INDUSTRY OVERVIEW

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OVERVIEW OF THE GLOBAL RARE EARTH RESOURCES

Rare earths, which comprise a group of 17 metallic elements including scandium, yttrium and the lanthanide series, are characterized by similar properties such as high reactivity, strong magnetic and luminescent behavior, and electrical conductivity, and can be classified into light and heavy rare earths, with light rare earths, ranging from lanthanum (atomic number 57) to europium (atomic number 63), being more abundant and more concentratively distributed in major deposits than heavy rare earths. According to USGS, global rare earth proven reserves and production amounted to 92.2 million tons and 389.3 thousand tons, respectively, in 2025, of which China accounted for 47.7% and 69.4%, respectively. Supported by its large resource base, mature refining and separation capabilities, China occupies a dominant position in the global rare earth supply landscape.

OVERVIEW OF THE GLOBAL NDFEB PERMANENT MAGNET INDUSTRY

Definition and categorization of NdFeB PM

Rare earth functional materials are produced by incorporating rare earths into functional material systems to enhance magnetic, optical and electrical properties, and are commonly classified into rare earth permanent magnets, rare earth catalytic materials, rare earth luminescent materials, rare earth hydrogen storage materials, and rare earth polishing materials. Rare earth permanent magnets are high-performance magnetic materials based on rare earth-transition metal intermetallic compounds and are mainly classified into NdFeB PMs and SmCo permanent magnets. Among them, NdFeB PMs have become the more mainstream ones due to their lower production cost and better processing performance.

NdFeB PMs are intermetallic compounds composed of neodymium, iron, and boron, and can be categorized into sintered NdFeB PMs, bonded NdFeB PMs and hot-pressed NdFeB PMs. Sintered NdFeB PMs are produced through powder metallurgy, involving pressing and high-temperature sintering. Bonded NdFeB PMs are manufactured by mixing magnetic powders with polymer binders and forming them through compression or injection molding. Hot-pressed NdFeB PMs are fabricated by deforming rapidly solidified magnetic powders under heat and pressure. Sintered NdFeB PMs and bonded NdFeB PMs are more common. Both offer advantages including lower production costs, higher manufacturing efficiency, greater design and shape flexibility, and more mature production processes. These advantages make them well suited for mass production, thereby supporting their broader adoption across various downstream applications.

Value chain of the NdFeB PM industry

Upstream primarily involves the mining of light rare earth minerals (e.g., monazite, bastnaesite) and medium-heavy rare earth minerals (e.g., ion-adsorption clays). Following smelting and separation of the above minerals, rare earth metals are produced, serving as the fundamental raw materials for the NdFeB PM industry.

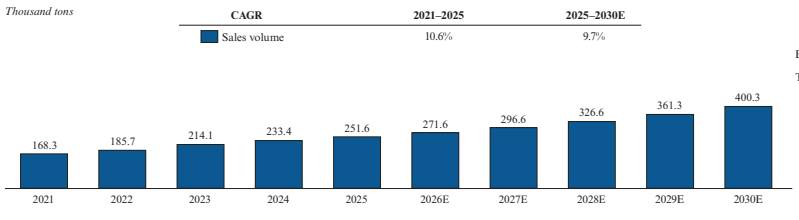
Midstream focuses on advanced processing of NdFeB PMs. Taking the production of sintered NdFeB PMs as an example, the production of these magnets involves a multi-stage process: rare earth metals are alloyed with iron and boron, followed by hydrogen crushing, jet milling, oriented compaction and sintering, etc., to become NdFeB PM blanks. These blanks are finally machined to precise dimensions and coated for protection to become NdFeB PMs.

Downstream encompasses the application of NdFeB PMs. NdFeB PMs are extensively used in a wide range of fields, including NEVs, consumer electronics, industrial motors, embodied intelligence robots, low-altitude aircraft, home appliances such as inverter air conditioners, wind power generation, traditional vehicles, energy efficient elevators, and others (e.g. aerospace).

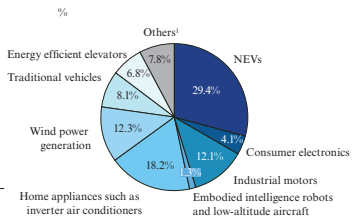
The market size of the global NdFeB PM industry

From 2021 to 2025, the global NdFeB PM market size, measured by sales volume, increased from 168.3 thousand tons to 251.6 thousand tons, representing a CAGR of 10.6%. In terms of downstream application distribution, the NEV sector became the largest source of demand in 2025, accounting for 29.4% of the global market, while the industrial motors and consumer electronics sectors accounted for 12.1% and 4.1%, respectively. The market is expected to further expand, with global market size projected to reach 400.3 thousand tons by 2030, representing an expected CAGR of 9.7% from 2025 to 2030. From 2025 to 2030, the global NdFeB PM sales volumes in the embodied intelligence robots and low-altitude aircraft segments are expected to record CAGRs of 128.3% and 49.8%, respectively, and are poised to become the fastest-growing sectors.

Market size of NdFeB PM industry, in terms of sales volume, Global, 2021–2030E



Breakdown of NdFeB PM sales volume, by application, Global, 2025



Source: Association of China Rare Earth Industry, CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

1. Others include aerospace, rail transportation, two-wheeled electric vehicles, etc.

Chinese companies' sales volume of NdFeB PMs

Chinese enterprises play a critical role in the global NdFeB PM market, with China being the country with the largest sales volume of NdFeB PMs. Benefiting from abundant domestic rare earth resources and a mature, well-established value chain, Chinese enterprises have secured a dominant position in the global NdFeB PM industry. From 2021 to 2025, the total sales volume of NdFeB PMs of Chinese enterprises increased from 151.9 thousand tons to 229.1 thousand tons, representing a CAGR of 10.8%. Chinese companies accounted for approximately 91.1% of the global sales volume in 2025. Looking ahead, Chinese companies' NdFeB PM sales volume is projected to reach 369.5 thousand tons by 2030, with an expected CAGR of 10.0% from 2025 to 2030.

Drivers of the global NdFeB PM industry

The replacement cycle across NEVs, consumer electronics, and industrial motors. The NEVs, consumer electronics, and industrial motors sectors are the three key drivers underpinning the growth in demand for NdFeB PMs. In the NEV sector, as drive system technologies continue to evolve, the penetration rate of high-efficiency PM synchronous motors continues to increase, further strengthening demand for NdFeB PMs. In the consumer electronics sector, the trend toward miniaturization of terminal devices has become increasingly evident, and such changes in end products have sustained strong demand for high-performance materials, including NdFeB PMs. In the industrial motors sector, the trends toward industrial automation and high energy efficiency require industrial motors to upgrade toward higher efficiency and precision, thereby increasing demand for NdFeB PMs.

New application fields of embodied intelligence robots and low-altitude aircraft. Embodied intelligence robots require high-efficiency motors and customized magnets to achieve high torque density and precise motion control. Motors using NdFeB PM materials can deliver high torque output within compact joint structures, thereby enabling more flexible and precise movements. Propulsion systems of low-altitude aircraft have high requirements for lightweight magnets and high power density, while NdFeB PMs help such propulsion systems achieve lightweight design and high efficiency, enabling responsive flight control. As these high-growth and technically demanding emerging application sectors continue to develop, the NdFeB PM industry is expected to benefit from clear and sustained growth opportunities.

China's supportive policies. As the global primary production hub for NdFeB PMs, China has implemented multiple industrial policies to support and advance this industry. For instance, the *2017 Guidelines for the Development of New Materials Industry* emphasized that rare earth permanent magnets, as key strategic materials, should be widely adopted in areas such as servo motors. *The Guiding Catalogue for the First Application Demonstration of Key New Materials (2024 Edition)* issued by *the Ministry of Industry and Information Technology* includes high-end NdFeB PMs in the catalogue of key new materials in 2024 and aims to promote the application demonstration and commercialization of high-end NdFeB PMs. These national support policies encourage corporate development and consolidate China's position as the world's largest NdFeB PM producer.

Trends of the global NdFeB PM industry

Continuous performance enhancement. Sustained improvements in key magnetic properties of NdFeB PMs, including magnetic energy density, maximum energy product and intrinsic coercivity, directly enhance the performance of downstream applications. Halbach array technology, which is primarily mastered by leading industry players, offers several advantages, including enhanced magnetic field utilization and reduced NdFeB PM usage, minimized magnetic leakage, and reduced electromagnetic interference. This series of technological advancements has enabled NdFeB PMs to better meet downstream requirements, such as delivering stronger magnetic force within a smaller volume, thereby effectively addressing key downstream demands for high power density and lightweight design.

Low-Dy/Tb and Dy/Tb-free technologies development. Leading companies are accelerating the development of new technologies, with low-Dy/Tb and Dy/Tb-free magnets being rapidly adopted. High-cost heavy rare earths, such as Dy and Tb, are not only expensive but also constrained by limited reserves, uneven distribution, and volatile supply chains affected by policies and geopolitics, leading to persistently high production costs. One of the industrialized solutions for reducing heavy rare earths usage is GBD technology. GBD forms a rare earth-enriched layer on the surface of the grains, achieving the required intrinsic coercivity. GBD reduces heavy rare earths consumption and represents a core advanced manufacturing process for NdFeB PMs.

Increased use of NdFeB PM splicing. The fabrication of NdFeB PM increasingly leverages advanced splicing techniques and modular design principles. This methodology involves the precise, high-performance assembly of multiple individual magnetic blocks into a larger, complex magnetic module. The formal inclusion of spliced sintered NdFeB PM technology into the national standard, *Specification for Joining of Sintered Rare Earth Permanent Magnets*, which was published in June 2025 by the State Administration for Market Regulation and the Standardization Administration of China, marks a milestone in its evolution from fragmented corporate initiatives to industry-wide maturity and standardization.

Sustainable solutions for NdFeB PM recycling. NdFeB PM scrap materials contain approximately 30% rare earth elements, approximately three times greater than that found in primary rare earth ores, making them a highly valuable secondary resource. The efficient recovery of rare earth elements from NdFeB PM scrap materials is of great importance for ensuring rare earth resource security, reducing environmental pollution, and promoting sustainable development. It is an industry norm for NdFeB PM manufacturers to purchase rare earth materials from suppliers, and sell scrap materials generated during manufacturing to suppliers which possesses specialized recycling companies for further treatment. Collectively, these advanced recycling pathways not only mitigate the environmental footprint of rare earth mining and processing but also enhance resource utilization efficiency and strengthen supply chain resilience.

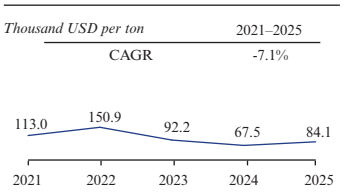
Cost analysis in the NdFeB PM industry

Rare earth metals are the core raw materials for the production of NdFeB PMs, and their price trends in China are generally influenced by changes in China's rare earth mining quota policies.

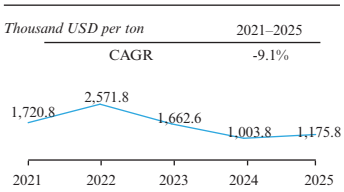
Praseodymium-neodymium metal is a metallic alloy primarily composed of praseodymium and neodymium and a major raw material used in the production of NdFeB PMs. From 2021 to 2022, the average price increased from USD113.0 thousand per ton to USD150.9 thousand per ton, primarily due to strengthened market expectations of supply constraints. From 2022 to 2024, with the continuous expansion of rare earth mining quotas, the price declined and reached USD67.5 thousand per ton in 2024. In particular, China's light rare earth mining quota increased from 190,850 tons in 2022 to 250,850 tons in 2024. Starting from 2025, the Ministry of Industry and Information Technology has allocated quota indicators directly to rare earth production enterprises without setting a procedure for public disclosure of specific quota amounts. In 2025, the growth rate of light rare earth quotas was less than 5%, while the quotas for medium-to-heavy rare earths have remained subject to strict control. In 2025, China implemented stricter export control measures on certain medium and heavy rare earth-related items, including *Announcement No. 18 of 2025* issued by the Ministry of Commerce and the General Administration of Customs. These policies strengthened market expectations of tighter overall rare earth supply, including light rare earth materials such as praseodymium-neodymium. Together with the continued growth in downstream demand for praseodymium-neodymium metal, particularly in high-performance applications, downstream manufacturers accelerated procurement and increased safety inventories in advance, which further strengthened demand and pushed up its market price. The average price of praseodymium-neodymium metal increased to USD84.1 thousand per ton in 2025, according to the Association of China Rare Earth Industry.

Terbium metal, one of the representative heavy rare earth metals, is also an important raw material for NdFeB PMs. Its price trend from 2021 to 2024 was generally affected by similar quota-related factors. In 2025, the price of terbium metal increased to USD1,175.8 thousand per ton, mainly due to the mining quota for medium-to-heavy rare earths remained subject to strict control, while China's export control measures focused more directly on medium and heavy rare earth-related items. These factors intensified global concerns over the scarcity of terbium and pushed up its market price.

Average price of praseodymium-neodymium metal, China, 2021–2025



Average price of terbium metal, China, 2021–2025



Source: Association of China Rare Earth Industry, National Development and Reform Commission Rare Earth Office, CIC Report

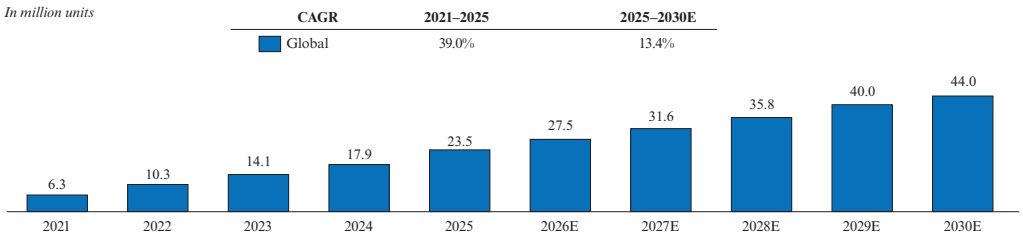
Note: The figures of the chart have been rounded up to one decimal place. The prices are average spot prices for each year

ANALYSIS OF NDFEB PERMANENT MAGNET APPLICATION

NEV industry

NEVs refer to vehicles powered by new power systems such as electricity, and NdFeB PMs are applied in their main drive motors, as well as in a wide range of auxiliary components such as electric power steering sensors, electric pumps, and various other motors, sensors, and pump assemblies. Globally, NEV sales volume increased from 6.3 million units in 2021 to 23.5 million units in 2025, representing a CAGR of 39.0%, and are projected to reach 44.0 million units by 2030 at a 13.4% CAGR from 2025 to 2030. Benefiting from extremely high magnetic energy product, NdFeB PMs enable higher efficiency, stronger power output, and longer driving range, and have therefore become the mainstream choice for main drive motors in NEVs. In 2025, NdFeB PM sales volume used in NEV main drive motors reached 53.4 thousand tons, accounting for approximately 72.1% of NdFeB PM sales volume used in the global NEV sector.

Market size of NEV industry, in terms of sales volume, Global, 2021–2030E



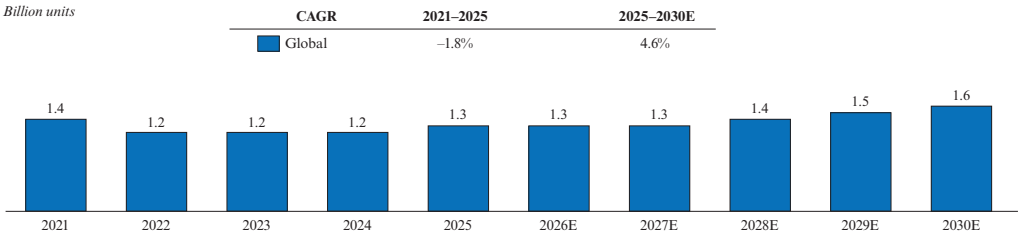
Source: CPCA, CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

Consumer electronics industry

Consumer electronics refer to electronic devices used for communication, entertainment, or information purposes, as well as automotive electronics such as in-car audio systems, etc. Taking smartphones as an example, the global smartphone market, in terms of shipments, is expected to grow from 1.3 billion units in 2025 to 1.6 billion units by 2030, representing a CAGR of 4.6% from 2025 to 2030. As AI accelerates the demand for higher-performance chips, more advanced imaging, richer audio interaction and intelligent IoT ecosystems, both demand and the hardware complexity of consumer electronics are expected to continue to rise. HDDs in the consumer electronics sector serve as important data storage carriers, and their high-performance operation relies on the support of key components. In consumer electronics HDDs, the VCM is a critical actuator that enables precise positioning of the read/write head and high-speed seek operations. Leveraging their high magnetic energy product and stable magnetic performance, NdFeB PMs provide strong and stable magnetic field support for VCMs, thereby meeting HDDs' performance requirements for high capacity, high reliability, and high operational efficiency.

Market size of smartphone industry, in terms of shipments, Global, 2021–2030E



Source: CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

Industrial motors industry and others

Industrial motors refer to motors used in equipment for industrial production that convert electrical energy into mechanical energy. Industrial motors are widely used in industrial production scenarios, including industrial robots such as robotic arms, CNC machine tools, and industrial fluid equipment. Driven by accelerating trends in industrial automation, the global industrial motors market is expected to maintain steady growth. Industrial robots represent an important application area for industrial motors, as they are widely deployed in the form of robotic arms and other automated equipment to support precision manufacturing, assembly, welding, material handling and other industrial production processes. According to the International Federation of Robotics, global newly installed industrial robots reached 555.0 thousand units in 2025 and are projected to increase to 676.3 thousand units by 2030. As high-performance motor systems are increasingly required to deliver high torque density, precision and energy efficiency, demand for NdFeB PMs is expected to remain robust.

Embodied intelligence robots are intelligent robotic systems featuring biomimetic structures, multi-degree-of-freedom motion and AI-enabled perception and control. The global embodied intelligence robot market, in terms of shipments, is expected to grow rapidly from 18.0 thousand units in 2025 to 1,224.4 thousand units by 2030, representing a CAGR of 132.6% from 2025 to 2030. NdFeB PMs serve as core components in motion control systems, including frameless motors, harmonic reducers and bearings, supporting high torque density, fast response and precise movement, and are therefore critical to the large-scale commercialization of embodied intelligence robots.

Low-altitude aircraft refer to aircraft operating below 3,000 meters, including consumer and industrial drones, eVTOL aircraft and helicopters. The global low-altitude aircraft market, in terms of shipments, is expected to grow from 17.8 million units in 2025 to 57.9 million units by 2030,

representing a CAGR of 26.7% from 2025 to 2030. NdFeB PMs are widely used in propulsion and control systems such as motors, sensors, pumps, rotors and fans, where their high magnetic energy density enables lightweight design, high thrust-to-weight ratios and stable flight control.

COMPETITIVE LANDSCAPE OF NDFEB PERMANENT MAGNET INDUSTRY

Overview of competitive landscape

China is the world's major supplier of NdFeB PMs and has become a global manufacturing and export hub, supported by abundant rare earth resources, a complete value chain, and continued policy support. In 2025, NdFeB PM sales volume of Chinese enterprises reached 229.1 thousand tons. As of 2025, China had approximately 200 NdFeB PM manufacturers, most of which are small- and medium-sized enterprises with relatively limited business coverage. While Japan, South Korea, the United States, and European countries also possess production capabilities, their overall market scale remains comparatively limited.

Ranking of the global NdFeB PM industry

The Company is one of the first movers in China's NdFeB PM industry. It has witnessed and actively participated in the industry's entire development cycle, from its inception to maturity, accumulating profound technical expertise and industry experience. The Company is one of the few players to achieve comprehensive coverage across downstream application sectors in the global market. Based on refined process control and continuous technological iteration, the Company was the first globally in the industry to achieve a combined magnetic performance, in terms of maximum energy product and intrinsic coercivity, of up to 86.5 for its NdFeB PM products, representing the highest level of performance among products in the global industry.

In 2025, the Company's sales volume of NdFeB PMs reached 14.2 thousand tons, ranking third in the global NdFeB PM market and capturing a 5.6% market share.

Top 5 NdFeB PM producers, in terms of sales volume of NdFeB PMs, Global, 2025

Ranking	Company	Sales volume *(thousand tons)*	Market share
1	Company A	25.3	10.1%
2	Company B	19.3	7.7%
3	**The Company**	**14.2**	**5.6%**
4	Company C	12.6	5.0%
5	Company D	10.2	4.0%

Source: CIC Report

Note: The figures of the table have been rounded up to one decimal place.

Company A: A company established in 2008 and headquartered in Jiangxi. It entered the NdFeB PM market in 2008. It was listed on the Shenzhen Stock Exchange in 2018 and the Hong Kong Stock Exchange in 2022.

Company B: A company established in 2000 and headquartered in Shandong. It entered the NdFeB PM market in 2000, specializing in NdFeB PMs and magnet components. It was listed on the Shenzhen Stock Exchange in 2011.

Company C: A company established in 1980 and headquartered in Beijing. It engaged in the NdFeB PM market in 1985. It was listed on the Shenzhen Stock Exchange in 2000.

Company D: A company established in 2000 and headquartered in Shandong. It diversified into the NdFeB PM market in 2008, specializing in the production of NdFeB PMs.

As of the end of 2025, in terms of installed and pipeline capacity (including existing capacity, capacity under construction and planned capacity) of NdFeB PM blanks, the Company ranked among the top three NdFeB PM producers globally, with its total combined capacity reaching 36.0 thousand tons. Leading companies are proactively expanding production capacity to strengthen their market share and solidify their position in the global market, thereby meeting growing downstream demand.

The consumer electronics sector, particularly VCM applications, requires NdFeB PMs with high precision, consistency and reliability, with HDD VCMs representing a specialized segment that demands precise positioning and stable performance. The Company has secured its position as a leading player in the specialized segment of NdFeB PMs for consumer electronics HDD VCMs, ranking first globally by NdFeB PM sales volume in this segment in 2025, with a 37.8% market share, and this achievement underscores its competitive presence in a high-precision application field. The leading position also reflects the Company's technical and manufacturing capabilities, which may support its further expansion into emerging precision-driven applications such as embodied intelligence robots. In 2025, the Company ranked second among global producers in terms of sales volume used in main drive motors of NEVs, capturing 12.0% of global market share. The Company's products profoundly empower the global NEV industry's upgrade, providing efficient and stable magnetic energy support for NEVs' main drive motors.

In 2025, the total Chinese NdFeB PM producers' export volume reached 57.4 thousand tons. The Company demonstrated strong performance in overseas markets, ranking second among Chinese NdFeB PM producers, in terms of NdFeB PM export volume, with a 7.2% market share. South Korea has globally leading consumer electronics brands, which creates resilient demand for NdFeB PMs used in related applications. In 2025, South Korea was the third-largest country-level export destination for China's NdFeB PMs, after Germany and the United States, representing 10.3% of China's total export volume. Among Chinese suppliers to the South Korean market, the Company ranked first by export volume, capturing a market share of 11.4% in 2025. In Southeast Asia, demand is more closely associated with the establishment and expansion of local production bases by global NEV and consumer electronics companies, which has supported regional demand for NdFeB PMs. In 2025, Southeast Asia ranked as the third-largest export region, following Western Europe and East Asia, and constituted 16.0% of China's total export volume. The Company also ranked first among Chinese manufacturers exporting to Southeast Asia, with a market share of 12.4% in 2025.

Entry barriers of the global NdFeB PM industry

Extensive technical and equipment accumulation. The production process for NdFeB PMs involves complexity and core technologies and equipment that require specialized experience and accumulation to achieve stable mass production and competitive products. The lack of key core technologies and equipment directly limits the competitiveness of new entrants. For instance, GBD technology can reduce the usage of medium and heavy rare earth elements, lower costs and create a price advantage. Especially under China's strict controls on medium and heavy rare earth elements, mastering core technologies to reduce usage has become crucial. Also, the accumulation developed around equipment such as jet mills, magnetic field-oriented molding presses and sintering furnaces is critical for producers to meet the customized performance, specification and stable delivery requirements of different downstream customers.

Secure and stable supply of rare earth resources. Rare earth mining and separation capacity is highly concentrated, with China maintaining strict quota and export controls, resulting in supply chain volatility and cost uncertainty for new entrants. Leading enterprises have established long-term off-take arrangements, enabling them to secure stable supply. By contrast, new entrants, without a stable rare earth resource supply system in place, are unable to maintain production stability, making it difficult to achieve cost competitiveness or reliably supply high-performance products to downstream sectors.

Rigorous and extended customer qualification cycle. The customer qualification barrier in the NdFeB PM industry is particularly pronounced in the NEV sector. International leading NEV manufacturers impose extremely stringent requirements on the performance, stability, and customization compatibility of PMs. NEV companies require NdFeB PM suppliers to hold key certifications such as IATF 16949, which usually takes 1–2 years for new entrants. As a result, new players often struggle to rapidly penetrate the high-value NEV market due to customer qualification barriers.

Key success factors of the global NdFeB PM industry

Comprehensive R&D mechanism. The NdFeB PM industry is characterized by rapid technological evolution, requiring companies to maintain dynamic and continuously updated R&D capabilities. This involves sustaining systematic development across multiple domains: from fundamental materials science and GBD technology to advanced processing methods and surface protection techniques. By building a comprehensive R&D pathway that spans theoretical principles to practical applications, companies can achieve sustained technological iteration rather than relying on one-time breakthroughs.

Sustained quality standards. In the NdFeB PM market, quality stability acts as a direct multiplier of competitive success. Taking sintered NdFeB PMs as an example, their production process involves multiple complex procedures. Instability at any single point in this extensive value chain can lead to performance fluctuations. Enterprises must ensure batch-to-batch consistency. The ability to guarantee this stability lowers the enterprise's operational risk and is the primary prerequisite for securing and maintaining the demanding certification and supply contracts.

Extensive downstream coverage. Customers across downstream sectors have distinctly different requirements for NdFeB PMs in terms of shape specifications and cost control, driven by variations in application scenarios and product characteristics. Companies capable of accurately identifying these varying downstream demands and developing the capacity to meet diverse application requirements typically achieve greater market share and enhanced market competitiveness.

SOURCES OF INFORMATION

We have engaged CIC, an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report on the markets in which we operate. CIC is an independent global consulting firm founded in China. It is principally engaged in the provision of market research consultancy services, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB1,399,836 in fees and expenses in connection with the preparation and use of the CIC Report.

CIC conducted both primary and secondary research using a variety of resources in the completion of this report. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the International Energy Agency, United States Geological Survey, General Administration of Customs of China, company reports, independent research reports and the internal database of CIC.

The market projections in the commissioned report are based on the following key assumptions: (i) China's overall social, economic, and political environment is expected to maintain a stable trend during the forecast period; (ii) the key industry drivers are likely to continue to drive the growth in each market during the forecast period, and (iii) there is no extreme force majeure or unforeseen industry regulations that may affect the market may be affected either dramatically or fundamentally during the forecast period. All statistics are reliable and based on information available as at the date of this report. Other sources of information, including those from the government, industry associations, or market participants, may have provided some of the information on which the analysis or its data is based. All the information regarding the Company has been sourced from the Company's audited report or management interviews.