**

We recorded net current liabilities of RMB335.6 million and RMB326.6 million as of December 31, 2023 and 2024, respectively, which were primarily attributable to the impact of the redemption liabilities. As of December 31, 2025, we had net current assets of RMB39.4 million, which was mainly attributable to the termination of preferential rights associated with the Investors' Shares on October 30, 2025, leading to derecognition of all redemption liabilities in 2025.

Inventories

Our inventories primarily consist of raw materials, work-in-progress and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Finished goods	32,752	41,999	40,223
Raw materials	10,013	10,431	21,227
Work-in-progress	6,708	10,301	6,338
Total	**49,473**	**62,731**	**67,788**

Our inventories increased by 26.8% from RMB49.5 million as of December 31, 2023, to RMB62.7 million as of December 31, 2024, and further increased by 8.1% to RMB67.8 million as of December 31, 2025, generally in line with our revenue growth. In particular, we prepared inventory in advance in order to capture market opportunities and meet anticipated customer demand.

During the Track Record Period, over 51.8% of our inventories were less than 180 days. The following is an aging analysis of our inventories:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Within 180 days	39,660	52,048	35,114
180 – 360 days	4,635	3,514	23,182
Above 360 days	5,178	7,169	9,492
Total	**49,473**	**62,731**	**67,788**

We maintain a comprehensive system to identify inventory risks and record impairment provisions. Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined using a weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Our Directors are of the view that we had made sufficient impairment provision for inventories during the Track Record Period and we did not identify any material recoverability issue in respect of our inventories aged over 360 days, for the following reasons, (i) our inventories aged over 360 days mainly consist of finished inductors and raw materials, which are highly stable, resistant to oxidation and deterioration, (ii) as of February 28, 2026, RMB4.2 million (carrying value of the inventories) of inventories aged over 360 days as of December 31, 2025 had been allocated to sales orders, (iii) we have implemented a robust inventory monitoring system involving regular inventory screening and inventory risk assessments, to ensure that our inventory level is properly managed, and (iv) we have established comprehensive inventory provision policies and have made sufficient provisions for any slow-moving or at-risk inventories identified under our inventory monitoring system.

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

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days[1]	57	57	63

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year and multiplied by 360 days.

Our inventory turnover days remained relatively stable at 57 days and 57 days in 2023 and 2024. Our inventory turnover days increased from 57 days to 63 days primarily due to the increase in raw materials from RMB10.4 million as of December 31, 2024 to RMB21.2 million as of December 31, 2025 for producing power inductors in order to capture market opportunities and meet anticipated customer demand.

As of February 28, 2026, RMB40.7 million (carrying value of the inventories) of inventories as of December 31, 2025, had been used, consumed or sold.

Trade Receivables, Prepayment and Other Receivables

Our trade receivables mainly refer to outstanding amounts due from our customers for sales of our products, less impairment loss allowance for trade receivables. Our prepayments and other receivables mainly represent value-added tax recoverable, prepayment to suppliers and deposits. The following table sets forth a breakdown of our trade receivables, prepayment and other receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables, prepayment and other receivables			
Trade receivables	113,957	122,533	132,236
Bill receivables	–	–	1,032
Less: Impairment loss allowance for trade and bill receivables	(3,614)	(5,613)	(4,744)
	110,343	116,920	128,524
Prepayment and other receivables:			
Prepayment to suppliers	4,211	5,048	2,351
Prepayment for the utilities and others	1,113	1,236	938
Deferred issue costs	–	–	365
Deposits	3,158	2,416	2,594
Value-added tax recoverable	5,245	2,189	5,597
Others	758	673	649
	14,485	11,562	12,494
Total	**124,828**	**128,482**	**141,018**
Analysed as:			
Current	121,257	124,506	139,282
Non-current	3,571	3,976	1,736
Total	**124,828**	**128,482**	**141,018**

Our trade receivables, prepayment and other receivables increased by 2.9% from RMB124.8 million as of December 31, 2023 to RMB128.5 million as of December 31, 2024, and further increased by 9.8% to RMB141.0 million as of December 31, 2025, primarily reflecting our growth in revenue.

We generally grant credit terms ranging from 30 days to 120 days to our customers. During the Track Record Period, the majority of our trade and bill receivables were outstanding for less than 6 months. The following table sets forth an aging analysis of our trade and bill receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and bill receivables			
0 to 6 months	102,799	113,100	127,353
6 to 12 months	5,030	2,471	3
12 to 18 months	2,514	1,349	571
18 to 24 months	–	–	597
Total	**110,343**	**116,920**	**128,524**

We maintain strict control over trade receivables. Our credit control department manages credit risks, and senior management regularly reviews recoverability and provides for impairment as appropriate. We apply the IFRS 9 simplified approach to recognize lifetime expected credit losses ("**ECL**") for all trade receivables. ECL is measured by grouping receivables based on shared credit risk characteristics and aging, supplemented by individual assessments for certain customers considering historical settlement records. Trade receivables are written off when there is no reasonable expectation of recovery, indicated by the debtor's failure to agree on a repayment plan or other severe financial difficulties.

We believe there is no recoverability issue for our trade receivables aged over 12 months, and we have made sufficient credit loss allowances, based on (i) our robust credit risk management system, which includes credit evaluations and tailored credit policies, (ii) stringent internal measures that enhance the collection and management of trade receivables, (iii) the reliability and track record of settlement from our customers, who are primarily well-known companies in the industry with long-standing and stable relationships with us, and (iv) the fact that as of February 28, 2026, approximately RMB0.2 million or 1.5% of the trade receivables aged over 12 months as of December 31, 2025 had been settled.

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

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days[(1)]	98	94	94

Note:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables and bill receivables (net of impairment loss allowance) for a year divided by revenue for the relevant year and multiplied by 360 days.

Our trade receivables turnover days are 98 days in 2023, 94 days in 2024 and 94 days in 2025, which remains relatively stable.

As of February 28, 2026, RMB74.8 million, or 58.1% of our trade receivables as of December 31, 2025, had been settled.

Trade and Other Payables

Our trade payables primarily represent payables to our suppliers for goods and equipment. Our other payables primarily consist of payables for acquisition of property, plant and equipment and payroll and welfare payables. The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables			
Trade payables	100,709	95,342	86,752
Other payables:			
Payables for acquisition of property, plant and equipment	38,637	5,884	5,058
Other tax payables	930	961	3,556
Payroll and welfare payables	12,265	13,314	14,229
Others	1,040	1,483	1,524
	52,872	21,642	24,367
Total	**153,581**	**116,984**	**111,119**

Our trade payables decreased by 5.3% from RMB100.7 million as of December 31, 2023 to RMB95.3 million as of December 31, 2024, and further decreased by 9.0% to RMB86.8 million as of December 31, 2025, primarily reflecting the procurement of magnetic materials and/or copper wires. Our other payables decreased by 59.1% from RMB52.9 million as of December 31, 2023 to RMB21.6 million as of December 31, 2024, primarily due to the absence of the one-off acquisition of property, plant and equipment that occurred in 2023. Our other payables remained relatively stable at RMB24.4 million as of December 31, 2025 as compared to December 31, 2024.

The trade payables are normally settled within 3 months. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	79,637	81,251	79,536
3 to 6 months	19,986	13,577	6,098
6 to 12 months	646	512	406
over 1 year	440	2	712
	100,709	95,342	86,752

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days(1)	102	100	89

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by cost of sales for the relevant year and multiplied by 360 days.

Our trade payables turnover days was 102 days and 100 days in 2023 and 2024, respectively, which remained relatively stable. Our trade payables turnover days was decreased to 89 days in 2025 because magnetic materials suppliers and other raw materials suppliers contributed to a higher portion of our trade payables in 2025 and they required shorter settlement terms.

As of February 28, 2026, RMB65.6 million, or 75.6% of our trade payables as of December 31, 2025, had been settled.

Redemption Liabilities

We recognized the preferential rights associated with the shares held by certain independent investors, including redemption rights and liquidation preferences, as redemption liabilities. These redemption liabilities were measured at amortized cost. Our redemption liabilities amounted to RMB354.0 million, RMB369.2 million and nil as of December 31, 2023, 2024 and 2025, respectively. Pursuant to the termination agreement of Investors' Shares entered into by the Company and the relevant investors, such preferential rights were terminated on October 30, 2025. Accordingly, the carrying amount of these redemption liabilities was derecognized upon the termination of the preferential rights on October 30, 2025. See Note 25 of the Accountants' Report.

Cash and Cash Equivalents

Our cash and cash equivalents represent cash at bank and on hand. Our cash and cash equivalents as of December 31, 2023, 2024 and 2025 were RMB103.4 million, RMB72.0 million and RMB73.1 million, respectively. For a discussion on the changes in our cash and cash equivalents, see "– Liquidity and Capital Resources".

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had historically funded our cash requirements principally from proceeds from our business operations, capital contributions from shareholders and bank borrowings. After the **[REDACTED]**, we intend to finance our future capital requirements primarily through cash generated from our business operations, bank borrowings and the **[REDACTED]** from the **[REDACTED]**. We do not anticipate any material change in the availability of financing to fund our operations in the future.

Consolidated Statements of Cash Flow

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	8,175	3,828	11,067
Net cash flows used in investing activities	(107,895)	(95,985)	(52,015)
Net cash flows from financing activities	91,747	60,754	41,976
Net (decrease) increase in cash and cash equivalents	(7,973)	(31,403)	1,028
Effect of exchange rate change	–	(14)	127
Cash and cash equivalents at the beginning of the year	111,379	103,406	71,989
Cash and cash equivalents at the end of the year	103,406	71,989	73,144

Net Cash Flows Generated from Operating Activities

Our cash flows generated from operating activities reflect our profit before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation of non-current assets and interest income); (ii) the effects of movement in working capital (such as inventories, receivables and payables); and (iii) other cash items (such as income taxes paid).

In 2025, we had net cash from operating activities of RMB11.1 million, which mainly represents losses before tax of RMB16.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of finance costs of RMB20.7 million, and depreciation of property, plant and equipment of RMB26.1 million; and (ii) movements in working capital, mainly consisting of a increase in trade and other receivables of RMB11.2 million, decrease in trade and other payables of RMB5.0 million and increase in inventories of RMB4.3 million.

In 2024, we had net cash from operating activities of RMB3.8 million, which mainly represents losses before tax of RMB18.8 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of finance costs of RMB17.3 million, and depreciation of property, plant and equipment of RMB20.9 million; and (ii) movements in working capital, mainly consisting of an increase in inventories of RMB14.2 million, increase in trade receivables, prepayment and other receivables of RMB5.8 million and decrease in trade and other payables of RMB3.8 million.

In 2023, we had net cash from operating activities of RMB8.2 million, which mainly represents losses before tax of RMB32.8 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of finance costs of RMB18.0 million, and depreciation of property, plant and equipment of RMB15.2 million; and (ii) movements in working capital, mainly consisting of an increase in trade receivables, prepayment and other receivables of RMB27.7 million and increase in inventories of RMB5.2 million, partially offset by an increase in trade and other payables of RMB27.4 million.

Net Cash Flows Used in Investing Activities

In 2025, our net cash flow used in investing activities was RMB52.0 million, which was primarily attributable to purchase of property, plant and equipment of RMB51.7 million.

In 2024, our net cash flow used in investing activities was RMB96.0 million, which was primarily attributable to purchase of property, plant and equipment of RMB99.6 million, partially offset by proceeds on disposal of property, plant and equipment of RMB2.4 million.

In 2023, our net cash flow used in investing activities was RMB107.9 million, which was primarily attributable to purchase of property, plant and equipment of RMB112.7 million and purchase of intangible assets of RMB3.9 million, partially offset by proceeds on disposal of property, plant and equipment of RMB6.8 million.

Net Cash Flows Generated from Financing Activities

In 2025, our net cash flow generated from financing activities was RMB42.0 million, which was primarily attributable to new borrowings raised of RMB152.8 million, partially offset by repayments of borrowings of RMB100.6 million.

In 2024, our net cash flow generated from financing activities was RMB60.8 million, which was primarily attributable to new borrowings raised of RMB156.3 million, partially offset by repayments of borrowings of RMB82.1 million.

In 2023, our net cash flow generated from financing activities was RMB91.7 million, which was primarily attributable to new borrowings raised of RMB174.0 million, partially offset by repayments of borrowings of RMB63.4 million and repayment of lease payments of RMB12.2 million.

INDEBTEDNESS

As of December 31, 2023 and 2024, our indebtedness included redemption liabilities, borrowings and lease liabilities. As of December 31, 2025, our indebtedness included borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current				
Borrowings	95,064	94,583	124,988	130,932
Lease liabilities	5,940	2,123	1,974	2,656
Redemption liabilities	354,038	369,152	–	–
Non-current				
Borrowings	84,011	158,787	180,393	180,265
Lease liabilities	7,169	5,614	3,678	2,776
Total	**546,222**	**630,259**	**311,033**	**316,629**

Borrowings

Our borrowings (current portions) primarily representing our borrowings for supplement of our working capital. Our borrowings (current portions) remained relatively stable at RMB95.1 million as of December 31, 2023 and RMB94.6 million as of December 31, 2024, and increased by 32.1% to RMB125.0 million as of December 31, 2025. Our borrowings (non-current portions) primarily representing our borrowings for factory construction. Our borrowings (non-current portions) increased by 89.0% from RMB84.0 million as of December 31, 2023 to RMB158.8 million as of December 31, 2024, and further increased by 13.6% to RMB180.4 million as of December 31, 2025, primarily due to project loans for factory construction.

Our borrowings are primarily denominated in Renminbi. The effective interest rate on our borrowings ranged from 2.4% to 4.2% during the Track Record Period. See Note 23 of the Accountants' Report in Appendix I to this Document.

The following table sets forth the breakdown of our borrowings as of the dates indicated:

	As at December 31,			As at February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Secured and guaranteed *(Note a)*	91,095	166,976	193,155	193,283
Unsecured and guaranteed *(Note b)*	45,125	44,172	40,147	43,990
Secured and unguaranteed *(Note c)*	795	–	–	–
Unsecured and unguaranteed	42,060	42,222	72,079	73,923
Total	**179,075**	**253,370**	**305,381**	**311,196**

Notes:

(a) These borrowings are secured by certain land use rights of the Group and are guaranteed by Mr. Chao and Mr. Cheng, who are the shareholders of the Company, as at December 31, 2023, 2024 and 2025, respectively. The guarantee has been released in March 2026.

(b) These borrowings are guaranteed by Mr. Chao and Mr. Cheng and has been released in March 2026.

(c) Details of pledge of assets in support of the secured borrowings are disclosed in Note 30 of the Accountants' Report in Appendix I to this Document.

The above borrowings secured by personal guarantee given by the Controlling Shareholders were released as at the Latest Practicable Date.

As of the Latest Practicable Date, our unutilized banking facilities amounted to RMB56.1 million.

Lease Liabilities

Our lease liabilities (current portions) mainly represented our leases for our manufacturing facilities, offices, warehouses and staff apartments. Our lease liabilities (current portions) decreased by 64.3% from RMB5.9 million as of December 31, 2023, to RMB2.1 million as of December 31, 2024, and further decreased by 7.0% to RMB2.0 million as of December 31, 2025, primarily because we had not renewed the lease for part of our facilities and transitioned to using our own facilities. Our lease liabilities (non-current portions) mainly represented our leases for our manufacturing facilities, offices, warehouses. Our lease liabilities (non-current portions) decreased by 21.7% from RMB7.2 million as of December 31, 2023, to RMB5.6 million as of December 31, 2024, and further decreased by 34.5% to RMB3.7 million as of December 31, 2025, primarily because we have not renewed the lease for part of our facilities and transitioned to using our own facilities.

Redemption Liabilities

See "Description of Certain Components of Consolidated Statements of Financial Position – Redemption liabilities" for details.

Except for our indebtedness as disclosed above, as of December 31, 2023, 2024, and 2025 and February 28, 2026, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits which were either guaranteed or unguaranteed, secured or unsecured.

As of the Latest Practicable Date, there was no restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since February 28, 2026 and up to the date of this Document.

CONTINGENT LIABILITIES

As of December 31, 2025, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the date/for the years indicated:

	As of/For the year ended December 31,		
	2023	2024	2025
Gross profit margin[(1)]	17.6%	18.8%	21.5%
Current ratio[(2)]	0.5	0.4	1.2
Quick ratio[(3)]	0.4	0.3	0.9
Debt to asset ratio[(4)]	119.6%	122.4%	65.1%
Net (loss) margin	(10.4%)	(5.1%)	(3.8%)
Adjusted net (loss) margin (non-IFRS measure)[(5)]	(6.4%)	(1.6%)	(0.5%)

Notes:

(1) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Current ratio is calculated using total current assets divided by total current liabilities as of the relevant year end.

(3) Quick ratio is calculated using total current assets less inventories divided by total current liabilities as of the relevant year end.

(4) Debt to asset ratio is calculated using total liabilities divided by total assets.

(5) Adjusted net (loss) margin (non-IFRS measure) represents adjusted net (loss) for the year (non-IFRS measure) divided by revenue for the same year and multiplied by 100%.

Gross Profit Margin

In 2023, 2024, 2025, our gross profit margin was 17.6%, 18.8% and 21.5%, respectively.

See "– Year to Year Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Current Ratio

We record current ratio of 0.5 and 0.4 as of December 31, 2023 and 2024 and increased to 1.2 as of December 31, 2025, primarily due to the termination of preferential rights associated with the Investors' Shares on October 30, 2025, leading to derecognition of all redemption liabilities in 2025.

Quick Ratio

We record quick ratio of 0.4 and 0.3 as of December 31, 2023 and 2024 and increased to 0.9 as of December 31, 2025, primarily due to the termination of preferential rights associated with the Investors' Shares on October 30, 2025, leading to derecognition of all redemption liabilities in 2025.

Debt to Asset Ratio

Our debt to asset ratio was 119.6% in 2023 and 122.4% in 2024 and decreased to 65.1% in 2025 primarily due to the termination of preferential rights associated with the Investors' Shares on October 30, 2025, leading to derecognition of all redemption liabilities in 2025.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consisted of purchase of property, plant and equipment and purchase of intangible assets.

In 2023, 2024 and 2025, our capital expenditures were RMB116.6 million, RMB99.9 million and RMB52.3 million, respectively, primarily for the construction and expansion of our manufacturing facilities. We funded these expenditures mainly with cash generated from our business operations.

Following the **[REDACTED]**, we will continue to incur capital expenditures to grow our business. We plan to fund our planned capital expenditures primarily with cash flows generated from our operations and the **[REDACTED]** from the **[REDACTED]**. See "Future Plans and **[REDACTED]**." We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

As of the Latest Practicable Date, we had no capital commitments contracted but not provided for in the financial statements.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 35 of the Accountants' Report in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in Note 35 of the Accountants' Report in Appendix I to this Document was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period did not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Our overall risk management focuses on the unpredictability of financial markets, seeks a balance between risk and return and minimizes the adverse impact of risk on our finance performance. Based on this risk management objective, the basic strategy of our risk management is to identify and analyze the various risks faced by us, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range.

For details about our financial risks during the Track Record Period, see Note 33 of the Accountants' Report in Appendix I to this Document.

DIVIDENDS AND DIVIDEND POLICY

No dividends had been paid or declared by the Company during the Track Record Period.

Our Company currently does not have a formal dividend policy or a fixed dividend payout ratio. Our Board of Directors may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment of dividends will be subject to our constitutional documents and applicable laws. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declaration of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, operating cash flows, available financing facilities and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of 31 December 2025, we had no distributable reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]**. We estimate that our **[REDACTED]** expenses will be approximately **[REDACTED]** (assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]** (being the **[REDACTED]** of the indicative **[REDACTED]** range) and no exercise of the **[REDACTED]**), representing **[REDACTED]** of the **[REDACTED]** (based on the **[REDACTED]** of our indicative **[REDACTED]** for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised) of the **[REDACTED]**. During the Track Record Period, we incurred **[REDACTED]** expenses of **[REDACTED]**, of which **[REDACTED]** was charged to the consolidated statements of comprehensive income as **[REDACTED]** expenses, and **[REDACTED]** will be deducted from equity. We expect to incur **[REDACTED]** expenses of approximately **[REDACTED]**, of which approximately **[REDACTED]** is expected to be recognized in the consolidated statements of comprehensive income as **[REDACTED]** expenses and approximately **[REDACTED]** is expected to be recognized as a deduction in equity directly upon the **[REDACTED]**. Our Directors do not expect such expenses to materially impact our results of operations in 2026. By nature, our **[REDACTED]** expenses are composed of (i) **[REDACTED]** of approximately **[REDACTED]** and (ii) **[REDACTED]** related expenses of approximately **[REDACTED]**, which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately **[REDACTED]** and sponsor fee and other fees and expenses of approximately **[REDACTED]**.

[REDACTED] [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II – **[REDACTED]** **[REDACTED]** Financial Information."

PROPERTY INTEREST AND PROPERTY VALUATION

Zhongqin Asset Appraisal Co., Ltd., an independent property valuer, has valued our selective property as of January 31, 2026. Particulars of the property are set out in Appendix IV to this Document.

The table below sets out the reconciliation between the net book value of our selective property as of December 31, 2025 in the Accountants' Report set out in Appendix I to this Document and the market value of our selective property as of January 31, 2026 in the Property Valuation Report set out in Appendix IV to this document.

	(RMB'000)
Net book value of our selective property as of December 31, 2025	**226,452**
Depreciation for the one month ended January 31, 2026 (unaudited)	867
Net book value as of January 31, 2026 (unaudited)	**225,586**
Valuation surplus as of January 31, 2026	1,087
Valuation as of January 31, 2026 as set out in Appendix IV to this Document	**226,672**

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

We expect to record a net loss in 2026, primarily due to continued investment in research and development, expansion of our sales and distribution network and ongoing product iteration.

Subsequent to the Track Record Period up to the Latest Practicable Date, our business continued to grow. In the first quarter of 2026, we commenced delivery of automotive inductors under our own brand to our customers. We expect our sales under our own brand for automotive inductors will continue to grow, which will have a positive impact on our future operating results.

Our Directors have confirmed that up to the date of this Document there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the year reported in the Accountants' Report in Appendix I to this Document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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