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 contains 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a globally leading supplier of high-end electronic fabric, specializing in the research, development, manufacturing and sale of high-end general-purpose electronic fabric as well as special-purpose electronic fabric. We possess vertically integrated production capabilities spanning electronic yarn and electronic fabric, and maintain a product line covering entry-level, mid-range and high-end categories, making us one of the very few manufacturers globally with such a comprehensive product offering. Our products have been fully integrated into the core supply chains of leading GPU, CPU and high-end smartphone companies, and we have become an important partner to numerous globally prominent technology enterprises with deep collaboration in technology and business. We experienced rapid growth during the Track Record Period. Our revenue increased by 26.2% from RMB661.2 million in 2023 to RMB834.6 million in 2024, and further by 40.3% to RMB1,171.0 million in 2025. Our gross profit margin increased from 7.3% in 2023 to 17.6% in 2024, and further to 35.1% in 2025.

BASIS OF PRESENTATION

The Historical Financial Information, as defined in Appendix I to this document, has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations as issued by the International Accounting Standards Board ("**IASB**"). The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing Historical Financial Information, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. We have not applied any new standard or interpretation that is not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 31 to the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and financial performance are influenced by a variety of macroeconomic and industry-specific factors that affect the global economy and the electronic fabric industry. These include macroeconomic conditions in China and globally, technological advancement in the industry in which we operate, competition, geopolitical relations, regulatory oversight and government policies. In addition, our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Industry Growth and Downstream Market Demand

Electronic fabric is a critical upstream material in the PCB industry chain, with our products serving diverse end-markets including AI and high-performance computing, consumer electronics, communications, automotive electronics, and advanced IC packaging substrates. Our financial performance is closely linked to downstream demand dynamics, which directly affect our sales volume, pricing and product mix. According to Frost & Sullivan, the global special-purpose electronic fabric market was valued at US$623.0 million in 2025 and is projected to grow to US$2,351.2 million by 2030, representing a CAGR of 30.4%. Within this market, the low Dk/Df and low CTE fabric segments are projected to grow at CAGRs of 19.4% and 49.0%, respectively, from 2025 to 2030. The global markets for super-thin fabric and ultra-thin fabric were valued at US$204.0 million and US$91.0 million, respectively, in 2025, and are expected to reach US$403.0 million and US$280.8 million, respectively, by 2030, representing CAGRs of 14.6% and 25.3%. This growth is driven by the rapid expansion of AI applications, as the value of PCBs and electronic fabric incorporated in a single AI server substantially exceeds that used in a traditional server, resulting in significant demand for high-functionality special-purpose electronic fabric such as low Dk/Df and low CTE fabric. In the high-end consumer electronics sector, smartphones, tablets and other smart devices continue to evolve toward thinner, lighter and more compact form factors, driving continued demand for thinner and lighter electronic fabric specifications.

During the Track Record Period, downstream demand experienced significant cyclical fluctuations. In 2023, weak consumer electronics demand, post-pandemic effects and trade tensions resulted in intense industry competition and pricing pressure, leading to a net loss for the year. Market conditions improved in 2024, driven by growth in 5G communications, AI servers and automotive electronics, with our revenue increasing 26.2% to RMB834.6 million. In 2025, AI-fueled demand for high-end HDI boards, multi-layer PCBs and IC packaging substrates, combined with the successful certification of our special-purpose electronic fabric products, drove revenue growth of 40.3% to RMB1,171.0 million. Looking forward, downstream demand remains sensitive to macroeconomic conditions, customer inventory adjustments and capital expenditure cycles, and any slowdown may adversely affect our financial performance.

Our Ability to Develop Products and Optimize Product Portfolio

Our financial performance depends significantly on our ability to develop, commercialize and scale high-end electronic fabric products that meet increasingly stringent technical requirements. The industry is characterized by rapid technological advancement, rising standards for dielectric performance, dimensional stability and thickness control, and growing customer demand for high-precision solutions. We provide high-end products, such as ultra-thin fabric, low Dk/Df fabric and low CTE fabric, which command substantially higher gross profit margins. In 2025, ultra-thin fabric, low Dk/Df fabric and low CTE fabric achieved gross profit margins of 53.2%, 55.1% and 73.0%, respectively, significantly exceeding our overall gross profit margin of 35.1%. In particular, low CTE fabric passed certification and reached mass production and sales in 2025 as demand increased. The increased contribution from these high-margin products has been a key driver of our improved profitability during the Track Record Period. As sales of ultra-thin fabric grew from RMB100.4 million in 2023 to RMB233.8 million in 2025 (from 15.2% to 20.0% of total revenue), revenue from low Dk/Df fabric increased from RMB13.3 million in 2023 to RMB133.1 million in 2025 (from 2.0% to 11.4% of total revenue), and revenue from low CTE fabric increased from RMB0.2 million in 2023 to RMB44.9 million in 2025 (from less than 0.1% to 3.8% of total revenue), our overall gross profit margin expanded from 7.3% in 2023 to 35.1% in 2025, and gross profit increased from RMB48.3 million to RMB411.0 million over the same period.

The shift toward higher-margin products reflects our strategic focus on product portfolio optimization. We aim to further enrich our product portfolio to cater to changes in downstream technology requirements, customer specifications and competitive dynamics, while maintaining a strong emphasis on expanding sales of high gross profit margin product categories. By continuously refining our product mix and leveraging technological innovation, we seek to sustain the favorable trend of increasing revenue contribution from high gross margin products, which we believe will continue to drive revenue growth and enhance overall profitability.

Our Continued Investment in Research and Development and Technological Capabilities

Sustained investment in research and development is essential to maintaining our technological competitiveness and supporting our long-term growth. Our R&D activities focus on high-end electronic fabric materials, including ultra-fine yarn, special-purpose yarn, ultra-thin fabric, low Dk/Df and low CTE fabric and quartz fabric. To enhance our market share and strengthen the recognition and competitiveness of our products, we are pursuing strategically important R&D projects primarily focused on the development of ultra-thin yarn, lower Dk/Df fabric and lower CTE fabric products, aiming to drive innovation, enhance product performance and reduce costs in response to customer needs and trends in end-use electronic products. Through ongoing R&D innovation, we aim to ensure our products maintain reliable quality and advanced technological features, reinforcing our leadership position in the industry and meeting the evolving technical demands of high-end customers. During the Track Record Period, our research and development expenses increased from RMB34.0 million in 2023 to RMB43.6 million in 2024 and to RMB62.9 million in 2025. As of December 31, 2025, we employed 196 R&D personnel, representing approximately 15.2% of our total workforce.

Our future performance depends on our ability to effectively deploy R&D resources, retain and attract talented technical personnel, shorten development cycles and convert R&D achievements into commercially viable products. Based on market trends and our strategic focus, we expect research and development expenses to continue to increase in the future as we continue to invest in high-performance electronic fabric materials and develop new products to meet evolving customer needs.

Our Ability to Optimize Cost Structure and Manage Costs

Our business is capital-intensive and requires significant investment in production facilities, equipment and supporting infrastructure. Manufacturing overhead, direct materials and direct labor remained the principal components of our cost structure, accounting for 58.4%, 27.1% and 14.0% of cost of sales, respectively, in 2025. Accordingly, fluctuations in raw material prices, energy costs, and supply availability or upgrading of production processes may materially affect our production costs and gross margin.

During the Track Record Period, we achieved significant improvements in operational efficiency through: (i) continuously improving capacity utilization; (ii) optimizing process flows and applying multi-split drawing technology on electronic yarn production lines; and (iii) adopting intelligent manufacturing technologies in electronic fabric production, including an ERP system for real-time production monitoring and automated inspection systems. In addition, we implemented various manufacturing overhead optimization initiatives, including optimizing equipment utilization rates, increasing production line speeds and reducing non-production time to maximize capacity while minimizing per-unit production costs, as well as establishing a monthly cost reduction reporting mechanism to identify and eliminate operational inefficiencies. As a result, while cost of sales increased from RMB612.9 million in 2023 to RMB760.1 million in 2025, cost of sales as a percentage of revenue declined significantly from 92.7% to 64.9% over the same period.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

In the application of our accounting policies, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. For the material accounting policy information, see Note 2 to the Accountants' Report in Appendix I to this document for more details.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Revenue	661,155	834,633	1,171,034
Cost of sales	(612,871)	(687,544)	(760,077)
Gross profit	48,284	147,089	410,957
Other net income	23,563	31,244	12,947
Selling and marketing expenses	(5,491)	(6,353)	(8,575)
General and administrative expenses	(68,726)	(73,044)	(95,290)
Research and development expenses	(34,022)	(43,561)	(62,916)
Impairment losses on trade and other receivables	(221)	(712)	(1,412)
(Loss)/profit from operations	(36,613)	54,663	255,711
Finance costs	(31,356)	(34,850)	(31,060)
(Loss)/profit before taxation	(67,969)	19,813	224,651
Income tax	4,875	2,988	(22,738)
(Loss)/profit for the year	(63,094)	22,801	201,913
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company	(63,094)	22,801	201,913
Other comprehensive income for the year (after tax):			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of an overseas subsidiary	(3)	(5)	7
Fair value change on investments in financial assets measured at FVOCI	1,784	287	(2,071)
	1,781	282	(2,064)
Total comprehensive income for the year	(61,313)	23,083	199,849
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company	(61,313)	23,083	199,849

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was primarily derived from the sale of electronic fabric, which accounted for 94.7%, 93.5% and 95.5% of our total revenue in 2023, 2024 and 2025, respectively. The following table sets forth our revenue breakdown by type of products in absolute amounts and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
	(RMB in thousands, except percentages)					
Electronic fabric	626,156	94.7%	780,106	93.5%	1,118,907	95.5%
General-purpose electronic fabric						
— Ultra-thin fabric	100,436	15.2%	147,191	17.6%	233,818	20.0%
— Super-thin fabric	126,800	19.2%	150,118	18.0%	189,223	16.2%
— Thin fabric and above(1)	385,408	58.3%	470,291	56.4%	517,412	44.1%
Subtotal	612,644	92.7%	767,600	92.0%	940,453	80.3%
Special-purpose electronic fabric						
— Low Dk/Df fabric	13,346	2.0%	10,024	1.2%	133,084	11.4%
— Low CTE fabric	166	0.0%	2,482	0.3%	44,866	3.8%
— Quartz fabric	—	—	—	—	504	0.0%
Subtotal	13,512	2.0%	12,506	1.5%	178,454	15.2%
Electronic yarn	34,239	5.2%	53,709	6.4%	46,413	4.0%
Others(2)	760	0.1%	818	0.1%	5,714	0.5%
Total	661,155	**100.0%**	834,633	**100.0%**	1,171,034	**100.0%**

Notes:

(1) Primarily included thin and thick fabric.

(2) Primarily included revenue from sales of waste yarn and fabric generated during the production process.

Revenue by Geographic Markets

Chinese mainland continued to be our primary market, accounting for the majority of our revenue during the Track Record Period. We also generate revenue from overseas markets, including Japan, South Korea, Thailand and other regions. The following table sets out a breakdown of our revenue by geographical location, based on the location of customers, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Chinese mainland	592,277	89.6%	750,777	90.0%	1,012,669	86.5%
Overseas	68,878	10.4%	83,856	10.0%	158,365	13.5%
Total	**661,155**	**100.0%**	**834,633**	**100.0%**	**1,171,034**	**100.0%**

Cost of Sales

Our cost of sales primarily consists of manufacturing overhead, direct materials, direct labor and (reversal of)/write-down of inventories. Manufacturing overhead primarily includes depreciation, utilities (electricity and natural gas) and other production-related costs. Direct materials mainly include electronic yarn and glass beads used in the production of electronic fabric. Direct labor primarily refers to compensation for personnel directly engaged in the production of electronic fabric and yarn, including wages, bonuses, allowances, overtime pay and social insurance. The following table sets forth our cost of sales breakdown by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Manufacturing overhead	419,576	68.5%	434,614	63.2%	443,960	58.4%
Direct materials	112,686	18.4%	171,723	25.0%	205,650	27.1%
Direct labor	83,488	13.6%	85,377	12.4%	106,473	14.0%
(Reversal of)/write-down of inventories	(2,879)	(0.5%)	(4,170)	(0.6%)	3,994	0.5%
Total	**612,871**	**100.0%**	**687,544**	**100.0%**	**760,077**	**100.0%**

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

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except percentages)					
Electronic fabric	557,405	91.0%	631,249	91.8%	715,347	94.1%
General-purpose electronic fabric						
— Ultra-thin fabric	70,810	11.6%	83,732	12.2%	109,494	14.4%
— Super-thin fabric	116,022	18.9%	127,389	18.5%	131,448	17.3%
— Thin fabric and above(1)	367,944	60.0%	412,765	60.0%	402,465	52.9%
Subtotal	554,776	90.5%	623,886	90.7%	643,407	84.6%
Special-purpose electronic fabric						
— Low Dk/Df fabric	2,305	0.4%	5,708	0.9%	59,692	7.9%
— Low CTE fabric	324	0.1%	1,655	0.2%	12,097	1.6%
— Quartz fabric	—	—	—	—	151	0.0%
Subtotal	2,629	0.5%	7,363	1.1%	71,940	9.5%
Electronic yarn	54,702	8.9%	55,513	8.1%	39,292	5.2%
Others(2)	764	0.1%	782	0.1%	5,438	0.7%
Total	**612,871**	**100.0%**	**687,544**	**100.0%**	**760,077**	**100.0%**

Notes:

(1) Primarily included thin and thick fabric.

(2) Primarily included revenue from sales of waste yarn and fabric generated during the production process.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents gross profit divided by our revenue, expressed as a percentage. During the Track Record Period, our gross profit increased from RMB48.3 million in 2023 to RMB147.1 million in 2024 and further to RMB411.0 million in 2025. During the same periods, our gross profit margin was 7.3%, 17.6% and 35.1%, respectively. The following table sets forth our gross profit and gross profit margin breakdown by product types:

	For the 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 percentages)					
Electronic fabric	68,751	11.0%	148,857	19.1%	403,560	36.1%
General-purpose electronic fabric						
— Ultra-thin fabric	29,626	29.5%	63,459	43.1%	124,324	53.2%
— Super-thin fabric	10,778	8.5%	22,729	15.1%	57,775	30.5%
— Thin fabric and above[(1)]	17,464	4.5%	57,526	12.2%	114,947	22.2%
Subtotal	57,868	9.4%	143,714	18.7%	297,046	31.6%
Special-purpose electronic fabric						
— Low Dk/Df fabric	11,041	82.7%	4,316	43.1%	73,392	55.1%
— Low CTE fabric[(2)]	(158)	(95.2)%	827	33.3%	32,769	73.0%
— Quartz fabric	—	—	—	—	353	70.0%
Subtotal	10,883	80.5%	5,143	41.1%	106,514	59.7%
Electronic yarn[(3)]	(20,463)	(59.8)%	(1,804)	(3.4)%	7,121	15.3%
Others[(4)]	(4)	(0.5)%	36	4.4%	276	4.8%
Total	**48,284**	**7.3%**	**147,089**	**17.6%**	**410,957**	**35.1%**

Notes:

(1) Primarily included thin and thick fabric.

(2) We recorded negative or relatively low gross profit and profit margin for low CTE fabric in 2023 and 2024, primarily because the product was at an early R&D and commercialization stage with limited production scale and higher unit costs.

(3) Electronic yarn recorded negative gross profit and negative gross profit margin in 2023 and 2024, primarily because the yarn sold during these periods consisted mainly of sub-standard yarn that were sold at lower prices.

(4) Primarily included revenue from sales of waste yarn and fabric generated during the production process.

Other Net Income

Our other net income primarily consists of (i) government grants, including subsidies for technology innovation, environmental protection and other policy-driven incentives, (ii) additional deduction for VAT, as we qualified as an advanced manufacturing enterprise and were entitled to claim a 5.0% additional deduction on input VAT pursuant to relevant PRC tax policies commencing in 2024, (iii) net realized and unrealized gain on financial assets measured at fair value, (iv) interest income from bank deposits, (v) net gain/(loss) on disposal of property, plant and equipment and right-of-use assets, and (vi) net exchange (loss)/gain. The following table sets forth a breakdown of our other net income for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Government grants[1]	16,075	68.2%	14,292	45.7%	14,359	110.9%
Additional deduction for VAT	—	—	5,457	17.5%	6,315	48.8%
Net realized and unrealized gain on financial assets measured at fair value	577	2.4%	2,220	7.1%	3,067	23.7%
Interest income	4,453	18.9%	3,678	11.8%	2,537	19.6%
Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets	3,038	12.9%	259	0.8%	(8,492)	(65.6)%
Net exchange (loss)/gain	(3,825)	(16.2)%	1,553	5.0%	(5,626)	(43.5)%
Others[2]	3,245	13.8%	3,785	12.1%	787	6.1%
Total	**23,563**	**100.0%**	**31,244**	**100.0%**	**12,947**	**100.0%**

Notes:

(1) Represented various forms of incentives and subsidies granted to us by the local government authorities in the PRC.

(2) Primarily included sales of waste cardboard boxes, waste wood and edge trimmings.

Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses primarily consisted of (i) employee compensation; (ii) sample expenses; (iii) business development (including travel) expenses; and (iv) customs and miscellaneous fees. The following table sets forth a breakdown of our selling and marketing expenses in absolute amount and as a percentage of our total selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee compensation	2,903	52.9%	2,905	45.8%	4,312	50.3%
Sample expenses	832	15.2%	1,208	19.0%	575	6.7%
Business development (including travel) expenses	653	11.9%	709	11.2%	1,000	11.7%
Customs and miscellaneous fees	590	10.7%	810	12.7%	956	11.1%
Others[1]	513	9.3%	721	11.3%	1,732	20.2%
Total	**5,491**	**100.0%**	**6,353**	**100.0%**	**8,575**	**100.0%**

Note:

(1) Primarily included commissions, postage, office expenses, depreciation and visa fees.

General and Administrative Expenses

During the Track Record Period, our general and administrative expenses primarily consisted of (i) employee compensation; (ii) taxes and surcharges; (iii) depreciation and amortization; (iv) professional service fees; and (v) office, travel and rental expenses. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee compensation	33,755	49.1%	37,711	51.6%	56,179	59.0%
Taxes and surcharges	8,298	12.1%	8,826	12.1%	10,962	11.5%
Depreciation and amortization	9,505	13.8%	9,222	12.6%	8,492	8.9%
Professional service fees	5,925	8.6%	6,833	9.4%	6,765	7.1%
Share-based payment[1]	(507)	(0.7)%	—	—	—	—
Office, travel and rental expenses	5,157	7.5%	5,779	7.9%	4,089	4.3%
Others[2]	6,593	9.6%	4,673	6.4%	8,803	9.2%
Total	**68,726**	**100.0%**	**73,044**	**100.0%**	**95,290**	**100.0%**

Notes:

(1) We recorded negative share-based payment in general and administrative expenses, primarily because certain restricted shares did not meet the vesting conditions and were subsequently repurchased, resulting in a reversal of the previously recognized share-based compensation expense.

(2) Primarily included utilities, pallet freight and repairs and maintenance fees.

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of (i) employee compensation; (ii) R&D materials such as glass beads, slurry, raw yarn and electronic fabric used in R&D activities; (iii) repairs and maintenance; (iv) depreciation and amortization; and (v) others. The following table sets forth a breakdown of our research and development expenses in absolute amount and as a percentage of our total research and development expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee compensation	25,429	74.7%	30,989	71.2%	43,234	68.7%
R&D materials	5,628	16.5%	6,070	13.9%	10,646	16.9%
Repairs and maintenance[1]	228	0.7%	3,892	8.9%	6,460	10.3%
Depreciation and amortization	1,278	3.8%	1,086	2.5%	926	1.5%
Others[2]	1,459	4.3%	1,524	3.5%	1,650	2.6%
Total	**34,022**	**100.0%**	**43,561**	**100.0%**	**62,916**	**100.0%**

Notes:

(1) Repairs and maintenance expenses under research and development expenses significantly increased in the Track Record Period, primarily due to significant investment in special-purpose yarn production and R&D in 2025, which resulted in higher maintenance costs for crucibles, bushing and other equipment used in R&D activities.

(2) Primarily included utilities, welfare expenses, consulting fees, inspection fees, evaluation fees and patent fees.

Impairment losses on trade and other receivables

During the Track Record Period, our impairment losses on trade and other receivables primarily represented loss allowances provided on trade receivables and other receivables based on their aging. Our impairment losses on trade and other receivables amounted to RMB0.2 million, RMB0.7 million and RMB1.4 million in 2023, 2024 and 2025, respectively.

Finance Costs

The following table sets forth a breakdown of our finance cost for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Interest on interest-bearing borrowings	33,610	107.2%	34,805	99.9%	31,048	100.0%
Interest on lease liabilities	67	0.2%	45	0.1%	12	0.0%
Capitalized interest	(2,321)	(7.4)%	—	—	—	—
Total	**31,356**	**100.0%**	**34,850**	**100.0%**	**31,060**	**100.0%**

Income Tax Credit/(Expense)

During the Track Record Period, we recorded income tax credit of RMB4.9 million in 2023, income tax credit of RMB3.0 million in 2024 and income tax expense of RMB22.7 million in 2025.

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. Under the EIT Law and its Implementation Regulation, the EIT rate of our PRC subsidiaries is 25.0%, while our Company and one of our PRC subsidiaries are qualified as high and new technology enterprises and entitled to a preferential EIT rate of 15.0% during the Track Record Period. See Note 7 of the Accountants' Report in Appendix I to this document. The provision for Hong Kong profits tax was taxed at 8.25% on taxable income for the first HK$2,000,000 and the remaining taxable income was taxed at 16.5%. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with any tax authority.

(Loss)/Profit for the Year

As a result of the foregoing, during the Track Record Period, we recorded loss for the year of RMB63.1 million in 2023, and profit for the year of RMB22.8 million in 2024 and RMB201.9 million in 2025.

PERIOD-TO-PERIOD COMPARISON

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

Revenue

Our revenue increased by 40.3% from RMB834.6 million in 2024 to RMB1,171.0 million in 2025, primarily attributable to (i) increases in average selling prices reflecting improved market conditions, and (ii) a favorable shift in product mix towards high-end and special-purpose electronic fabric products, including ultra-thin, low Dk/Df and low CTE fabrics, reflected in increased sales volume driven by robust demand from AI servers, high-performance computing and high-frequency communication applications.

By product type, revenue from sales of fabric increased by 43.4% from RMB780.1 million in 2024 to RMB1,118.9 million in 2025. Revenue from our general-purpose electronic fabric increased from RMB767.6 million in 2024 to RMB940.5 million in 2025, primarily driven by an increase in average selling prices and a surge in the sales volume of ultra-thin fabric, which grew from 17,997.0 thousand meters to 23,056.8 thousand meters as demand for thinner materials for HDI boards and multi-layer PCBs continued to increase. Revenue from our special-purpose electronic fabric increased significantly from RMB12.5 million to RMB178.5 million (from 1.5% to 15.2% of total revenue), with sales volume growing from 451.1 thousand meters to 5,381.7 thousand meters, driven by strong demand from AI infrastructure and high-performance computing applications. By product, revenue from low Dk/Df fabric increased from RMB10.0 million to RMB133.1 million, revenue from low CTE fabric from RMB2.5 million to RMB44.9 million, and quartz fabric contributed RMB0.5 million upon initial commercialization for the year ended December 31, 2025.

Geographically, revenue from Chinese mainland increased by 34.9% from RMB750.8 million in 2024 to RMB1,012.7 million in 2025, driven by higher average selling prices and a favorable shift in product mix towards higher-margin, high-end fabric products, particularly ultra-thin, low Dk/Df and low CTE fabric. Overseas revenue increased by 88.9% from RMB83.9 million to RMB158.4 million, driven by increased demand in Korea following the successful certification of our low Dk/Df fabric for AI server applications and expanded sales to Japanese CCL manufacturers.

Cost of Sales

Our cost of sales increased by 10.5% from RMB687.5 million in 2024 to RMB760.1 million in 2025, primarily due to higher sales and production volume, particularly, increased output of special-purpose electronic fabric. The increase in cost of sales was significantly lower than the 40.3% increase in revenue, mainly because average selling prices increased materially in 2025 while unit production costs remained relatively stable. Cost of sales as a percentage of total revenue decreased from 82.4% in 2024 to 64.9% in 2025.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 179.4% from RMB147.1 million in 2024 to RMB411.0 million in 2025, and our gross profit margin increased from 17.6% in 2024 to 35.1% in 2025.

Other Net Income/(Loss)

Our other net income decreased by 58.7% from RMB31.2 million in 2024 to RMB12.9 million in 2025, primarily due to (i) net foreign exchange losses of RMB5.6 million in 2025 compared with gains of RMB1.6 million in 2024, and (ii) a net loss on disposal of property, plant and equipment and right-of-use assets of RMB8.5 million in 2025, compared with a gain of RMB0.3 million in 2024, mainly from scrapping certain electric furnaces (where trial production costs and consumables had been capitalized) and waste gas treatment equipment that no longer met updated regulatory standards. These assets had relatively high carrying values and were sold as waste equipment for proceeds lower than their residual values, resulting in a net loss. In contrast, the scrapped items in 2024 had relatively low residual values and were sold as waste equipment for proceeds exceeding their residual values, resulting in a net gain.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 34.4% from RMB6.4 million in 2024 to RMB8.6 million in 2025, primarily due to higher employee compensation, reflecting higher wages and bonuses driven by improved profitability and increased business entertainment expenses in line with revenue growth. As a percentage of revenue, selling and marketing expenses decreased slightly from 0.8% to 0.7%.

General and Administrative Expenses

Our general and administrative expenses increased by 30.5% from RMB73.0 million in 2024 to RMB95.3 million in 2025, primarily due to higher employee compensation, reflecting higher wages and bonuses. As a percentage of revenue, general and administrative expenses decreased from 8.8% to 8.1%.

Research and Development Expenses

Our research and development expenses increased by 44.3% from RMB43.6 million in 2024 to RMB62.9 million in 2025, primarily due to higher employee compensation and increased R&D materials costs, reflecting continued investment in high-end electronic fabrics including ultra-thin, low Dk/Df and low CTE fabric. As a percentage of revenue, research and development expenses increased slightly from 5.2% to 5.4%, in line with our strategic focus on enhancing technological competitiveness.

Impairment Losses on Trade and Other Receivables

Our impairment losses on trade and other receivables increased from RMB0.7 million in 2024 to RMB1.4 million in 2025, in line with the increase in trade receivables resulting from sales growth.

Finance Costs

Our finance costs decreased by 10.9% from RMB34.9 million in 2024 to RMB31.1 million in 2025, primarily attributable to lower interest expenses on bank borrowings as we repaid certain project loans during 2025.

Income Tax Credit/(Expense)

We recorded income tax credit of RMB3.0 million in 2024, primarily attributable to recognition of deferred tax assets arising from tax losses carried forward. We recorded income tax expenses of RMB22.7 million in 2025, primarily attributable to higher taxable profits as we returned to profitability, partially offset by the utilization of previously recognized deferred tax assets.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB22.8 million in 2024 to RMB201.9 million in 2025.

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

Revenue

Our revenue increased by 26.2% from RMB661.2 million in 2023 to RMB834.6 million in 2024, primarily attributable to (i) the gradual recovery in downstream electronic product demand compared to 2023 and (ii) higher sales volume resulting from the ramp-up of our Huangshi production base which was fully commissioned in June 2023.

By product type, revenue from electronic fabric increased by 24.6% from RMB626.2 million in 2023 to RMB780.1 million in 2024, with total fabric sales volume increasing from 170.2 million meters to 208.8 million meters. General-purpose electronic fabric revenue increased across all product categories, with thin fabric and above's revenue increasing from RMB385.4 million to RMB470.3 million (sales volume from 119.6 million meters to 143.7 million meters), revenue from ultra-thin fabric growing from RMB100.4 million to RMB147.2 million (sales volume from 11.4 million meters to 18.0 million meters), and revenue from super-thin fabric increasing from RMB126.8 million to RMB150.1 million (sales volume from 38.6 million meters to 46.7 million meters). Revenue from sales of electronic yarn increased from RMB34.2 million in 2023 to RMB53.7 million in 2024 (sales volume from 1,821.5 tons to 2,701.7 tons), primarily reflecting our efforts to clear inventory of sub-standard yarn products that had accumulated during the market downturn in prior years.

Geographically, revenue generated from Chinese mainland increased by 26.8% from RMB592.3 million in 2023 to RMB750.8 million in 2024, representing 89.6% and 90.0% of our total revenue in the corresponding years, primarily attributable to the capacity ramp-up of our Huangshi production base and the recovery of downstream electronic product demand. Revenue from overseas markets increased by 21.7% from RMB68.9 million to RMB83.9 million, primarily driven by increased orders from existing customers in Japan and Thailand, as well as expanded marketing efforts and product certification activities in Korea.

Cost of Sales

Our cost of sales increased by 12.2% from RMB612.9 million in 2023 to RMB687.5 million in 2024, primarily driven by higher sales volume. The percentage of cost of sales to total revenue decreased from 92.7% in 2023 to 82.4% in 2024, primarily attributable to (i) improved capacity following the ramp-up of our Huangshi production base, (ii) process optimization that reduced unit costs, including application of multi-split technology on electronic yarn production lines that improved efficiency, and (iii) cost reduction measures including optimization of headcount.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 204.6% from RMB48.3 million in 2023 to RMB147.1 million in 2024. Our gross profit margin increased from 7.3% in 2023 to 17.6% in 2024.

Other Net Income

Our other net income increased by 32.2% from RMB23.6 million in 2023 to RMB31.2 million in 2024, primarily due to (i) recognition of additional deduction for VAT of RMB5.5 million in 2024, as we qualified as an advanced manufacturing enterprise and were entitled to claim a 5.0% additional deduction on input VAT pursuant to relevant PRC tax policies, (ii) a change from net exchange loss of RMB3.8 million in 2023 to net exchange gain of RMB1.6 million in 2024; and (iii) an increase in net realized and unrealized gains on financial assets measured at fair value.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 16.4% from RMB5.5 million in 2023 to RMB6.4 million in 2024, primarily due to higher sample costs, higher customs and miscellaneous fees and business development (including travel) expenses associated with increased sales activities.

General and Administrative Expenses

Our general and administrative expenses increased by 6.3% from RMB68.7 million in 2023 to RMB73.0 million in 2024, primarily due to higher employee compensation. As a percentage of revenue, general and administrative expenses decreased from 10.4% to 8.8%.

Research and Development Expenses

Our research and development expenses increased by 28.2% from RMB34.0 million in 2023 to RMB43.6 million in 2024, primarily due to higher R&D personnel compensation and increased R&D materials in new product development and technological upgrades, in line with our strategy to enhance technological capabilities and product competitiveness. The percentage of our research and development expenses to total revenue remained relatively stable at 5.1% in 2023 and 5.2% in 2024, reflecting our continued commitment to innovation and high-end product development.

Impairment Losses on Trade and Other Receivables

Our impairment losses on trade and other receivables increased from RMB0.2 million in 2023 to RMB0.7 million in 2024, primarily due to higher trade receivables resulting from increased sales, which led to higher loss allowances provided based on aging.

Finance Costs

Our finance costs increased from RMB31.4 million in 2023 to RMB34.9 million in 2024, primarily due to (i) the cessation of interest capitalization following the completion of the Huangshi production base construction in June 2023, resulting in interest now being recognized as finance costs, and (ii) higher interest expenses from increased working capital borrowings.

Income Tax Credit

Our income tax credit decreased from RMB4.9 million in 2023 to RMB3.0 million in 2024, primarily attributable to a lower amount of deferred tax assets recognized in 2024 compared to 2023. In 2023, we recognized deferred tax assets arising from tax losses carried forward by Huangshi Grace, which contributed to the higher tax credit in that year.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded a profit for the year of RMB22.8 million in 2024, compared to a loss of RMB63.1 million in 2023. The turnaround was primarily attributable to (i) the recovery of downstream electronic product demand, which drove revenue growth, (ii) higher capacity at our Huangshi production base, (iii) successful implementation of cost optimization measures, which significantly improved our gross profit margin, and (iv) effective management of operating expenses, which grew at a slower rate than revenue.

DISCUSSION ON KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Total current assets	870,209	942,346	1,088,474
Total non-current assets	1,661,963	1,566,373	2,194,213
Total assets	**2,532,172**	**2,508,719**	**3,282,687**
Total current liabilities	563,097	620,785	921,066
Total non-current liabilities	542,118	437,894	711,732
Total liabilities	**1,105,215**	**1,058,679**	**1,632,798**
Net current assets	**307,112**	**321,561**	**167,408**
Net assets	**1,426,957**	**1,450,040**	**1,649,889**
Share capital	882,512	879,727	879,727
Reserves	544,445	570,313	770,162
Total equity	**1,426,957**	**1,450,040**	**1,649,889**
Total liabilities and equity	**2,532,172**	**2,508,719**	**3,282,687**

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	224,508	175,572	194,715	278,141
Trade and other receivables	412,384	446,331	646,995	788,948
Financial assets measured at FVOCI	53,152	32,273	—	—
Cash and cash equivalents	148,125	260,671	212,372	860,983
Time deposit	27,069	24,762	10,001	10,002
Restricted bank deposits	3,277	1,796	24,391	119,087
Income tax recoverable	1,694	941	—	3,707
Total current assets	**870,209**	**942,346**	**1,088,474**	**2,060,868**
Current liabilities				
Interest-bearing borrowings	425,855	502,796	621,551	605,229
Trade and other payables	135,917	116,646	295,235	348,938
Contract liabilities	710	1,125	1,430	1,509
Lease liabilities	615	218	157	110
Income tax payable	—	—	2,693	17,376
Total current liabilities	**563,097**	**620,785**	**921,066**	**973,162**
Net current assets	**307,112**	**321,561**	**167,408**	**1,087,706**

Our net current assets increased by 549.8% from RMB167.4 million as of December 31, 2025 to RMB1,087.7 million as of March 31, 2026, as the increase in current assets significantly outweighed the increase in current liabilities. Current assets increased from RMB1,088.5 million to RMB2,060.9 million, primarily due to an increase of RMB648.6 million in cash and cash equivalents resulting from private placement proceeds and an increase of RMB142.0 million in trade and other receivables. Current liabilities increased from RMB921.1 million to RMB973.2 million, primarily due to an increase of RMB53.7 million in trade and other payables and an increase of RMB14.7 million in income tax payable, partially offset by a decrease of RMB16.3 million in interest-bearing borrowings.

Our net current assets decreased by 47.9% from RMB321.6 million as of December 31, 2024 to RMB167.4 million as of December 31, 2025, as the increase in current liabilities outweighed the increase in current assets. Current liabilities increased from RMB620.8 million to RMB921.1 million, primarily due to an increase of RMB178.5 million in trade and other payables and an increase of RMB118.8 million in interest-bearing borrowings. Current assets increased from RMB942.3 million to RMB1,088.5 million, primarily due to an increase of RMB200.7 million in trade and other receivables, partially offset by a decrease of RMB32.3 million in financial assets measured at FVOCI.

Our net current assets increased by 4.7% from RMB307.1 million as of December 31, 2023 to RMB321.6 million as of December 31, 2024, as the increase in current assets outweighed the increase in current liabilities. Current assets increased from RMB870.2 million to RMB942.3 million, primarily due to an increase of RMB112.6 million in cash and cash equivalents and an increase of RMB33.9 million in trade and other receivables, partially offset by a decrease of RMB48.9 million in inventories. Current liabilities increased from RMB563.1 million to RMB620.8 million, primarily due to an increase of RMB76.9 million in interest-bearing borrowings, partially offset by a decrease of RMB19.2 million in trade and other payables.

Inventories

Our inventories consisted primarily of raw materials, work in progress, finished goods, goods in transit and packing materials. 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	89,941	62,215	96,892
Work in progress	44,294	49,863	42,893
Finished goods	71,790	43,414	16,394
Goods in transit	—	2,815	23,440
Packing material	18,483	17,265	15,096
Total	**224,508**	**175,572**	**194,715**

Our inventories decreased by 21.8% from RMB224.5 million as of December 31, 2023 to RMB175.6 million as of December 31, 2024, as improved market conditions enabled us to utilize and sell previously accumulated raw materials and finished goods.

Our inventories increased by 10.9% from RMB175.6 million as of December 31, 2024 to RMB194.7 million as of December 31, 2025, primarily due to (i) higher raw materials and goods in transit to support production expansion, and (ii) advance stocking of electronic yarn in preparation for scheduled furnace maintenance in 2026, partially offset by lower finished goods inventory due to strong sales demand.

Our inventories increased by 42.8% from RMB194.7 million as of December 31, 2025 to RMB278.1 million as of March 31, 2026, primarily due to (i) continued inventory preparation for scheduled furnace maintenance, and (ii) strategic inventory build-up in response to tightening supply conditions and anticipated pricing pressure in electronic yarn, which is our major raw material.

The table below sets forth an aging analysis for our inventories, net of loss allowances as at the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	233,157	175,083	196,975
1 to 2 years	6,656	7,440	7,448
2 to 3 years	3,111	4,969	4,841
Over 3 years	4,232	6,558	7,924
Less: Write-down of inventories	(22,648)	(18,478)	(22,473)
Total	**224,508**	**175,572**	**194,715**

We adopt a prudent inventory management and write-down policy due to the characteristics of the electronic fabric industry, where demand is sensitive to end-market conditions, technology requirements and customer specifications. Our management regularly reviews inventory to identify slow-moving items, obsolescence or declines in market value, and makes write-downs when net realizable value falls below cost. Net realizable value is assessed at each reporting period based on estimated selling prices in the ordinary course of business, less estimated costs of completion and selling expenses, taking into account market conditions, historical sales experience, customer requirements and, where applicable, contract prices. Inventory aging and turnover are also considered. In 2023, we recorded reversal of write-down of inventories of RMB2.9 million. In 2024, we recorded reversal of write-down of inventories of RMB4.2 million. In 2025, we recorded inventory write-down of RMB4.0 million. Our management believes that sufficient provisions have been made for each reporting period.

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

	Year Ended December 31,		
	2023	2024	2025
Inventory turnover days(1)	119	106	89

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 365 days.

Our inventory turnover days continued to decrease from 119 days in 2023 to 106 days in 2024, then to 89 days in 2025, primarily due to strong market demand, which led to increased sales volume and faster inventory turnover.

As of March 31, 2026, RMB96.5 million, or 49.6% of our inventory as of December 31, 2025 had been utilized or sold.

Trade and Other Receivables

Our trade and other receivables consisted primarily of trade receivables, bills receivable, prepayment and other receivables. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables:	238,863	307,445	445,764
Less: loss allowance	(2,436)	(3,112)	(4,517)
	236,427	304,333	441,247
Bills receivable:			
Carried at amortized cost	66,417	54,281	74,470
Measured at FVOCI	73,315	62,696	36,533
	139,732	116,977	111,003

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Prepayment:			
Prepayment for purchase of raw material	2,491	7,933	32,338
Prepayment for the listing in respect of the issuance of A shares	—	—	1,905
	2,491	7,933	34,243
Other receivables:			
VAT recoverable	31,483	14,641	58,235
Deposits	236	188	279
Others	2,060	2,340	2,077
Less: loss allowance	(45)	(81)	(89)
	33,734	17,088	60,502
Trade and other receivables	**412,384**	**446,331**	**646,995**

We typically grant 60 to 120 days of credit period to our customers. For smaller or newly onboarded customers, we will generally require a credit period of less than 60-day, or in certain cases, prepayment prior to the shipment of products.

All of the trade and other receivables are expected to be recovered within one year. As of December 31, 2023, 2024 and 2025, we endorsed undue bills receivable of RMB33.6 million, RMB48.0 million and RMB75.6 million, respectively, to our suppliers to settle trade payables of the same amount and derecognized these bills receivable and payables to suppliers in their entirety from balance sheet as our management considered that the risks and rewards of ownership of these undue bills have been substantially transferred.

As of December 31, 2023, 2024 and 2025, we discounted undue bills receivable of RMB21.6 million, RMB31.1 million and RMB60.9 million respectively to banks to discount at a discount rate negotiated with the banks and derecognized these bills receivable in their entirety from balance sheet as our management considered that the risk and rewards of ownership of these undue bills have been substantially transferred. Our continuous involvement in these derecognized undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills.

As of December 31, 2023, 2024 and 2025, the maximum exposure to loss from our continuous involvement represents the amount of bills receivable of RMB55.2 million, RMB79.1 million and RMB136.5 million, which we endorsed to its suppliers and banks. These undue bills receivable was due within six months from date of issuance.

Our trade and other receivables increased from RMB412.4 million as of December 31, 2023 to RMB446.3 million as of December 31, 2024, primarily due to higher sales volume, with the increase in trade receivables remaining within normal credit terms.

Our trade and other receivables increased from RMB446.3 million as of December 31, 2024 to RMB647.0 million as of December 31, 2025, primarily due to significant revenue growth, with the increase in trade receivables remaining within normal credit terms. The increase also reflected higher prepayments for acquisition of property, plant and equipment related to expansion projects and increased VAT recoverable.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated, based on the revenue recognition date and net of allowance for expected credit losses:

	As of December 31,		
	2023	**2024**	**2025**
Within six months	237,676	306,514	444,277
Over six months but less than one year	1,187	931	1,487
Total	**238,863**	**307,445**	**445,764**

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

	Year Ended December 31,		
	2023	**2024**	**2025**
Trade receivables turnover days(1)	119	119	117

Note:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables (excluding provision for impairment) for a year divided by revenue for the relevant year and multiplied by 365 days.

Our trade receivables turnover days remained stable at 119 days, 119 days and 117 days in 2023, 2024 and 2025, respectively.

As of March 31, 2026, RMB340.8 million, or 76.5% of our trade receivables as of December 31, 2025 had been settled.

Financial Assets Measured at FVOCI

Our financial assets measured at FVOCI consisted primarily of the certificates of deposit. The balance of certificates of deposits mainly comprised certificates of deposits with terms over three months and related accrued interest. As the deposits were held both for sale and earning the interest income simultaneously, these financial assets are classified as the assets measured at FVOCI.

Our financial assets measured at FVOCI decreased from RMB53.2 million as of December 31, 2023 to RMB32.3 million as of December 31, 2024 and nil as of December 31, 2025. The decreases were primarily attributable to the disposal and redemption of financial assets during the respective periods.

We have established a comprehensive funds management framework centered around the financial product investment criteria, approval and authorization procedures and ongoing monitoring and management, as further outlined below:

Investment Criteria

Without affecting daily operations, we and our subsidiaries may use temporarily idle self-owned funds to purchase low-risk financial assets with capital preservation nature, good liquidity, and relatively high returns, in order to improve capital efficiency and reduce financing costs. Rolling use of funds is permitted within authorized limits. Such investments shall not involve any related party transactions.

Approval and Authorization Procedures

Within shareholder-authorized limits, the Board is authorized to delegate management to exercise investment decision-making authority and execute relevant contracts, with specific matters to be organized and implemented by the Finance Department. Investments within the Board's authorization do not require prior Board approval; investments beyond such scope require prior Board approval and, where applicable, submission to the shareholders' general meeting for approval.

Ongoing Monitoring and Management

We comply with internal policies and corporate authorizations, emphasizing safety, liquidity, and disciplined execution. We and our subsidiaries strictly control risks, conduct rigorous evaluation and screening of wealth management products, and select products meeting our investment criteria. We timely adjust investment strategies and scale, closely track and analyze fund allocations, and promptly take measures to control investment risks if factors that may affect fund safety are identified. Financial markets are significantly affected by macroeconomic conditions, and such investments may be subject to market fluctuations. We adjust the timing and amount of investments based on economic conditions and changes in financial markets; therefore, actual investment returns cannot be predicted. Our management periodically reassesses market conditions, counterparty credibility, and product risk relative to objectives, adjusting or divesting as warranted. Our Board, notably the Audit Committee, regularly reviews management reports, evaluates performance and risk, and oversees conduct.

Upon **[REDACTED]**, we intend to continue our investments strictly in accordance with our internal policies, and, to the extent that an investment in wealth management products is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Trade and Other 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 in thousands)		
Trade payable	77,459	59,552	95,230
Bills payable	1,000	—	—
Accrued salaries and employee benefits	20,708	27,751	72,070
Payable for acquisition of property, plant and equipment	13,713	13,309	1,048
Payable for repurchase of restricted shares	12,209	—	—
Capacity deposits from the end-customer	—	—	100,000
Others	10,828	16,034	26,887
Total	**135,917**	**116,646**	**295,235**

Our trade and other payables consisted primarily of trade payable, accrued salaries and employee benefits, payable for acquisition of property, plant and equipment, payable for repurchase of restricted shares and capacity deposits from the end-customer. All trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand. The change in our trade payables was generally in line with the changes in the market and the production and operation arrangements.

Our trade and other payables decreased from RMB135.9 million as of December 31, 2023 to RMB116.6 million as of December 31, 2024, primarily due to (i) the decrease in trade payables attributable to timing of payments to suppliers and (ii) the decrease in payables for repurchase of restricted shares, partially offset by the increase in accrued salaries and employee benefits attributable to higher bonus accruals resulting from improved profitability.

Our trade and other payables increased from RMB116.6 million as of December 31, 2024 to RMB295.2 million as of December 31, 2025, primarily due to (i) capacity deposits of RMB100.0 million received from an end-customer, (ii) higher accrued salaries and employee benefits due to significantly improved profitability, and (iii) higher trade payables for production expansion.

The following table sets forth the aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	76,538	58,564	94,649
Over one year	921	988	581
Total	**77,459**	**59,552**	**95,230**

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)	40	36	37

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 used for the relevant year and multiplied by 365 days.

Our trade payables turnover days decreased from 40 days in 2023 to 36 days in 2024, primarily due to lower year-end trade payables balance. It remained relatively stable at 37 days in 2025.

As of March 31, 2026, RMB73.0 million, or 76.6% of our trade payables as of December 31, 2025 had been settled.

Contract Liabilities

Our contract liabilities represented primarily the consideration received in advance as prepayments by customers. The respective revenue is expected to be recognized when the products are delivered and accepted by the customers. Our contract liabilities increased from RMB0.7 million as of December 31, 2023 to RMB1.1 million as of December 31, 2024 and RMB1.4 million as of December 31, 2025. The increases were primarily due to higher advance payments received from customers in the ordinary course of business.

Property, Plant and Equipment

The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Precious metal	225,925	212,489	816,746
Machinery and equipment	916,652	841,342	783,297
Buildings	398,921	392,600	393,413
Office equipment and others	24,665	21,046	21,558
Construction in progress	2,474	2,759	19,796
Motor vehicles	2,941	2,401	1,828
Leasehold improvements	257	46	—
Total	**1,571,835**	**1,472,683**	**2,036,638**

Our property, plant and equipment decreased by 6.3% from RMB1,571.8 million as of December 31, 2023 to RMB1,472.7 million as of December 31, 2024, primarily due to depreciation charges during the year, as our Huangshi electronic fabric plant completed construction in 2023 and commenced full depreciation in 2024.

Our property, plant and equipment increased by 38.3% from RMB1,472.7 million as of December 31, 2024 to RMB2,036.6 million as of December 31, 2025, primarily due to significant additions of precious metals for the special-purpose yarn production lines, which were undergoing capacity expansion in 2025. Specifically, the special-purpose yarn is produced with crucible and bushing made of platinum-rhodium alloy, and the significant increase in precious metals reflected our accelerated expansion of special-purpose fiber yarn capacity driven by AI-fueled demand.

Our property, plant and equipment with net book value of RMB1,041.3 million, RMB977.0 million and RMB992.4 million were secured for bank loans as of December 31, 2023, 2024 and 2025, respectively, and additionally for borrowings arising from leaseback arrangements as of December 31, 2025.

Right-of-Use Assets

Our right-of-use assets represented the land and properties leased for own use. We obtained land use rights in the PRC with lease periods of no more than 50 years when granted. Other properties leases typically run for an initial period of two to six years. The additions to right-of-use assets primarily related to capitalized lease payables under new tenancy agreements. None of the leases include variable lease payments. Leasehold land for own use with carrying amounts of RMB43.6 million, RMB42.4 million and RMB41.3 million were pledged as collaterals for certain bank loans as of December 31, 2023, 2024 and 2025, respectively.

Our right-of-use assets remained stable at RMB44.7 million as of December 31, 2023, RMB45.9 million as of December 31, 2024 and RMB44.6 million as of December 31, 2025.

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025, our indebtedness included interest-bearing bank 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 March 31,
	2023	**2024**	**2025**	**2026**
	(RMB in thousands)			*(unaudited)*
Interest-bearing bank borrowings:				
Bank loans				
Secured	501,033	493,687	332,791	327,791
Guaranteed	196,439	187,421	408,571	409,145
Unsecured and unguaranteed	175,604	167,749	249,157	253,488
	873,076	848,857	990,519	990,424
Borrowings from the financing leasing company	—	—	243,969	274,357
Total	873,076	848,857	1,234,488	1,264,781
Current	425,855	502,796	621,551	605,229
Non-current	447,221	346,061	612,937	659,552
Total	873,076	848,857	1,234,488	1,264,781
Lease liabilities:				
Current				
Within one year	615	218	157	110
Non-current				
After 1 year but within 2 years	293	90	78	67
After 2 years but within 5 years	321	—	15	—
Sub-total	614	90	93	67
Total	1,229	308	250	177
Total Indebtedness	**874,305**	**849,165**	**1,234,738**	**1,264,958**

Interest-bearing Bank Borrowings

As of December 31, 2023, 2024 and 2025 and March 31, 2026, our interest-bearing bank borrowings (including current and non-current portions) consisted primarily of bank loans, amounted to RMB873.1 million, RMB848.9 million, RMB990.5 million and RMB990.4 million, respectively. Our bank loans primarily consisted of secured, guaranteed or unsecured bank loans. See Note 19 to the Accountants' Report included in Appendix I to this document for details of the interest rates and the maturity.

Our bank loans decreased from RMB873.1 million as of December 31, 2023 to RMB848.9 million as of December 31, 2024, as we repaid certain project loans following completion of the Huangshi electronic fabric plant construction. Bank loans then increased to RMB990.5 million as of December 31, 2025, primarily due to new borrowings for the special-purpose yarn production expansion project, including a RMB200.0 million fixed asset loan. Our bank loans decreased to RMB990.4 million as of March 31, 2026, primarily due to repayment at maturity.

We raised borrowings from three financing leasing companies of RMB244.0 million as of December 31, 2025 primarily to fund the special-purpose yarn production expansion project.

As of March 31, 2026, we had unutilized banking facilities of RMB669.4 million.

Lease Liabilities

Our total lease liabilities (including current and non-current portions) decreased from RMB1.2 million as of December 31, 2023 to RMB0.3 million as of December 31, 2024, as certain leased premises expired in 2024 and were not renewed, and remained stable at RMB0.3 million as of December 31, 2025. Our total lease liabilities slightly decreased to RMB0.2 million as of March 31, 2026.

No Other Outstanding Indebtedness

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant or undertaking on any of our outstanding debt and that we did not experience any difficulty in obtaining interest-bearing borrowings, material default in payment of trade and non-trade payables, bank loans or breach of covenants or undertakings during the Track Record Period and up to the date of this document.

Except as disclosed above, as of March 31, 2026, being the most recent 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, pledges of key assets or other material contingent liabilities. Our Directors have confirmed that there has been no material change in our indebtedness from March 31, 2026 to the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table sets forth a summary of our cash flow for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Net cash (used in)/generated from operating activities	(97,749)	179,480	293,786
Net cash used in investing activities	(51,973)	(1,279)	(766,273)
Net cash (used in)/generated from financing activities	(3,817)	(66,427)	425,473
Net (decrease)/increase in cash and cash equivalents	**(153,539)**	**111,774**	**(47,014)**
Cash and cash equivalents at beginning of year	300,310	148,125	260,671
Effect of foreign exchange rate changes, net	1,354	772	(1,285)
Cash and cash equivalents at end of year	**148,125**	**260,671**	**212,372**

Net Cash (Used in)/Generated from Operating Activities

In 2025, we had net cash generated from operating activities of RMB293.8 million, as compared to profit before taxation of RMB224.7 million. The principal items accounting for the difference were the adjustments for depreciation of owned property, plant and equipment of RMB131.3 million and interests on bank loans and lease liabilities of RMB31.1 million. The amount was further adjusted by the changes in working capital, which primarily consisted of increase in trade and other payables of RMB173.9 million, partially offset by increase in trade and other receivables of RMB230.1 million.

In 2024, we had net cash generated from operating activities of RMB179.5 million, as compared to profit before taxation of RMB19.8 million. The principal items accounting for the difference were the adjustments for depreciation of owned property, plant and equipment of RMB123.6 million and interests on bank loans and lease liabilities of RMB34.9 million. The amount was further adjusted by the changes in working capital, which primarily consisted of decrease in inventories of RMB53.1 million and increase in trade and other payables of RMB20.3 million, partially offset by increase in trade and other receivables of RMB63.5 million.

In 2023, we had net cash used in operating activities of RMB97.7 million, as compared to loss before taxation of RMB68.0 million. The principal items accounting for the difference were the adjustments for depreciation of owned property, plant and equipment of RMB101.4 million. The amount was further adjusted by the changes in working capital, which primarily consisted of increase in trade and other receivables of RMB108.4 million and increase in inventories of RMB48.1 million.

Net Cash Flows Used in Investing Activities

In 2025, we had net cash used in investing activities of RMB766.3 million, primarily attributable to payment for the purchase of property, plant and equipment and right-of-use assets of RMB816.7 million, partially offset by proceeds from disposal of financial assets measured at fair value of RMB33.1 million.

In 2024, we had net cash used in investing activities of RMB1.3 million, primarily attributable to payment for the purchase of property, plant and equipment and right-of-use assets of RMB29.9 million and payment for purchase of time deposit of RMB24.4 million, partially offset by proceeds from redemption of time deposits of RMB27.1 million and proceeds from disposal of financial assets measured at fair value RMB22.2 million.

In 2023, we had net cash used in investing activities of RMB52.0 million, primarily attributable to payment for the purchase of property, plant and equipment and right-of-use assets of RMB180.6 million and payment for the purchase of financial assets measured at fair value of RMB101.0 million, partially offset by proceeds from disposal of financial assets measured at fair value of RMB220.0 million.

Net Cash Flows (Used in)/Generated from Financing Activities

In 2025, we had net cash generated from financing activities of RMB425.5 million, primarily attributable to proceeds from interest-bearing borrowings of RMB957.1 million and proceeds received from the end-customer in respect of the capacity deposits of RMB100.0 million, partially offset by repayments of interest-bearing borrowings of RMB565.9 million and interest paid of RMB31.0 million.

In 2024, we had net cash used in financing activities of RMB66.4 million, primarily attributable to repayments of interest-bearing borrowings of RMB518.5 million and interest paid of RMB34.9 million, partially offset by the proceeds from interest-bearing borrowings of RMB518.5 million.

In 2023, we had net cash used in financing activities of RMB3.8 million, primarily attributable to repayments of interest-bearing borrowings of RMB787.4 million, interest paid of RMB33.6 million and dividends paid to our equity shareholders of RMB26.3 million, partially offset by the proceeds from interest-bearing borrowings of RMB854.6 million.

Working Capital Sufficiency

Our Directors are of the opinion that, taking into account the estimated **[REDACTED]** from the **[REDACTED]** and other capital resources available to us, including cash flow from operating activities, cash and cash equivalents, restricted cash, time deposits, bank loans and banking facilities, we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

CAPITAL EXPENDITURES AND COMMITMENTS

We had capital expenditures of RMB180.6 million, RMB29.9 million and RMB816.7 million in 2023, 2024 and 2025, respectively. We funded the expenditure mainly with cash generated from operations and financing activities.

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

As of December 31, 2023, 2024 and 2025, our capital commitments were RMB28.1 million, RMB10.7 million and RMB58.6 million, respectively. See Note 28 of the Accountants' Report in Appendix I to this document for details.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against us or any member of our Group that is likely to have a material and adverse effect on our business, financial condition and results of operations.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/For the year ended December 31,		
	2023	**2024**	**2025**
Revenue growth rate(1)	N/A(5)	26.2%	40.3%
Gross profit margin(2)	7.3%	17.6%	35.1%
Net (loss)/profit margin(3)	(9.5)%	2.7%	17.2%
Gearing ratio(4)	61.3%	58.6%	74.8%

Notes:

(1) Calculated by subtracting the revenue from the previous year from the current year's revenue, then dividing by the previous year's revenue and multiplying by 100%.

(2) Calculated by dividing gross profit by revenue for the year multiplied by 100%.

(3) Calculated by dividing (loss)/profit for the year by revenue for the year multiplied by 100%.

(4) Calculated by dividing sum of interest-bearing borrowings and lease liabilities by total equity as of the end of the year multiplied by 100%.

(5) Revenue growth rate for 2023 is marked as N/A, because revenue of 2022 is not derived from the Track Record Period.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our material related party transactions, see Note 29 to the Accountants' Report included in Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 29 to the Accountants' Report included 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 cause our historical results to become non-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 had not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we had not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we did 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 did 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 R&D services with us.

FINANCIAL RISKS DISCLOSURE

Our principal financial instruments comprise cash and cash equivalents, restricted bank deposits and bills receivable. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations. See Note 27 of the Accountants' Report in Appendix I to this document.

The main risks arising from our financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. Our Board of Directors reviews and agrees on policies and practices for managing each of these risks and they are summarized below.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which we consider having low credit risk. We do not provide any guarantees which would expose us to credit risk.

In respect of the trade receivables, we have established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. Our exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers.

Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest Rate Risk

Interest-bearing financial instruments at variable rates and at fixed rates expose us to fair value interest risk and cash flow interest rate risk, respectively. We determine the appropriate weightings of the fixed and floating rate interest-bearing instruments based on current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The fair value interest risk and cash flow interest rate risk that we exposed to are not significant.

Currency risk

In respect of cash at bank and on hand, trade receivables and payables, short-term loans and long-term loans denominated in foreign currencies other than the functional currency, we ensure that our net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates and doing hedging when necessary to address short-term imbalances.

DIVIDENDS

During the year ended December 31, 2023, the final dividend in respect of 2022 was approved by the Annual General Meeting of the Company, and a total of RMB26.3 million was paid to the Shareholders on July 18, 2023. No dividend has been paid or declared by the Company for the year ended December 31, 2024. As approved at our Shareholders' meeting held on May 15, 2026, we declared a dividend of RMB61.5 million to our existing Shareholders based on our consolidated retained profits as of December 31, 2025 (the "**Dividend**"). New shareholders after the **[REDACTED]** will not be entitled to the Dividend. The Dividend is expected to be paid prior to the **[REDACTED]**.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any dividend policy or fixed dividend pay-out ratio. As set forth in our Articles of Association, we shall prioritize cash dividends for profit distribution. Specifically, where we achieve profitability in the current fiscal year and have positive accumulated undistributed profits, and there are distributable profits available after offsetting losses and making appropriations to various reserve funds and provisions, we shall distribute cash dividends. In the absence of any major external investment plans or significant cash expenditures, the cumulative profits distributed in cash within any three consecutive fiscal years shall be no less than 30% of the average annual distributable profits realized during such three-year period. Generally, our Board will make dividend proposals, taking into account factors including industry characteristics, stage of development, business model, profitability of relevant year/period, any significant capital expenditure plans and other factors that our Board deems to be appropriate. Our Shareholders in a general meeting may approve declaration of dividends.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained earnings of RMB437.5 million.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]**. We estimate that our **[REDACTED]** will be approximately HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**) and no exercise of the **[REDACTED]**), representing **[REDACTED]**% of the gross **[REDACTED]** (based on the mid-point of our indicative **[REDACTED]** for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised) of the **[REDACTED]**. During the Track Record Period, we did not incur any **[REDACTED]**. We expect to incur **[REDACTED]** of HK$**[REDACTED]**, of which HK$**[REDACTED]** is expected to be recognized in the consolidated statements of profit or loss as general and administrative expenses and HK$**[REDACTED]** is expected to be recognized as a deduction in equity directly upon the **[REDACTED]**. Our Directors do not expect such expenses to materially impact our results of operations in 2025. By nature, our **[REDACTED]** are composed of (i) **[REDACTED]** of HK$**[REDACTED]**, and (ii) **[REDACTED]** related expenses of HK$**[REDACTED]**, which consist of fees and expenses of legal advisors and Reporting Accountants of HK$**[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.