
BUSINESS

OVERVIEW

Who We Are

We are a leading global provider of alloy soft magnetic powder-based products. During the Track Record Period, our product portfolio primarily comprises (i) alloy soft magnetic powder cores, (ii) AI chip inductors, and (iii) alloy soft magnetic powders.

Our products are essential components of electrical and electronic equipment that support power conversion, which are widely used in AI computing infrastructure, new energy infrastructure, automotive and other applications. According to CIC, we are one of the few companies globally with vertically integrated capabilities across alloy soft magnetic powders, alloy soft magnetic powder cores and AI chip inductors. Driven by technological innovation, we are committed to providing products that improve the efficiency, stability and energy performance of power conversion applications.

Supported by our integrated capabilities across materials technologies and component development, we are enabled to customize products based on customers’ applications, product structures and performance requirements. These capabilities support our expansion into high performance applications, and our products have entered the supply chain of leading global AI chip companies and cloud service providers. According to CIC, in terms of revenue in 2025, we (i) ranked first in the global alloy soft magnetic powder core market with a market share of 27.1%, and (ii) ranked fifth in the global AI chip inductor market with a market share of 7.6%.

Demand in the markets in which we operate is driven by long-term requirements for higher power conversion efficiency, higher power density, improved transient response and enhanced system stability. These requirements are becoming increasingly important as carbon neutrality initiatives advance, AI computing infrastructure is deployed at scale, and electrification and automation continue to develop. Alloy soft magnetic powders, alloy soft magnetic powder cores, and AI chip inductors play a central role in power conversion and control. Their performance affects the efficiency, size, stability and reliability of power electronic devices and related equipment. As a result, demand for our products is supported by multiple downstream applications rather than being tied to a single technology cycle.

With over 17 years of experience in R&D, scaled production and application of alloy soft magnetic materials, we believe we are well positioned to capture opportunities arising from evolving downstream applications. While continuing to strengthen our position in alloy soft magnetic powder cores, we have developed AI chip inductors and are exploring opportunities in emerging applications, including DDR memory, optical modules, AI PCs and AI smartphones.

BUSINESS

Set forth below are further details of our business highlights:

<div>Market Position</div> <div>R&D Capability</div> <div>Financial Performance</div>	<div>No. 1 Globally</div> <div>By revenue from alloy soft magnetic powder cores in 2025⁽¹⁾</div>	<div>No. 5 Globally</div> <div>By revenue from AI chip inductors in 2025⁽¹⁾</div>	<div>Quality Customer Base</div> <div>3 of the global top 5 passive component manufacturers⁽¹⁾ 3 of the global top 5 analog chip companies⁽¹⁾ 2 of the global top 5 photovoltaic inverter manufacturers⁽¹⁾</div>
	<div>One of the Few in the World</div> <div>Vertically integrated capabilities across alloy soft magnetic powders, alloy soft magnetic powder cores and AI chip inductors⁽¹⁾</div>	<div>World's First</div> <div>High-pressure forming and Cu-Fe co-sintering technology⁽¹⁾⁽²⁾</div>	<div>First Batch in China</div> <div>Scaled production of alloy soft magnetic powder via gas atomization⁽¹⁾⁽²⁾</div>
	<div>24.7%</div> <div>Revenue CAGR from 2023 to 2025</div>	<div>42.0%</div> <div>Gross profit margin in 2025</div>	<div>29.1%</div> <div>Net profit CAGR from 2023 to 2025</div>

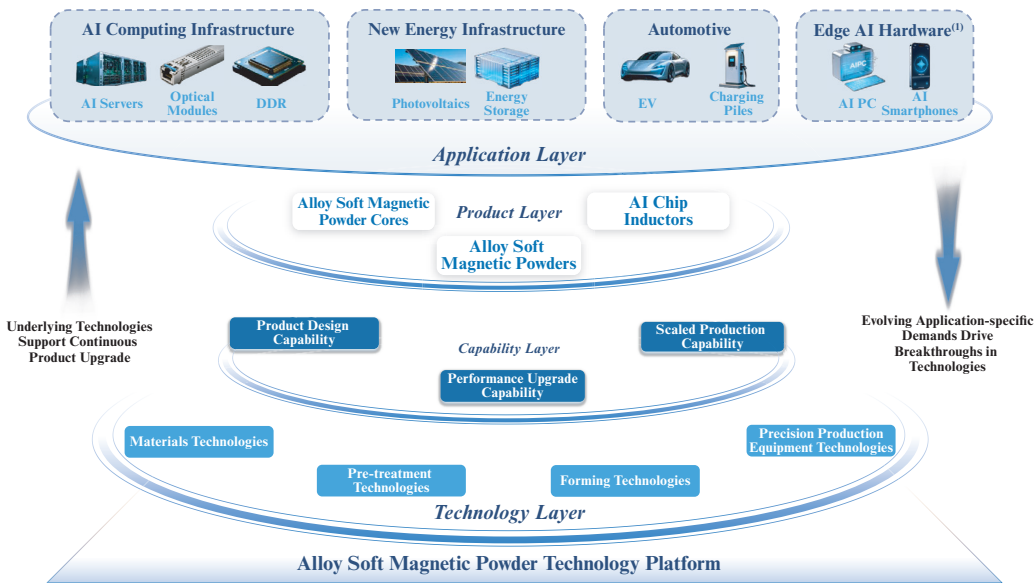
Note:

- (1) According to CIC.
- (2) See “— Research and Development — Our Technologies.”

Our Business Model

We have built an alloy soft magnetic powder technology platform that allows us to apply our materials technologies and process know-how across different products and applications. Through this platform, we transform materials technologies into product design, product upgrades and production at scale. We believe this platform supports our sustainable growth and reinforces our market position.

Set forth below are details of our alloy soft magnetic powder technology platform and key application scenarios:



Note:

- (1) We are exploring towards applications in edge AI hardware.

BUSINESS

Our alloy soft magnetic powder technology platform is built on four underlying technologies, which together, support our capabilities in product design, performance upgrades and scalable manufacturing, and enable expansion in product portfolio and applications:

- **Technologies.** Our underlying technologies comprise (i) material technologies, (ii) pre-treatment technologies, (iii) forming technologies and (iv) precision production equipment technologies:
 - Material technologies. We combine gas atomization, water atomization and high-energy ball milling processes to control powder composition, particle size and morphology across different alloy soft magnetic material systems. These technologies support key product performance indicators, including saturation flux density (“Bs”), core loss and other key parameters such as DC Bias.
 - Pre-treatment technologies. Through our new resin technology, insulation coating technology and other pre-treatment processes, we support the dimensional stability, mechanical strength and thermal stability of our alloy soft magnetic powder cores during and after forming process, as well as key performance characteristics such as stable inductance and low core loss at higher frequencies.
 - Forming technologies. We use multiple forming pathways, including high-pressure forming and Cu-Fe co-sintering technology (“**Cu-Fe co-sintering technology**”) and compression molding technology. By optimizing and integrating process know-how, we seek to improve product performance and production efficiency.
 - Precision production equipment technologies. As mass production of highly specified products requires tight coordination between process design and production equipment, we work with third-party machinery suppliers to tailor the equipment based on the technical specification set out by us. This allows us to convert know-how accumulated in material composition, forming processes and production control into repeatable equipment settings and process parameters, thereby supporting product consistency, production efficiency and cost control. For example, in the production of AI chip inductors, our precision production equipment has achieved high-precision motion control, which supports stable mass production of high-performance AI chip inductors.
- **Capabilities.** Based on the underlying technologies described above, we have developed (i) product design capability, which allows us to convert customer requirements into customized products, (ii) performance upgrade capability, capability to develop differentiated products with varying key performance indicators, (iii) scaled production capability, converting designs and performance features into stable and reliable supplies:
 - Product design capability. Our FAEs work with customers from the product definition stage. Using our magnetic materials database and proprietary powder core power inductor design assistance software, we translate customers’ power system requirements into material compositions and component design solutions. This improves the efficiency of technical engagement and supports customized product development.
 - Performance upgrade capability. We focus on key product performance indicators, including Bs, core loss, and DC Bias. Through R&D and production experience across, different processes and production stages, we have built a magnetic materials database that links material compositions, process parameters and product performance. This helps us identify and address performance bottlenecks in specific applications and support generational product upgrades through process optimization.

BUSINESS

- o Scaled production capability. We coordinate powder composition adjustment, process validation and component mass production within an integrated production system. We also tailor and optimize key production equipment based on specific process requirements. These capabilities allow us to deliver products at scale to leading global customers with consistent quality, stable supply and cost efficiency.
- **Products.** Supported by these technologies and capabilities, we have built a vertically integrated product portfolio covering alloy soft magnetic powders, alloy soft magnetic powder cores and AI chip inductors:
 - o Our alloy soft magnetic powders are used internally to produce alloy soft magnetic powder cores and AI chip inductors, and are also customized and supplied to external customers. See “— Our Products — Alloy Soft Magnetic Powders” for details. By grading and allocating self-produced powders based on particle size, morphology and performance characteristics, we match different powders with different product and application requirements. This improves material utilization and gives us greater control over key material inputs.
 - o Leveraging our experience in formulation design, powder preparation, insulation coating and forming processes, our alloy soft magnetic powder cores cover multiple material systems and are designed to meet power conversion requirements across different frequencies, core loss profiles, Bs, sizes, and reliability standards. We have also addressed technical challenges in applying alloy soft magnetic materials to high-frequency semiconductor applications, and developed AI chip inductors with high efficiency, compact size, reliability and current-handling capability. This vertically integrated product portfolio allows us to offer products from materials to components, while providing high product quality, cost competitiveness and efficient product development.
- **Applications.** Our technologies and capabilities also support continued application expansion. Our expansion is not merely a response to established market demand. It is based on our experience in materials, processes and equipment technologies, together with our understanding of industry technology trends and customer product upgrade requirements. This allows us to identify and prepare for emerging applications. For example, we are exploring toward applications of edge AI hardware and other related scenarios.

Our Market Opportunities

We benefit from structural growth in AI computing infrastructure, new energy infrastructure, and automotive. These markets require higher power conversion efficiency, higher power density and improved transient response, which drive demand for high-performance alloy soft magnetic powder cores and AI chip inductors.

AI chip inductors. The rapid growth of AI computing infrastructure, large model training and inference has increased global demand for computing power and driven the large-scale deployment of AI servers and other high-performance computing applications. As AI chips consume more power and require faster current transient response and higher switching frequency, power supply systems are subject to more demanding performance requirements. This, in turn, raises the requirements for inductor components, including efficiency, size, current-handling capability and response speed.

Under this trend, AI chip inductors based on alloy soft magnetic materials are increasingly used in power modules for AI GPUs, ASICs and other chips. As computing power demand extends from data centers to edge and terminal applications, AI PCs, AI smartphones and intelligent driving vehicles are expected to further support demand for related products. Our AI chip inductors address power supply applications for AI computing, and we have supplied such products in scale to leading

BUSINESS

global AI chip companies. According to CIC, the global AI chip inductor industry is expected to grow from approximately RMB5.8 billion in 2025 to approximately RMB26.9 billion in 2030, representing a CAGR of 36.0%.

Alloy soft magnetic powder cores. Carbon neutrality initiatives, energy transition and increasing focus on the development of new energy infrastructure and automotive continue to drive the development of photovoltaic power generation, energy storage systems and new energy vehicles. These applications require higher power conversion efficiency and system stability, which support demand for alloy soft magnetic powder cores and related products. Electrification upgrades of power infrastructure also continue to create application demand. According to CIC, the global alloy soft magnetic powder core industry is expected to grow from approximately RMB4.8 billion in 2025 to approximately RMB9.8 billion in 2030, representing a CAGR of 15.5%.

With our technologies, product portfolio and customer base, we believe we are well positioned to benefit from growth in AI computing infrastructure and new energy industries, and to further strengthen our market position through product upgrades and application expansion.

Our Financial Performance

Leveraging our technological advancements and continual expansion of product portfolio, our revenue continued to grow, which increased from RMB1,158.5 million in 2023 to RMB1,662.9 million in 2024, and further to RMB1,802.3 million in 2025, representing a CAGR of 24.7% from 2023 to 2025. In particular, AI chip inductors became our important driver, with revenue increasing from RMB77.5 million in 2023 to RMB439.5 million in 2025, representing a CAGR of 138.1% from 2023 to 2025. Our profit for the year reached RMB255.6 million, RMB373.8 million and RMB426.1 million in 2023, 2024 and 2025, respectively, representing a CAGR of 29.1% from 2023 to 2025.

OUR STRENGTHS

Our Alloy Soft Magnetic Material Technologies and Early-Mover Accumulations Drive Product Upgrades and Application Expansion

We have focused on alloy soft magnetic materials for over 17 years. Compared with solutions based primarily on traditional soft magnetic materials such as ferrite, alloy soft magnetic materials are generally more suitable for high-power, high-frequency and high-current applications, and can help power conversion equipment achieve higher efficiency, higher power density and more stable performance. We selected alloy soft magnetic powder cores as a core technology pathway at an early stage and have continued to address the technical challenge of balancing high Bs with low core loss. According to CIC, we were one of the first company in China to (i) achieve scaled production of alloy soft magnetic powders through gas atomization, and (ii) achieve scaled production of FeSi based alloy soft magnetic powder cores.

Our early focus on alloy soft magnetic materials supported the development of our alloy soft magnetic powder cores across multiple downstream applications, including variable-frequency air conditioners, photovoltaic inverters, UPS and other power conversion scenarios. Our experience in these applications, together with the customer base we built through these products, further supported our expansion into AI computing infrastructure and automotive applications. We believe these capabilities position us to capture opportunities arising from power component upgrades driven by the growth of AI computing infrastructure, and to support the localization and upgrading of high-end alloy soft magnetic materials in China.

BUSINESS

Our Systemic R&D and Process Capabilities Transform Material Know-hows into Product Performance

Our industry has high technical and process barriers. The performance of alloy soft magnetic products depends on a combination of material composition, powder preparation, atomization processes, heat treatment, insulation coating, forming processes and production control. These processes require accumulated R&D experience and process know-how, and are difficult to replicate solely through standardized parameters.

We use product performance indicators to guide our R&D and process development. Through years of R&D and industrialization experience, we have built capabilities in alloy soft magnetic powder preparation, powder pre-treatment, forming processes and precision production equipment development. These capabilities allow us to adjust material composition, process parameters and product structures for different application requirements, including Bs, core loss, thermal stability, transient response, reliability, and product size. Our technologies received the First Prize of the China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術一等獎) in 2018 and the China Patent Excellence Award (中國專利優秀獎) in 2022.

Our process capabilities cover key stages from materials to components. In powder preparation, we control powder sphericity, particle size distribution and powder oxygen content through gas atomization technology. In powder pre-treatment, we reduce core loss and expand the applicable frequency range of powder core products through insulation coating technologies. In forming and equipment control, we improve forming density and product consistency through high-density forming technology and precision production equipment. These capabilities allow us to improve product performance at both the materials level and the component level.

Our AI chip inductors are an example of how we apply these process capabilities to component products. We compact insulation-coated alloy soft magnetic powders together with copper conductors, and apply heat treatment and other processes to enhance product performance and stability. According to CIC, we pioneered AI chip inductors produced using Cu-Fe co-sintering technology. These technologies support the miniaturization, efficiency, reliability and current-handling capability of our AI chip inductors. Our Cu-Fe co-sintered AI chip inductors reduce product volume by 56.2% compared with inductors produced using traditional processes, and improve power module efficiency by 2.6%. We have also developed other process pathways to address different customer requirements and broaden the design space for component performance.

These R&D and process capabilities also support continuous product upgrades. For alloy soft magnetic powders, we developed FeSiCr powder featuring higher Bs, temperature stability and anti-rust performance to meet high-current application requirements. We also developed amorphous and nanocrystalline powders with high Bs, low coercivity and low core loss, which are particularly suitable for high-frequency applications. For alloy soft magnetic powder core products, we continued to upgrade our FeSi based alloys soft magnetic powder cores through improvement in material composition and production process to reduce core loss while maintaining DC bias performance. According to CIC, our alloy soft magnetic powder core products have reached an industry-leading level in terms of Bs and core loss. We believe these capabilities provide a technology foundation for our future expansion into higher-frequency and higher-power-density applications.

Our Vertically Integrated Capabilities from Materials to Components Support Product Quality, Cost Competitiveness and Efficient Product Development

According to CIC, we are one of the few companies globally with in-house R&D and production capabilities covering alloy soft magnetic materials and components. At the materials level, we focus on powder composition R&D, powder preparation, insulation coating and powder performance optimization for high-performance alloy soft magnetic powders. At the component

BUSINESS

level, we use our self-developed high-end powders, together with forming processes, sintering processes and structural design, to produce alloy soft magnetic powder cores and AI chip inductors that meet customers’ performance requirements.

Our vertical integration provides three key advantages:

- **Product quality.** By coordinating material composition, forming density and component-level loss, we can reduce mismatch between material characteristics and finished product performance. This allows us to better align our products with customer application requirements, improve product consistency, and reduce our exposure to supply instability or quality variation associated with reliance on external high-end material suppliers. Our in-house production capabilities also supports stable product quality and supply continuity.
- **Cost competitiveness.** We have established a powder classification mechanism that allows us to match alloy soft magnetic powders with different particle sizes, morphologies and performance characteristics to different uses, including alloy soft magnetic powder cores, AI chip inductors and alloy soft magnetic powders for external sales. Compared with purchasing powders from external suppliers, our in-house powder production capabilities improve material utilization and support the cost competitiveness of our alloy soft magnetic powder cores and AI chip inductor products.
- **Efficient product development.** Our materials optimization, process R&D, product design and production validation operate within the same iterative system. When responding to customized customer requirements or next-generation product requirements, we are able to adjust material compositions to match key performance indicators such as Bs and core loss, while carrying out magnetic core performance tuning and power inductor structural design in parallel. This allows us to shorten product development cycles and support continuous product upgrades.

Scaled Production and Quality Control Capabilities Support Stable Supply to Global Customers

Our production bases cover the full product chain of alloy soft magnetic powders, alloy soft magnetic powder cores and AI chip inductors, enabling us to produce at scale and support stable supply to global customers. We have continued to upgrade automation at our production bases and established intelligent process control from material preparation to component manufacturing. This helps ensure our consistent implementation of production processes and product quality.

We also tailor key process equipment and special-purpose equipment. This allows us to develop proprietary equipment capabilities tailored to the characteristics of our materials and the requirements of our process routes. Through ongoing equipment upgrades and process adaptation, we seek to improve product yield, shorten production and delivery cycles, and deliver products efficiently and with consistent quality. In addition, our Thailand Production Base has planned multiple automated production lines, which we expect will further strengthen our supply capability.

Further, we operate a comprehensive quality control system covering raw material procurement, production and manufacturing, finished product inspection and after-sales services. We have adopted supplier admission standards and evaluation mechanisms, conduct quality inspections of incoming materials, and use standardized production processes and real-time monitoring during production to ensure product consistency and stability. Before shipment, our finished products are subject to multiple inspection procedures using testing and analysis equipment. We had obtained ISO 9001 quality management system certification, ISO 14001 environmental management system certification and IATF 16949 quality management system certification.

BUSINESS

Customer Base and Technical Engagement Support Continued Growth

We build long-term relationships with quality downstream customers through early technical engagement and product validation. Our FAEs engage with customers at the product definition, specification design and application validation stages. Through this process, we identify customer requirements for material performance, product structure, dimensions, reliability and delivery timelines, and incorporate these requirements into our material R&D, product design and production processes. This early engagement helps us develop products that better address customer requirements, shorten development cycles and support customer validation. Given the validation procedures, product introduction cycles and supplier switching costs of downstream customers, our early involvement in customer projects also supports customer retention and continuity of cooperation.

Our products support a range of downstream applications, including AI computing infrastructure, new energy, automotive electronics and consumer electronics. This diversified customer base provides a foundation for our sustainable business growth. During the Track Record Period, our AI chip inductors entered the supply chain of leading global AI server power module. We have also entered into cooperation arrangements with leading global semiconductor companies and the world’s largest new energy vehicle manufacturer on adapting boost inductors for hybrid vehicle models. Our customer base also includes three of the global top five passive component manufacturers, three of the global top five analog chip companies, two of the global top five photovoltaic inverter manufacturers and four of the the global top five air conditioner brands.

Experienced Founding and Management Team and Disciplined Execution Support Our Strategic Development

Our founding team has focused on alloy soft magnetic materials since our establishment. Under their leadership, we have captured opportunities created by downstream technology upgrades and expanded to photovoltaic inverters, variable-frequency air conditioners, new energy vehicles and AI computing infrastructure.

We have an experienced and stable management team with expertise in production management, quality management, sales management and product development, as well as a deep understanding of industry trends. Our management team coordinates key functions, including R&D, marketing and production, with product performance and operational efficiency as core management priorities. This supports coordination across strategic planning, product development, manufacturing and customer delivery. We also use product performance as an important standard in material R&D, product definition and delivery operations.

We continue to refine our management mechanisms to address the needs of different business units and functional teams. This helps us identify process challenges, coordination gaps and capability gaps, improve internal processes, optimize resource allocation efficiency. We have also established internal talent allocation and cross-project transfer mechanisms, and formed modular functional teams and expert teams. These measures allow us to convert technical capabilities, manufacturing know-how and project management experience into organizational capabilities, supporting complex customer requirements and rapid product iteration.

OUR STRATEGIES

Expand Market Share by Strengthening Capacity and Capturing Growth in Downstream Markets

We will continue to expand our product portfolio and capture growth opportunities in downstream markets, including AI computing infrastructure, new energy infrastructure and automotive applications. To convert market demand into stable product supply, we plan to expand production capacity for AI chip inductors and alloy soft magnetic powder cores, while continuing to optimize our multi-site production layout.

BUSINESS

- **AI chip inductors.** We expect AI chip inductors to become an important growth driver. We will continue to strengthen our product offerings for AI chip power supply and power management applications, and deepen our cooperation with leading global AI chip companies, cloud service providers and power module manufacturers. We plan to expand and upgrade AI chip inductor production capacity to enhance our ability to supply these products at scale. In response to customers’ transition from discrete inductors to more integrated power solutions, we also plan to develop AI chip inductors with higher efficiency, higher power density and higher reliability. In addition, we will promote market introduction, sample validation and mass production of molded inductors for applications such as DDR memory.
- **Alloy soft magnetic powder cores.** We will also continue to strengthen our alloy soft magnetic powder core business. We will continue to upgrade our products and deepen customer penetration in response to demand from photovoltaic power generation, energy storage systems, new energy vehicles and related power electronic equipment for higher efficiency, higher power density and higher reliability. We plan to expand production capacity for alloy soft magnetic powder cores through automation upgrades, production structure optimization and additional capacity layout at our existing production bases, which we expect will improve production efficiency, product consistency and cost competitiveness.

Continue to Invest in R&D for Advanced Materials and Processes

R&D capability is fundamental to our business development. In response to downstream demand for higher efficiency, higher power density, higher frequency and smaller product size, we will continue to invest in R&D and advance the coordinated development of materials, processes and component products.

Our R&D efforts will focus on next-generation alloy soft magnetic materials with key performance indicators such as high Bs, low core loss at high frequency and high thermal stability. We will also continue to enhance Cu-Fe co-sintering technology and develop other integrated forming technologies. In addition, we plan to explore miniaturization and integration technologies, including heterogeneous integration design and modular packaging, to improve product integration and value-add.

We will continue to expand our R&D team, with a focus on attracting cross-disciplinary talent in areas such as materials science and power electronics. We also intend to maintain the stability of our R&D team and strengthen our long-term innovation capabilities. In addition, we plan to deepen industry-academia-research collaboration with universities. These initiatives are expected to strengthen our reserves in frontier technologies and support the development of our core technical talent pipeline.

Strengthen Sales and Management Capabilities

As we upgrade our product mix, expand production capacity and enter more applications, we plan to strengthen our sales, technical support and management teams to support customer development, project introduction, production ramp-up and daily operations. In particular, we will expand our sales and technical support capabilities for AI computing infrastructure, new energy infrastructure, and automotive applications. This will help us identify customer needs, support customer validation and broaden market coverage. We will also continue to build our management team and mid-level talent pool, and improve coordination among R&D, production, sales and management functions. Through tiered management, cross-functional project coordination and internal talent development, we seek to improve response speed, project execution and delivery management. We believe these efforts will help us translate R&D results and capacity expansion into stable product supply and business growth.

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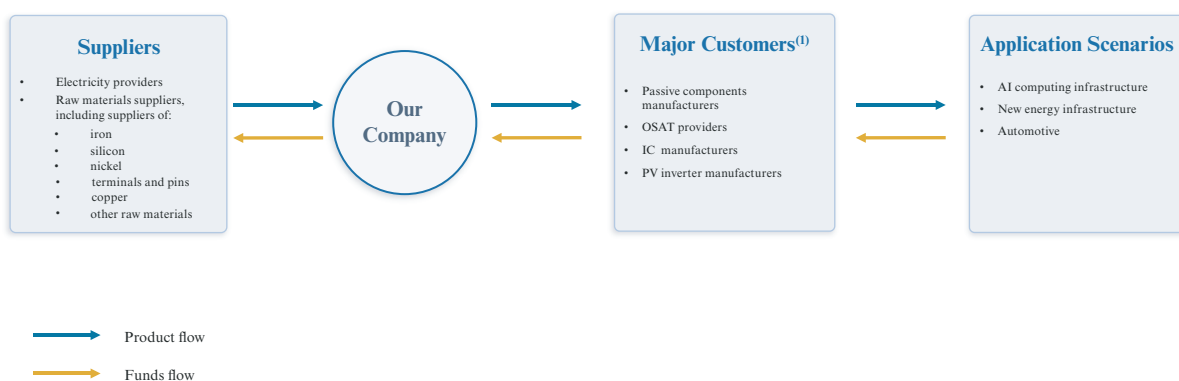
Pursue Strategic Investments and Acquisitions to Complement Our Capabilities

In addition to our operational growth, we will prudently evaluate strategic investment and acquisition opportunities that are synergistic with our existing business. We will focus on targets with new materials, new technologies and advanced manufacturing capabilities in fields such as semiconductors and artificial intelligence. Our key selection criteria include technology complementarity, product portfolio expansion, customer channel synergies and potential supplementation of overseas production capacity. We believe suitable strategic investments and acquisitions may help enhance our existing capabilities, accelerate our entry into new application fields and further strengthen our vertically integrated product and service capabilities from materials to components. We will pursue these opportunities where they align with our long-term business strategy, subject to prudent evaluation and manageable risks.

OUR PRODUCTS

Our products are developed based on our alloy soft magnetic powder technology platform and include alloy soft magnetic powder cores, AI chip inductors and alloy soft magnetic powders. This vertical integrated product portfolio allows us to transform material technologies into commercial products across different powder characteristics and application requirements. During the Track Record Period, our products include (i) alloy soft magnetic powder cores, (ii) AI chip inductors, (iii) alloy soft magnetic powders, and (iv) others, which primarily include customized alloy-based inductors.

The following diagram illustrates our revenue model as well as the product flow and funds flow in relation to our products:



(1) During the Track Record Period, substantially all of our sales were made directly to our customers, with a small portion of our products sold through distributors.

The table below sets out a breakdown of our revenue by product type for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Alloy soft magnetic powder cores	1,026,304	88.6	1,233,635	74.2	1,289,171	71.5	290,700	75.8	316,173	64.6
AI chip inductors	77,538	6.7	366,194	22.0	439,453	24.4	73,904	19.3	159,223	32.5
Alloy soft magnetic powders	27,115	2.3	39,944	2.4	55,328	3.1	12,616	3.3	12,527	2.6
Others ⁽¹⁾	27,563	2.4	23,168	1.4	18,285	1.0	6,088	1.6	1,670	0.3
Total	1,158,520	100.0	1,662,941	100.0	1,802,237	100.0	383,308	100.0	489,593	100.0

Note:

(1) Others primarily include customized alloy-based inductors.

BUSINESS

The table below sets out a breakdown of sales volume and average selling price (“ASP”) information of our major products by product type for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2023		2024		2025		2025		2026	
	Sales volume	ASP ⁽¹⁾ (RMB/ton or RMB/ thousand units)	Sales volume	ASP ⁽¹⁾ (RMB/ton or RMB/ thousand units)	Sales volume	ASP ⁽¹⁾ (RMB/ton or RMB/ thousand units)	Sales volume	ASP ⁽¹⁾ (RMB/ton or RMB/ thousand units)	Sales volume	ASP ⁽¹⁾ (RMB/ton or RMB/ thousand units)
Alloy soft magnetic powder cores (tons)	30,718	33,411	39,272	31,413	40,223	32,051	9,305	31,241	10,097	31,314
AI chip inductors (thousand units)	22,652	3,423	98,153	3,731	107,530	4,087	22,973	3,217	38,647	4,120
Alloy soft magnetic powders (tons)	857	31,639	1,323	30,192	2,125	26,037	438	28,804	461	27,174

Note:

- (1) Average selling price is calculated through dividing revenue by the relevant sales volume in the respective year/period.

Alloy Soft Magnetic Powder Cores

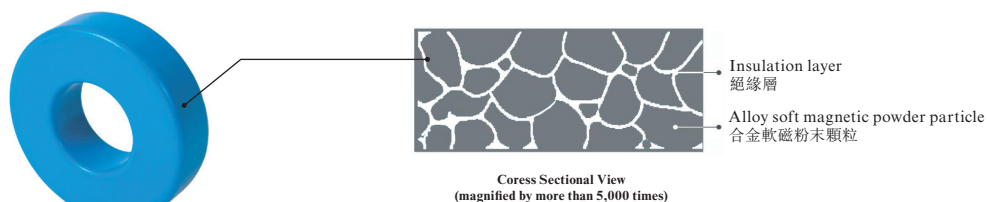
Alloy soft magnetic powder cores are magnetic cores used in inductors, which are basic building blocks of power conversion circuits found in electrical and electronic equipment. Our alloy soft magnetic powder cores products mainly comprise FeSi based and FeNi based alloy soft magnetic powder cores.

Compared with other soft magnetic cores such as ferrite and silicon steel lamination magnetic cores, alloy soft magnetic powder cores have a distributed air gap structure, with the gaps between insulated powder particles evenly distributed throughout the entire core, rather than concentrated at one or a few discrete locations. This structure gives alloy soft magnetic powder cores a combination of performance characteristics suitable for power conversion applications that require efficient energy conversion, higher power in a smaller form factor and stable performance at higher switching frequencies. Such performance characteristics mainly include:

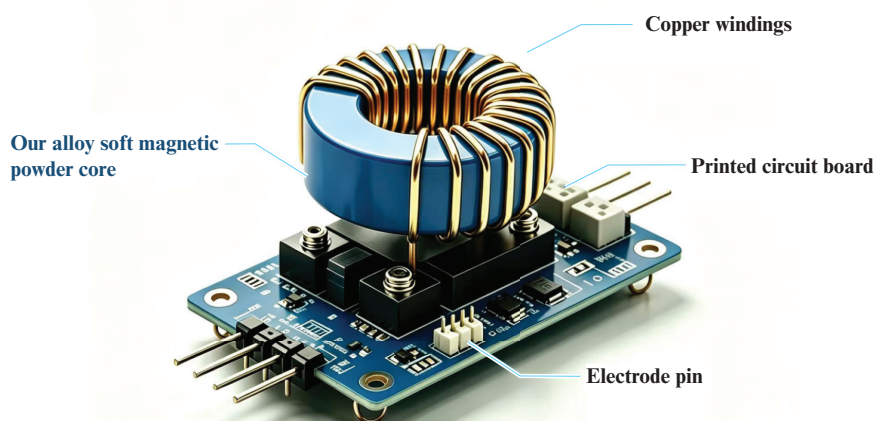
- **Low core loss.** Featuring low core loss characteristics, which reduce heat generation during operation, thereby helping to improve the overall energy efficiency of our customers’ end-products;
- **High DC bias performance.** This helps maintain stable inductance even when carrying high direct current loads, which is particularly important in applications involving large current and power loads;
- **High Bs.** This supports a higher level of magnetic flux before performance degrades, which allows our customers to design smaller and lighter inductors without sacrificing current-handling capability; and
- **Good thermal stability.** This helps maintain magnetic performance across a wide operating temperature range, which supports reliability in demanding environments.

BUSINESS

Set forth below is a picture (including a cross-sectional view) of our toroidal form alloy soft magnetic powder cores:



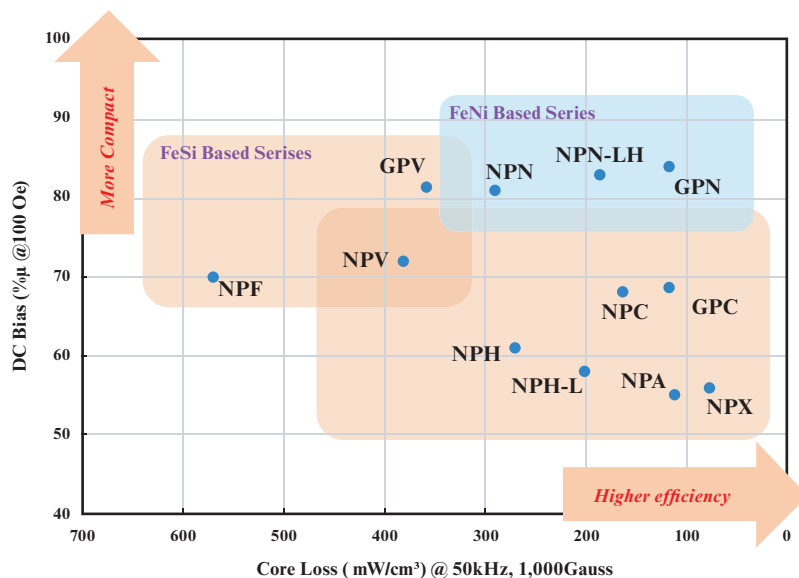
Set forth below is a structural illustration of how our alloy soft magnetic powder cores integrated into the end product of our customers:



We have developed multiple series of FeSi and FeNi based alloy soft magnetic powder cores through iterative improvements in core losses and DC bias performance, with each series targeting different downstream application requirements.

BUSINESS

The chart below set forth the core loss and DC bias for our alloy soft magnetic powder cores with 60μ permeability:



Our FeSi based alloy soft magnetic powder cores are developed with a frequency-oriented approach. Through successive product upgrades, we have reduced core loss while retaining other advantages of alloy soft magnetic powder cores. This allows our products to be used in higher-frequency applications with improved heat dissipation and more efficient use of installation space.

In response to demand from strategic emerging industries, including new energy vehicles, photovoltaics, energy storage systems and data centers, we have further optimized our NPF/NPV/GPV series and NPH/NPC/GPC series of FeSi based alloy soft magnetic powder core products. Through improvements in material composition and production processes, and without the use of precious metals, we have reduced core loss while maintaining DC bias performance. These upgrades help customers reduce energy loss and improve operating efficiency, and may also reduce the amount of copper windings required in their applications, thereby lowering material costs, particularly during periods of high copper prices.

BUSINESS

Set forth below are further details of our key FeSi based alloy soft magnetic powder core product series:

Product	Major Applications	Key Configuration ⁽¹⁾
NPF/NPV/GPV Series	<ul style="list-style-type: none"> • New energy infrastructure • Automotive 	<ul style="list-style-type: none"> • Saturation flux density (Bs): 1.5T • DC bias at 100 Oe: 70% to 81% • Core loss (50kHz, 1000G): 358 to 570 mW/cm³ • Switching frequency: 5–50 kHz
NPH/NPC/GPC Series	<ul style="list-style-type: none"> • New energy infrastructure • AI computing infrastructure 	<ul style="list-style-type: none"> • Saturation flux density (Bs): 1.25T to 1.3T • DC bias at 100 Oe: 60% to 69% • Core loss (50kHz, 1000G): 112 to 270 mW/cm³ • Switching frequency: 15–100 kHz
NPH-L Series	<ul style="list-style-type: none"> • New energy infrastructure • AI computing infrastructure 	<ul style="list-style-type: none"> • Saturation flux density (Bs): 1.0T • DC bias at 100 Oe: 58% • Core loss (50kHz, 1000G): 200 mW/cm³ • Switching frequency: 50–200 kHz
NPA Series	<ul style="list-style-type: none"> • AI computing infrastructure • Automotive 	<ul style="list-style-type: none"> • Saturation flux density (Bs): 0.95T • DC bias at 100 Oe: 55% • Core loss (50kHz, 1000G): 110 mW/cm³ • Switching frequency: 150–500 kHz
NPX Series	<ul style="list-style-type: none"> • AI computing infrastructure • Automotive 	<ul style="list-style-type: none"> • Saturation flux density (Bs): 0.95T • DC bias at 100 Oe: 56% • Core loss (50kHz, 1000G): 77 mW/cm³ • Switching frequency: 150kHz–1 MHz

Note:

(1) Measured on a standard 60μ permeability.

In addition to FeSi based alloy soft magnetic powder cores, we have also developed FeNi based alloy soft magnetic powder core series for servers and data center infrastructure supporting cloud computing and AI computing applications. As the computational intensity and power consumption of these applications increase, power conversion efficiency has become more important. Compared with our FeSi based alloy soft magnetic powder cores, our FeNi based alloy soft magnetic powder cores generally have lower core loss and higher DC bias performance, making them suitable for applications where efficiency and power density are key performance requirements. Our FeNi based alloy soft magnetic powder core series covers a range of operating frequencies and efficiency requirements, enabling customers to select products that best suit their specific requirements in terms of structure, core loss, efficiency and cost.

BUSINESS

Set forth below are further details of our key FeNi based alloy soft magnetic powder core product series:

Product	Major Applications	Key Configuration
NPN Series	<ul style="list-style-type: none"> AI computing Infrastructure New energy infrastructure Automotive 	<ul style="list-style-type: none"> Saturation flux density (Bs): 1.5T DC bias at 100 Oe: 81% Core loss (50kHz, 1000G): 290 mW/cm³ Switching frequency: 50–100 kHz
NPN-LH Series	<ul style="list-style-type: none"> AI computing Infrastructure New energy infrastructure Automotive 	<ul style="list-style-type: none"> Saturation flux density (Bs): 1.5T DC bias at 100 Oe: 83% Core loss (50kHz, 1000G): 185 mW/cm³ Switching frequency: 50–150 kHz
GPN Series	<ul style="list-style-type: none"> AI computing Infrastructure New energy infrastructure Automotive 	<ul style="list-style-type: none"> Saturation flux density (Bs): 1.5T DC bias at 100 Oe: 83% Core loss (50kHz, 1000G): 117 mW/cm³ Switching frequency: 50–150 kHz

Note:

(1) Measured on a standard 60μ permeability.

Our FeSi based and FeNi based alloy soft magnetic powder cores are delivered in either toroidal or special-shaped forms, depending on customers’ structural and magnetic requirements:

- Toroidal alloy soft magnetic powder cores have ring-shaped structure and are generally suited to standard winding structures and broad-purpose power conversion use.
- Special-shaped alloy soft magnetic powder cores are developed based on customers’ application-specific structural and magnetic requirements, such as when tighter structural integration, distinct magnetic characteristics or more efficient use of limited installation space are required. Our in-house precision production equipment capabilities allow us to develop customer-specific magnetic design, rather than supplying only standard-form products.

Set forth below are some examples of our special-shaped alloy soft magnetic powder cores:



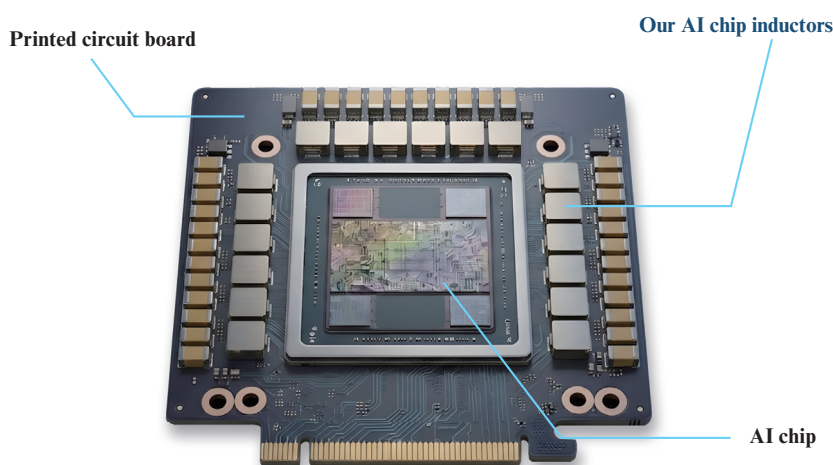
AI Chip Inductors

AI chip inductors are power inductors primarily used in AI related application scenario such as AI computing infrastructure. They are mounted on PCBs and used in power conversion modules to store and regulate electromagnetic energy.

BUSINESS

We developed AI chip inductors by extending our capabilities in alloy soft magnetic powders and alloy soft magnetic powder cores. AI chip inductors generally require finer powder fractions and tighter material control than powder cores. This is because AI chip inductors generally have higher switching frequency, more compact size and larger power-handling requirements. Building on our material technologies, we further developed forming and assembly technologies for AI chip inductors, including Cu-Fe co-sintering, that combine alloy soft magnetic powders with copper conductors in finished, board-mountable components with high efficiency, compact size, reliability and current-handling capability. Depending on the different underlying forming and assembly technologies and target application profiles, we developed different series of AI chip inductors including GP series, CFS series, BR series and HP series.

Set forth below is a structural illustration of how our AI chip inductors integrated into the end product of our customers:



Alloy Soft Magnetic Powders

We produce and sell customized alloy soft magnetic powders, containing iron, silicon and various other metallic or non-metallic elements, to customers for designated applications. We develop these powders based on customers’ requirements including alloy composition, particle size, morphology, insulation treatment and loss characteristics. These characteristics affect the performance of downstream products, including core loss, saturation performance, transient response and thermal stability.

Our alloy soft magnetic powders include gas-atomized and water-atomized powders, such as low-loss FeSi powder and high saturation flux density FeSiCr powder. Our FeSiCr powder features high sphericity, high saturation flux density, with $B_s \geq 1.5T$, and rust resistance, and has been validated by our key customers for relevant applications. We also developed amorphous and nanocrystalline powders with high B_s , low coercivity and low core loss, which are particularly suitable for high frequency applications.

Our alloy soft magnetic powders are supported by our material design and powder preparation capabilities. Through multi-component alloy formulation, we seek to achieve a combination of high B_s and low coercivity. Our powder preparation technologies, including vacuum atomization, gas atomization and water atomization, allow us to control key powder parameters such as particle size and oxygen content, supporting consistent product quality.

In addition to external sales of customized powders, we also produce alloy soft magnetic powders that support internal production of alloy soft magnetic powder cores and AI chip inductors. Specifically, our powder production process generates powders with different particle sizes, morphologies and performance characteristics. We allocate these powders based on their physical

BUSINESS

characteristics and the technical requirements of downstream applications. Certain powders are used internally to produce alloy soft magnetic powder cores, where magnetic permeability and mechanical strength are key requirements. Other powders are used internally to produce AI chip inductors, which require smaller particle sizes and stable high-frequency performance. These internally used powders are not sold as standalone products, but form part of our integrated production process.

This powder allocation system improves material utilization and supports cost competitiveness. It also gives us greater control over key material inputs for alloy soft magnetic powder cores and AI chip inductors, reduces reliance on external suppliers for critical materials and enables us to respond more quickly to customer-specific requirements. See “— Our Strengths — Our Vertically Integrated Capabilities from Materials to Components Support Product Quality, Cost competitiveness and Efficient Product Development” for details.

RESEARCH AND DEVELOPMENT

R&D Team and Investment

Our commitment to innovation and technology is central to our long-term growth. As of March 31, 2026, our R&D team comprised 399 employees. Our R&D team possesses extensive industry experience across material design, powder preparation, powder insulation, forming processes and inductive component design. In 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026, our research and development expense accounted for RMB74.7 million, RMB117.1 million, RMB151.6 million, RMB31.3 million and RMB42.9 million, accounting for 6.4%, 7.0%, 8.4%, 8.2% and 8.8% of our total revenue, respectively. During the Track Record Period, we did not have capitalized research and development expenses.

Structured R&D Approach and Process

We have adopted a structured R&D process that generally comprises six stages, namely (i) market research, (ii) project initiation, (iii) project planning, (iv) product development, (v) product pilot trial, and (vi) mass production:

- | | |
|--------------------------------------|--|
| 1. <i>Market research</i> | We collect market information, assess customer and end-user requirements and identify technology trends to better understand evolving application requirements. |
| 2. <i>Project initiation</i> | Based on the market research findings, we assess project feasibility and determine whether to proceed with development. |
| 3. <i>Project planning</i> | Taking into account the customer validation requirement, we determine product specifications, technical pathways, project timelines and key milestones. |
| 4. <i>Product development</i> | We carry out material composition, process design, product structure design and sample preparation in accordance with the project plan. |
| 5. <i>Product pilot trial</i> | This stage primarily addresses any technical issues that may arise in connection with the transition to mass production, with engineering verification test (EVT), design verification test (DVT), and production verification test (PVT) processes. |
| 6. <i>Mass production</i> | After successful pilot trial, we transfer technical documentation and process requirements to our manufacturing facilities and support standardized production and post-launch product optimization. |

BUSINESS

Our Technologies

Our core technologies enable us to develop and produce high-performance alloy soft magnetic powders, alloy soft magnetic powder cores and AI chip inductors that cater to evolving customer requirements across diverse downstream applications. These technologies primarily comprise four categories, namely (i) material technologies, which relate to the preparation of alloy soft magnetic powders, (ii) pre-treatment technologies, which relate to the coating of alloy soft magnetic powders, (iii) forming technologies and (iv) precision production equipment technologies, which relate to the shaping of alloy soft magnetic powders into alloy soft magnetic powder cores and AI chips inductors.

The following chart sets forth our core technology highlights:

Category	Core Technology	Description
1. Material technologies	Gas atomization technology (氣霧化技術)	A powder preparation technology in which a stream of molten alloy is broken up by a high-velocity inert gas flow into fine droplets, which then cool and solidify into alloy soft magnetic powder. We have developed proprietary gas atomization system, a temperature-controlled cooling system and a cyclone powder collection system, which allow us to precisely control particle size, particle morphology, coercivity and oxygen content of the resulting powder. These are key parameters affecting the magnetic performance of our alloy soft magnetic powder cores and AI chip inductor products.
	Water atomization technology (水霧化技術)	A powder preparation technology in which a stream of molten alloy is broken up by high-pressure water jets into fine droplets, which then cool and solidify into alloy soft magnetic powder. We apply this technology in particular to the production of FeSiCr powder, which we have used to support our import substitution efforts and which is being delivered in increasing volumes following the commissioning of our dedicated water atomization production lines.
	High-energy ball milling technology (高能球磨技術)	A powder preparation technology in which mechanical energy is applied to flatten alloy soft magnetic powder into flaky form, which allows us to achieve tailored morphologies of our alloy soft magnetic powder. This technology supports our preparation of alloy soft magnetic powder products for applications such as electromagnetic shielding.
2. Pre-treatment technologies	New resin technology (新樹脂技術)	A pre-treatment technology relating to the resin systems used in connection with our powder coating and forming processes. This technology supports the dimensional stability, mechanical strength and thermal performance of our alloy soft magnetic powder cores during and after forming.

BUSINESS

Category	Core Technology	Description
	Insulation coating technology (絕緣包覆技術)	A pre-treatment technology in which an insulating layer is applied to the surface of each alloy soft magnetic powder particle prior to forming. The insulating layer plays a key role in establishing the distributed air gap structure of the resulting alloy soft magnetic powder cores and in addressing the development towards higher-frequency applications, which contributes to key performance characteristics such as stable inductance under DC bias and lower core loss at higher frequencies.
3. Forming technologies	Cu-Fe co-sintering technology (銅鐵共燒技術)	A forming technology in which copper conductors and iron-based alloy soft magnetic powder are bonded into an integrated inductor through the application of heat and pressure. This technology is a key heat treatment process applied to our AI chip inductors, which effectively relieves the stress introduced to the copper conductors and iron-based alloy soft magnetic powder during the forming process, thereby enhancing the overall performance of our AI chip inductor products. By precisely controlling the sintering temperature and atmosphere, this technology allows us to improve key performance parameters of our AI chip inductors, including inductance, core loss, withstand voltage and mechanical strength.
	Compression molding technology (模壓成型技術)	A forming technology in which insulation-coated alloy soft magnetic powder is compacted under pressure into a defined shape, which is a key forming process for our alloy soft magnetic powder cores and AI chip inductors. We have developed a range of high-density forming technologies, which ensure the strong magnetic performance of our alloy soft magnetic powder cores and AI chip inductors. According to CIC, our high-density forming capabilities are at industry-leading level.
4. Precision production equipment technology	Precision production equipment R&D technology (精密裝備研發技術)	An equipment R&D technology focused on the development of intelligent manufacturing equipment for inductive components. By integrating high-precision motion control, online visual quality inspection and adaptive defect recognition technology, this technology enables us to achieve automated precision production across the complete manufacturing workflow for our AI chip inductors, supporting consistent product quality and manufacturing efficiency.

BUSINESS

Category	Core Technology	Description
	Precision production equipment manufacturing technology (精密裝備製造技術)	An equipment manufacturing technology that integrates precision mold machining, high-precision motion control and intelligent inspection processes to produce complete sets of purpose-built precision manufacturing equipment covering compression molding and sorting and testing operations, thereby supporting our in-house production capabilities.

INTELLECTUAL PROPERTY

Our intellectual property rights are critical to our business operations. As of Latest Practicable Date, we had 118 registered patents, three copyrights, two domain names and 29 registered trademarks in Chinese Mainland. As of the same date, we also had 10 patents, three registered trademarks in overseas regions including Europe, the U.S. and Taiwan. See “Appendix IV — Statutory and General Information — B. Further Information about our Business — 2. Our Intellectual Property Rights” for further details of our intellectual property portfolio.

We safeguard our intellectual property through patents, trademarks, trade secrets and other intellectual property rights protected under applicable laws, as well as confidentiality agreements signed with our employees. We specify all rights and obligations regarding the ownership and protection of intellectual properties in all employment agreements we entered into with employees whose roles involve access to our intellectual property or confidential information. In addition, we require employees to sign standard agreements stipulating that any service inventions, trade secrets, and R&D achievements acquired during their service with us shall be our assets and that the titles of such achievements shall be transferred to us.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to infringement of intellectual property rights which would have a material adverse effect on our business.

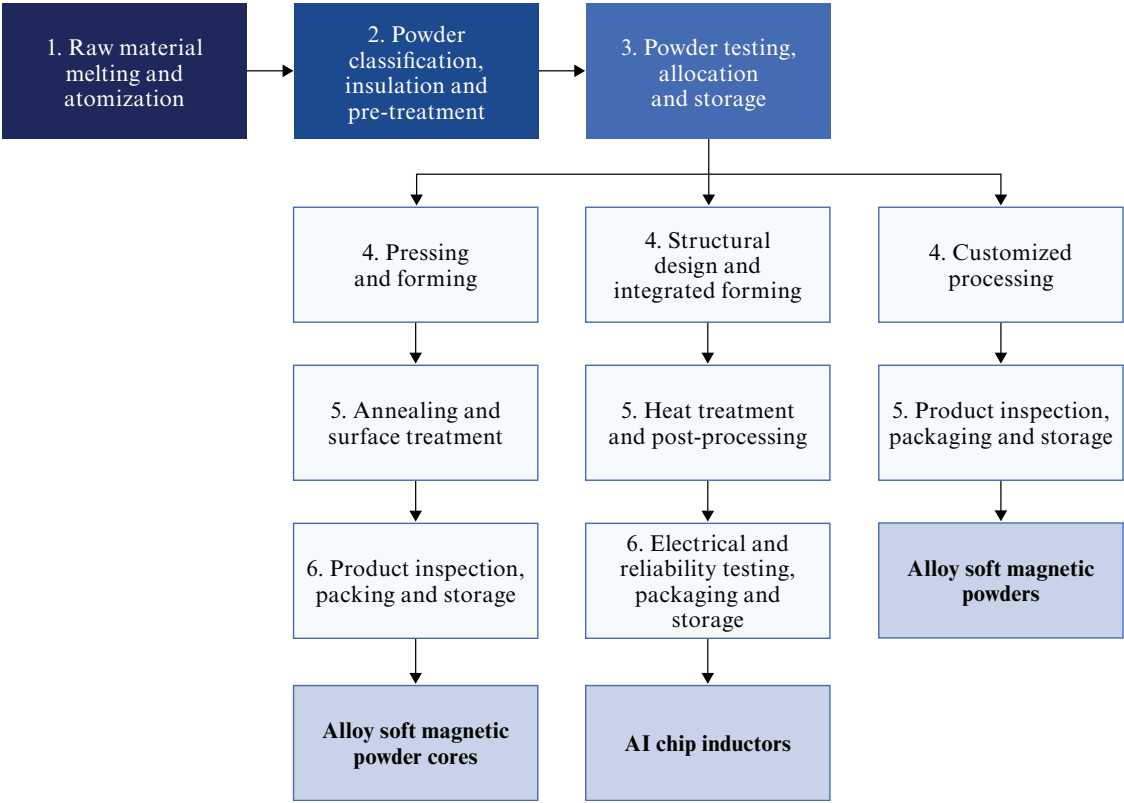
PRODUCTION

Production Process

We are committed to the continual development of production process techniques to enhance production management capabilities.

BUSINESS

The following diagram illustrates the key steps of a typical production process of our alloy soft magnetic powder cores, AI chip inductors and alloy soft magnetic powders:



Key steps		Descriptions
1.	<i>Raw material melting and atomization</i>	Raw materials such as iron, silicon, aluminum and other alloying elements are melted in accordance with our proprietary formulations and atomizations to produce alloy soft magnetic powders.
2.	<i>Powder classification, insulation and pre-treatment</i>	The as-produced powder is classified, followed by insulation treatment. Depending on the end use, powders may also undergo other pre-treatment processes.
3.	<i>Powder testing, allocation and storage</i>	Pre-treated powders are tested for key characteristics. Based on these characteristics, powders are allocated to alloy soft magnetic powder cores, AI chip inductors and alloy soft magnetic powders for external sales.
<i>For alloy soft magnetic powder cores</i>		
4.	<i>Pressing and forming</i>	Powder is weighed and pressed into cores of various shapes and specifications.
5.	<i>Annealing and surface treatment</i>	Cores are annealed to relieve internal stress and improve magnetic performance, followed by finishing or other surface treatment.
6.	<i>Product inspection, packaging and storage</i>	Products are inspected, sorted, laser marked and packaged prior to storage and shipment.

BUSINESS

Key steps	Descriptions
<i>For AI chip inductors</i>	
4. <i>Structural design and integrated forming</i>	Fine powder is combined with conductor structures and formed into inductor bodies using Cu-Fe co-sintering technology.
5. <i>Heat treatment and post-processing</i>	Where applicable, products are subject to heat treatment and post-processing such as sizing and finishing to improve stability and performance.
6. <i>Electrical reliability testing, packaging and storage</i>	Electrical performance and reliability tests are conducted to ensure compliance with design specifications before packaging and storage.
<i>For alloy soft magnetic powders</i>	
4. <i>Customized processing</i>	Powder composition, particle size distribution, morphology, loss characteristics or insulation are adjusted in accordance with customer requirements.
5. <i>Product inspection, packaging and storage</i>	Customized powder is tested and inspected to ensure compliance with relevant technical specification and customer requirements, and qualified powder is then packaged, labelled and stored in preparation for delivery to our customers.

During the Track Record Period, for our AI chip inductors, we outsourced certain ancillary production processes to third-party processing service providers. Such ancillary production processes mainly include surface treatment. This arrangement allows us to focus our in-house resources on core production steps and know-hows regarding material composition, powder preparation, forming, heat treatment, structural design and product validation, so as to maintain production flexibility. Our processing service providers are subject to qualification assessment prior to engagement, which includes the collection of their qualification documents such as business licenses and operating permits, and we have entered into quality assurance agreements with each of them setting out the relevant quality standards. Upon completion of the outsourced processes, our quality inspection department conducts testing on the processed goods before final delivery to our customers. We have maintained long-term and stable cooperative relationships with most of our processing service providers and given the availability of alternative processing service providers in the market, we do not consider ourselves to be materially dependent on any single processing service provider.

Existing Production Bases

As of March 31, 2026, we had two production bases in operation in Chinese Mainland. Our Huizhou Production Base is primarily engaged in the production of products with higher technical specifications, including customized alloy soft magnetic powder cores in smaller production runs, AI chip inductors and alloy soft magnetic powders for external sales, while our Heyuan Production Base is primarily engaged in the standardized, high-volume and cost-efficient production of alloy soft magnetic powder cores.

BUSINESS

The following table sets out details of our production bases in operation as of March 31, 2026:

Production Facility	Geographic Location	Major Products	Gross Floor Area (m²)
Huizhou Production Base	Huizhou, Guangdong, PRC	Alloy soft magnetic powder cores, AI chip inductors, and alloy soft magnetic powders for external sales	105,425.7
Heyuan Production Base	Heyuan, Guangdong, PRC	Alloy soft magnetic powder cores	84,138.1

We typically plan our production on a monthly basis based on the forecasted demand of our customers and the anticipated market trends. We continuously monitor our production bases and utilization rates and update our production plans based on the rolling forecasts of customer orders.

The table below sets forth details of our designed production capacity, actual production volume and utilization rate by major product type for the periods indicated:

	Year Ended December 31,			Three months ended March 31,
	2023	2024	2025	2026
Alloy soft magnetic powder cores				
Designed production capacity ⁽¹⁾ (tons)	36,000	42,755	50,586	11,762
Actual production volume (tons)	32,326	38,052	41,416	9,505
Utilization rate ⁽²⁾ (%)	89.8	89.0	81.9	80.8
AI chip inductors				
Designed production capacity ⁽¹⁾ (thousand units).	29,791	109,752	119,618	54,363
Actual production volume (thousand units)	26,240	98,834	104,744	41,058
Utilization rate ⁽²⁾ (%)	88.1	90.1	87.6	75.5 ⁽³⁾
Alloy soft magnetic powders				
Designed production capacity ⁽¹⁾⁽⁴⁾ (tons).	976	1,708	2,593	604
Actual production volume (tons)	806	1,427	2,149	416
Utilization rate ⁽²⁾ (%)	82.6	83.5	82.9	68.9 ⁽⁵⁾

Notes:

- (1) Designed production capacity is based on the total production rate of our launched production lines operating two shifts (11 hours per shift) a day for 305 days a year and 71 days for three months ended March 31, 2026.
- (2) Utilization rate equals actual production volume divided by designed production capacity.
- (3) Our utilization rate for AI chip inductors in the three months ended March 31, 2026 was relatively low primarily because we continued to expand our production capacity to meet the growing downstream market demand, and such newly added capacity was still in the ramp-up stage during the three months ended March 31, 2026.

BUSINESS

- (4) Production capacity of our alloy soft magnetic powders are based on the capacity for customized alloy soft magnetic powders sold to external customers. It does not include alloy soft magnetic powders produced and consumed internally in the production of our alloy soft magnetic powder cores and AI chip inductors, as such internally used powders form part of the production process of the relevant products and were not counted as standalone products.
- (5) Our utilization rate for alloy soft magnetic powders was relatively low in the three months ended March 31, 2026, primarily attributable to fluctuation in downstream market demand.

Planned Production Bases

We intend to further increase our overall production capacity progressively to satisfy market demand and address the business needs of our overseas customers by expanding our existing production facilities and constructing new production bases. The following table summarizes details of our planned production capacities:

<u>Production Facility</u>	<u>Geographic Location</u>	<u>Major Products</u>	<u>Status as of the Latest Practicable Date</u>
Huidong Production Base ⁽¹⁾	Huizhou, Guangdong, PRC	AI chip inductors	Under construction
Thailand Production Base ⁽²⁾	Chonburi, Thailand	Alloy soft magnetic powder cores and AI chip inductors	Under equipment testing

Note:

- (1) The construction of our Huidong Production Base is expected to be completed and pass acceptance inspection in the third quarter of 2026. We also intend to further expand our production capacity of our Huidong Production Base. For details, please refer to the section headed “Future Plans and Use of [REDACTED]” in this Document.
- (2) Our Thailand production base was leased from an Independent Third Party. Our Thailand production base commenced equipment installation and testing in May 2026. We expect the Thailand Production Base to commence trial production in 2026, subject to completion of the relevant testing, production line commissioning and customer verification.

Major Machineries and Equipment

The details of the major machineries and equipment used in our production process are set forth below:

<u>Equipment category</u>	<u>Representative equipment</u>	<u>Usage</u>
Powder compacting and forming presses	Hydraulic powder compacting and forming presses; and servo-electric compacting and forming presses	Used to press powders into alloy soft magnetic powder cores or AI chip inductors with specified shapes, dimensions and density
Annealing and heat treatment furnaces	Mesh belt atmosphere resistance furnaces; steel belt reduction furnaces; and annealing furnaces	Used to reduce internal stress, improve magnetic performance and stabilize product structure after forming

BUSINESS

Equipment category	Representative equipment	Usage
Testing and inspection equipment	B-H analyzers/B-H curve tracers; impedance analyzers; oxygen-nitrogen analyzers; laser particle size analyzers; automated optical inspection (AOI) equipment	Used to test key characteristics after pre-treatment, including powder flowability and apparent density

QUALITY CONTROL

We adhere to quality control standards and have established a full-chain, closed-loop quality management system in accordance with applicable national and industry standards, covering supplier management, incoming material inspection, production process control, finished product inspection and customer feedback handling, to facilitate consistent deliveries of our products. Our quality control processes have received a number of industry certifications, including ISO 9001 quality management system certification, ISO 14001 environmental management system certification and intellectual property management system certification.

We have established an independent quality center responsible for the overall quality management of our operations. Our quality center manages product quality across a number of processes, including supplier quality, incoming material quality, in-process quality control and final product quality control. Dedicated quality engineers and inspectors are designated to implement and monitor quality control procedures across key stages of our production processes, including:

- **Supplier management.** We assess suppliers before engagement and conduct periodic evaluation of qualified suppliers based on factors such as product quality, delivery, service and cost performance.
- **Incoming material inspection.** We inspect key raw materials and production materials before they are accepted for production or warehousing.
- **In-process quality control.** We monitor key production steps, including powder preparation and pre-treatment, pressing and forming, annealing, surface treatment and assembly, to ensure process stability and product consistency.
- **Finished product inspection.** We conduct final inspection before product delivery based on applicable product standards and customer requirements.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issues or product returns.

SALES AND MARKETING

Our Sales Network

Substantially all of our sales were made directly to our customers during the Track Record Period. These direct sales mainly comprise orders from manufacturers of passive components, IC and PV inverters and providers for OSAT.

We adopt direct sales as our primary sales model because our products are technical industrial products and highly bespoke, which involve customized specifications or application-specific requirements. Through direct engagement with customers and, where relevant, end users, our sales and field application engineering teams are able to understand customers’ product design,

BUSINESS

applications and performance requirements, and provide product selection, technical communication and application support. This enables us to respond more effectively to customers’ requirements on product performance, delivery and technical iteration.

During the Track Record Period, we also sold a small portion of our products through distributors. Our distributors primarily help us cover selected markets or customers where they have local market resources, customer relationships or sales channels, particularly for relatively standardized products or overseas markets. We believe this channel complements our direct sales model and broadens our market coverage.

The following table sets forth a breakdown of revenue from product sales by sales channel in absolute amounts and as a percentage of our revenue from product sales for the periods indicated:

	Year ended December 31,						Three months ended	
	2023		2024		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Direct sales	1,097,513	94.7	1,614,346	97.1	1,725,025	95.7	462,269	94.4
Sales to Distributors	61,007	5.3	48,595	2.9	77,212	4.3	27,324	5.6
Total	1,158,520	100.0	1,662,941	100.0	1,802,237	100.0	489,593	100.0

During the Track Record Period, our products were mainly sold in Chinese Mainland. The table sets forth our revenue by geographical location during the Track Record Period:

	Year ended December 31,						Three months ended	
	2023		2024		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Chinese Mainland	1,051,586	90.8	1,434,791	86.3	1,476,134	81.9	382,109	78.0
Overseas								
— Asia-Pacific (excluding Chinese Mainland) ⁽¹⁾	79,980	6.9	214,329	12.9	293,745	16.3	95,365	19.5
— Europe	26,941	2.3	13,645	0.8	28,444	1.6	11,278	2.3
— Others	13	0.0	176	0.0	3,914	0.2	841	0.2
Total	1,158,520	100.0	1,662,941	100.0	1,802,237	100.0	489,593	100.0

Note:

(1) Primarily include Taiwan, Korea, Philippines, Hong Kong and other Asia-Pacific regions.

Our Direct Sales

Through direct sales, we can understand customers’ demands and business development plan firsthand, and engage in deep collaboration with customers in strategy, technological roadmap and product development.

We generally enter into a standard sales agreement with our direct sales customers. Salient terms of our typical direct sales agreements are as follows:

- **Term and termination.** The agreements generally have a term of three years, and may be renewed upon expiry either automatically or by agreement of the parties.
- **Pricing.** Prices are generally determined through commercial negotiations, by reference to raw material costs, market conditions, fluctuations in actual supply volumes relative to initial forecasts.
- **Payment and credit term.** We generally grant a credit period ranging from 30 days to 90 days to our customers.

BUSINESS

- **Sales amount.** We specify transaction amounts in the purchase orders in line with the framework agreements.
- **Product guarantee and return arrangements.** We generally do not allow return except in limited cases of verified quality issues.
- **Delivery and logistics.** We generally deliver products to locations designated by customers. Delivery arrangements may vary depending on customer requirements and the relevant purchase orders, including delivery by us, customer pickup or delivery through third-party logistics providers.
- **Confidentiality.** Both parties are restricted from disclosing confidential information of the other contractual parties.

Our Distribution Channels

Complementing our direct sales efforts, we also collaborate with a small number of reputable distributors for sales. These distributors are mainly trading companies and according to CIC, engagement of distributors for the sales of products is in line with market practice in the industry in which we operate.

The relationships between distributors and us are categorized as seller-buyer relationships. Distributors are not allowed to sub-distribute without our prior consent. We enter into distribution agreements with our distributors. The salient terms of the standard distribution agreements include the duration, payment, authorized region, credit terms, logistics arrangements, return policies, intellectual property arrangement and the respective roles and responsibilities. The distribution agreements generally carry a three-year term and renew automatically upon expiry, subject to the absence of any material dispute or termination notice from either party. The price vary based on specifications of the required products. We may set annual sales targets for our distributors for the purpose of distributor assessment. We typically grant a credit period ranging from 45 days to 105 days to our distributors. We generally do not allow return except in limited cases of verified quality issues. Risks are transferred to the distributors once products have been delivered by us to the agreed-upon location or receiver.

To the best of our knowledge, we did not have any sub-distributors during the Track Record Period. Historical sales generated by these distributors were generally recurring in nature as detailed below.

The following table sets forth the movement in the number of our distributors during the periods indicated.

	Year ended December 31,			Three months ended March 31,
	2023	2024	2025	2026
Distributors at the beginning of year/period	5	5	5	5
Addition of new distributors	—	—	—	—
Termination of existing distributors	—	—	—	—
Distributors at the end of year/period	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

BUSINESS

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties. To the best of our knowledge, besides the ordinary course distribution arrangement with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our Shareholders who own 5% or more of the total issued Shares, Directors or senior management or any of their respective associates.

Management of Distributors

We have adopted a structured set of distributor selection criteria and management protocols to ensure that our distributors are qualified, capable and aligned with our brand positioning. In selecting distributors, we consider factors such as (i) extensive expertise in related industries, (ii) historical sales achievements and operating scale, (iii) strength, quality, and localization of its sales channels, with emphasis on local market presence, (iv) team management and after-sales support capabilities, and (v) market influence and ability to drive brand development. We aim to partner with distributors who share our vision and can effectively expand our market share.

In addition to our standard criteria for a new distributor, we regularly evaluate our business relationship, considering a range of factors in renewing distribution agreements, including sales execution, marketing capabilities, financial stability, customer networks, and strategic alignment with our brand and product portfolio. We may re-negotiate or terminate our business relationships with our existing distributors for breach of their agreements with us or failed assessments.

Channel Stuffing and Cannibalization Management

We manage potential channel stuffing and cannibalization risks primarily through order-based distributor arrangements. During the Track Record Period, we primarily relied on direct sales, while distributor sales accounted for a small portion of our revenue. Our distributors generally place purchase orders based on their sales needs and, subject to the terms of the relevant distribution agreements, purchase products from us on a buy-out basis and bear inventory risks after delivery and acceptance. We generally do not allow distributors to return unsold products, except for limited reasons such as product quality issues attributable to us. Where applicable, we also communicate with distributors on downstream demand, customer coverage and sales progress to reduce potential channel conflicts.

Pricing

We price our products considering a variety of factors, including type, specifications, performance requirements, raw materials and costs of production, order volume, customer requirements and prevailing market price. For powder cores and AI chip inductors, pricing is generally determined with reference to product series, size, material composition and customization needs. For alloy soft magnetic powders, we take into account powder composition, particle size, morphology, magnetic performance and customer-specific processing requirements. For certain high-performance alloy soft magnetic powders, we may also make reference to prevailing market conditions and available pricing information for comparable products when determining prices.

We generally seek to maintain pricing discipline while remaining responsive to market conditions and customer requirements. Where there are significant fluctuations in the prices of major raw materials, we may adjust our product prices through new quotations or commercial negotiations with customers. Minor raw material price fluctuations are generally absorbed by us in the ordinary course of business to maintain price stability. See “— Our Supply Chain — Raw Materials.”

BUSINESS

Marketing

We market our products and brand through a combination of market outreach and technical customer engagement. Our principal marketing channels include participation in industry exhibitions and trade shows, as well as online channels including our corporate website, official WeChat account and corporate promotional videos.

Given the technical and customized nature of our products, our marketing activities are closely linked to customer application support. In particular, our sales and FAE teams engage with customers and, where relevant, end users to understand their product designs, application scenarios and performance requirements. We also maintain communication with semiconductor manufacturers, power solution providers and other industry participants to keep track of technology trends and customer requirements. This enables us to introduce suitable products and application solutions to customers at an early stage of their product development process.

Our marketing department is primarily responsible for brand promotion and online and offline marketing activities, while our sales department is primarily responsible for customer engagement, order management and delivery coordination.

OUR CUSTOMERS

In 2023, 2024 and 2025 and the three months ended March 31, 2026, our five largest customers together generated RMB510.8 million, RMB784.6 million, RMB829.2 million and RMB232.8 million of revenues, respectively, accounting for 44.1%, 47.2%, 46.1% and 47.5% of our total revenue, respectively. In addition, revenues generated from our largest customer accounted for 17.8%, 13.5%, 13.5% and 17.8% of our total revenues in 2023, 2024 and 2025 and the three months ended March 31, 2026, respectively. All of our five largest customers were Independent Third Parties during the Track Record Period.

To the best of our knowledge and as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to the termination of our relationships with any of our major customers. None of our Directors and their respective associates, or Shareholders who own 5% or more of the total issued Shares had any interest in any of our five largest customers during the Track Record Period.

The following table sets forth the details of our five largest customers in each period during the Track Record Period.

BUSINESS

Customer	Year Ended December 31,				Three months ended March 31,			
	2023		2024		2025		2026	
	Revenue RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %
Customer A ⁽¹⁾	206,552	17.8	224,198	13.5	243,835	13.5	86,987	17.8
Customer B ⁽²⁾	165,361	14.3	177,304	10.7	179,775	10.0	58,267	11.9
Customer C ⁽³⁾	47,232	4.1	164,605	9.9	154,098	8.6	44,977	9.2
Customer D ⁽⁴⁾	46,599	4.0	111,448	6.7	152,924	8.5	21,770	4.4
Customer E ⁽⁵⁾	45,018	3.9	107,070	6.4	98,547	5.5	20,806	4.2
Total	510,762	44.1	784,625	47.2	829,179	46.1	232,807	47.5

Notes:

- Customer A is a company based in Guangdong Province primarily engaged in the research, development, production and sale of magnetic components and power products. We commenced business relationship with Customer A in 2012, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 90 days.
- Customer B is a company based in Guangdong Province primarily engaged in the research, development, production and sale of magnetic components and power products. We commenced business relationship with Customer B in 2012, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 60 days.
- Customer C is a company based in Anhui Province primarily engaged in the production and sale of electromagnetic components for green energy applications. We commenced business relationship with Customer C in 2018, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 90 days.
- Customer D is a company based in Guangdong Province primarily engaged in the production, processing and sale of electronic components. We commenced business relationship with Customer D in 2015, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 90 days.
- Customer E is a company based in Guangdong Province primarily engaged in the research, development, production and sale of magnetic electronic components. We commenced business relationship with Customer E in 2013, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 90 days.
- Customer F is a company based in Taiwan primarily engaged in the design and manufacture of mechanical components. We commenced business relationship with Customer F in 2023, to whom we primarily sold AI chip inductors. We conduct monthly reconciliation with Customer F, and payment is due on the 15th of each month.
- Customer G is a company based in Sichuan Province primarily engaged in the sale, research and development and maintenance of electronic products. We commenced business relationship with Customer G in 2023, to whom we primarily sold AI chip inductors. We grant them a credit period of 30 days.
- Customer H is a company based in Guangdong Province primarily engaged in the manufacture and sale of power and power supply products. We commenced business relationship with Customer H in 2013, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 90 days.
- Customer I is a company based in Jiangsu Province primarily engaged in the research, development, production and sale of semiconductor products and the provision of semiconductor packaging and testing services. We commenced business relationship with Customer I in 2024, to whom we primarily sold AI chip inductors. We grant them a credit period of 30 days.
- Customer J is a company based in Guangdong Province primarily engaged in the research, development, production and sale of magnetic components for charger and new energy applications. We commenced business relationship with Customer J in 2021, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 90 days.
- Customer K is a company based in Guangdong Province primarily engaged in the trading of electronic products and components. We commenced business relationship with Customer K in 2016, to whom we primarily sold alloy soft magnetic powder cores. We grant them a credit period of 45 days.

BUSINESS

Third-Party Payment Arrangement

During the Track Record Period, we accepted payments made on behalf of certain direct sales customers and universities (the “**Relevant Customer(s)**”), through the accounts of third-party payors associated with such Relevant Customers (the “**Third-party Payment Arrangement(s)**”). In 2023, 2024 and 2025, and the three months ended March 31, 2026, the number of the Relevant Customers was seven, nine, 15 and one, respectively. In 2023, 2024 and 2025, and the three months ended March 31, 2026, the aggregate amount they settled under the Third-Party Payment Arrangements was RMB127.7 thousands, RMB70.3 thousands, RMB121.3 thousands and RMB10.6 thousands, respectively, which accounted for less than 0.1% of our revenue in the each year/period during the Track Record Period. No individual Relevant Customer had made material contribution to our revenue during the Track Record Period.

To the best of our knowledge, during the Track Record Period, our Third-Party Payment Arrangements primarily comprised two scenarios: (i) payments from employees of the Relevant Customers, for urgent orders in circumstances which the Relevant Customers’ internal payment procedures could not be completed within their required delivery timeline; and (ii) payments from university students for small-volume purchases for academic and/or research use in circumstances which, pursuant to the corresponding universities’ payment practices, students shall make payment first and subsequently seek reimbursement from the university based on invoices issued by our Company. To the best of our knowledge, none of the third-party payors designated by the Relevant Customer is our connected person.

Implication and Termination of the Third-party Payment Arrangements

Our Directors confirm that, during the Track Record Period (i) we had not proactively initiated any Third-party Payment Arrangements or participated in any of such arrangements in other forms, (ii) we had not provided any discount, commission, rebate, or other benefit to any of the Relevant Customers to facilitate or incentivize the Third-party Payment Arrangements, (iii) the pricing and payment terms of the agreements we entered into with the Relevant Customers were generally in line with customers not involved in the Third-party Payment Arrangements under similar scenarios, and (iv) the Third-party Payment Arrangements have been recorded completely and accurately in our accounting books and records in all material respects.

During the Track Record Period, we have undertaken the following measures to monitor and manage the Third-Party Payment Arrangements:

- ***Genuine underlying transactions.*** To ensure the Third-Party Payment Arrangements were supported by genuine transactions, we matched the relevant payments with the underlying sales orders, invoices, delivery records and customer information. For employee payment arrangements, we verified the relevant payment with the corresponding customer order and customer relationship information. For student payment arrangements, we reviewed supporting information such as student identification, where applicable, to verify the payment background. Our financial staff recognized payments from Third-party Payors only after the relevant payments were matched with the corresponding orders and transaction records.
- ***Prevention of fraud or money laundering.*** We also had general customer onboarding and transaction review procedures in place to understand the identity and business background of our customers. In addition, we reviewed the relevant sales orders, invoices, delivery records and payment records to confirm that the payments corresponded to genuine sales transactions. Based on the above, we have no basis to believe that the Relevant Customers or Third-party Payors were involved in fraudulent or money laundering activities, nor any reason to suspect that the Third-Party Payment Arrangements involved proceeds or gains from such activities.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, (i) all settlements under the Third-Party Payment Arrangements were based on bona fide underlying transactions, (ii) the settlement amounts were consistent with the amounts incurred under the relevant transactions in the relevant sales orders, invoices and/or delivery records, (iii) we are not aware of any instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-Party Payment Arrangements, (iv) Relevant Customers have not claimed any interests as to any transaction payment to or from us through the Third-party Payment Arrangements, (v) we had not encountered any refund requests, actual or pending dispute or disagreement due to Third-Party Payment Arrangements or any claims against us in relation to the Third-Party Payment Arrangements, nor been subject to any penalties imposed by any government authorities with respect to the Third-Party Payment Arrangements.

As advised by our PRC Legal Advisor, the Third-party Payment Arrangement in China are not prohibited by the Civil Code of the PRC or other pertinent laws or regulations in China, and the Third-party Payment Arrangements are not in breach of mandatory requirements of current applicable laws and regulations in China. In light of the above, our Directors concur with the PRC Legal Advisor’s view.

In line with our commitment to strengthen internal control, as of May 31, 2026, we have proactively terminated all Third-party Payment Arrangements. We do not plan to engage in any third-party payment arrangement again in the future. Our Directors confirm that the cessation of third-party payment arrangement has not had, and will not have, any material adverse effect on our business, liquidity or financial performance, given that (i) revenue generated from the Third-party Payment Arrangements represented an insignificant percentage of our total revenue during the Track Record Period, and (ii) the rectification of Third-Party Payment Arrangements did not affect the underlying customer relationships or ordinary sales arrangements with the Relevant Customers, (iii) we have not experienced any decline in sales or number of customers while our business scale continued to grow, nor have any customers altered their relationship with us as a result of the cessation of Third-party Payment Arrangement.

Enhanced Internal Controls

To safeguard our interest against risks associated with Third-Party Payment Arrangements, we have significantly enhanced and implemented various internal control measures in order to rectify Third-Party Payment Arrangements, including:

- We initiated the implementation of Third-Party Payment Arrangements rectification measures and informed our employees regarding the enhanced internal control measures;
- Our employees are required not to proactively initiate any Third-Party Payment Arrangements, to inform all customers that Third-Party Payment Arrangements are not accepted, and to understand and implement our policies and measures related to the termination of Third-Party Payment Arrangements, alongside regular training sessions on fraud prevention and anti-money laundering practices;
- When contracts are signed, our employees are required to collect the customers’ bank account information, including the account name, and ensure that all payment transactions are made using the account of the contracting party; and
- Our finance department is required to conduct reviews of the payer and contracting parties before each payment to determine any potential third-party payment arrangements. This includes checking the contract to verify whether the payer matches the contracting party, as well as other measures.

BUSINESS

We regularly check the effectiveness of our internal control measures in relation to the Third-Party Payment Arrangements and promptly address any abnormalities. Based on the follow-up review on the implementation of measures, our Directors are of the view that the above measures are effective and adequate in ensuring the accuracy and completeness of our accounting books and records and preventing Third-party Payment Arrangements and its associated risks.

OUR SUPPLY CHAIN

Raw Materials

Our key raw materials primarily include raw materials such as iron and silicon, as well as auxiliary materials and equipment consumables. We primarily source from Chinese Mainland.

Some of the raw materials we use in the production of alloy soft magnetic powders are subject to price fluctuation. To mitigate the impact of such price fluctuations, we have established a price transmission mechanism under which, when raw material prices fluctuate beyond a certain range, the selling prices of our affected products may be adjusted accordingly following discussions with our customers. Specifically, we conduct monthly cost accounting and discuss potential price adjustments through our monthly production-sales coordination meetings; if raw material costs rise, our sales team negotiates corresponding price increases with our customers, which typically take effect the following month. To further mitigate the impact of raw material price fluctuations, we establish long-term strategic partnerships and framework agreements with major suppliers of core materials and adopt measures including order price locking and strategic stockpiling.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Our Suppliers

During the Track Record Period, our suppliers primarily included (i) electricity providers and (ii) raw materials suppliers, including suppliers of iron, silicon, nickel and other raw materials.

Supplier Selection and Management

We carefully select our suppliers and require them to satisfy various assessment criteria. We only procure raw materials from the suppliers listed on our qualified supplier catalog. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier catalog. We consider several factors in the selection of suppliers, including but not limited to the potential supplier’s material quality, prices offered, service provided and delivery schedule. To ensure the stability of our supply chain, we generally maintain two or more qualified suppliers for each of our core raw materials.

We generally enter into framework agreements with our suppliers, which set forth the general terms and conditions of purchase. Set forth below are salient terms of our framework agreements:

- **Term and termination.** The agreements generally have a term of three years, and may be renewed upon expiry either automatically or by agreement of the parties.
- **Product specifications.** We generally specify quantity, price, specification, delivery timeline and other detailed contractual terms in the purchase orders we send to our suppliers.
- **Pricing and Payment.** We generally provide for payments based on mutually agreed prices specified in the purchase order. We are generally granted a credit period of 30 to 90 days for the payments.
- **Delivery and logistics.** Our suppliers are typically responsible for the delivery of products to our specified locations in the purchase order.

BUSINESS

- ***Risk transfer.*** The risk transfers to us upon our acceptance after inspection of the products received. Suppliers are required to indemnify us from any losses, damages, or liabilities arising from quality defects discovered during usage, provided that such defects are determined to be attributable to the suppliers.
- ***Product warranty and returns.*** We are generally granted a warranty period of two years. We are entitled to reject, replace or return products which fail to conform to the quantity, quality or specifications as provided in the purchase order.

Our Major Suppliers

In 2023, 2024, 2025 and the three months ended March 31, 2026, purchases from our five largest suppliers was RMB272.0 million, RMB285.2 million, RMB326.2 million and RMB101.2 million, representing 51.7%, 47.2%, 44.4% and 41.6% of our total purchases, respectively. In addition, purchases from our largest supplier accounted for 21.6%, 20.3%, 19.1% and 14.7% of our total purchases in 2023, 2024, 2025 and the three months ended March 31, 2026, respectively. All of our five largest suppliers were Independent Third Parties during the Track Record Period.

None of our Directors and their respective associates or our Shareholders who hold more than 5% of our total issued Shares had any interest in our five largest suppliers during the Track Record Period. Additionally, we did not experience any material disputes with our suppliers during the Track Record Period.

The following table sets forth the details of our five largest suppliers in each period during the Track Record Period:

BUSINESS

Year Ended December 31,						Three months ended March 31,									
2023				2024				2025				2026			
Supplier	Purchase amount RMB'000	Percentage of total purchase %	Method of settlement	Supplier	Purchase amount RMB'000	Percentage of total purchase %	Method of settlement	Supplier	Purchase amount RMB'000	Percentage of total purchase %	Method of settlement	Supplier	Purchase amount RMB'000	Percentage of total purchase %	Method of settlement
Supplier A ⁽¹⁾	113,728	21.6	Telegraphic transfer	Supplier A ⁽¹⁾	122,509	20.3	Telegraphic transfer	Supplier A ⁽¹⁾	140,574	19.1	Telegraphic transfer	Supplier A ⁽¹⁾	35,809	14.7	Telegraphic transfer
Supplier B ⁽²⁾	73,682	14.0	Bills	Supplier B ⁽²⁾	77,225	12.8	Bills	Supplier B ⁽²⁾	73,168	10.0	Bills	Supplier G ⁽⁷⁾	28,654	11.8	Telegraphic transfer
Supplier C ⁽³⁾	39,327	7.5	Bills	Supplier C ⁽³⁾	43,945	7.3	Bills	Supplier G ⁽⁷⁾	41,367	5.6	Telegraphic transfer	Supplier D ⁽⁴⁾	14,186	5.8	Bills
Supplier D ⁽⁴⁾	22,687	4.3	Bills	Supplier E ⁽⁵⁾	21,966	3.6	Telegraphic transfer	Supplier D ⁽⁴⁾	36,719	5.0	Bills	Supplier B ⁽²⁾	12,362	5.1	Bills
Supplier E ⁽⁵⁾	22,612	4.3	Telegraphic transfer	Supplier F ⁽⁶⁾	19,559	3.2	Telegraphic transfer	Supplier C ⁽³⁾	34,364	4.7	Bills	Supplier H ⁽⁸⁾	10,197	4.2	Telegraphic transfer
Total	272,036	51.7		Total	285,214	47.2		Total	326,192	44.4		Total	101,208	41.6	

Notes:

- Supplier A is a company based in Guangdong Province primarily engaged in power supply and power grid operation services. We commenced business relationship with Supplier A in 2011, from whom we primarily purchased electricity. Credit terms are not applicable to Supplier A.
- Supplier B is a company based in Hebei Province primarily engaged in the trading and processing of metal materials and steel products. We commenced business relationship with Supplier B in 2020, from whom we primarily purchased iron materials. They grant us a credit period of 30 days.
- Supplier C is a company based in Hubei Province primarily engaged in the production, processing and sale of iron materials. We commenced business relationship with Supplier C in 2021, from whom we primarily purchased iron materials. They grant us a credit period of 10 days.
- Supplier D is a company based in Shanxi Province primarily engaged in the trading and processing of iron and steel products. We commenced business relationship with Supplier D in 2012, from whom we primarily purchased iron materials. They grant us a credit period of 30 days.
- Supplier E is a company based in Zhejiang Province primarily engaged in the research, development and production of silicon-based materials. We commenced business relationship with Supplier E in 2021, from whom we primarily purchased silicon materials. We were required to make payment before delivery.
- Supplier F is a company based in Guangdong Province primarily engaged in the manufacture and sale of hardware products and electronic components. We commenced business relationship with Supplier F in 2023, from whom we primarily purchased terminals and pins. They grant us a credit period of 60 days.
- Supplier G is a company based in Guangdong Province primarily engaged in the trading of chemical raw materials, and non-ferrous metals. We commenced business relationship with Supplier G in 2021, from whom we primarily purchased nickel plates. We were required to make payment upon delivery.
- Supplier H is a company based in Guangdong Province primarily engaged in the trading of metal materials. We commenced business relationship with Supplier H in 2023, from whom we primarily purchased copper strips. They grant us a credit period of 30 days.

BUSINESS

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

We are dedicated to developing an efficient logistics supply chain to ensure customer satisfaction and enhance our inventory efficiency. During the Track Record Period, we utilized a combination of qualified third-party logistics providers, supplemented by our logistics, to handle the transportation of our finished goods from our production bases to locations designated by our customers. Specifically, we generally use our logistics for the transportation of high-volume shipments within the same province, which also allows us to consolidate deliveries to multiple customers in the same region, while we engage third-party logistics providers for shipments to inter-provincial destinations. We establish stringent transportation standards that the third-party logistics providers must adhere to, and we regularly assess their compliance and performance to ensure efficient and reliable delivery of our products. In addition, cargo insurance has been purchased to cover shipments handled by third-party logistics providers.

Inventory Management

Our inventories mainly include raw materials, work-in-progress and finished goods. As of December 31, 2023, 2024 and 2025 and March 31, 2026, our inventory amounted to RMB217.8 million, RMB190.9 million, RMB280.7 million and RMB329.2 million, respectively. Our inventory turnover days in 2023, 2024, 2025 and three months ended March 31, 2026 are 93 days, 75 days, 81 days and 86 days. We place great emphasis on inventory management, designating specialized personnel to deliver regular reports on inventory status to the management team. Our inventory management is designed to create synergy and optimal resource allocation among order placement, procurement, product manufacturing, shipping, and other processes. Inventory levels are a key factor in our procurement planning process, and we ensure that we maintain sufficient inventory levels to support our production.

DATA PRIVACY AND CYBERSECURITY

In recent years, data privacy and cybersecurity have emerged as critical governance priorities for companies worldwide. In particular, the PRC legislative and government authorities regularly introduce new cybersecurity, data security and privacy laws and regulations. Consequently, our practices regarding the collection, process and transfer of various types of data may come under increased administrative scrutiny.

In the course of our business operations, we collect, store and process business and transaction data such as data related to our business and transactions with our customers, suppliers and other relevant parties. As our transactions are exclusively with enterprises, our activities generally do not involve the collection or processing of personal information from customers.

We have adopted a series of measures to secure the privacy of our customers, including maintaining the register of our data processing activities, adopting certain measures to protect data stored in our systems, antivirus wall and network accessibility restrictions. We conduct cybersecurity penetration test from time to time to evaluate the security of our IT systems. Besides, we have a disaster recovery plan for our IT applications and servers in Chinese Mainland.

INFORMATION TECHNOLOGY

We have developed or employ various information technology systems covering all material aspects of our operations, including sales, supply chain management, inventory management, production and quality control. Our digitalization department is responsible for developing and maintaining information technology systems to support our business operations and growth.

BUSINESS

Our key information technology systems are set forth below:

- **Enterprise Resource Planning (ERP) system.** Our ERP system is an integrated platform, which encompasses functions including accounting and supply chain management. It supports our digitalized operations across research and development, production, operations and international expansion, and provides a digital foundation tailored to the alloy soft magnetic materials industry.
- **Human Resources (HR) system.** Our HR system supports the management of our human resources function, covering employee information management, recruitment, attendance, compensation, organizational structure and reporting analysis. It enables us to manage our workforce efficiently and to enhance the effectiveness of our human resources management.
- **Office Automation (OA) system.** Our OA system provides an internal online platform that facilitates paperless information sharing and collaborative administrative work, including internal approval processes and document circulation.

COMPETITION

We operate in a competitive and rapidly evolving market and compete with global and domestic manufacturers of alloy soft magnetic powders, alloy soft magnetic powder cores and inductors. Competition in our industry is primarily based on material technologies, product performance, R&D and process capabilities, production scale, quality consistency, cost competitiveness, customer validation and the ability to support stable supply. We believe our vertically integrated capabilities across alloy soft magnetic powders, alloy soft magnetic powder cores and AI chip inductors, together with our product portfolio, accumulated materials technologies, position us favorably in the competitive environment. See “Industry Overview” for further details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG Governance

ESG Governance Structure

We are committed to integrating ESG considerations into our business operations and long-term development. We have established a three-tier ESG governance structure comprising the Board, the Board office and an ESG working group, with responsibilities for the oversight, coordination and implementation of ESG matters.

Our Board is responsible for the overall supervision of ESG matters, including reviewing major ESG-related risks, strategies, targets and implementation progress. The Board office coordinates ESG management across the Group and supports the Board in monitoring ESG-related risks and compliance matters. Our ESG working group, together with relevant functional departments, is responsible for implementing ESG policies and measures in day-to-day operations.

ESG Risk Identification

We have established mechanisms to identify, assess and manage ESG-related risks. We engage with key stakeholders through various communication channels to understand their ESG-related expectations. We also monitor environmental and climate-related risks that may affect our operations, strategy and financial performance, and track regulatory developments in China. During the Track Record Period and up to the Latest Practicable Date, the ESG-related risks identified by us did not have any material adverse impact on our business, financial condition or results of operations, and we had no material non-compliance with ESG-related laws and regulations.

BUSINESS

Climate-related Risks

We monitor climate-related policy developments and assess climate-related risks relevant to our operations. Our production bases in Guangdong province may be exposed to physical risks associated with extreme weather events, such as typhoons and heavy rainfall, which may cause power outages, flooding, production disruptions or increased operating costs. We have formulated emergency response plans for environmental incidents and established response measures to mitigate these risks.

We are also exposed to transition risks arising from evolving regulatory and market expectations on emissions, resource utilization and ESG disclosure. In particular, customers and downstream business partners have increasingly focused on ESG performance across the supply chain. We monitor relevant regulatory developments and seek to improve our ESG management and readiness.

The following table sets out our key climate-related risks and our measures:

Risk type	Descriptions	Our measures
Physical risks	Extreme weather, such as typhoons and heavy rainfall, may disrupt production, damage facilities or increase operating costs.	Maintain emergency plans, conduct preventive inspections and implement response measures for environmental incidents.
Transition risks	Regulatory and market expectations on emissions, resource use and ESG disclosure continue to evolve.	Monitor regulatory developments, strengthen ESG management and improve environmental data tracking and disclosure processes.
Supply chain and customer expectations	Customers and downstream business partners increasingly consider ESG performance in supply chain management.	Engage with customers and suppliers, promote responsible supply chain management and improve ESG-related internal controls.

Environmental Protection

Environmental Management

We comply with the PRC Environmental Protection Law, the PRC Law on the Prevention and Control of Atmospheric Pollution, the PRC Law on the Prevention and Control of Water Pollution, the PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste, the PRC Energy Conservation Law and other applicable environmental laws and regulations.

BUSINESS

We have established and maintained an ISO 14001 environmental management system. We have also adopted internal policies, including our waste gas, wastewater and noise management procedures, to guide environmental management across our operations. Our EHS department is primarily responsible for coordinating environmental management matters. We also monitor resource consumption, greenhouse gas (“GHG”) emissions and pollutant discharge in our operations, and seek to manage environmental and climate-related risks by improving our production processes and implementing environmental protection measures.

Resource Management

Our operations primarily consume energy, water, paper and packaging materials. We promote resource efficiency through energy-saving measures, water recycling, paperless office initiatives and packaging reduction.

In energy management, we have adopted energy conservation procedures, phased out certain energy-intensive equipment and introduced more energy-efficient equipment. We also promote electricity-saving awareness among employees. In addition, we have installed photovoltaic panels with a total capacity of 3,629 kW in our production bases in 2025, which resulted in an estimated reduction of 293 tCO₂e, representing an avoided consumption of roughly 80 tons of standard coal.

In water management, we recycle and reuse cooling water for workshop equipment where practicable, use water-saving devices and conduct regular inspections to reduce leakage and water waste. We also promote paperless office practices by encouraging the use of OA systems, emails and double-sided printing. For packaging materials, we promote lightweight and modular product design and have worked with certain core suppliers to use reusable turnover boxes instead of disposable cartons, reducing packaging waste by approximately 800 kg per year.

The following table sets out our GHG emission during the Track Record Period:

GHG Type	Unit	For the Year Ended			For the Three Months Ended March 31,
		2023	2024	2025	2026
Direct (Scope 1) GHG Emissions ⁽¹⁾	tCO ₂ e	46	80	91	22
Indirect (Scope 2) GHG Emissions ⁽¹⁾	tCO ₂ e	73,767	91,388	113,814	27,562
Total Scope 1 and Scope 2 GHG Emissions	tCO₂e	73,813	91,468	113,904	27,585
Scope 1 and Scope 2 emissions intensity	tCO ₂ e/million RMB revenue	64	55	63	56

Notes:

- (1) For Scope 1 emissions, the emission factors for gasoline, diesel and natural gas, and for Scope 2 emissions, the emission factors for electricity, were adopted from the benchmarks set by the Guidelines for Compilation of Greenhouse Gas Inventories at City, County and District Levels of Guangdong Province (Trial).

Water Consumption and Solid Waste Management

Our pollutants generated in daily operations mainly include solid waste. We have adopted internal procedures and engage qualified third-party institutions to conduct monitoring where required.

BUSINESS

The following table sets out our key environmental indicators, including waste generation and water consumption, during the Track Record Period:

Indicator	Unit	For the Year Ended			For the Three Months Ended March 31,
		2023	2024	2025	2026
Waste	Tons	710	856	1,006	240
— Hazardous waste	Tons	176	242	239	71
— Non-hazardous waste	Tons	534	614	767	169
Water consumption	Cubic meters	390,699	438,227	539,800	117,787

Social Responsibility

Human Capital

We are committed to providing employees with a fair, inclusive and positive working environment. We comply with applicable labor and employment laws and regulations, and prohibit discrimination, harassment, child labor and forced labor. We have adopted internal policies, including our employee handbook, recruitment management system, employee benefits management system, employee training management system, employee promotion management rules and employee performance appraisal system, to standardize recruitment, compensation, training, promotion, performance appraisal and employee benefits.

We provide training to employees to help them perform their duties and support their career development. Our internal promotion policies set out promotion standards for different job levels, and our performance appraisal system supports a compensation system that seeks to maintain both external competitiveness and internal fairness.

Business Integrity

We place strong emphasis on business ethics and integrity. We have adopted internal policies, including our employee integrity and self-discipline management measures and business conduct guidelines. Employees are required to sign relevant integrity documents upon joining our Group, and we conduct anti-corruption training, meetings and seminars from time to time.

We have also established whistleblowing channels, including hotline, email and offline reporting channels, which are open to employees and external parties that have direct or indirect business relationships with us. Reports are handled under approved investigation procedures. Our internal audit department is responsible for protecting the confidentiality of whistleblowers and the information submitted.

Social Contribution

We recognize the importance of contributing to the communities in which we operate. We have adopted internal policies for public welfare donations and actively participate in community initiatives.

BUSINESS

EMPLOYEE

As of March 31, 2026, we had a total of 4,166 full-time employees and the majority of our employees were based in Chinese Mainland. The table sets forth a breakdown of our employees by function as of March 31, 2026.

Function	Number	Percentage of Total Number
R&D	399	9.6
Sales and marketing	53	1.3
Production	3,559	85.4
Administrative	137	3.3
Finance	18	0.4
Total	4,166	100.0%

We enter into standard labor contracts and confidentiality agreements with all of our full-time employees. In addition, we enter into non-competition agreements with our key research and development personnel to protect our proprietary technologies, trade secrets and other confidential information.

We adopt various recruitment methods, including on-site recruitment at our production bases, recruitment through partner agencies, online recruitment and campus recruitment. We attach significant importance to talent cultivation and have established a multi-tiered training system. New employees receive induction training covering our corporate culture, internal policies and shop-floor practices, while existing employees receive targeted training across functions including research and development, finance, management and production. We also conduct regular company-wide training on anti-unfair competition and anti-bribery matters. We are committed to making continual efforts to provide an engaging working environment to our employees. We provide our employees with competitive compensation packages comprising base salaries, performance-based bonuses and statutory social insurance and housing fund contributions, which are determined with reference to individual performance, market practices and our operating results.

Our employees in Chinese Mainland are currently represented by a labor union. Each of our subsidiaries in Chinese Mainland has established a labor union in accordance with the PRC Labor Union Law (《中華人民共和國工會法》), through which our employees may participate in the review of major matters affecting their interests. We believe that we maintain good working relationships with our employees, and we have not experienced any material labor disputes, strikes, protests or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

Social Insurance and Housing Provident Fund

Background and reasons for non-compliance

As required by applicable laws and regulations, we participate in various government statutory employee benefit plans, including social insurance plans, namely pension, medical, unemployment, work-related injury and maternity insurance plans, and housing provident funds. During the Track Record Period, we did not make full contributions to social insurance and housing provident fund for our employees as required by the relevant PRC laws and regulations. The shortfall of social insurance and housing provident fund contributions amounted to approximately RMB11.3 million, RMB16.0 million, RMB21.6 million and RMB7.9 million in 2023, 2024 and 2025, and the three months ended March 31, 2026. We were unable to make full social insurance and housing provident fund contributions for the relevant employee, primarily due to (i) certain of our employees were unwilling to pay the social insurance and housing provident funds in full as it requires additional

BUSINESS

contributions from our employees, and (ii) certain of our employees chose to participate in local welfare schemes offered in their place of residency, instead of in the social welfare schemes of the city where they temporarily reside.

Potential Legal Consequences

As advised by our PRC Legal Advisers, pursuant to Law on Social Insurance of the PRC (《中華人民共和國社會保險法》) employers who fail to pay social insurance contributions in full and on time may be ordered to pay the outstanding amounts within a prescribed time limit by the relevant social insurance authorities, with an additional late fee being 0.05% of the outstanding amounts calculated on a daily basis from the date on which such amounts are payable. Employers who fail to settle the overdue payment(s) within the stipulated period will be subject to a fine from one to three times the total amount of overdue payment(s). Our PRC Legal Advisers further advised that, pursuant to Regulations on Administration of House Provident Fund (《住房公積金管理條例》), employers who fail to make payment in full and on time shall be ordered by the Housing Provident Fund Management Centre to settle overdue payment(s) within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement of the outstanding payment amounts.

As of the Latest Practicable Date, we had not received any notice from the relevant authority in the PRC requiring us to pay shortfalls or imposing penalties related to social insurance and housing provident fund contributions. Considering that (i) the Ministry of Human Resources and Social Security and the State Administration of Taxation have strictly prohibited the centralized collection of historical shortfalls for social insurance, (ii) we undertake to resolve any complaints or appeals from employees or requirements from relevant governmental authorities, regarding social insurance and housing provident funds, if any, in a timely and legal manner, and (iii) we have obtained compliance certificates from the competent government authorities, our PRC Legal Advisor is of the view that, under the premise that there are no significant changes to current PRC policies and regulations or to the enforcement and supervision requirements of local governments and that there are no material employee complaints, litigation or arbitration proceedings, the likelihood that we would be subject to material administrative penalties or centralized collection due to our failure to provide full social insurance and housing provident fund contributions is remote. As such, we have not made provisions for the shortfalls of contributions to the social insurance and housing provident funds during the Track Record Period.

Because of the above, we believe that such non-compliance will not have a material adverse effect on our business operations or financial conditions.

Latest Status

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents in relation to social insurance and housing provident funds that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Production Safety Incident

Background of the Incident

On April 28, 2025, a production safety incident occurred at a production workshop of our Huizhou Production Base (the “**Workshop**”) in the course of work in a confined space relating to our granulation process, which led to the fatalities of two of our employees as a result of suffocation (the “**Incident**”). According to the investigation report issued by the designated incident investigation group of the People’s Government of Huidong County (惠東縣人民政府), the Incident involved a granulation dryer used in granulation process, and was caused by (i) one employee’s improper entry into the tank of the granulation dryer in breach of our relevant operating procedures; and (ii)

BUSINESS

another employee’s improper rescue attempt, after discovering the first employee had lost consciousness inside the tank, by entering the tank without wearing the proper air respirator in breach of our emergency rescue procedures for confined spaces. Upon further investigation and assessment, the People’s Government of Huidong County (惠東縣人民政府) approved the accident investigation report compiled by the designated incident investigation group, including the analysis of the causes of the Incident and the determination that the Incident constituted a general production safety responsibility accident (一般生產安全責任事故), being the lowest of the four accident grades under the PRC work safety accident classification regime, namely particularly significant accidents (特別重大事故), major accidents (重大事故), relatively major accidents (較大事故) and general accidents (一般事故). Save for the Incident, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any other material production safety accidents.

Subsequent Rectifications

Following the Incident, we promptly reported the matter to the relevant authorities and suspended the operations of the Workshop. In accordance with the requirements of the relevant authorities, we completed the necessary rectification measures. After conducting an on-site inspection of our rectification status, the designated incident investigation group issued (with the seal of the Office of Huidong County Work Safety Committee (惠東縣安全生產委員會辦公室)) approval for the resumption of operations of the Workshop. The Workshop resumed operation on May 27, 2025, which was approximately one month after the Incident. We fully cooperated with the subsequent investigation and implemented the following rectification measures:

- For the operation of relevant production equipment, we revised and enhanced the operating procedures for the granulation dryer, locked the inspection opening of the granulation dryer, and enhanced confined space warning signs to further increase employee safety awareness. We also supplemented emergency rescue supplies with portable gas detectors. Further, we strengthened approval and safety procedures for equipment maintenance and cleaning work, and conducted training and emergency drills for relevant personnel.
- For the overall production activities at our production bases, we conducted comprehensive inspections to identify any hidden hazard, completed the rectification of the items identified by updating our production safety management system and operating procedures, enhancing our confined space work management requirements, and strengthening our overall risk identification and classification, hidden hazard inspection, safety training and safety responsibility framework.
- We also entered into mediation agreements with the families of the deceased employees and made compensation of RMB2.3 million (in addition to ex gratia humanitarian payments, outstanding wages and insurance payment in the total sum of RMB2.3 million) in accordance with such mediation agreements. Under the mediation agreements, the relevant families agreed that, upon receipt of such compensation, the compensation matters in relation to the Incident had been fully settled and they voluntarily forfeited any right to file or request for other compensation, arbitration, complaint or pursue action or litigation or any other right in relation to the Incident, nor raise any dispute in this regard, upon receiving the aforementioned compensation.

In addition to the aforementioned rectifications, in May 2025, we engaged a special safety consultant to review the implementation and effectiveness of prevention and rectification measures in relation to the Incident. As part of its review, the special safety consultant conducted site inspections, reviewed relevant documents, interviewed our safety management personnel and other staff related to the Incident, and checked rectification status of the relevant equipment, warning signs and safety measures. According to the rectification assessment report and as advised by the special safety consultant, our Directors are of the view that sufficient and adequate accident

BUSINESS

prevention and rectification measures had been implemented and the implementation status complied with the applicable requirements relating to post-Incident prevention and rectification assessment.

Administrative Proceedings

The Incident was classified as a general production safety responsibility accident (一般生產安全責任事故) and on May 21, 2026, Huidong County Emergency Management Bureau (惠東縣應急管理局) (“**Huidong Emergency Bureau**”) issued an administrative fine of RMB730,000 for lack of in-depth safety training and education of relevant employees, which led to insufficient safety awareness of confined space risks and the importance of strict adherence to safety procedures. As advised by our PRC Legal Advisor, the fine imposed was within the lower end of the applicable penalty range under the relevant PRC laws and regulations, and reflected mitigating factors recognized under applicable laws, including our subsequent rectification and cooperation with the relevant authorities. Upon fulfillment of payment obligations, we received a written confirmation (the “**Written Confirmation**”) from Huidong Emergency Bureau that we had (i) proactively communicated and coordinated compensation and mediations with the families of the deceased employees; (ii) fully paid the administrative fine; (iii) carried out required rectification in respect of confined space work, safety training and education; and (iv) the Incident did not constitute material violation of laws or regulations in relation to production safety. In light of the Written Confirmation, our PRC Legal Advisor is of the view that the Incident did not constitute material violation of laws or regulations in relation to production safety and the administrative fine did not constitute material administrative penalty by PRC regulatory authorities.

Considering that (i) at the time of the Incident, the Workshop had not commenced mass production for customer orders; (ii) the causes of the Incident were due to improper implementation of operating procedures and an improper rescue attempt of our employees, which was an isolated incident and did not indicate systemic insufficiencies of our production safety management, (iii) the fact that we have made full payments of agreed compensations to the families of the deceased employees, and have implemented rectifications measures to prevent recurrence of similar accidents, (iv) the assessment of our special safety consultant in relation to our rectification measures, (v) the Written Confirmation from Huidong Emergency Bureau, and (vi) the aforementioned view of our PRC Legal Advisor, our Directors are of the view that the Incident would not have any material adverse impact on our Group’s operations and financial position.

Enhanced Internal Control Measures

In addition to the rectification measures implemented in respect of the Incident, we have strengthened our production safety management and internal control measures:

- **Safety procedures and equipment control.** We enhanced our confined space work management requirements, including access control, approval procedures, gas detection, ventilation, on-site monitoring and emergency rescue procedures. We also updated our production safety management system and operating procedures, and strengthened controls over equipment maintenance, cleaning work, warning signs, emergency supplies and safety inspection requirements.
- **Safety training and enhanced responsibility framework.** We strengthened safety training for employees, in particular training relating to confined space risks, operating procedures and emergency rescue requirements, and conducted dedicated emergency drills for relevant personnel. We also further clarified safety responsibilities across relevant management levels, functional departments and frontline positions, and strengthened supervision over employees’ compliance with safety operating procedures.
- **Safety advisory support.** In addition to engaging special safety consultant in connection with the Incident, we have engaged a regular safety consultant to provide safety advisory services in line with our productions, which include on-site safety inspections, review of

BUSINESS

production processes, equipment, facilities and workplaces, and provision of safety recommendations. We will continue to work with our safety consultant and our internal EHS function to monitor the implementation of safety requirements.

INSURANCE

We maintain insurance coverage over our daily operations. Our insurance policies primarily include property all risk insurance, and group personal accident insurance covering, among others, accidental injury, medical expenses and death. We review our insurance policies timely to ensure their compliances with the statutory PRC laws and regulations. We believe that our existing insurance coverage is adequate for our business operation and is in line with industry standards in the jurisdictions where we operate.

During the Track Record Period, we were not subject to any material claim of insurance. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See “Risk Factors — Our Insurance Coverage May Not be Sufficient to Cover All Losses or Potential Claims by Our Customers, which Would Affect Our Business, Financial Condition and Results of Operations.”

PROPERTIES

Owned Properties

Land

As of Latest Practicable Date, we owned the land use rights of five parcels of land and shared land use rights underlying our purchased industrial R&D units in Shenzhen in Chinese Mainland, with an aggregate site area of approximately 202,280.0 sq. m., which were mainly used for industrial purpose. As of the Latest Practicable Date, we had obtained all land use rights certificates for all land parcels we owned and occupied.

Buildings

As of Latest Practicable Date, we owned a total of 35 properties across Chinese Mainland, with an aggregate GFA of approximately 194,775 sq. m., which were mainly used as our production bases and offices.

As of the Latest Practicable Date, we had three properties with an aggregated GFA of 6,358 sq.m. that did not have building ownership certificates. These properties include (i) a temporary production facility at our Huizhou production base, which is built on our own land and used as a warehouse and supplementary production site for alloy soft magnetic powder cores during periods of tight production scheduling (the “**Temporary Building**”), (ii) a factory workshop in our Huizhou production base (the “**Workshop Nine**”), and (iii) Room 408 of Chengdu Intelligent Information Industrial Park, used as an office building in Chengdu (the “**Chengdu Office**”).

The Temporary Building was constructed without the relevant approval for construction. As advised by our PRC Legal Advisor, under the applicable laws and regulations, we may be subject to an order to rectify or demolish the Temporary Building and may also be subject to fines in connection with such non-compliance. According to the interview conducted by our PRC Legal Advisor with the relevant personnel of Huidong County Natural Resources Bureau (惠東縣自然資源局), (i) we may continue to use the Temporary Building built on our own land, (ii) that there was no risk of land resumption in connection with the Temporary Building, and (iii) that the likelihood of being ordered to demolish the Temporary Building or being subject to administrative penalties was relatively low. Our PRC Legal Advisor is of the view that, based on the foregoing interview, the public credit information reports showing no record of violations and the confirmation of no penalty record issued by Huidong County Housing and Urban-Rural Development Bureau, (i) the failure to complete the relevant approval procedures for the Temporary Building does not constitute a

BUSINESS

material non-compliance, and (ii) the risk of being ordered to demolish the Temporary Building or being subject to administrative penalties is relatively low. We plan to gradually demolish the Temporary Building in line with the overall adjustment and optimization of our production bases.

Workshop Nine was constructed on our own land. We had obtained the construction land planning permit, construction project planning permit and construction works commencement permit for Workshop Nine, and had completed the relevant completion acceptance filing. As of the Latest Practicable Date, we were in the process of applying for the building ownership certificate for Workshop Nine. According to the interview conducted by our PRC Legal Advisor with the relevant personnel of Huidong County Natural Resources Bureau (惠東縣自然資源局), (i) the application materials for the building ownership certificate of Workshop Nine had been duly submitted and met the statutory conditions and requirements for registration, and that (ii) Workshop Nine was not an illegal building and was not subject to risks of demolition or administrative penalties.

The Chengdu Office is used as our office premises. We entered into a sale and purchase agreement in respect of the Chengdu Office and had fully paid the purchase price in accordance with the agreement. The seller had obtained the real estate ownership certificate for the office building in which the Chengdu Office is located. As of the Latest Practicable Date, we were in the process of completing the title transfer registration for the Chengdu Office.

Considering (i) the aforementioned interview with the competent authority with respect to our properties and the compliance confirmations issued by the relevant authorities, and (ii) that during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties by the relevant competent government authorities in relation to the aforementioned properties, our PRC Legal Advisor is of the view that the risk of being subject to administrative penalties for our use of the three buildings is relatively low. Considering (i) the relatively small aggregate GFA of the three buildings, and (ii) the ancillary nature of their use in our overall operations, our Directors are of the view that our use of the three buildings will not have a material adverse effect on our business operations.

Lease Properties

As of Latest Practicable Date, we leased seven properties across Chinese Mainland, with an aggregate GFA of approximately 29,395.2 sq. m., which were mainly used as our production bases, warehouse and offices. As of the same date, we leased one property in Thailand, with an aggregate GFA of approximately 3,888 sq. m., which was used as our production facility. Our leases generally have a term ranging around three years. We are generally allowed to terminate lease agreements with prior notice, which provide us with operational flexibility, albeit usually at the cost of forfeiting deposits and/or paying a termination fee.

Pursuant to applicable PRC laws and regulations, property lease agreements shall be registered with the relevant local branches of the PRC Ministry of Housing and Urban-Rural Development within 30 days of execution. As of the Latest Practicable Date, we had not completed lease registration for the seven properties we leased in Chinese Mainland. The failure of lease agreement registration was primarily because the relevant lease agreements were not registered within the statutory filing period and subsequent completion of lease registration would require the cooperation of the relevant lessors, including the provision of property title documents and other supporting materials and, where required under local practice, the execution of supplemental or updated lease documents. As the relevant lessors have not provided the necessary cooperation, we have not been able to complete the lease registration.

BUSINESS

As advised by our PRC Legal Advisor, the absence of registrations will not affect the validity of the lease agreements, nor materially and adversely affect our operations. The relevant PRC authorities may request us to complete the registration, and if we fail to complete the registration of lease agreements within the stipulated period, as advised by our PRC Legal Advisor, a fine ranging from RMB1,000 to RMB10,000 may be imposed by the relevant PRC authorities for each of the non-registered leased property.

As of the Latest Practicable Date, in relation to the leased properties that had not completed lease registration, we have not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. In addition, we will continue to communicate with our lessors and will take all practicable and reasonable steps to register these lease agreements where applicable. Based on the foregoing, after consulting with our PRC Legal Advisor, our Directors believe that (i) the absence of registration for lease agreements does not constitute a material or systemic non-compliance on our part, and (ii) the failure to register these lease agreements, either individually or in total, will not have a material impact on our business or operational results.

Property Valuation

As of the Latest Practicable Date, no single property interest forming part of our Group’s property activities had a carrying amount of 1% or more of our total assets and no single property interest forming part of our Group’s non-property activities had a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial conditions.

INTERNAL CONTROL AND RISK MANAGEMENT

We have in place a robust risk management and internal control system. We adopted and continually improve our internal control mechanisms, consisting of policies and procedures tailored to our business operations, to safeguard our business operations and assets at all times. Our Board is collectively responsible for establishing and implementing such risk management mechanisms and overseeing our overall risk management.

BUSINESS

Financial Reporting Risk Management

To manage financial reporting risks effectively, we have adopted comprehensive accounting policies covering financial management, budget management, and financial statement preparation. These policies are supported by established procedures, with our finance department regularly reviewing management accounts in accordance with these procedures. We also established an Audit Committee to review and supervise our financial reporting process and internal control system.

Compliance Risk Management

We have established sound compliance risk management procedures to achieve effective identification and management of compliance risk, and ensure that our operations are in compliance with applicable laws and regulations. In accordance with such procedures, our legal team carefully reviews the contracts we enter into with customers, suppliers and business partners. Our legal team is also responsible for obtaining any requisite governmental permits, approvals or consents. In addition, we continually monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations.

Human Resources Risk Management

We have established comprehensive internal control and risk management policies for human resources, covering recruitment, training, work ethics and legal compliance. Our recruitment process helps ensure the quality of new hires. We also provide regular and specialized training tailored for our employees in different departments. These trainings help ensure that our employees’ skill sets remain up-to-date and enable them to discover and meet our customers’ needs. We conduct regular performance reviews and align their compensation with performance outcomes. In addition, we closely monitor the implementation of our internal risk management policies, aiming to promptly identify and address any potential noncompliance with our code of conduct, ethical standards or internal policies.

Anti-corruption Risk Management

We uphold business ethics and integrity through comprehensive policies, including the anti-bribery code of conduct. We maintain a whistleblower mechanism for anonymous reporting, with oversight by the internal audit department. All reports will be investigated per an approved plan, with findings documented and submitted to relevant management. The internal audit department ensures strict confidentiality for whistleblowers. In addition, we require our business partners to sign the code of business conduct for business partners or other integrity agreement as part of the onboarding process.

As of the Latest Practicable Date, we have not been involved in legal proceedings related to corruption, bribery, or fraud.

LICENSES, APPROVALS AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals, permits and certificates necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates are valid and subsisting. We are required to renew such certificates, permits and licenses from time-to-time, and we are continually overseeing the compliance with the relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in renewing the licenses, approvals and permits, and currently we do not expect any material difficulties in such renewal.

BUSINESS

AWARDS AND RECOGNITIONS

The following table sets forth major awards and recognitions we received as of the Latest Practicable Date.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
China Nonferrous Metals Industry Science and Technology Award — First Prize (中國有色金屬工業科學技術一等獎)	2018	China Nonferrous Metals Industry Association (中國有色金屬工業協會)
National Specialized and Sophisticated “Little Giant” Enterprise (國家級專精特新「小巨人」企業)	2020	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
China Patent Excellence Award (中國優秀專利獎)	2022	China National Intellectual Property Administration (國家知識產權局)
Manufacturing Industry Single Champion Demonstration Enterprise (製造業單項冠軍示範企業)	2022	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
Guangdong Province Science and Technology Progress Award — Second Prize (廣東省科技進步二等獎)	2025	People’s Government of Guangdong Province (廣東省人民政府)