You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountants' Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, 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 "Our Business," and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are a globally leading precision intelligent manufacturing enterprise with operations across multiple frontier sectors and an extensive worldwide delivery network. We provide end-to-end mass production solutions from ultra-high-precision components and functional modules to system-level assemblies for established customers around the globe through continual innovation of processes and cross-sector transferability. Since our establishment, we have captured market opportunities from the innovation and transformation in the global technology industry. Leveraging our precision manufacturing expertise, we have established three mutually reinforcing and synergistic business lines, namely (i) precision components for smart devices and electronic products, (ii) key mechanical components and connectivity components for new energy and (iii) hardware for embodied intelligence and emerging technologies.

We have experienced robust growth during the Track Record Period. Our revenue increased by 23.4% from RMB13,722.5 million in 2023 to RMB16,934.2 million in 2024, and further increased by 11.1% to RMB18,818.7 million in 2025. Our revenue growth was driven by an increase in sales to customers across all three downstream sectors. Our gross profit increased by 20.2% from RMB2,498.9 million in 2023 to RMB3,004.1 million in 2024, and further increased by 11.6% to RMB3,352.2 million in 2025. Our overall gross profit margin remained relatively stable at 18.2%, 17.7% and 17.8% in 2023, 2024 and 2025, respectively, primarily due to an improvement in margin for precision components for smart devices and electronic products, attributable to a change in product mix and our cost optimization efforts, partially offset by a decrease in margin for key mechanical components and connectivity components for new energy, attributable to higher raw material costs and downward pricing pressure. Our net profit increased by 455.9% from RMB151.2 million in 2023 to RMB840.2 million in 2024, and subsequently decreased by 20.3% to RMB669.5 million in 2025. Eliminating the impact of share-based compensation expenses, we generated an adjusted net profit (non-IFRS measure) of RMB163.9 million, RMB839.9 million and RMB683.4 million in 2023, 2024 and 2025, respectively. See "– Non-IFRS Measure."

BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with all applicable IFRS Accounting Standards which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by International Accounting Standards Board ("**IASB**"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss ("**FVTPL**") and financial assets measured at fair value through other comprehensive income ("**FVOCI**").

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are set out in Note 4 to the Accountants' Report included in Appendix I to this document.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by our Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than the material accounting policies information as disclosed elsewhere in this historical financial information, a summary of the other accounting policies information has been set out in Note 44 to the Accountants' Report included in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects:

General Factors

Our results of operations and financial condition are affected by general factors impacting the industry in which we operate, including:

- the growth and competitive landscape of the industry in which we operate;
- the exchange rate volatility, such as between RMB and USD;
- the cyclicality of downstream sectors, such as applications in the smartphone and NEV sectors;
- relevant laws, regulations and government policies affecting the industry;
- global economic growth and per capita disposable income levels; and
- force majeure events, pandemics, acts of war, social and economic instability, and natural disasters.

Unfavorable changes in any of these general industry conditions could materially and adversely affect demand for our products and services and/or the manner in which we provide our products and services, and therefore materially and adversely affect our results of operations.

Our Product Portfolio and Product Development Capabilities

Our product portfolio affects our revenue and profitability. As we leverage our intelligent precision manufacturing capabilities and vertically integrated platform, we manufacture and provide precision components across a broad array of application scenarios, including (i) precision components for smart devices and electronic products, (ii) key mechanical components and connectivity components for new energy and (iii) hardware for embodied intelligence and emerging technologies. In line with this strategy, we have been expanding the application coverage of our product portfolio. Our revenue increased by 23.4% from RMB13,722.5 million in 2023 to RMB16,934.2 million in 2024, and further increased by 11.1% to RMB18,818.7 million in 2025.

Sales of precision components for smart devices and electronic products were the primary revenue driver during the Track Record Period. In 2023, 2024 and 2025, revenue from precision components for smart devices and electronic products amounted to RMB9,502.7 million, RMB11,059.3 million and RMB11,051.5 million, respectively, representing 69.2%, 65.3% and 58.7% of our total revenue for the same years. As we expanded application scenarios to new energy and embodied intelligence as well as emerging technologies, we also sold products designed for these applications. In 2023, 2024 and 2025, revenue from key mechanical components and connectivity components for new energy amounted to RMB3,539.8 million, RMB5,213.8 million and RMB6,862.1 million, respectively, representing 25.8%, 30.8% and 36.5% of our total revenue for the same years. Revenue from hardware for embodied intelligence and emerging technologies amounted to RMB67.0 million, RMB30.3 million and RMB183.8 million, representing 0.5%, 0.2% and 1.0% of our total revenue for the same years, respectively.

In addition, as many of our products are customized and made-to-order, our pricing and margin profile may be affected by product specifications, manufacturing complexity, product yield and ramp-up efficiency. Our diverse range of products has different selling prices and margin profiles. Our overall gross profit margin may be affected by changes in the relative contribution of different business lines and products with different margin profiles, which may be in turn affected by raw material costs and cost optimization efforts. For example, the gross profit margin for key mechanical components and connectivity components for new energy decreased from 16.8% in 2023 to 15.3% in 2024 and further to 13.8% in 2025, primarily due to (i) the pricing adjustment due to intense market competition and (ii) an increase in raw material costs. Our gross profit margin for hardware for embodied intelligence and emerging technologies increased from 21.3% in 2023 to 25.5% in 2024, primarily due to (i) the optimization of the customer project mix, which led to an increased proportion of high gross margin projects and (ii) cost reductions resulting from process optimization of certain projects. However, our overall gross profit margin remained relatively stable at 18.2%, 17.7% and 17.8% in 2023, 2024 and 2025, respectively.

Given the competitive landscape of the industry in which we operate, our revenue and profitability are affected by, among other things, customers' cost-down expectations, the availability and pricing of comparable products offered by competitors, and our ability to deliver differentiated value through engineering capabilities, quality, delivery performance and manufacturing efficiency. To support sustainable profitability, we focus on timely planning, close collaboration across sales, procurement and manufacturing teams, as well as comprehensive quality control processes to improve manufacturability and strengthen cost controls.

Our Ability to Attract New Customers and Retain Existing Customers

Our results of operations have been, and we expect will continue to be, dependent on our ability to grasp and meet changing market demand in our downstream application sectors, including smart devices and electronic products, power batteries and energy storage, and embodied intelligence and other emerging technologies. Demand fluctuations in these downstream sectors may affect customers' investment decisions, product launch plans and procurement cycles, which in turn may impact demand for our products and services.

During the Track Record Period, our revenue growth reflected, among other things, increased customer engagement in our key business lines, particularly in new energy battery applications. We derive a significant portion of our revenue from a limited number of major customers across the smart devices and electronic products, new energy battery and emerging technology sectors. In 2023, 2024 and 2025, our five largest customers accounted for 58.2%, 62.2% and 64.6% of our revenue, respectively, and our largest customer accounted for 16.8%, 18.6% and 23.8% of our revenue, respectively. Our results of operations are therefore materially affected by the order volumes, pricing arrangements and product types of our major customers. A decrease in orders, a change in product types or a downward adjustment of price by any of these customers may have a material adverse effect on our revenue, gross profit margin and results of operations.

Our ability to retain existing customers is therefore critical to our growth and profitability. We typically engage with customers across the product lifecycle, including early-stage design collaboration, prototyping, validation and mass production, and many of our products are specifically designed and produced based on customizations and needs of our customers. As a result, our customer relationships may be affected by our ability to (i) meet evolving technical specifications and quality standards, (ii) support new product introduction and ramp-up efficiently, (iii) deliver consistent quality and on-time performance at scale, and (iv) provide cost-competitive solutions through process optimization and manufacturing efficiency. For example, our revenue from key mechanical components and connectivity components for new energy increased by 47.3% from RMB3,539.8 million in 2023 to RMB5,213.8 million in 2024, and further increased by 31.6% to RMB6,862.1 million in 2025.

To strengthen customer retention and drive new customer acquisition, we emphasize collaborative R&D and technical exchanges with key customers, and we leverage our global delivery network and diversified manufacturing footprint to provide responsive support across regions. We also seek to deepen customer relationships by expanding our offerings across product categories and application scenarios, which may enhance customer retention and support more resilient demand across industry cycles.

Our Ability to Manage Costs of Sales and Improve Operating Efficiency

Our ability to control costs and achieve higher operating efficiency is key to improving our profitability. During the Track Record Period, our cost of sales primarily consisted of (i) raw materials consumed, (ii) employee benefits expenses and (iii) outsourced manufacturing fees. In 2023, 2024 and 2025, our cost of sales amounted to RMB11,223.6 million, RMB13,930.0 million and RMB15,466.5 million, respectively.

Costs in relation to raw materials consumed represented a significant portion of our cost of sales and directly affected our gross profit margin. Our main raw materials include, among others, aluminum alloy, stainless steel, copper, titanium alloy and engineering plastics such as PEEK, and raw material prices may fluctuate due to supply and demand dynamics. The market prices of these raw materials are subject to fluctuation driven by global supply-demand dynamics, foreign exchange rate movements and macroeconomic conditions. According to Frost & Sullivan, the average market price of (i) copper increased from RMB60.1 thousand per ton in 2023 to RMB70.8 thousand per ton in 2025, and (ii) aluminum increased from RMB16.0 thousand per ton in 2023 to RMB18.8 thousand per ton in 2025. In 2023, 2024 and 2025, our costs in relation to raw materials consumed amounted to RMB5,103.8 million, RMB7,242.5 million and RMB7,808.3 million, accounting for 45.5%, 52.0% and 50.5% of our total cost of sales, Accordingly, our ability to source key raw materials at competitive prices affects our gross profit margin and profitability. We have implemented measures to mitigate the impact of raw material price volatility and supply fluctuations, including maintaining long-term relationships with suppliers, expanding our qualified supplier base, and, where appropriate, conducting R&D on alternative materials and processes. We also closely monitor raw material price trends and manage inventory levels in light of production schedules and anticipated customer demand.

Our results of operations are also affected by our ability to improve operating efficiency, including production efficiency, product yield, capacity utilization and overhead control. We generally operate on a made-to-order basis, and the overall manufacturing cycle is typically approximately 15 to 30 days, depending on the complexity of product configuration. We generally complete core manufacturing processes in-house, including key tooling manufacturing, module assembly, commissioning, functional testing and final inspection, to ensure our products comply with relevant technical specifications and quality standards. Meanwhile, to optimize capacity and enhance efficiency while safeguarding our core technologies, we selectively outsource certain non-core manufacturing procedures to qualified third-party contract manufacturers. Outsourcing is mainly driven by manufacturing scheduling needs, temporary capacity constraints or considerations for improving efficiency. Our outsourced manufacturing fees increased from RMB1,224.0 million in 2023 to RMB1,550.2 million in 2024 and further to RMB1,779.7 million in 2025, primarily due to an increase in order volume. If we are unable to manage production planning, ramp-up and capacity allocation effectively, we may experience higher unit costs, delayed deliveries or lower margins.

We also focus on controlling operating expenses and improving operational efficiency. In 2023, 2024 and 2025, our general and administrative expenses amounted to RMB909.6 million, RMB974.0 million and RMB1,074.9 million, respectively, representing 6.6%, 5.8% and 5.7% of our total revenue for the same years. In 2023, 2024 and 2025, our selling and marketing expenses amounted to RMB120.6 million, RMB137.2 million and RMB141.5 million, respectively, representing 0.9%, 0.8% and 0.8% of our total revenue for the same years. We expect our operating efficiency to continue to benefit from investments in intelligent manufacturing, automation and digitalized management systems that enhance multi-site coordination, production scheduling and resource utilization.

Our Ability to Effectively Invest in Research and Development and Talent

Our ability to effectively invest in research and development and talent is critical to maintaining our competitiveness in the precision manufacturing industry and supporting the development of our businesses. We continually invest in R&D to enhance our capabilities across advanced manufacturing processes, materials engineering and high-precision mechanical systems, with an emphasis on lightweight design, improved functionality, durability and production efficiency. In 2023, 2024 and 2025, our research and development expenses amounted to RMB1,238.5 million, RMB1,224.3 million and RMB1,393.7 million, respectively, representing 9.0%, 7.2% and 7.4% of our total revenue for the same years. Our R&D efficiency may impact our results of operations in multiple ways, including whether we are able to (i) maintain and deepen customer relationships by meeting evolving technical requirements, (ii) expand our product portfolio into higher value-added products and new application scenarios, and (iii) reduce costs and improve product yield through process innovation and automation.

We also compete for skilled engineers, technicians and management personnel. In order to attract and retain talent, we offer competitive remuneration packages and implement internal training and development programs, which may increase our operating expenses. At the same time, these investments support our long-term capability building and execution, including faster product development cycles, more efficient ramp-up and higher quality consistency. If we are unable to attract, retain and motivate key personnel, or if our R&D efforts do not achieve the intended results, our business and results of operations may be adversely affected.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

For our material accounting policies and the judgments, estimates and assumptions that are important to understanding our financial condition and results of operations, see Note 4 to the Accountants' Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Revenue	13,722,455	16,934,153	18,818,694
Cost of sales	(11,223,602)	(13,930,006)	(15,466,484)
Gross profit	2,498,853	3,004,147	3,352,210
General and administrative expenses	(909,582)	(974,029)	(1,074,946)
Selling and marketing expenses	(120,566)	(137,158)	(141,460)
Research and development expenses	(1,238,549)	(1,224,279)	(1,393,677)
Net impairment (losses)/reversals on financial assets	(3,812)	(28,593)	76,771
Other income	171,756	211,882	150,204
Other gains/(losses), net	21,814	313,540	(68,552)
Operating profit	419,914	1,165,510	900,550
Finance income	25,772	28,728	26,623
Finance costs	(288,666)	(235,536)	(165,705)
Finance costs, net	(262,894)	(206,808)	(139,082)
Share of losses of investments in associates	(5,103)	(10,512)	(10,925)
Profit before income tax	151,917	948,190	750,543
Income tax expenses	(760)	(107,952)	(81,018)
Profit for the year	**151,157**	**840,238**	**669,525**

NON-IFRS FINANCIAL MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items. We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. However, the non-IFRS financial measure we present may not be directly comparable to similar measures presented by other companies. The use of this non-IFRS measure should not be considered as a substitute for analysis of our results of operations or financial condition as reported under IFRS.

We define adjusted net profit (non-IFRS measure) as profit for the year adjusted by adding back share-based compensation expenses. The following table reconciles our adjusted net profit (non-IFRS measure) presented to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Profit for the year	151,157	840,238	669,525
Add:			
– Share-based compensation expenses[1]	12,767	(362)	13,909
Adjusted net profit (*non-IFRS measure*)	**163,924**	**839,876**	**683,434**

Note:

(1) Share-based compensation expenses represent the non-cash employee benefit expenses incurred in connection with our award to key employees. We recorded a reversal of share-based compensation of RMB0.4 million in 2024, primarily due to the cancellation of certain stock options as performance targets were not met and certain participants resigned.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily derived revenue from (i) precision components for smart devices and electronic products, (ii) key mechanical components and connectivity components for new energy and (iii) hardware for embodied intelligence and emerging technologies.

Revenue by Business Line

The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Precision components for smart devices and electronic products	9,502,671	69.2	11,059,294	65.3	11,051,503	58.7
Key mechanical components and connectivity components for new energy	3,539,809	25.8	5,213,786	30.8	6,862,113	36.5
Hardware for embodied intelligence and emerging technologies	66,972	0.5	30,287	0.2	183,801	1.0
Others[(1)]	613,003	4.5	630,786	3.7	721,277	3.8
Total	**13,722,455**	**100.0**	**16,934,153**	**100.0**	**18,818,694**	**100.0**

Note:

(1) Others primarily included revenue from tooling development and lease income.

Revenue by Geographical Location

During the Track Record Period, our products were sold to both domestic and overseas markets. The following table sets forth a breakdown of our revenue by geographical location, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Chinese mainland (excluding bonded zones)...	7,270,899	53.0	8,624,303	50.9	10,835,325	57.6
Sales to overseas markets[(1)]	6,451,556	47.0	8,309,850	49.1	7,983,369	42.4
Total	**13,722,455**	**100.0**	**16,934,153**	**100.0**	**18,818,694**	**100.0**

Note:

(1) Sales to overseas markets primarily included Vietnam, Chinese mainland bonded zones and the United States.

During the Track Record Period, we sold products to both Chinese mainland and overseas markets. Our revenue from sales in the Chinese mainland (excluding bonded zones) increased by 18.6% from RMB7,270.9 million in 2023 to RMB8,624.3 million in 2024, and further increased by 25.6% to RMB10,835.3 million in 2025, primarily due to our strengthened market presence and, in particular, a significant contribution from customers in the new energy sector in 2025. Our revenue from sales to overseas markets increased by 28.8% from RMB6,451.6 million in 2023 to RMB8,309.9 million in 2024, primarily due to our active expansion of our international customer base. Our revenue from sales to overseas markets subsequently decreased by 3.9% from RMB8,309.9 million in 2024 to RMB7,983.4 million in 2025, mainly due to a decrease in order volume attributable to changes in customer demand.

Cost of Sales

Our cost of sales primarily consisted of (i) raw materials consumed, (ii) employee benefits expenses, and (iii) outsourced manufacturing fees. Our cost of sales amounted to RMB11,223.6 million, RMB13,930.0 million and RMB15,466.5 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of our total cost of sales, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Raw materials consumed	5,103,771	45.5	7,242,452	52.0	7,808,318	50.5
Employee benefits expenses	2,512,946	22.4	3,012,907	21.6	3,579,125	23.1
Outsourced manufacturing fees	1,223,959	10.9	1,550,157	11.1	1,779,657	11.5
Depreciation and amortization	1,097,008	9.8	972,505	7.0	818,043	5.3
Tooling and sample costs	404,443	3.6	300,009	2.2	393,539	2.5
Rental, renovation fees and utilities	375,555	3.3	401,157	2.9	452,142	2.9
Impairment loss on inventories and contract assets	214,452	1.9	133,438	1.0	214,811	1.4
Others[(1)]	291,468	2.6	317,381	2.2	420,849	2.8
Total	**11,223,602**	**100.0**	**13,930,006**	**100.0**	**15,466,484**	**100.0**

Note:

(1) Others primarily included repair and maintenance expenses.

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB2,498.9 million, RMB3,004.1 million and RMB3,352.2 million in 2023, 2024 and 2025, respectively. Our gross profit margin remained relatively stable at 18.2%, 17.7% and 17.8% in 2023, 2024 and 2025, respectively.

Gross Profit and Gross Profit Margin by Business Line

The following table sets forth a breakdown of our gross profit and gross profit margin by business line 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 in thousands, except for percentage)					
Precision components for smart devices and electronic products	1,779,640	18.7	2,084,047	18.8	2,165,392	19.6
Key mechanical components and connectivity components for new energy	593,190	16.8	796,468	15.3	946,958	13.8
Hardware for embodied intelligence and emerging technologies	14,296	21.3	7,731	25.5	45,123	24.5
Others[(1)]	111,727	18.2	115,901	18.4	194,737	27.0
Total/Overall	**2,498,853**	**18.2**	**3,004,147**	**17.7**	**3,352,210**	**17.8**

Note:

(1) Others primarily included revenue from tooling development and lease income.

General and Administrative Expenses

Our general and administrative expenses primarily consisted of (i) employee benefits expenses, (ii) depreciation and amortization, and (iii) taxes and surcharges. Our general and administrative expenses amounted to RMB909.6 million, RMB974.0 million and RMB1,074.9 million in 2023, 2024 and 2025, respectively. The general and administrative expenses as a percentage of our total revenue decreased from 6.6% in 2023 to 5.8% in 2024 and further to 5.7% in 2025, which was mainly attributable to our cost optimization efforts and economies of scale as our scale of operations expanded.

The following table sets forth a breakdown of our general and administrative expenses, in absolute amounts and as a percentage of our total general and administrative expenses, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee benefits expenses	427,484	47.0	459,598	47.2	532,260	49.5
Depreciation and amortization	123,670	13.6	114,002	11.7	116,267	10.8
Taxes and surcharges	95,368	10.5	106,550	10.9	112,470	10.5
Office expenses	95,341	10.5	87,223	9.0	89,644	8.3
Environmental protection fees	56,393	6.2	59,886	6.1	85,904	8.0
Professional service fees	33,043	3.6	42,003	4.3	38,899	3.6
Others[1]	78,283	8.6	104,767	10.8	99,502	9.3
Total	**909,582**	**100.0**	**974,029**	**100.0**	**1,074,946**	**100.0**

Note:

(1) Others primarily included repair and maintenance expenses and bank charges.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) employee benefits expenses, (ii) market development expenses, and (iii) warehousing expenses. Our selling and marketing expenses amounted to RMB120.6 million, RMB137.2 million and RMB141.5 million in 2023, 2024 and 2025, respectively. The selling and marketing expenses as a percentage of our total revenue remained relatively stable at 0.9%, 0.8% and 0.8% of our total revenue for 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our selling and marketing expenses, in absolute amounts and as a percentage of our total selling and marketing expenses, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee benefits expenses	65,084	54.0	64,412	47.0	67,885	48.0
Market development expenses	28,703	23.8	43,157	31.5	37,693	26.6
Warehousing expenses	14,106	11.7	18,579	13.5	24,611	17.4
Depreciation and amortization	1,162	1.0	446	0.3	429	0.3
Others[1]	11,511	9.5	10,564	7.7	10,842	7.7
Total	**120,566**	**100.0**	**137,158**	**100.0**	**141,460**	**100.0**

Note:

(1) Others primarily included insurance expenses, travel expenses and office expenses.

Research and Development Expenses

Our research and development expenses primarily consisted of (i) employee benefits expenses, (ii) energy and materials expenses, and (iii) tooling development expenses. Our research and development expenses amounted to RMB1,238.5 million, RMB1,224.3 million and RMB1,393.7 million in 2023, 2024 and 2025, respectively. The research and development expenses as a percentage of our total revenue decreased from 9.0% in 2023 to 7.2% in 2024, and subsequently remained relatively stable at 7.4% in 2025, as our revenue increased throughout the Track Record Period.

The following table sets forth a breakdown of our research and development expenses, in absolute amounts and as a percentage of our total research and development expenses, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee benefits expenses	611,611	49.4	649,326	53.0	741,701	53.2
Energy and materials expenses	348,855	28.2	339,729	27.7	390,326	28.0
Tooling development expenses	107,420	8.7	113,243	9.2	113,422	8.1
Depreciation and amortization	98,463	7.9	68,747	5.6	68,746	4.9
Rental and utility expenses	41,021	3.3	30,343	2.5	40,646	2.9
Others[(1)]	31,179	2.5	22,891	2.0	38,836	2.9
Total	**1,238,549**	**100.0**	**1,224,279**	**100.0**	**1,393,677**	**100.0**

Note:

(1) Others primarily included repair and maintenance expenses, testing fees, patent service fees and R&D design fees.

Net Impairment (Losses)/Reversals on Financial Assets

Our net impairment (losses)/reversals on financial assets are primarily related to trade and notes receivables. Our net impairment losses on financial assets amounted to RMB3.8 million and RMB28.6 million in 2023 and 2024, respectively. We subsequently recorded net impairment reversals on financial assets of RMB76.8 million in 2025.

Other Income

Our other income primarily included (i) government grants, (ii) additional deduction for VAT, and (iii) interest income. The following table sets forth a breakdown of our other income, in absolute amounts and as a percentage of our total other income, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Government grants[1]	118,069	68.7	97,001	45.8	62,596	41.7
Additional deduction for VAT[2]	37,250	21.7	104,191	49.2	80,732	53.7
Interest income[3]	15,476	9.0	9,772	4.6	5,779	3.8
Withholding of personal income tax and refund of handling fees	961	0.6	918	0.4	1,097	0.8
Total	**171,756**	**100.0**	**211,882**	**100.0**	**150,204**	**100.0**

Notes:

(1) Government grants mainly comprise incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the support and contribution to the development of local economies. Unconditional government grants are recognized in profit and loss when received, while conditional government grants are recognized in profit or loss when the Group fulfills the conditions.

(2) Pursuant to the Announcement [2023] No. 43 "Notice on the Additional Value-Added Tax ("VAT") Deduction Policy for Advanced Manufacturing Enterprises (《關於先進製造業企業增值稅加計抵減政策的公告》)" issued in 2023 by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT from January 1, 2023 to December 31, 2027.

(3) Interest income mainly comprises interest income on the term deposits classified as financial assets at amortized cost calculated using the effective interest method.

Other Gains/(Losses), Net

Our other gains/(losses), net primarily included (i) net foreign exchange differences, (ii) net gains on partial disposal of investment in a subsidiary, and (iii) net losses on disposal of investments in financial assets at FVOCI. The following table sets forth a breakdown of our other gains/(losses), net, in absolute amounts and as a percentage of our other gains/(losses), net, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except for percentage)					
Net foreign exchange differences	48,574	222.7	135,482	43.2	(35,788)	52.2
Net gains on partial disposal of investment in a subsidiary	–	–	180,171	57.5	–	–
Net gains/(losses) on disposal of property, plant and equipment and right-of-use assets	14,954	68.6	7,405	2.4	(6,007)	8.8
Investment income from financial assets at FVTPL	1,794	8.2	3,801	1.2	7,819	(11.4)
Net losses on disposal of investments in financial assets at FVOCI	(21,916)	(100.5)	(9,348)	(3.0)	(33,979)	49.6
Net losses on disposal of investments in financial assets at FVTPL	(13,271)	(60.8)	(4,838)	(1.5)	–	–
Interest income on amount due from an associate	–	–	–	–	26	(0.0)
Fair value changes of derivative instruments	–	–	–	–	88	(0.1)
Net (losses)/gains from compensation	(7,316)	(33.5)	1,794	0.6	(892)	1.3
Donations	(430)	(2.0)	(413)	(0.1)	(422)	0.6
Others	(575)	(2.7)	(514)	(0.3)	603	(1.0)
Total	**21,814**	**100.0**	**313,540**	**100.0**	**(68,552)**	**100.0**

Note:

(1) Others primarily included expenditures for the purchase of carbon emission allowances.

Finance Costs, Net

Our finance income included interest income from financial assets held for cash management purposes. Our finance income amounted to RMB25.8 million, RMB28.7 million and RMB26.6 million in 2023, 2024 and 2025, respectively.

Our finance costs included (i) interest expenses on lease liabilities, and (ii) interest expenses on borrowings. Our finance costs amounted to RMB288.7 million, RMB235.5 million and RMB165.7 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our finance costs, net, in absolute amounts and as a percentage of our total finance costs, net, for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Finance income						
Interest income from financial assets held for cash management purposes	25,772	(9.8)	28,728	(13.9)	26,623	(19.1)
Finance costs						
Interest expenses on lease liabilities	(34,353)	13.1	(25,172)	12.2	(19,433)	14.0
Interest expenses on borrowings	(261,210)	99.4	(221,962)	107.3	(158,912)	114.3
Less: Capitalized interest	5,412	(2.1)	6,810	(3.3)	10,436	(7.5)
Less: Government loan interest subsidies	1,485	(0.6)	4,788	(2.3)	2,204	(1.7)
	(288,666)	109.8	(235,536)	113.9	(165,705)	119.1
Finance costs, net	**(262,894)**	**100.0**	**(206,808)**	**100.0**	**(139,082)**	**100.0**

Income Tax Expenses

Our income tax expenses amounted to RMB0.8 million, RMB108.0 million and RMB81.0 million in 2023, 2024 and 2025, respectively. We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operate.

In accordance with the relevant regulations of the Enterprise Income Tax laws of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemptions. In 2023, 2024 and 2025, our Company and several of our subsidiaries were entitled to preferential corporate income tax rates. See Note 11 of the Accountants' Report in Appendix I to this Document.

As of the Latest Practicable Date, we did not have any dispute with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any tax investigation, enquiries, penalties or surcharges.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our revenue increased by 11.1% from RMB16,934.2 million in 2024 to RMB18,818.7 million in 2025. This increase was primarily due to (i) an increase in sales of key mechanical components and connectivity components for new energy, and (ii) an increase in sales of hardware for embodied intelligence and emerging technologies. In particular:

- Our revenue from precision components for smart devices and electronic products remained relatively stable at RMB11,059.3 million in 2024 and RMB11,051.5 million in 2025.

- Our revenue from key mechanical components and connectivity components for new energy increased by 31.6% from RMB5,213.8 million in 2024 to RMB6,862.1 million in 2025, primarily due to an increase in customer demand resulting from growth in the new energy vehicle and energy storage sectors. Specifically, our sales volume of key mechanical components and connectivity components for new energy increased from 756.2 million units in 2024 to 1,050.6 million units in 2025.

- Our revenue from hardware for embodied intelligence and emerging technologies increased by 506.9% from RMB30.3 million in 2024 to RMB183.8 million in 2025, primarily due to (i) an increase in sales of humanoid robot components, driven by the growth in the robotics market; and (ii) revenue contributed by the acquisition of Shenzhen Weixianke Electronic Co., Ltd. Specifically, our sales volume of precision components for humanoid robots increased from 50 thousand units in 2024 to 689 thousand units in 2025.

- Our revenue from others increased by 14.3% from RMB630.8 million in 2024 to RMB721.3 million in 2025, primarily due to an increase in revenue from tooling development, attributable to an increase in the number of new development projects of our customers.

Cost of Sales

Our cost of sales increased by 11.0% from RMB13,930.0 million in 2024 to RMB15,466.5 million in 2025, in line with our business growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 11.6% from RMB3,004.1 million in 2024 to RMB3,352.2 million in 2025. Our gross profit margin remained relatively stable at 17.7% and 17.8% in 2024 and 2025, respectively. In particular:

- Our gross profit margin for precision components for smart devices and electronic products increased from 18.8% in 2024 to 19.6% in 2025, primarily due to (i) a change in product mix as we sold a higher volume of value-added functional modules and electronic connectors, and (ii) our cost optimization efforts.

- Our gross profit margin for key mechanical components and connectivity components for new energy decreased from 15.3% in 2024 to 13.8% in 2025, primarily due to (i) the pricing adjustment due to intense market competition and (ii) an increase in raw material costs for aluminum and copper in 2025.

- Our gross profit margin for hardware for embodied intelligence and emerging technologies decreased from 25.5% in 2024 to 24.5% in 2025, primarily due to a change in product mix, which included products with a relatively lower margin.

- Our gross profit margin for others increased from 18.4% in 2024 to 27.0% in 2025, primarily due to an increase in the number of tooling development projects with relatively higher margin.

General and Administrative Expenses

Our general and administrative expenses increased by 10.4% from RMB974.0 million in 2024 to RMB1,074.9 million in 2025, primarily due to an increase in employee benefits expenses, as the number and average staff remuneration of administrative personnel increased to support our business expansion and digitalization efforts.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 3.1% from RMB137.2 million in 2024 to RMB141.5 million in 2025, primarily due to (i) an increase in warehousing expenses, and (ii) an increase in employee benefits expenses, which were largely in line with our business expansion.

Research and Development Expenses

Our research and development expenses increased by 13.8% from RMB1,224.3 million in 2024 to RMB1,393.7 million in 2025, primarily due to (i) an increase in employee benefits expenses, and (ii) an increase in energy and materials expenses used in the product development process, which may vary from time to time depending on the phases of our R&D projects.

Net Impairment (Losses)/Reversals on Financial Assets

Our net impairment losses on financial assets amounted to RMB28.6 million in 2024. We subsequently reversed the net impairment losses on financial assets of RMB76.8 million in 2025, primarily due to (i) our re-assessment of the macroeconomic forward-looking adjustments under the IFRS 9 ECL model, which resulted in a reduced loss rate applied to the underlying receivable population, and (ii) a decrease in the credit loss allowance from RMB164.5 million as of December 31, 2024 to RMB107.9 million as of December 31, 2025, as we received payments from customers and the ageing profile of our trade and notes receivables improved (including changes in our customer mix). The re-assessment was mainly attributable to (i) the actual historical loss rate being lower than estimated, and (ii) a change in customer mix, as we expanded end applications of our products for the new energy batteries sector which generally has a longer credit term compared to consumer electronics sector.

Other Income

Our other income decreased by 29.1% from RMB211.9 million in 2024 to RMB150.2 million in 2025, primarily due to (i) a decrease in government grants, and (ii) a decrease in additional deduction for VAT. The decrease in government grants was mainly attributable to a decrease in government subsidies received in 2025 in connection with the construction of our manufacturing bases.

Other Gains/(Losses), Net

Our other gains, net amounted to RMB313.5 million in 2024, which subsequently turned to other losses, net of RMB68.6 million in 2025, primarily due to (i) the partial disposal of equity interests in Guangdong Tianji Intelligent Systems Co., Ltd. in 2024, and (ii) a net foreign exchange loss in 2025, attributable to RMB appreciation against the U.S. dollar.

Finance Costs, Net

Our finance costs, net decreased by 32.7% from RMB206.8 million in 2024 to RMB139.1 million in 2025, primarily due to a decrease in interest expenses on borrowings, driven by (i) an overall decline in China's loan prime rate, and (ii) our enhanced treasury management efforts to optimize effective interest rates.

Income Tax Expenses

Our income tax expenses decreased by 24.9% from RMB108.0 million in 2024 to RMB81.0 million in 2025, primarily due to a decrease in profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 20.3% from RMB840.2 million in 2024 to RMB669.5 million in 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased by 23.4% from RMB13,722.5 million in 2023 to RMB16,934.2 million in 2024. This increase was primarily due to (i) an increase in sales of precision components for smart devices and electronic products, and (ii) an increase in sales of key mechanical components and connectivity components for new energy. In particular:

- Our revenue from precision components for smart devices and electronic products increased by 16.4% from RMB9,502.7 million in 2023 to RMB11,059.3 million in 2024, primarily due to (i) an increase in sales volume and a change in product mix to certain key customers, as the consumer electronics market recovered in 2024, and (ii) an increase in shipment volume from newly awarded projects, supported by our strengthened delivery capability and production execution specifically, our sales volume of precision components for smart devices and electronic products increased from 9,876.6 million units in 2023 to 10,421.4 million units in 2024.

- Our revenue from key mechanical components and connectivity components for new energy increased by 47.3% from RMB3,539.8 million in 2023 to RMB5,213.8 million in 2024, primarily due to (i) an increase in customer demand resulting from growth in the new energy vehicle and energy storage sectors, and (ii) an increase in production and sales volume, supported by higher available capacity and improved utilization. Specifically, our sales volume of key mechanical components and connectivity components for new energy increased from 579.9 million units in 2023 to 756.2 million units in 2024.

- Our revenue from hardware for embodied intelligence and emerging technologies decreased by 54.8% from RMB67.0 million in 2023 to RMB30.3 million in 2024, primarily due to the partial disposal of equity interests in Guangdong Tianji Intelligent Systems Co., Ltd. in 2024, after which we ceased to consolidate its financial results.

- Our revenue from others remained relatively stable at RMB613.0 million and RMB630.8 million in 2023 and 2024, respectively.

Cost of Sales

Our cost of sales increased by 24.1% from RMB11,223.6 million in 2023 to RMB13,930.0 million in 2024, in line with our business growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 20.2% from RMB2,498.9 million in 2023 to RMB3,004.1 million in 2024. Our gross profit margin remained relatively stable at 18.2% and 17.7% in 2023 and 2024, respectively. In particular:

- Our gross profit margin for precision components for smart devices and electronic products remained relatively stable at 18.7% and 18.8% in 2023 and 2024, respectively.

- Our gross profit margin for key mechanical components and connectivity components for new energy decreased from 16.8% in 2023 to 15.3% in 2024, primarily due to (i) the pricing adjustment due to intense market competition, and (ii) an increase in raw material costs for aluminum and copper in 2024.

- Our gross profit margin for hardware for embodied intelligence and emerging technologies increased from 21.3% in 2023 to 25.5% in 2024, primarily due to a change in product mix following the partial disposal of equity interests in Guangdong Tianji Intelligent Systems Co., Ltd. in 2024. Our robotics hardware products typically carry higher gross margins.

- Our gross profit margin for others remained relatively stable at 18.2% and 18.4% in 2023 and 2024, respectively.

General and Administrative Expenses

Our general and administrative expenses increased by 7.1% from RMB909.6 million in 2023 to RMB974.0 million in 2024, primarily due to (i) an increase in employee benefits expenses as the number and average staff remuneration of administrative personnel increased to support our business expansion and digitalization efforts, and (ii) an increase in taxes and surcharges, in line with our revenue growth.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 13.8% from RMB120.6 million in 2023 to RMB137.2 million in 2024, primarily due to an increase in market development expenses driven by our increased marketing activities, in line with our business growth.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB1,238.5 million and RMB1,224.3 million in 2023 and 2024, respectively.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased from RMB3.8 million in 2023 to RMB28.6 million in 2024, primarily due to (i) a reversal of impairment loss recognized in previous year, and (ii) an increase in trade receivables, in line with our revenue growth.

Other Income

Other income increased by 23.4% from RMB171.8 million in 2023 to RMB211.9 million in 2024, primarily due to an increase in the additional deduction for VAT, partially offset by a decrease in government grants.

Other Gains/(Losses), Net

Our other gains, net increased by 1,337.3% from RMB21.8 million in 2023 to RMB313.5 million in 2024, primarily due to (i) gains from the partial disposal of equity interests in Guangdong Tianji Intelligent Systems Co., Ltd. of RMB180.2 million in 2024 and (ii) a net foreign exchange gain in 2024, attributable to RMB depreciation against the U.S. dollar.

Finance Costs, Net

Our finance costs decreased by 21.3% from RMB262.9 million in 2023 to RMB206.8 million in 2024, primarily due to a decrease in interest expenses on borrowings, driven by (i) an overall decline in China's loan prime rate, and (ii) our enhanced treasury management efforts to settle borrowings with high interest rates.

Income Tax Expenses

Our income tax expenses increased from RMB0.8 million in 2023 to RMB108.0 million in 2024, in line with our business growth.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 455.9% from RMB151.2 million in 2023 to RMB840.2 million in 2024.

DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our summary consolidated statements of financial position as of the dates indicated, which has been extracted from our audited consolidated financial statements included in Appendix I to this document.

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Total current assets	9,564,398	10,467,272	12,137,823
Total non-current assets	9,008,450	9,701,140	12,130,896
Total assets	**18,572,848**	**20,168,412**	**24,268,719**
Total current liabilities	9,498,582	10,045,628	13,018,949
Total non-current liabilities	2,942,847	1,797,847	2,460,145
Total liabilities	**12,441,429**	**11,843,475**	**15,479,094**

Non-Current Assets and Liabilities

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	6,846,165	7,690,179	9,801,115
Right-of-use assets	1,087,486	978,868	1,067,523
Intangible assets	190,891	184,402	282,628
Deferred tax assets	312,092	247,665	270,708
Investments in associates	45,344	202,927	220,702
Financial assets at fair value through other comprehensive income	4,991	4,991	4,832
Other receivables	4,953	1,847	10,522
Other non-current assets	516,528	390,261	472,866
Total non-current assets	**9,008,450**	**9,701,140**	**12,130,896**
Non-current liabilities			
Borrowings	2,180,327	1,170,749	1,700,103
Lease liabilities	466,798	284,125	307,643
Deferred tax liabilities	31,146	36,888	35,132
Deferred income	264,576	306,085	417,267
Total non-current liabilities	**2,942,847**	**1,797,847**	**2,460,145**

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) buildings, (ii) machinery, (iii) motor vehicles, (iv) electronic devices and others, (v) construction in progress, and (vi) leasehold improvement. Our property, plant and equipment increased by 12.3% from RMB6,846.2 million as of December 31, 2023 to RMB7,690.2 million as of December 31, 2024, and further increased by 27.4% to RMB9,801.1 million as of December 31, 2025, primarily due to (i) an increase in buildings and construction in progress relating to the expansion of our manufacturing network domestically and overseas, and (ii) an increase in machinery and electronic devices and others to support the expansion in our production volume.

Right-of-Use Assets

Our right-of-use assets consisted of (i) land use rights, (ii) buildings, (iii) machinery and equipment, and (iv) motor vehicles. Our right-of-use assets decreased by 10.0% from RMB1,087.5 million as of December 31, 2023 to RMB978.9 million as of December 31, 2024, primarily due to a decrease in building leases, as certain self-owned manufacturing bases became operational. Our right-of-use assets increased by 9.1% from RMB978.9 million as of December 31, 2024 to RMB1,067.5 million as of December 31, 2025, primarily due to the acquisition of additional land use rights for the construction of manufacturing facilities.

Net Current Assets

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
				(unaudited)
Current assets				
Inventories	3,511,767	3,698,746	4,682,689	4,850,924
Prepayments and other receivables	169,982	126,360	278,612	236,214
Trade and notes receivables	2,928,441	3,143,371	4,549,883	4,609,131
Contract assets	–	383	1,525	1,430
Financial assets at fair value through profit or loss	42,082	351,434	274,352	234,541
Financial assets at fair value through other comprehensive income	418,735	507,646	223,211	468,949
Restricted cash and term deposits	519,468	511,326	490,554	409,701
Cash and cash equivalents	1,737,946	1,547,638	1,270,607	1,690,232
Derivative financial assets	–	–	7,315	683
Other current assets	235,977	580,368	359,075	440,481
Total current assets	**9,564,398**	**10,467,272**	**12,137,823**	**12,942,286**
Current liabilities				
Borrowings	4,865,279	4,424,733	6,524,899	7,948,475
Trade and notes payables	3,823,455	4,796,882	5,557,701	5,550,053
Contract liabilities	79,773	61,521	62,160	78,542
Lease liabilities	189,237	171,957	152,460	167,063
Current income tax liabilities	17,910	28,102	57,386	52,008
Accruals and other payables	519,249	560,213	662,695	601,050
Derivative financial liabilities	–	–	37	253
Other current liabilities	3,679	2,220	1,611	2,354
Total current liabilities	**9,498,582**	**10,045,628**	**13,018,949**	**14,399,798**
Net current assets/(liabilities)	**65,816**	**421,644**	**(881,126)**	**(1,457,512)**

Our net current assets increased by 540.6% from RMB65.8 million as of December 31, 2023 to RMB421.6 million as of December 31, 2024, primarily due to (i) a decrease in borrowings of RMB440.5 million, (ii) an increase in other current assets of RMB344.4 million, and (iii) an increase in financial assets at fair value through profit or loss of RMB309.4 million, partially offset by (i) an increase in trade and notes payables of RMB973.4 million, and (ii) a decrease in cash and cash equivalents of RMB190.3 million.

Our net current assets of RMB421.6 million as of December 31, 2024 changed to net current liabilities of RMB881.1 million as of December 31, 2025, primarily due to (i) an increase in borrowings of RMB2,100.2 million, which was used to bridge the funding for our capital expenditures in 2025, and (ii) an increase in trade and notes payables of RMB760.8 million, partially offset by an increase in trade and notes receivables of RMB1,406.5 million.

Our net current liabilities increased by 65.4% from RMB881.1 million as of December 31, 2025 to RMB1,457.5 million as of March 31, 2026, primarily due to an increase in borrowings of RMB1,423.6 million, partially offset by (i) an increase in cash and cash equivalents of RMB419.6 million, (ii) an increase in financial assets at fair value through other comprehensive income of RMB245.7 million and (iii) an increase in inventories of RMB168.2 million.

To improve our net current liabilities position, we have implemented, and will continue to implement a series of measures. We are optimizing our debt maturity profile by adjusting the mix of short-term and long-term indebtedness to better align with our operating cash flows. Further, we maintain relationships with financial institutions to preserve sufficient committed banking facilities, and we will continue to seek to refinance maturing borrowings on a rolling basis and diversify our funding sources as appropriate. We will continue to monitor our liquidity position and funding needs and make appropriate adjustments from time to time. We believe these measures will further enhance our liquidity and improve our net current liabilities position going forward.

Inventories

Our inventories consisted of (i) raw materials, (ii) work in progress, (iii) finished goods, (iv) goods in transit, (v) materials for consigned processing, (vi) packaging materials and (vii) contract fulfillment costs. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Raw materials	310,347	335,064	411,524
Work in progress	885,540	984,618	1,255,576
Finished goods	1,075,041	950,227	1,358,462
Goods in transit	1,252,553	1,432,686	1,731,796
Materials for consigned processing	12,522	27,301	35,341
Packaging materials	130,694	171,137	190,702
Contract fulfillment costs	–	51	279
Less: provision for impairment	(154,930)	(202,338)	(300,991)
Total	**3,511,767**	**3,698,746**	**4,682,689**

Our inventories increased by 5.3% from RMB3,511.8 million as of December 31, 2023 to RMB3,698.7 million as of December 31, 2024 and further increased by 26.6% to RMB4,682.7 million as of December 31, 2025, primarily due to an increase in production volume driven by robust customer demand.

Our provision for inventory impairment increased from RMB154.9 million as of December 31, 2023 to RMB202.3 million as of December 31, 2024 and further to RMB301.0 million as of December 31, 2025, primarily due to (i) a slowdown in the delivery of certain component inventories in our precision components for smart devices and electronic products, and (ii) a decrease in net realizable value of inventories for key mechanical components and connectivity components for new energy, as a result of intense market competition. We believe the provisions for inventories were sufficient as of the end of each period of the Track Record Period. In light of the increased demand and sales volume, we believe that sufficient provision has been made.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within 1 year	3,381,036	3,673,577	4,716,546
1 to 2 years	189,656	128,841	151,172
Over 2 years	96,005	98,666	115,962
Total	**3,666,697**	**3,901,084**	**4,983,680**

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

	Year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days(1)	121.0	99.1	104.8

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 the number of days during such year.

Our inventory turnover days decreased from 121.0 days in 2023 to 99.1 days in 2024, primarily due to our improved inventory management. Our inventory turnover days increased from 99.1 days in 2024 to 104.8 days in 2025, primarily due to an increased stock up of products to support our business expansion.

As of March 31, 2026, RMB4,688.1 million, or 94.1% of inventories as of December 31, 2025, had been used, consumed or sold.

Trade and Notes Receivables

Our trade and notes receivables primarily consisted of (i) trade receivables and (ii) notes receivables. The following table sets out a breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables	3,083,444	3,300,734	4,644,763
Notes receivables	6,919	7,104	12,982
Less: credit loss allowance	(161,922)	(164,467)	(107,862)
Total	**2,928,441**	**3,143,371**	**4,549,883**

Our trade and notes receivables increased by 7.3% from RMB2,928.4 million as of December 31, 2023 to RMB3,143.4 million as of December 31, 2024, and further increased by 44.7% to RMB4,549.9 million as of December 31, 2025, in line with our business growth.

For certain customers, we have engaged in credit sales with them during the Track Record Period and we usually grant credit terms ranging from 30 to 270 days, but we impose a maximum credit limit on such customers. We seek to maintain strict control over our outstanding receivables. Our credit control department is responsible for minimizing credit risks. Overdue balances are reviewed regularly by senior management. The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 3 months	2,735,540	3,033,933	4,347,232
3 to 6 months	270,080	177,912	208,769
6 to 12 months	26,913	23,553	35,108
1 to 2 years	9,476	30,072	6,815
Over 2 years	41,435	35,264	46,839
Total	**3,083,444**	**3,300,734**	**4,644,763**

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)]	85.0	68.8	77.1

Note:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables for a year divided by revenue for the relevant year and multiplied by the number of days during such year.

Our trade receivables turnover days decreased from 85.0 days in 2023 to 68.8 days in 2024, primarily due to (i) the enhanced efforts to follow up with our customers in relation to payments, and (ii) a change in customer mix, with a higher proportion of revenue generated from customers with shorter credit terms, including certain major consumer electronics customers. Our trade receivables turnover days increased from 68.8 days in 2024 to 77.1 days in 2025, primarily due to a higher proportion of revenue generated from customers in our key mechanical components and connectivity components for new energy business, which we typically grant longer credit terms.

As of March 31, 2026, RMB3,216.8 million, or 69.1% of our trade and notes receivables as of December 31, 2025, had been settled.

Prepayments and Other Receivables (Current)

Our prepayments and other receivables (current) primarily consisted of (i) prepayments and (ii) other receivables. The following table sets out a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Current			
Prepayments:			
Prepayments for materials	60,262	62,377	65,025
Other receivables:			
Deposits paid	76,347	68,371	100,986
Payments made on behalf of employees	37,587	16,411	16,738
Receivables form stock option exercising	5,199	550	2,751
Export tax refund	–	–	97,882
Amounts due from an associate	–	–	7,528
Others	29,677	23,863	28,611
	148,810	109,195	254,496
Less: loss allowance	(39,090)	(45,212)	(46,478)
	109,720	63,983	208,018
Receivables from installment sales	–	–	5,889
Less: loss allowance	–	–	(320)
	–	–	5,569
Total	**169,982**	**126,360**	**278,612**

Our prepayments and other receivables (current) decreased by 25.7% from RMB170.0 million as of December 31, 2023 to RMB126.4 million as of December 31, 2024, primarily due to (i) a decrease in payments made on behalf of employees of RMB21.2 million, (ii) a decrease in deposits paid of RMB8.0 million, and (iii) a decrease in others of RMB5.8 million, partially offset by an increase in loss allowance of RMB6.1 million. Our prepayments and other receivables (current) increased by 120.5% from RMB126.4 million as of December 31, 2024 to RMB278.6 million as of December 31, 2025, primarily due to (i) an increase in the receivables from installment sales of RMB5.9 million, (ii) an increase in export tax refund of RMB97.9 million and (iii) an increase in deposits paid of RMB32.6 million.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss during the Track Record Period mainly represented (i) wealth management products and (ii) derivative financial assets. The current financial product portfolio could be subject to the impact of macroeconomic environment conditions, and we monitor the portfolio mix closely. See "Risk Factors – Risks Relating to Our Business and Industry – We are exposed to fair value changes for financial assets at fair value through profit or loss." We had financial assets at fair value through profit or loss of RMB42.1 million, RMB351.4 million and RMB274.4 million as of December 31, 2023, 2024 and 2025, respectively.

We have adopted a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investments in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of an enterprise's operations. Upon the **[REDACTED]**, we intend to continue our investments strictly in accordance with our internal control policy, Articles of Association and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Our investment strategy related to such products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to low-risk wealth management products after thoroughly considering a number of factors, including, but not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

Trade and Notes Payables

Our trade and notes payables represent our obligation to pay for goods or services that have been purchased from suppliers in the ordinary course of business, and consisted of (i) trade payables, and (ii) notes payables. The following table sets out a breakdown of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Trade payables	3,552,669	4,305,313	5,372,498
Notes payables	270,786	491,569	185,203
Total	**3,823,455**	**4,796,882**	**5,557,701**

Our trade and notes payables increased by 25.5% from RMB3,823.5 million as of December 31, 2023 to RMB4,796.9 million as of December 31, 2024, and further increased by 15.9% to RMB5,557.7 million as of December 31, 2025, primarily due to an increase in trade payables in line with our procurement volume and business expansion.

The trade payables are typically settled within three to six months. The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within 1 year	3,460,480	4,210,584	5,299,643
1 to 2 years	80,493	80,655	46,648
2 to 3 years	5,054	6,982	18,963
Over 3 years	6,642	7,092	7,244
Total	**3,552,669**	**4,305,313**	**5,372,498**

The following table sets forth our trade and notes payables turnover days for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
Trade and notes payables turnover days(1)	113.0	112.9	122.2

Note:

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

Our trade and notes payables turnover days remained relatively stable at 113.0 days and 112.9 days in 2023 and 2024, respectively . Our trade and notes payables turnover days increased from 112.9 days in 2024 to 122.2 days in 2025, primarily due to an increase in procurement amount of raw materials from suppliers, driven by expanding production volume.

As of March 31, 2026, RMB3,365.1 million, or 60.6% of our trade and notes payables as of December 31, 2025, had been settled.

Accruals and Other Payables

Our accruals and other payables primarily consisted of (i) payables for salaries, wages and benefits, (ii) temporary receipts, (iii) deposits received, (iv) other tax payables, (v) payables to third parties, and (vi) payables of equity investment. The following table sets out a breakdown of our accruals and other payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Payables for salaries, wages and benefits	409,616	474,054	571,369
Temporary receipts	43,098	670	45
Deposits received	12,035	16,762	21,219
Other tax payables	35,698	41,501	36,302
Payables to third parties	5,501	4,081	6,142
Payables of equity investment	–	10,500	11,365
Others	13,301	12,645	16,253
Total	**519,249**	**560,213**	**662,695**

Our accruals and other payables increased by 7.9% from RMB519.2 million as of December 31, 2023 to RMB560.2 million as of December 31, 2024, and further increased by 18.3% to RMB662.7 million as of December 31, 2025, primarily due to an increase in salaries, wages and benefits, attributable to an increase in the number and average staff remuneration of our employees to support our business expansion.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from (i) proceeds from our business operations, (ii) bank borrowings, and (iii) proceeds from share issuance. We intend to finance our future capital requirements through cash generated from our business operations, bank borrowings and the net **[REDACTED]** from the **[REDACTED]**. We do not anticipate any changes to the availability of financing to fund our operations in the future.

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 in thousands)		
Net cash generated from operating activities	2,078,105	2,167,552	418,638
Net cash used in investing activities	(1,220,713)	(1,948,779)	(2,715,127)
Net cash (used in)/generated from financing activities	(339,842)	(496,791)	1,956,886
Net increase/(decrease) in cash and cash equivalents	517,550	(278,018)	(339,603)
Cash and cash equivalents at the beginning of year	1,203,239	1,737,946	1,547,638
Effects of exchange rate changes on cash and cash equivalents	17,157	87,710	62,572
Cash and cash equivalents at the end of the year	1,737,946	1,547,638	1,270,607

Net Cash Flows Generated from Operating Activities

In 2025, we had net cash generated from operating activities of RMB418.6 million, which represents our profit before tax of RMB750.5 million as adjusted by (i) non-cash and non-operating items, which primarily consist of (a) depreciation and amortization of RMB1,003.5 million, (b) impairment loss on inventories of RMB214.7 million and (c) finance costs of RMB165.7 million; and (ii) movements in working capital, primarily comprising of increase in payables of RMB654.5 million partially offset by (a) an increase in inventories of RMB1,199.4 million, and (b) an increase in receivables of RMB1,102.6 million.

In 2024, we had net cash generated from operating activities of RMB2,167.6 million, which represents our profit before tax of RMB948.2 million as adjusted by (i) non-cash and non-operating items, which primarily consist of (a) depreciation and amortization of RMB1,155.7 million, and (b) finance costs of RMB235.5 million; and (ii) movements in working capital, primarily comprising of an increase in payables of RMB992.5 million, and partially offset by (a) an increase in receivables of RMB648.2 million and (b) an increase in inventories of RMB318.2 million.

In 2023, we had net cash generated from operating activities of RMB2,078.1 million, which represented our profit before tax of RMB151.9 million as adjusted by (i) non-cash and non-operating items, which primarily consist of (a) depreciation and amortization of RMB1,320.3 million, (b) finance costs of RMB288.7 million and (c) impairment loss on inventories of RMB214.5 million; and (ii) movements in working capital, primarily comprising of an increase in payables of RMB772.4 million partially offset by (a) an increase in receivables of RMB432.4 million and (b) an increase in inventories of RMB164.6 million.

Net Cash Used in Investing Activities

In 2025, our net cash used in investing activities was RMB2,715.1 million, which was primarily attributable to (i) payments for purchases of property, plant and equipment, intangible assets and other non-current assets of RMB2,827.3 million and (ii) purchases of wealth management products of RMB2,158.6 million, partially offset by the redemption of wealth management products of RMB2,195.7 million.

In 2024, our net cash used in investing activities was RMB1,948.8 million, which was primarily attributable to (i) payments for purchases of property, plant and equipment, intangible assets and other non-current assets of RMB1,848.1 million and (ii) purchases of wealth management products of RMB499.1 million, partially offset by the redemption of wealth management products of RMB189.8 million.

In 2023, our net cash used in investing activities was RMB1,220.7 million, which was primarily attributable to (i) payments for purchases of property, plant and equipment, intangible assets and other non-current assets of RMB1,402.1 million and (ii) purchases of wealth management products of RMB266.0 million, partially offset by the redemption of wealth management products of RMB244.0 million.

Net Cash (Used in)/Generated from Financing Activities

In 2025, our net cash generated from financing activities was RMB1,956.9 million, primarily attributable to (i) proceeds from borrowings of RMB8,440.5 million, and (ii) proceeds from share incentive scheme of RMB64.2 million, partially offset by (i) repayment of borrowings of RMB5,855.8 million, (ii) payment for lease liabilities of RMB206.5 million, (iii) interests paid for borrowings and lease liabilities of RMB185.6 million, and (iv) dividends paid to owners of our Company of RMB176.3 million.

In 2024, our net cash used in financing activities was RMB496.8 million, primarily attributable to (i) repayments of borrowings of RMB6,655.5 million, (ii) interests paid for borrowings and lease liabilities of RMB259.6 million, and (iii) payments for lease liabilities of RMB201.5 million, partially offset by (i) proceeds from borrowings of RMB5,222.7 million, and (ii) proceeds from directed share issuance of RMB1,347.0 million.

In 2023, our net cash used in financing activities was RMB339.8 million, primarily attributable to (i) repayments of borrowings of RMB6,923.9 million, (ii) payments for accounts receivable factoring of RMB320.9 million, (iii) interests paid for borrowings and lease liabilities of RMB284.5 million, and (iv) payments for lease liabilities of RMB206.4 million, partially offset by (i) proceeds from borrowings of RMB7,120.4 million, and (ii) proceeds from accounts receivable factoring of RMB265.1 million.

INDEBTEDNESS

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

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	(RMB in thousands)			
				(unaudited)
Current				
Borrowings	4,865,279	4,424,733	6,524,899	7,948,475
Lease liabilities	189,237	171,957	152,460	167,063
Non-current				
Borrowings	2,180,327	1,170,749	1,700,103	1,618,474
Lease liabilities	466,798	284,125	307,643	366,348
Total	**7,701,641**	**6,051,564**	**8,685,105**	**10,100,360**

Our Directors confirmed that there has not been any material adverse change in our indebtedness since March 31, 2026 to the date of this document. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing.

Except as disclosed in this section, as of March 31, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

Borrowings

As of December 31, 2023, 2024 and 2025 and March 31, 2026, we had borrowings of RMB7,045.6 million, RMB5,595.5 million, RMB8,225.0 million and RMB9,566.9 million, respectively, mainly representing unsecured bank borrowings primarily to supplement our working capital and meet our capital expenditure requirements. Our borrowings are all denominated in Renminbi and U.S. dollars. The effective interest rate on our principal bank loans ranged from 0.54% to 4.98% during the Track Record Period. As of the Latest Practicable Date, our unutilized banking facilities amounted to RMB1,543.0 million.

Our Directors confirm that, there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual 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.

Lease Liabilities

As of December 31, 2023, 2024 and 2025 and March 31, 2026, our total lease liabilities amounted to RMB656.0 million, RMB456.1 million, RMB460.1 million and RMB533.4 million, respectively.

Our total lease liabilities decreased by 30.5% from RMB656.0 million as of December 31, 2023 to RMB456.1 million as of December 31, 2024, primarily due to a decrease in leased buildings following the commencement of operation of our manufacturing bases. Our total lease liabilities increased by 0.9% from RMB456.1 million as of December 31, 2024 to RMB460.1 million as of December 31, 2025, primarily due to an increase in leased factories to support the expansion of production capacity of our subsidiaries.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2023, 2024 and 2025, respectively.

Indebtedness Statement

Except as disclosed above, as of March 31, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since March 31, 2026 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

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

	As of/For the Year ended December 31,		
	2023	2024	2025
Gross profit margin (%)	18.2	17.7	17.8
Return on equity (%) [(1)]	2.5	11.6	7.8
Interest coverage ratio [(2)]	1.5	5.0	5.5

Notes:

(1) Return on equity equals net profit divided by the arithmetic mean of the opening and closing balances of total equity multiplied by 100%.

(2) Interest coverage ratio represents profit before finance costs (expensed only) and income tax divided by finance costs (expensed only) for the relevant year.

Return on Equity

Our return on equity increased from 2.5% as of December 31, 2023 to 11.6% as of December 31, 2024, primarily due to an increase in profit for the year.

Our return on equity decreased from 11.6% as of December 31, 2024 to 7.8% as of December 31, 2025, primarily due to a decrease in profit for the year and an increase in our total equity.

Interest Coverage Ratio

Our interest coverage ratio increased from 1.5 in 2023 to 5.0 in 2024, primarily due to (i) an increase in profit before finance costs and income tax expenses resulting from an increase in other gains and (ii) a decrease in finance costs expense resulting from a decrease in interest expenses on lease liabilities and interest expense on borrowings.

Our interest coverage ratio increased from 5.0 in 2024 to 5.5 in 2025, primarily due to a decrease in finance costs expense resulting from a decrease in interest expenses on lease liabilities and interest expense on borrowings.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consisted of purchase of property, plant and equipment, intangible assets and other non-current assets. In 2023, 2024 and 2025, our capital expenditures were RMB1,402.1 million, RMB1,848.1 million and RMB2,827.3 million, respectively. We funded these expenditures mainly with cash generated from operating activities, bank borrowings and proceeds from share issuance.

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, bank borrowings, and the net **[REDACTED]** received from the **[REDACTED]**. See "Future Plans and Use of **[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

During the Track Record Period, our capital commitments were mainly contracted for property, plant and equipment. As of December 31, 2023, 2024 and 2025, the total amount of our capital commitments was RMB957.5 million, RMB663.6 million and RMB1,609.7 million, respectively. See Note 37 to the Accountants' Report in Appendix I to this document.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details about our related party transactions during the Track Record Period, see Note 42 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 42 to 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 would 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 had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL RISKS DISCLOSURE

The main risks arising from our Group's financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Our Group's overall risk management seeks a balance between risk and return, minimizes the adverse impact of risk on our Group's financial performance and maximizes the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of our Group's risk management is to identify and analyse the various risks faced by our Group, establish appropriate risk tolerance thresholds and supervise various risks in a timely and reliable manner to control them within a limited range. See Note 3 to the Accountants' Report in Appendix I to this Document.

DIVIDENDS AND DIVIDEND POLICY

Pursuant to our Articles of Association, as amended in April 2026, we intend to declare cash dividends once a year after our annual general meeting, provided that (i) we have positive distributable profits and sufficient cash flows such that the payment of cash dividends will not affect our ability to continue as a going concern, (ii) we have positive accumulated distributable profits, and (iii) our auditors issue a standard unqualified audit opinion on our annual financial statements. Where the conditions for cash dividends are satisfied, we target to distribute no less than 10% of the distributable profits realized in the relevant year by way of cash dividends. We currently do not have any fixed dividend pay-out ratio. We declared and paid dividends of RMB3.0 million, RMB16.8 million and RMB205.0 million with respect to the years ended December 31, 2023, 2024 and 2025, respectively.

WORKING CAPITAL CONFIRMATION

Taking into account the net **[REDACTED]** from the **[REDACTED]**, our future operating cash flows, cash resources and banking facilities available to us, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital to meet our working capital requirements for at least the next 12 months from the date of publication of this Document.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our distributable reserves amounted to RMB2,925.8 million.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** commissions and other fees incurred in connection with the **[REDACTED]**. We estimate that our **[REDACTED]** expenses will be approximately RMB**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range) and no exercise of the **[REDACTED]**), representing **[REDACTED]**% of the gross **[REDACTED]** (based on the mid-point of our indicative **[REDACTED]** range for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised) of the **[REDACTED]**. We expect to incur such **[REDACTED]** expenses of RMB**[REDACTED]** in relation to the **[REDACTED]**. Our Directors do not expect such expenses to materially impact our results of operations in 2026. By nature, our **[REDACTED]** expenses will be composed of (i) **[REDACTED]** commission of approximately RMB**[REDACTED]**, and (ii) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]**, which will consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB**[REDACTED]** and other fees and expenses of approximately RMB**[REDACTED]**.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

NO MATERIAL ADVERSE CHANGE

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 periods reported 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.