FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our historical financial information included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our historical financial information has been prepared in accordance with IFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider all of the information provided in this document.

OVERVIEW

We primarily focused on the R&D, production and sales of alloy soft magnetic powder-based products. During the Track Record Period, our product portfolio primarily include (i) alloy soft magnetic powder cores, (ii) AI chip inductors, and (iii) alloy soft magnetic powders. Among these products, alloy soft magnetic powder cores remained our largest revenue contribution.

BASIS OF PREPARATION AND PRESENTATION

Our Historical Financial Information has been prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**"). The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2026.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Product Portfolio and Innovation

Our results of operations depend on our ability to innovate and upgrade products to meet evolving customer demands. During the Track Record Period, we derived revenue from sales of alloy soft magnetic powder cores, AI chip inductors and alloy soft magnetic powders. Among these products, alloy soft magnetic powder cores remained to make the largest revenue contribution, with revenue of RMB1,026.3 million, RMB1,233.6 million, RMB1,289.2 million, RMB290.7 million and RMB316.2 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, representing 88.6%, 74.2%, 71.5%, 75.8% and 64.6% of our total revenue, respectively. Customer requirements continue to evolve, and at the same time, existing products may face pricing pressure as product technologies mature and market competition intensifies. Our ability to refine our material technologies, production processes and product performance is therefore important to maintaining our competitiveness and supporting our revenue growth.

We also continually innovate and expand our portfolio to further drive our revenue growth. For example, we dedicated to the development of AI chip inductors in line with emerging market demands. During the Track Record Period, revenue from AI chip inductors increased from RMB77.5 million in 2023 to RMB366.2 million in 2024, and further to RMB439.5 million in 2025. This reflected our ability to extend our alloy soft magnetic powder core and alloy soft magnetic powder capabilities into inductive components for AI computing power applications.

Sustained product innovation may affect our short-term profitability. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our research and development expenses amounted to RMB74.7 million, RMB117.1 million, RMB151.6 million, RMB31.3 million and RMB42.9 million, representing 6.4%, 7.0%, 8.4%, 8.2% and 8.8% of our total revenue during the same periods, respectively. We believe it is important to our ability to respond to technology trends, support product upgrades and maintain our competitive position over the long term.

Our Product Mix

Our gross profit is affected by our product mix, as different products have different margin profiles. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our gross profit margin was 39.6%, 40.7%, 42.0%, 37.7% and 37.1%, respectively. During the same periods, our gross profit margin from alloy soft magnetic powders was 53.8%, 51.8%, 51.0%, 51.7% and 50.3%, and our gross profit margin from AI chip inductors was 45.3%, 58.8%, 48.5%, 44.5% and 49.6%, while our gross profit margin from alloy soft magnetic powder cores was 39.0%, 35.2%, 39.6%, 35.6% and 30.1%, respectively. Our product mix may change in response to downstream demands, customer requirements, production capacity, technology upgrades and changes in the competitive dynamics of industries and markets in which our products are sold. A higher revenue contribution from products with higher margins may improve our overall gross profit margin, while a higher contribution from lower-margin products, pricing pressure or changes in customer demand may reduce our overall gross profit margin. We aim to further enrich our product portfolio, broaden our customer base and maintain a strong focus on high-margin product categories. By continuously refining our product mix, we are committed to sustaining robust financial performance.

Cost Management and Operational Efficiency

Our ability to effectively control costs and expenses is critical to our results of operations.

In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our cost of sales accounted for RMB699.6 million, RMB986.2 million, RMB1,045.7 million, RMB238.9 million and RMB308.0 million, representing 60.4%, 59.3%, 58.0%, 62.3% and 62.9% of our revenue, respectively. Material cost accounted for a substantial portion of our cost of sales, representing 44.4%, 41.5%, 39.3%, 40.5% and 39.8% of our cost of sales in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026. As a result, changes in the prices of our major materials, production volume, product mix may have a direct impact on our cost of sales and, in turn, our financial performance. We seek to manage our cost of sales through supplier management, production planning, inventory management, process improvement and scale production. In particular, our production capabilities allow us to better control key material usage in our alloy soft magnetic powder cores and AI chip inductors. As our production scale increases and our product mix continues to evolve, our ability to improve production efficiency, stabilize yield and manage manufacturing costs will remain important to our profitability.

Our operating expenses consist of selling and distribution expenses, administrative expenses and research and development expenses. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our operating expenses amounted to RMB173.3 million, RMB243.2 million, RMB272.4 million, RMB55.6 million and RMB74.1 million, representing 15.0%, 14.6%, 15.1%, 14.5% and 15.1% of our revenue during the same periods, respectively. While we expect the absolute amounts of our operating expenses will continue to increase along with our business growth, we are committed to further enhancing our operational efficiency through budget management and performance monitoring.

Demand from Downstream Markets and Competitive Landscape within Our Industry

Our business performance is affected by downstream demand for our products. During the Track Record Period, our products were primarily used in AI computing infrastructure, new energy infrastructure, automotive and other applications. Demand in these applications is affected by a number of factors, including macroeconomic conditions, industry related policies, customers' capital expenditure plans, technology upgrades and end-market demand.

The downstream applications we served are at different stages of development and may experience different demand cycles. For example, demands from photovoltaic power generation and EV charging applications may be affected by industry related policies, capacity expansion and investment cycles, while demands from variable-frequency air conditioners may be affected by end-consumer demand. In addition, power electronics technology is developing toward higher levels of integration and higher frequencies, which may create new application opportunities for our products, but the pace of adaptation may vary across industries and customers. Our financial performance is also affected by the competitive landscape in the global and Chinese market. We compete on product performance, technical capabilities, product quality, delivery, cost efficiency, customer responsiveness and support. Competitive pressure may affect our revenue growth, pricing and gross margins. To maintain our competitiveness, we need to continue to respond to customer needs, improve product performance and strengthen our market position.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Certain accounting policies are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operation results. See Notes 2 and 3 to the Accountants' Report in Appendix I to this document. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including loss allowance for ECLs and net realizable value of inventories that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets forth a summary of our consolidated statements of profit or loss and other comprehensive income in absolute amounts and as percentages of our total revenue 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* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Revenue	**1,158,520**	**100.0**	**1,662,941**	**100.0**	**1,802,237**	**100.0**	**383,308**	**100.0**	**489,593**	**100.0**
Cost of sales	(699,641)	(60.4)	(986,192)	(59.3)	(1,045,698)	(58.0)	(238,881)	(62.3)	(307,953)	(62.9)
Gross profit	**458,879**	**39.6**	**676,749**	**40.7**	**756,539**	**42.0**	**144,427**	**37.7**	**181,640**	**37.1**
Other income, gain and losses	23,569	2.0	17,872	1.1	15,380	0.9	2,470	0.6	(3,389)	(0.7)
Selling and distribution expenses	(20,764)	(1.8)	(26,606)	(1.6)	(24,967)	(1.4)	(5,683)	(1.5)	(6,395)	(1.3)
Administrative expenses	(77,837)	(6.7)	(99,453)	(6.0)	(95,867)	(5.3)	(18,636)	(4.9)	(24,830)	(5.1)
Research and development expenses	(74,713)	(6.4)	(117,137)	(7.0)	(151,556)	(8.4)	(31,269)	(8.2)	(42,890)	(8.8)
Impairment losses on financial assets	(765)	(0.1)	(14,532)	(0.9)	(187)	(0.0)	129	0.0	1,219	0.2
Profit from operations	**308,369**	**26.6**	**436,893**	**26.3**	**499,342**	**27.7**	**91,438**	**23.9**	**105,355**	**21.5**
Finance costs	(17,625)	(1.5)	(16,473)	(1.0)	(19,411)	(1.1)	(3,797)	(1.0)	(4,066)	(0.8)
Share of profit or loss of an associate	—	—	—	—	44	0.0	—	—	83	0.0
Profit before taxation	**290,744**	**25.1**	**420,420**	**25.3**	**479,975**	**26.6**	**87,641**	**22.9**	**101,372**	**20.7**
Income tax	(35,148)	(3.0)	(46,642)	(2.8)	(53,851)	(3.0)	(14,214)	(3.7)	(12,853)	(2.6)
Profit for the year/ period	**255,596**	**22.1**	**373,778**	**22.5**	**426,124**	**23.6**	**73,427**	**19.2**	**88,519**	**18.1**
Other comprehensive income for the year/ period	**—**	**—**	**—**	**—**	**26**	**0.0**	**—**	**—**	**(624)**	**(0.1)**
Total comprehensive income for the year/ period	**255,596**	**22.1**	**373,778**	**22.5**	**426,150**	**23.6**	**73,427**	**19.2**	**87,895**	**18.0**

Non-IFRS Measure

To supplement our historical financial information that are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS to evaluate our operating performance. We define adjusted net profit (non-IFRS measure) as profit for the year/period adjusted by adding back equity-settled share-based payment expenses, which are non-cash in nature. We believe that this non-IFRS measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table sets forth a reconciliation of our profit for the year/period to adjusted net profit (non-IFRS measure) in respect of 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* (unaudited)	*RMB'000* (unaudited)
Profit for the year/ period	**255,596**	**373,778**	**426,124**	**73,427**	**88,519**
Add:					
Equity-settled share-based payment expenses	22,328	16,359	8,261	3,168	1,531
Adjusted net profit (non-IFRS measure)	**277,924**	**390,137**	**434,385**	**76,595**	**90,050**

Revenue

Revenue by Products

During the Track Record Period, our revenue was mainly derived from sales of (i) alloy soft magnetic powder cores, (ii) AI chip inductors, and (iii) alloy soft magnetic powders.

The following table sets forth a breakdown of our revenue by products, in absolute amounts and as percentages of our total revenue, 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* (unaudited)	*%*	*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.

The table below sets forth a breakdown of sales volume and 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.

Comparison between the three months ended March 31, 2026 and 2025: Our revenue increased by 27.7% from RMB383.3 million in the three months ended March 31, 2025 to RMB489.6 million in the three months ended March 31, 2026, primarily due to:

- *Alloy soft magnetic powder cores*: Our revenue from alloy soft magnetic powder cores increased by 8.8% from RMB290.7 million in the three months ended March 31, 2025 to RMB316.2 million in the three months ended March 31, 2026, primarily due to an increase in sales volume from 9,305 tons in the three months ended March 31, 2025 to 10,097 tons in the three months ended March 31, 2026. Such increases were mainly driven by enhanced customer demand from new energy infrastructure applications.

- *AI chip inductors*: Our revenue from AI chip inductors increased significantly from RMB73.9 million in the three months ended March 31, 2025 to RMB159.2 million in the three months ended March 31, 2026, primarily due to (i) increased sales volume from 22,973 thousand units in the three months ended March 31, 2025 to 38,647 thousand units in the three months ended March 31, 2026, mainly driven by increased downstream customer demands, and (ii) an increase in ASP from RMB3,217 per thousand units to RMB4,120 per thousand units.

- *Alloy soft magnetic powders*: Our revenue from alloy soft magnetic powders remained stable at RMB12.6 million and RMB12.5 million in the three months ended March 31, 2025 and 2026, respectively.

- *Others*: Our revenue from others decreased by 72.1% from RMB6.1 million in the three months ended March 31, 2025 to RMB1.7 million in the three months ended March 31, 2026, primarily reflecting fluctuations in demand for our customized alloy-based inductors during the period.

Comparison between 2025 and 2024: Our revenue increased by 8.4% from RMB1,662.9 million in 2024 to RMB1,802.2 million in 2025, primarily due to:

- *Alloy soft magnetic powder cores*: Our revenue from alloy soft magnetic powder cores increased by 4.5% from RMB1,233.6 million in 2024 to RMB1,289.2 million in 2025, primarily due to (i) an increase in sales volume from 39,272 tons in 2024 to 40,223 tons in 2025, mainly driven by the enhanced downstream customer demand from new energy infrastructure applications, and (ii) increased ASP for alloy soft magnetic powder cores.

- *AI chip inductors*: Our revenue from AI chip inductors increased by 20.0% from RMB366.2 million in 2024 to RMB439.5 million in 2025, primarily due to (i) increased sales volume from 98,153 thousand units in 2024 to 107,530 thousand units in 2025, mainly driven by increased customer demand from AI computing infrastructure applications, and (ii) increased ASP due to market demand.
- *Alloy soft magnetic powders*: Our revenue from alloy soft magnetic powders increased by 38.6% from RMB39.9 million in 2024 to RMB55.3 million in 2025, primarily due to an increase in sales volume from 1,323 tons in 2024 to 2,125 tons in 2025, mainly driven by increased customer demand, partially offset by the decrease in ASP.
- *Others*: Our revenue from others decreased by 21.1% from RMB23.2 million in 2024 to RMB18.3 million in 2025, primarily reflecting fluctuations in demand for our customized alloy-based inductors during the period.

***Comparison between 2024 and 2023**:* Our revenue increased by 43.5% from RMB1,158.5 million in 2023 to RMB1,662.9 million in 2024, primarily due to:

- *Alloy soft magnetic powder cores*: Our revenue from alloy soft magnetic powder cores increased by 20.2% from RMB1,026.3 million in 2023 to RMB1,233.6 million in 2024, primarily due to an increase in sales volume from 30,718 tons in 2023 to 39,272 tons in 2024, mainly driven by the enhanced downstream customer demands for our products from new energy infrastructure applications.
- *AI chip inductors*: Our revenue from AI chip inductors increased significantly from RMB77.5 million in 2023 to RMB366.2 million in 2024, primarily due to enhanced customer demand, which resulted in an increase in sales volume from 22,652 thousand units in 2023 to 98,153 thousand units in 2024.
- *Alloy soft magnetic powders*: Our revenue from alloy soft magnetic powders increased by 47.2% from RMB27.1 million in 2023 to RMB39.9 million in 2024, primarily due to an increase in sales volume from 857 tons in 2023 to 1,323 tons in 2024, mainly driven by increased customer demand.
- *Others*: Our revenue from others decreased by 15.9% from RMB27.6 million in 2023 to RMB23.2 million in 2024, primarily reflecting fluctuations in demand for our customized alloy-based inductors during the period.

Cost of Sales

Our cost of sales includes (i) material cost, such as iron, silicon, aluminum, copper and nickel, (ii) staff cost, (iii) depreciation and amortization, (iv) electricity expense, (v) subcontracting processing fee, mainly representing ancillary production processes of surface treatment, and (vi) others, primarily including mold cost and transportation expense.

The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as percentages of our total cost of sales, 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* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Material cost	310,565	44.4	409,702	41.5	410,993	39.3	96,737	40.5	122,610	39.8
Staff cost	165,945	23.7	265,205	26.9	290,264	27.8	66,752	27.9	84,096	27.3
Depreciation and amortization	76,077	10.9	96,202	9.8	111,468	10.7	28,154	11.8	31,758	10.3
Electricity expense	97,093	13.9	110,420	11.2	111,947	10.7	26,225	11.0	29,010	9.4
Subcontracting processing fee	13,006	1.9	51,202	5.2	54,002	5.2	9,559	4.0	21,362	6.9
Others	36,955	5.2	53,461	5.4	67,024	6.3	11,454	4.8	19,117	6.3
Total	**699,641**	**100.0**	**986,192**	**100.0**	**1,045,698**	**100.0**	**238,881**	**100.0**	**307,953**	**100.0**

Comparison between the three months ended March 31, 2026 and 2025: Our cost of sales increased by 28.9% from RMB238.9 million in the three months ended March 31, 2025 to RMB308.0 million in the three months ended March 31, 2026, primarily due to (i) increased material cost in line with our increased sales, (ii) increased staff cost in line with our business expansion, and (iii) increased subcontracting processing fee incurred for certain ancillary production process, in line with the increased sales volume.

Comparison between 2025 and 2024: Our cost of sales increased by 6.0% from RMB986.2 million in 2024 to RMB1,045.7 million in 2025, primarily due to (i) increased staff cost in line with our business expansion, (ii) increased cost of others as a result of an increase in mold cost driven by enhanced demand for molds during the manufacturing process, and (iii) increased depreciation and amortization as a result of the expansion of our operations.

Comparison between 2024 and 2023: Our cost of sales increased by 41.0% from RMB699.6 million in 2023 to RMB986.2 million in 2024, primarily due to (i) increased material cost driven by the increased sales of our products, which led to higher consumption of raw materials, (ii) increased staff cost, and (iii) increased subcontracting processing fee incurred for certain ancillary production process of our products, in line with the increased sales volume.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

The table below sets forth a breakdown of our gross profit and gross profit margin by products for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2023		2024		2025		2025		2026	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Alloy soft magnetic powder cores	399,842	39.0	433,838	35.2	509,897	39.6	103,397	35.6	95,175	30.1
AI chip inductors	35,101	45.3	215,351	58.8	213,140	48.5	32,905	44.5	78,986	49.6
Alloy soft magnetic powders	14,583	53.8	20,698	51.8	28,236	51.0	6,527	51.7	6,298	50.3
Others[(1)]	9,353	33.9	6,862	29.6	5,266	28.8	1,598	26.2	1,181	70.7
Total	**458,879**	**39.6**	**676,749**	**40.7**	**756,539**	**42.0**	**144,427**	**37.7**	**181,640**	**37.1**

Note:

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

As a result of the foregoing, we recorded gross profit of RMB458.9 million, RMB676.7 million, RMB756.5 million, RMB144.4 million and RMB181.6 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively.

Comparison between the three months ended March 31, 2026 and 2025: Our gross profit margin slightly decreased from 37.7% in the three months ended March 31, 2025 to 37.1% in the three months ended March 31, 2026. The decline in profitability was primarily driven by reduced gross profit margin on alloy soft magnetic powder cores for new energy infrastructure and automotive applications. The decrease was partially offset by increased sales of AI chip inductors, which generally had a higher gross profit margin.

Comparison between 2025 and 2024: Our gross profit margin increased from 40.7% in 2024 to 42.0% in 2025, primarily due to increased gross profit margin from alloy soft magnetic powder cores for new energy infrastructure and automotive applications. The increase was partially offset by the decreased gross profit margin of AI chip inductors, mainly due to our increased sales of certain products with relatively lower margin, as we sought to accelerate market expansion.

Comparison between 2024 and 2023: Our gross profit margin increased from 39.6% in 2023 to 40.7% in 2024, primarily due to (i) increased gross profit margin from AI chip inductors, and (ii) increased contribution of revenue from AI chip inductors, which was partially offset by the lower gross profit margin of alloy soft magnetic powder cores, primarily due to the price adjustments for certain products in line with market conditions.

Other Income, Gain and Losses

Our other income, gain and losses consist of (i) interest income, (ii) government grants, (iii) additional deduction for VAT, (iv) fair value gains on financial assets measured at FVPL, representing gains on the wealth management products issued by bank we purchase, (v) net losses on disposal of property, plant and equipment and other long-term assets, (vi) net foreign exchange gains/(losses), and (vii) others.

The following table sets forth a breakdown of our other income, gain and losses, both in absolute amounts and as percentages of our total other income, gain and losses, 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)		(unaudited)	
Interest income	2,084	8.8	4,335	24.3	8,691	56.5	321	13.8	1,741	(51.4)
Government grants[(1)]	10,721	45.5	3,510	19.6	6,040	39.3	135	6.6	1,139	(33.6)
Additional deduction for VAT	7,691	32.6	8,301	46.4	3,857	25.1	695	28.1	641	(18.9)
Fair value gains on financial assets measured at FVPL	2,401	10.2	1,689	9.5	3,655	23.8	467	18.9	484	(14.3)
Net losses on disposal of property, plant and equipment and other long-term assets	(1,541)	(6.5)	(2,817)	(15.8)	(3,398)	(22.1)	(61)	(2.5)	(1,228)	36.2
Net foreign exchange gains/(losses)	2,025	8.6	2,670	14.9	(5,039)	(32.8)	160	6.5	(6,608)	195.0
Others[(2)]	188	0.8	184	1.1	1,574	10.2	753	28.6	442	(13.0)
Total	**23,569**	**100.0**	**17,872**	**100.0**	**15,380**	**100.0**	**2,470**	**100.0**	**(3,389)**	**100.0**

Note:

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

(2) Others primarily include sales of recyclable scrap materials generated during our manufacturing process.

Comparison between the three months ended March 31, 2026 and 2025: Our other income, gain and losses decreased from a net income of RMB2.5 million in the three months ended March 31, 2025 to a net loss of RMB3.4 million in the three months ended March 31, 2026, primarily due to the change from net foreign exchange gains to net foreign exchange losses of RMB6.6 million in the three months ended March 31, 2026, mainly attributable to the depreciation of U.S. dollars against Renminbi and its impact on our foreign currency-denominated trade receivables.

Comparison between 2025 and 2024: Our other income, gain and losses decreased by 14.0% from RMB17.9 million in 2024 to RMB15.4 million in 2025, primarily due to (i) the net foreign exchange losses in 2025 as a result of exchange rate movements and their impacts on our foreign currency-denominated trade receivables and our U.S. dollars deposits, and (ii) a decrease in additional deduction for VAT, which was partially offset by an increase in interest income attributable to higher bank deposits following our private placement.

Comparison between 2024 and 2023: Our other income, gain and losses decreased by 24.2% from RMB23.6 million in 2023 to RMB17.9 million in 2024, primarily due to a decrease in government grants, which was partially offset by an increase in interest income from RMB2.1 million in 2023 to RMB4.3 million in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) staff cost, (ii) business development expense, (iii) advertising and promotion expense, (iv) depreciation and amortization, and (v) others.

In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our selling and distribution expenses amounted to RMB20.8 million, RMB26.6 million, RMB25.0 million, RMB5.7 million and RMB6.4 million, representing 1.8%, 1.6%, 1.4%, 1.5% and 1.3%, respectively, of our total revenue.

The table below sets forth a breakdown of our selling and distribution expenses, both in absolute amounts and as percentages of our total selling and distribution expenses, 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* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Staff cost	13,945	67.2	17,399	65.4	17,776	71.2	3,845	67.7	4,040	63.2
Business development expense	4,781	23.0	6,944	26.1	4,400	17.6	916	16.1	1,628	25.5
Advertising and promotion expense	1,043	5.0	1,146	4.3	1,394	5.6	679	11.9	552	8.6
Depreciation and amortization	332	1.6	347	1.3	520	2.1	131	2.3	76	1.2
Others	663	3.2	770	2.9	877	3.5	112	2.0	99	1.5
Total	**20,764**	**100.0**	**26,606**	**100.0**	**24,967**	**100.0**	**5,683**	**100.0**	**6,395**	**100.0**

Comparison between the three months ended March 31, 2026 and 2025: Our selling and distribution expenses increased by 12.3% from RMB5.7 million in the three months ended March 31, 2025 to RMB6.4 million in the three months ended March 31, 2026, primarily due to an increase in business development expense for potential projects associated with the expansion of our business.

Comparison between 2025 and 2024: Our selling and distribution expenses decreased by 6.0% from RMB26.6 million in 2024 to RMB25.0 million in 2025, primarily due to a decrease in business development expense as a result of our effective cost control measures.

Comparison between 2024 and 2023: Our selling and distribution expenses increased by 27.9% from RMB20.8 million in 2023 to RMB26.6 million in 2024, primarily due to (i) an increase in staff cost as a result of increased headcount and pay rises driven by expansion of our sales scale, and (ii) an increase in business development expense for potential projects associated with the expansion of our business.

Administrative Expenses

Our administrative expenses consist of (i) staff cost, (ii) taxes and surcharges, (iii) depreciation and amortization, (iv) travel, development and office expense, (v) professional fee, (vi) rental, utilities, and property management expense, and (vii) others.

In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our administrative expenses amounted to RMB77.8 million, RMB99.5 million, RMB95.9 million, RMB18.6 million and RMB24.8 million, representing 6.7%, 6.0%, 5.3%, 4.9% and 5.1%, respectively, of our total revenue.

The table below sets forth a breakdown of our administrative expenses, both in absolute amounts and as percentages of our total administrative expenses, 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* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Staff cost	41,001	52.7	51,618	51.9	42,551	44.4	9,201	49.4	10,582	42.6
Taxes and surcharges	9,733	12.5	15,343	15.4	18,281	19.1	3,156	16.9	5,268	21.2
Depreciation and amortization	7,001	9.0	9,959	10.0	10,391	10.8	2,475	13.3	2,957	11.9
Travel, development and office expense	5,229	6.7	5,478	5.5	3,958	4.1	982	5.3	1,564	6.3
Professional fee	3,814	4.9	4,526	4.6	5,530	5.8	536	2.9	1,351	5.4
Rental, utilities and property management expense	4,075	5.2	4,043	4.1	6,274	6.5	758	4.1	1,318	5.3
Others	6,984	9.0	8,486	8.5	8,882	9.3	1,528	8.1	1,790	7.3
Total	**77,837**	**100.0**	**99,453**	**100.0**	**95,867**	**100.0**	**18,636**	**100.0**	**24,830**	**100.0**

Comparison between the three months ended March 31, 2026 and 2025: Our administrative expenses increased by 33.3% from RMB18.6 million in the three months ended March 31, 2025 to RMB24.8 million in the three months ended March 31, 2026, primarily due to (i) an increase in taxes and surcharges driven by our revenue growth, and (ii) an increase in staff cost as a result of the increase in the number of administrative staff to support our business expansion.

Comparison between 2025 and 2024: Our administrative expenses decreased by 3.6% from RMB99.5 million in 2024 to RMB95.9 million in 2025, primarily due to (i) a decrease in staff cost as a result of our cost control efforts, and (ii) a decrease in travel, development and office expense as a result of our cost control measures.

Comparison between 2024 and 2023: Our administrative expenses increased by 27.9% from RMB77.8 million in 2023 to RMB99.5 million in 2024, primarily due to (i) an increase in staff cost as a result of the increase in the number of administrative staff and pay rises to support our business expansion, and (ii) an increase in taxes and surcharges along with our revenue growth.

Research and Development Expenses

Our research and development expenses consist of (i) material, utilities and processing fee, (ii) staff cost, (iii) depreciation and amortization, (iv) professional service fee, and (v) others.

In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our research and development expenses amounted to RMB74.7 million, RMB117.1 million, RMB151.6 million, RMB31.3 million and RMB42.9 million, representing 6.4%, 7.0%, 8.4%, 8.2% and 8.8%, respectively, of our total revenue.

The following table sets forth a breakdown of our research and development expenses, both in absolute amounts and as percentages of our total research and development expenses, 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)		(unaudited)	
Material, utilities and processing fee	35,427	47.4	51,973	44.4	84,292	55.6	15,515	49.6	18,964	44.2
Staff cost	29,729	39.8	51,408	43.9	53,672	35.4	11,538	36.9	17,644	41.1
Depreciation and amortization	6,385	8.5	6,176	5.3	7,554	5.0	1,783	5.7	1,931	4.5
Professional service fee	2,039	2.7	3,895	3.3	1,518	1.0	1,270	4.1	1,749	4.1
Others	1,133	1.6	3,685	3.1	4,520	3.0	1,163	3.7	2,602	6.1
Total	**74,713**	**100.0**	**117,137**	**100.0**	**151,556**	**100.0**	**31,269**	**100.0**	**42,890**	**100.0**

Comparison between the three months ended March 31, 2026 and 2025: Our research and development expenses increased by 37.1% from RMB31.3 million in the three months ended March 31, 2025 to RMB42.9 million in the three months ended March 31, 2026, primarily due to (i) an increase in staff cost as a result of the increase in R&D staff, and (ii) an increase in material, utilities and processing fee driven by the increased needs of our product development.

Comparison between 2025 and 2024: Our research and development expenses increased by 29.5% from RMB117.1 million in 2024 to RMB151.6 million in 2025, primarily due to an increase in material, utilities and processing fee as we increased our investment in our product development driven by the increase in our customer demand.

Comparison between 2024 and 2023: Our research and development expenses increased by 56.8% from RMB74.7 million in 2023 to RMB117.1 million in 2024, primarily due to (i) an increase in staff cost as a result of rising R&D staff salaries and the increase in R&D staff driven by our business expansion, and (ii) an increase in material, utilities and processing fee driven by the increased needs of our customized AI chip inductors.

Impairment Losses on Financial Assets

Our impairment losses on financial assets consist of impairment losses recognized/(reversed) on (i) trade and bills receivable, and (ii) other receivables.

We reversed impairment losses on financial assets of RMB0.1 million in the three months ended March 31, 2025 and RMB1.2 million in the three months ended March 31, 2026, primarily due to an increase in impairment losses reversed on trade and bills receivable as a result of improved collection of overdue receivables following our strengthened management of customer credit terms. Our impairment losses recognized on financial assets decreased from RMB14.5 million in 2024 to RMB0.1 million in 2025, primarily because trade and bills receivable balances and related credit risk remained relatively stable in 2025, and we had made sufficient provision in previous years. Our impairment losses recognized on financial assets increased from RMB0.8 million in 2023 to RMB14.5 million in 2024, primarily due to an increase in impairment losses recognized on trade and bills receivable as our business expanded and the balance of trade and bills receivable increased.

Finance Costs

Our finance costs consist of interest expenses on (i) lease liabilities, (ii) loans and borrowings, and (iii) discounted bills.

The table below sets forth a breakdown of our finance costs, both in absolute amounts and as percentages of our total finance costs, 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* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Interest expenses on lease liabilities	10,699	60.7	11,898	72.2	15,284	78.7	2,545	67.0	3,272	80.5
Interest expenses on loans and borrowings	5,345	30.3	4,533	27.5	3,521	18.1	936	24.7	631	15.5
Interest expenses on discounted bills	1,581	9.0	42	0.3	606	3.1	316	8.3	163	4.0
Total	**17,625**	**100.0**	**16,473**	**100.0**	**19,411**	**100.0**	**3,797**	**100.0**	**4,066**	**100.0**

Our finance costs increased by 7.9% from RMB3.8 million in the three months ended March 31, 2025 to RMB4.1 million in the three months ended March 31, 2026, primarily due to the increase in interest expenses on lease liabilities in connection with our leased production facilities and equipment. Our finance costs increased by 17.6% from RMB16.5 million in 2024 to RMB19.4 million in 2025, primarily due to the increase in interest expenses on lease liabilities in connection with our leased production facilities and equipment, partially offset by decrease in interest expenses on loans and borrowings. Our finance costs decreased by 6.3% from RMB17.6 million in 2023 to RMB16.5 million in 2024, primarily due to decrease in interest expenses on discounted bills as we discounted fewer bills following the improvement in our operating cash flow, partially offset by an increase in interest expenses on lease liabilities.

Income Tax

Our income tax consists of (i) current tax, and (ii) deferred tax. The following table sets forth a breakdown of our income tax 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* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Current tax										
PRC corporate income tax	36,861	104.9	48,396	103.8	48,791	90.6	18,421	129.6	14,032	109.2
Deferred tax										
Origination and reversal of temporary differences	(1,713)	(4.9)	(1,754)	(3.8)	5,060	9.4	(4,207)	(29.6)	(1,179)	(9.2)
Total	**35,148**	**100.0**	**46,642**	**100.0**	**53,851**	**100.0**	**14,214**	**100.0**	**12,853**	**100.0**

We recorded income tax of RMB35.1 million, RMB46.6 million, RMB53.9 million, RMB14.2 million and RMB12.9 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, which was generally affected by our profit before taxation.

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities, and we were not aware of any outstanding or potential disputes with such tax authorities.

Profit for the Year/Period

Our profit for the period increased by 20.6% from RMB73.4 million in the three months ended March 31, 2025 to RMB88.5 million in the three months ended March 31, 2026. Our profit for the year increased by 14.0% from RMB373.8 million in 2024 to RMB426.1 million in 2025. Our profit for the year increased by 46.2% from RMB255.6 million in 2023 to RMB373.8 million in 2024.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our use of cash was primarily related to operating activities and capital expenditure. We have historically financed our operations through cash generated from our operating activities and financing activities. As of March 31, 2026, we had RMB443.4 million of available cash and cash equivalents. Our available cash and cash equivalents comprise cash at bank and on hand. See Note 21 to the Accountants' Report in Appendix I for more details. Going forward, we believe that our liquidity requirements will be satisfied with a combination of our internal resources, cash flow generated from our operating activities and [REDACTED] from the [REDACTED].

Working Capital Sufficiency

Our Directors are of the view that, taking into account the [REDACTED] from the [REDACTED] and the financial resources available, including our cash and cash equivalents, available bank facilities, and cash flow from operating activities, we have sufficient working capital to meet our present capital expenditure plans, that is, for the next 12 months from the date of publication of the [REDACTED].

Cash Flow Analysis

The following table sets forth selected cash flow statement information 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* (unaudited)	*RMB'000* (unaudited)
Net cash generated from operating activities	161,346	112,425	347,435	118,430	95,065
Net cash used in investing activities	(39,742)	(165,324)	(371,120)	(305,019)	(55,924)
Net cash (used in)/ generated from financing activities	(78,886)	13,383	319,228	294,810	(25,410)
Net increase/ (decrease) in cash and cash equivalents	**42,718**	**(39,516)**	**295,543**	**108,221**	**13,731**
Effect of foreign exchange rate changes	2,025	2,671	(4,716)	142	(5,343)
Cash and cash equivalents at the beginning of the year/period	136,308	181,051	144,206	144,206	435,033
Cash and cash equivalents at the end of the year/ period	**181,051**	**144,206**	**435,033**	**252,569**	**443,421**

Operating Activities

For the three months ended March 31, 2026, our net cash generated from operating activities was RMB95.1 million, primarily attributable to profit before taxation of RMB101.4 million, as adjusted for (i) non-cash and non-operating items which primarily consisted of depreciation and amortization of RMB38.7 million, and (ii) changes in working capital which primarily consisted of an increase in inventories of RMB48.5 million.

In 2025, our net cash generated from operating activities was RMB347.4 million, primarily attributable to profit before taxation of RMB480.0 million, as adjusted for (i) non-cash and non-operating items which primarily consisted of depreciation and amortization of RMB143.9 million, and (ii) changes in working capital which primarily consisted of (a) an increase in trade and bills receivable of RMB149.8 million, (b) an increase in inventories of RMB91.4 million, and (c) a decrease in trade and other payables of RMB35.8 million, partially offset by a decrease in deferred income of RMB28.2 million.

In 2024, our net cash generated from operating activities was RMB112.4 million, primarily attributable to profit before taxation of RMB420.4 million, as adjusted for (i) non-cash and non-operating items which primarily consisted of depreciation and amortization of RMB117.4 million, and (ii) changes in working capital which primarily consisted of (a) an increase in trade and bills receivable of RMB402.2 million, and (b) a decrease in trade and other payables of RMB45.4 million, partially offset by a decrease in inventories of RMB27.0 million.

In 2023, our net cash generated from operating activities was RMB161.3 million, primarily attributable to profit before taxation of RMB290.7 million, as adjusted for (i) non-cash and non-operating items which primarily consisted of depreciation and amortization of RMB86.4 million, and (ii) changes in working capital which primarily consisted of (a) an increase in trade and bills receivable of RMB240.0 million, and (b) an increase in inventories of RMB73.6 million, partially offset by (a) an increase in trade and other payables of RMB64.9 million, and (b) a decrease in prepayments, deposits and other receivables of RMB24.4 million.

Investing Activities

For the three months ended March 31, 2026, our net cash used in investing activities amounted to RMB55.9 million, which primarily resulted from payment for purchase of property, plant and equipment and intangible assets of RMB66.2 million and payments for purchase of wealth management products of RMB20.0 million, partially offset by proceeds from redemption of wealth management products of RMB30.3 million.

In 2025, our net cash used in investing activities amounted to RMB371.1 million, which primarily resulted from payments for purchase of wealth management products of RMB826.3 million and payment for purchase of property, plant and equipment and intangible assets of RMB264.7 million, partially offset by proceeds from redemption of wealth management products of RMB750.9 million.

In 2024, our net cash used in investing activities amounted to RMB165.3 million, which primarily resulted from payment for purchase of property, plant and equipment and intangible assets of RMB179.5 million and payments for purchase of wealth management products of RMB55.0 million, partially offset by proceeds from redemption of wealth management products of RMB68.3 million.

In 2023, our net cash used in investing activities amounted to RMB39.7 million, which primarily resulted from payments for purchase of wealth management products of RMB228.0 million and payment for purchase of property, plant and equipment and intangible assets of RMB177.7 million, partially offset by proceeds from redemption of wealth management products of RMB364.8 million.

Financing Activities

For the three months ended March 31, 2026, our net cash used in financing activities amounted to RMB25.4 million, which primarily resulted from (i) payments for acquisition of non-controlling interests of RMB20.0 million, (ii) repayment of loans and borrowings of RMB17.9 million, and (iii) payments for lease rentals of RMB9.1 million, partially offset by proceeds from loans and borrowings of RMB20.9 million.

In 2025, our net cash generated from financing activities amounted to RMB319.2 million, which primarily resulted from (i) proceeds from private placement of shares of RMB297.5 million, (ii) proceeds from loans and borrowings of RMB160.7 million, and (iii) proceeds from issuance of shares under the share-based incentive schemes of RMB52.0 million, partially offset by (i) repayment of loans and borrowings of RMB101.2 million, (ii) dividends paid to equity shareholders of the Company of RMB57.8 million, and (iii) payments for lease rentals of RMB33.9 million.

In 2024, our net cash generated from financing activities amounted to RMB13.4 million, which primarily resulted from (i) proceeds from loans and borrowings of RMB90.6 million, (ii) release of pledged deposits for financing purpose of RMB50.0 million, and (iii) proceeds from issuance of shares under the share-based incentive schemes of RMB48.3 million, partially offset by (i) repayment of loans and borrowings of RMB109.3 million, (ii) dividends paid to equity shareholders of the Company of RMB40.0 million, and (iii) payments for lease rentals of RMB27.9 million.

In 2023, our net cash used in financing activities amounted to RMB78.9 million, which primarily resulted from (i) repayment of loans and borrowings of RMB105.0 million, (ii) dividends paid to equity shareholders of the Company of RMB22.1 million, (iii) payments for lease rentals of RMB20.1 million, and (iv) payments for pledged deposits for financing purpose of RMB20.0 million, partially offset by proceeds from loans and borrowings of RMB75.5 million.

SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Current Assets/Liabilities

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

	As of December 31,			As of March 31,	As of May 31,
	2023	2024	2025	2026	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Current assets					
Inventories	217,840	190,869	280,747	329,237	357,118
Trade and bills receivable	626,045	970,602	1,039,265	991,013	993,174
Prepayments, deposits and other receivables	112,986	60,124	74,054	89,649	113,381
Current tax assets	2,512	5,308	7,138	9,216	5,853
Financial assets measured at fair value through profit or loss ("**FVPL**")	53,019	41,433	120,456	110,618	30,120
Cash and cash equivalents	181,051	144,206	435,033	443,421	427,859
Total current assets	**1,193,453**	**1,412,542**	**1,956,693**	**1,973,154**	**1,927,505**
Current liabilities					
Trade and other payables	199,955	214,704	314,184	329,344	373,447
Contract liabilities	432	240	926	1,709	140
Loans and borrowings	59,400	30,185	104,786	114,786	115,119
Lease liabilities	11,970	23,682	17,581	14,660	16,169
Current taxation	6,098	2,221	4,445	7,431	681
Total current liabilities	**277,855**	**271,032**	**441,922**	**467,930**	**505,556**
Net current assets	**915,598**	**1,141,510**	**1,514,771**	**1,505,224**	**1,421,949**

Comparison between May 31, 2026 and March 31, 2026: Our net current assets decreased from RMB1,505.2 million as of March 31, 2026 to RMB1,421.9 million as of May 31, 2026, primarily due to (i) a decrease of RMB80.5 million in financial assets measured at fair value through profit or loss, (ii) an increase of RMB44.1 million in trade and other payables, partially offset by (i) an increase of RMB27.9 million in inventories, and (ii) an increase of RMB23.7 million in prepayments, deposits and other receivables.

Comparison between March 31, 2026 and December 31, 2025: Our net current assets remained stable at RMB1,514.8 million as of December 31, 2025 and RMB1,505.2 million as of March 31, 2026, respectively.

Comparison between December 31, 2025 and December 31, 2024: Our net current assets increased from RMB1,141.5 million as of December 31, 2024 to RMB1,514.8 million as of December 31, 2025, primarily due to (i) an increase of RMB290.8 million in cash and cash equivalents, (ii) an increase of RMB89.9 million in inventories, (iii) an increase of RMB79.0 million in financial assets measured at fair value through profit or loss, and (iv) an increase of RMB68.7 million in trade and bills receivable, partially offset by (i) an increase of RMB99.5 million in trade and other payables, and (ii) an increase of RMB74.6 million in loans and borrowings.

Comparison between December 31, 2024 and December 31, 2023: Our net current assets increased from RMB915.6 million as of December 31, 2023 to RMB1,141.5 million as of December 31, 2024, primarily due to (i) an increase of RMB344.6 million in trade and bills receivable, and (ii) a decrease of RMB29.2 million in loans and borrowings, partially offset by (i) a decrease of RMB52.9 million in prepayments, deposits and other receivables, (ii) a decrease of RMB27.0 million in inventories, and (iii) a decrease of RMB36.8 million in cash and cash equivalents.

Inventories

Our inventories comprise (i) raw materials, primarily consisting of iron, silicon, and aluminum, (ii) work in progress, (iii) finished goods and (iv) goods in transit.

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

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Raw materials	33,746	35,964	41,715	68,970
Work in progress	78,866	67,118	135,804	156,414
Finished goods	100,974	83,678	100,558	90,410
Goods in transit	4,254	4,109	4,160	14,933
Subtotal	**217,840**	**190,869**	**282,237**	**330,727**
Less: write-down of inventories	—	—	(1,490)	(1,490)
Total	**217,840**	**190,869**	**280,747**	**329,237**

Comparison between March 31, 2026 and December 31, 2025: Our inventories increased from RMB280.7 million as of December 31, 2025 to RMB329.2 million as of March 31, 2026, primarily due to increases of our customers' demand.

Comparison between December 31, 2025 and December 31, 2024: Our inventories increased from RMB190.9 million as of December 31, 2024 to RMB280.7 million as of December 31, 2025, primarily due to our increased production volume in response to our customers' demand.

Comparison between December 31, 2024 and December 31, 2023: Our inventories decreased from RMB217.8 million as of December 31, 2023 to RMB190.9 million as of December 31, 2024, primarily due to our adjustments to our inventory management measures in response to changes in market conditions.

The following table sets forth the ageing analysis of our inventory as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Within one year	210,260	168,018	273,054	324,038
One to two years	6,026	18,889	4,822	3,068
Two to three years	751	3,057	1,433	1,057
After three years	803	905	1,438	1,074
Total	**217,840**	**190,869**	**280,747**	**329,237**

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

	Year Ended December 31,			Three Months Ended March 31,
	2023	2024	2025	2026
Inventory turnover days[(1)]	93	75	81	86

Note:

(1) Inventories turnover days for each year/period equals the average of the beginning and ending balances of inventory for that year/period divided by cost of sales for that year/period and multiplied by (i) 365 days for 2023, 2024 and 2025, and (ii) 90 days for the three months ended March 31, 2026.

Our inventory turnover days decreased from 93 days in 2023 to 75 days in 2024, primarily due to our inventory management measures. Our inventory turnover days increased from 75 days in 2024 to 81 days in 2025 and further to 86 days in the three months ended March 31, 2026, primarily due to more inventories we stocked in anticipation of the scaling up of our sales in AI chip inductors and alloy soft magnetic powder cores.

As of May 31, 2026, RMB262.2 million, or 79.6% of our inventories as of March 31, 2026 had been utilized or sold.

Trade and Bills Receivable

Our trade and bills receivable consist of trade receivables and bill receivables arise from sales of products to our customers on credit. We grant credit terms to certain customers on a case-by-case basis. We generally grant customers credit term within 90 days. The following table sets forth a breakdown of our trade and bills receivable as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Trade receivables	423,964	641,761	684,335	700,138
Bills receivable	230,478	371,751	397,765	332,501
Less: loss allowance	(28,397)	(42,910)	(42,835)	(41,626)
Total	**626,045**	**970,602**	**1,039,265**	**991,013**

Our trade and bills receivable increased from RMB626.0 million as of December 31, 2023 to RMB970.6 million as of December 31, 2024, and further to RMB1,039.3 million as of December 31, 2025, primarily due to the increase in trade receivables and bills receivable, which was in line with our revenue growth and business expansion. Our trade and bills receivable decreased from RMB1,039.3 million as of December 31, 2025 to RMB991.0 million as of March 31, 2026, primarily due to a decrease in bills receivable as result of endorsement of bills to our suppliers.

The following table sets forth the ageing analysis of our trade and bills receivable, based on the recognition date, as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Within one year	654,143	1,011,809	1,079,255	1,029,304
One to two years	234	1,641	2,204	2,615
Two to three years	57	32	581	137
After three years	8	30	60	583
Less: loss allowance	(28,397)	(42,910)	(42,835)	(41,626)
Total	**626,045**	**970,602**	**1,039,265**	**991,013**

The following table sets forth our trade and bills receivable turnover days for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,
	2023	2024	2025	2026
Trade and bills receivable turnover days[(1)]	201	175	204	187

Note:

(1) Trade and bills receivable turnover days for each year/period equals the average of the opening and closing trade and bills receivable balance divided by revenue for the same year/period and multiplied by (i) 365 days for 2023, 2024 and 2025, and (ii) 90 days for the three months ended March 31, 2026.

Our trade and bills receivable turnover days decreased from 201 days in 2023 to 175 days in 2024, primarily reflecting the timing of our customers' settlements, which shortened our average receivables cycle. Our trade and bills receivable turnover days increased from 175 days in 2024 to 204 days in 2025 in line with our business expansion and the continued use of bank acceptance bills and commercial bills by certain customers. Our trade and bills receivable turnover days decreased from 204 days in 2025 to 187 days in the three months ended March 31, 2026, primarily reflecting our enhanced settlement and collection efforts of bills receivable.

Our trade and bills receivable turnover days were longer than the credit terms generally granted to our customers, primarily due to (i) the time required for us and our customers to complete customer reconciliation, which resulted in a time lag between the date of revenue recognition and the invoice date, and (ii) the use of bills for settlement. Our credit terms generally start from invoice date or upon delivery and refer to the period within which customers settle relevant invoices. In comparison, our trade and bills receivable turnover days reflect the average collection cycle of both trade receivables and bills receivable. In the course of our business, invoice issuance is typically preceded by customer reconciliation, which may extend the period between product delivery and customer settlement. In addition, certain customers settle by bank acceptance bills or commercial bills, which may remain outstanding until maturity, endorsement or discounting. As such, the turnover days reflect not only the credit period for trade receivables, but also the period during which bills receivable remain outstanding before settlement or derecognition.

During the Track Record Period, we did not experience any significant losses associated with our trade and bills receivable and the increase in our trade and bills receivable did not have any material adverse impact on our liquidity or cash flows.

As of May 31, 2026, RMB424.2 million, or 41.1% of our trade and bills receivable as of March 31, 2026, had been settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables include (i) prepayments for raw materials, (ii) deferred expenses, (iii) rental and other deposits, (iv) pledged bank deposits for financing purpose, (v) VAT recoverable, and (vi) others.

The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Prepayments for raw materials	16,512	10,110	10,514	14,260
Deferred expenses	1,436	2,764	2,738	3,553
Rental and other deposits	4,125	4,507	2,693	1,501
Pledged bank deposits for financing purpose	50,000	—	—	—
VAT recoverable	40,534	42,009	57,106	69,655
Others	399	773	1,056	723
Less: loss allowance	(20)	(39)	(53)	(43)
Total	**112,986**	**60,124**	**74,054**	**89,649**

Our prepayments, deposits and other receivables decreased from RMB113.0 million as of December 31, 2023 to RMB60.1 million as of December 31, 2024, primarily due to a decrease in pledged bank deposits for financing purpose as we did not continue such financing arrangement in 2024. Our prepayments, deposits and other receivables increased from RMB60.1 million as of December 31, 2024 to RMB74.1 million as of December 31, 2025, primarily due to an increase in VAT recoverable as result of our increased purchase driven by the business expansion. Our prepayments, deposits and other receivables increased from RMB74.1 million as of December 31, 2025 to RMB89.6 million as of March 31, 2026, primarily due to (i) an increase in VAT recoverable as a result of our increased purchase driven by the business expansion, and (ii) an increase in prepayments for raw materials, driven by higher raw material inventory levels resulting from increased customers' demand.

Financial Assets Measured at Fair Value Through Profit or Loss

Our financial assets measured at fair value through profit or loss represent wealth management products issued by banks, which primarily consisted of structured deposits.

Our financial assets measured at fair value through profit or loss decreased from RMB53.0 million as of December 31, 2023 to RMB41.4 million as of December 31, 2024, primarily due to the net redemption of certain wealth management products during the year. Our financial assets measured at fair value through profit or loss increased from RMB41.4 million as of December 31, 2024 to RMB120.5 million as of December 31, 2025, primarily due to subscription of additional wealth management products as part of our cash management. Our financial assets measured at fair value through profit or loss decreased from RMB120.5 million as of December 31, 2025 to RMB110.6 million as of March 31, 2026, primarily due to our net redemption of certain products.

We have established investment policies and strategies with respect to financial products, to manage risks and safeguard assets. We make investment decisions on a case-by-case basis, factoring in macro-economic environment, general market conditions, risk control, credits of the banks, our working capital conditions, and expected returns of the investment. Key aspects of our investment policies include that (i) all investments should be approved by our finance department and subject to board of Directors' or general meeting of shareholders' review depending on the size and nature of the investment, (ii) our finance department handles budgeting, fund allocation, accounting and monitoring, and our legal team reviews key contracts, and (iii) we do not invest in high-risk products

and only invest when we have sufficient liquidity and ensure our investments do not affect normal operations or capital expenditures. After [REDACTED], our investments in financial products will be subject to compliance with Chapter 14 of the Listing Rules.

Trade and Other Payables

Our trade and other payables consist of (i) trade payables, mainly comprising balances due to our suppliers for raw materials, (ii) payables for construction and acquisition of long-term assets, (iii) accrued payroll and benefits, (iv) VAT payable, (v) other taxes payables, and (vi) other payables and accruals.

The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Trade payables	66,209	76,660	134,186	168,678
Payables for construction and acquisition of long-term assets	64,955	34,300	97,990	88,426
Accrued payroll and benefits	33,141	61,964	37,144	39,381
VAT payable	24,999	34,739	32,162	22,820
Other taxes payables	9,015	4,917	7,395	4,600
Other payables and accruals	1,636	2,124	5,307	5,439
Total	**199,955**	**214,704**	**314,184**	**329,344**

Our trade and other payables increased from RMB200.0 million as of December 31, 2023 to RMB214.7 million as of December 31, 2024, and further to RMB314.2 million as of December 31, 2025 and RMB329.3 million as of March 31, 2026, primarily due to the increase in trade payables as a result of increased procurement to support our business growth. The increase was also attributable to the increase in payables for construction and acquisition of long-term assets as of December 31, 2025 in connection with our continued investment in production facilities and equipment.

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Within one year	64,884	67,742	130,090	163,599
One to two years	873	8,614	3,420	4,534
Two to three years	—	153	525	394
After three years	452	151	151	151
Total	**66,209**	**76,660**	**134,186**	**168,678**

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

	Year Ended December 31,			Three Months Ended March 31,
	2023	2024	2025	2026
Trade payables turnover days[1]	43	26	37	44

Note:

(1) Trade payables turnover days for each year/period equals the average of the opening and closing trade payables balance divided by cost of sales for the same year/period and multiplied by (i) 365 days for 2023, 2024 and 2025, and (ii) 90 days for the three months ended March 31, 2026.

Our trade payables turnover days decreased from 43 days in 2023 to 26 days in 2024, primarily because we accelerated settlements with certain suppliers to secure a stable supply of materials and maintain strong supplier relationship. Our trade payables turnover days increased from 26 days in 2024 to 37 days in 2025, and further to 44 days in the three months ended March 31, 2026, primarily due to the increased end balances, which reflected our increased purchases of raw materials and other production-related goods to support our business growth.

As of May 31, 2026, RMB126.7 million, or 75.1% of our trade payables as of March 31, 2026, had been settled.

Contract Liabilities

Our contract liabilities represent the receipts in advance from sales contracts. Our contract liabilities decreased from RMB0.4 million as of December 31, 2023 to RMB0.2 million as of December 31, 2024, primarily reflecting the balances of advance payments from customers in accordance with the contractual arrangements. Our contract liabilities increased from RMB0.2 million as of December 31, 2024 to RMB0.9 million as of December 31, 2025, and further increased to RMB1.7 million as of March 31, 2026, primarily due to advance payments received from customers as we expanded our customer base.

Non-Current Assets/Liabilities

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Non-current assets				
Property, plant and equipment	857,460	1,098,686	1,465,055	1,527,442
Right-of-use assets	262,942	428,602	444,102	438,647
Investment property	6,981	6,479	5,978	5,678
Intangible assets	465	217	389	363
Interests in an associate	—	—	32,044	32,128
Prepayments	128,961	39,415	30,413	55,728
Deferred tax assets	61,460	93,968	36,656	37,835
Total non-current assets	**1,318,269**	**1,667,367**	**2,014,637**	**2,097,821**
Non-current liabilities				
Loans and borrowings	89,245	80,235	66,507	59,642
Lease liabilities	200,366	347,316	374,508	371,610
Deferred income	323	2,193	30,347	43,297
Deferred tax liabilities	36,559	58,607	—	—
Total non-current liabilities	**326,493**	**488,351**	**471,362**	**474,549**
NET ASSETS	**1,907,374**	**2,320,526**	**3,058,046**	**3,128,496**

Property, Plant and Equipment

Our property, plant and equipment consist of (i) buildings, (ii) machinery and equipment, (iii) office equipment and others, (iv) vehicles, (v) decorations and factory improvements, and (vi) construction in progress.

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Buildings	402,716	422,716	573,676	566,931
Machinery and equipment	296,873	538,322	617,863	633,850
Office equipment and others	14,651	17,390	25,961	27,297
Vehicles	1,069	1,010	899	829
Decorations and factory improvements	20,556	22,486	21,352	19,300
Construction in progress	121,595	96,762	225,304	279,235
Total	**857,460**	**1,098,686**	**1,465,055**	**1,527,442**

Our property, plant and equipment increased from RMB857.5 million as of December 31, 2023 to RMB1,098.7 million as of December 31, 2024, RMB1,465.1 million as of December 31, 2025, and further to RMB1,527.4 million as of March 31, 2026. The increase was primarily driven by (i) additions of machinery and equipment to support our business expansion, (ii) construction of new production facilities in Huidong and Heyuan, and (iii) increased construction in progress and equipment under acceptance in line with our expanded production capacity.

Right-of-Use Assets

Our right-of-use assets consist of (i) buildings, (ii) machinery and equipment, and (iii) land-use rights.

The following table sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Buildings	5,125	4,648	1,124	712
Machinery and equipment	211,601	363,023	383,288	378,495
Land-use rights	46,216	60,931	59,690	59,440
Total	**262,942**	**428,602**	**444,102**	**438,647**

Our right-of-use assets increased from RMB262.9 million as of December 31, 2023 to RMB428.6 million as of December 31, 2024, and further to RMB444.1 million as of December 31, 2025, primarily due to an increase in machinery and equipment as a result of the expansion of our production capacity. Our right-of-use assets decreased from RMB444.1 million as of December 31, 2025 to RMB438.6 million as of March 31, 2026, primarily due to a decrease in machinery and equipment as a result of depreciation.

Prepayments

Our prepayments represent prepayments for acquisition of long-term assets.

Our prepayments decreased from RMB129.0 million as of December 31, 2023 to RMB39.4 million as of December 31, 2024, and further to RMB30.4 million as of December 31, 2025, primarily due to a decrease in prepayments for acquisition of long-term assets as a result of the delivery and acceptance of customized equipment. Our prepayments increased from RMB30.4 million as of December 31, 2025 to RMB55.7 million as of March 31, 2026, primarily due to an increase in prepayments for acquisition of customized equipment.

Deferred Income

Our deferred income represent grants received from governments mainly for construction of property, plant and equipment.

Our deferred income increased from RMB0.3 million as of December 31, 2023 to RMB2.2 million as of December 31, 2024, and further to RMB30.3 million as of December 31, 2025. Our deferred income increased from RMB30.3 million as of December 31, 2025 to RMB43.3 million as of March 31, 2026. The continued increase in our deferred income was primarily due to an increase in government grants for the construction and upgrade of fixed assets and equipment, as well as R&D.

INDEBTEDNESS

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

	As of December 31,			As of March 31,	As of May 31,
	2023	2024	2025	2026	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Current					
Loans and borrowings	59,400	30,185	104,786	114,786	115,119
Lease liabilities	11,970	23,682	17,581	14,660	16,169
Non-current					
Loans and borrowings	89,245	80,235	66,507	59,642	59,642
Lease liabilities	200,366	347,316	374,508	371,610	369,830
Total	**360,981**	**481,418**	**563,382**	**560,698**	**560,760**

Loans and Borrowings

As of December 31, 2023, 2024, 2025 and March 31, 2026, we had loans and borrowings of RMB148.6 million, RMB110.4 million, RMB171.3 million and RMB174.4 million, respectively, mainly representing bank loans. Our loans and borrowings remained stable at RMB174.8 million as of May 31, 2026. Our loans and borrowings decreased from RMB148.6 million as of December 31, 2023 to RMB110.4 million as of December 31, 2024, primarily due to the repayment of our bank borrowings. Our loans and borrowings increased from RMB110.4 million as of December 31, 2024 to RMB171.3 million as of December 31, 2025, primarily due to additional bank loans obtained for business operations. Our loans and borrowings remained stable at RMB171.3 million as of December 31, 2025 and RMB174.4 million as of March 31, 2026. During the Track Record Period, our loans and borrowings were all denominated in RMB with fixed or variable interest rates. The interest rate on our borrowings ranges from 1.55% to 3.36% during the Track Record Period. As of May 31, 2026, our unutilized banking facilities amounted to RMB254.0 million.

Lease Liabilities

As of December 31, 2023, 2024, 2025 and March 31, 2026, we had lease liabilities of RMB212.3 million, RMB371.0 million, RMB392.1 million and RMB386.3 million, respectively. Our lease liabilities remained stable at RMB386.0 million as of May 31, 2026. Our lease liabilities increased from RMB212.3 million as of December 31, 2023 to RMB371.0 million as of December 31, 2024, and further to RMB392.1 million as of December 31, 2025, primarily due to an increase in lease for machinery and equipment as a result of the expansion of our production capacity. Our lease liabilities decreased from RMB392.1 million as of December 31, 2025 to RMB386.3 million as of March 31, 2026, primarily due to payment for lease rental.

No Other Outstanding Indebtedness

Except as discussed above, we did not have material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of May 31, 2026. We had not experienced any difficulty in obtaining bank loans and other borrowings, or default in payment of bank loans and other borrowings during the

Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there have been no material change in our indebtedness since May 31, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024, 2025 and March 31, 2026, we did not have any material contingent liabilities. As of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted of addition of property, plant and equipment, right-of-use assets, intangible assets and investment property. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Addition of property, plant and equipment	242,878	336,606	489,889	101,896
Addition of right-of-use assets	119,943	190,619	40,400	—
Addition of intangible assets	512	—	634	49
Addition of investment property	1,729	—	—	—
Total	**365,062**	**527,225**	**530,923**	**101,945**

We expect to fund our future capital expenditures with our operating cash flows and equity and debt financing. We may adjust our capital expenditures for any given period according to our ongoing business needs and in light of market conditions or other factors we believe appropriate.

CAPITAL COMMITMENTS

As of December 31, 2023, 2024, 2025 and March 31, 2026, we had capital commitments of RMB46.4 million, RMB97.2 million, RMB134.1 million and RMB119.4 million, respectively, contracted for purchase for property, plant and equipment, and investments.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Further details regarding related party transactions are set out in Note 32 to the financial statements in Appendix I to this document. The Directors confirm that (i) the related party transactions have been entered into in the ordinary course of business and on normal commercial terms (or "arm's length terms"), which are considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) the related party transactions do not distort our financial results during the Track Record Period or make our historical results not reflective of our future performance.

DIVIDENDS AND DIVIDEND POLICY

Pursuant to the Company's Articles of Association, the Company has adopted a dividend distribution policy under which it generally considers making dividend distributions on an annual basis and may also, subject to the approval of shareholders, consider interim dividends. In 2023, 2024, 2025 and the three months ended March 31, 2026, cash dividends of RMB22.1 million, RMB40.0 million, RMB57.8 million and nil were declared and paid, respectively. On May 15, 2026, cash dividends of RMB58.0 million were declared, and has been fully paid. See Note 34 to the Accountants' Report in Appendix I for more details.

The Articles of Association set out the guiding principle that the Company shall implement a continuous and stable profit distribution policy. The Company's profit distribution shall place emphasis on providing reasonable returns to investors, protecting the legitimate rights and interests of investors, and balancing the Company's sustainable development. However, the Company does not have a fixed dividend payout ratio. Any declaration or payment of dividends is subject to the discretion of the Board and the approval of Shareholders, after taking into account the Company's results of operations, financial condition, operating and capital requirements and other factors it considers relevant. There can be no assurance as to the timing, amount or form of any future dividends.

[REDACTED]

Our [REDACTED] mainly include (i) [REDACTED] expenses, such as [REDACTED] fees and [REDACTED], and (ii) [REDACTED] expenses, comprising professional fees paid to our legal advisors and Reporting Accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK$[REDACTED], accounting for approximately of [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED], we expect to pay [REDACTED] of HK$[REDACTED], professional fees for our legal advisors and Reporting Accountants of HK$[REDACTED] and other fees and expenses of HK$[REDACTED]. An estimated amount of HK$[REDACTED] for our [REDACTED] is expected to be expensed through the statement of profit or loss and the remaining amount of HK$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED].

DISTRIBUTABLE RESERVES

As of March 31, 2026, the Company had retained profits of RMB792.3 million, which is available for distribution.

KEY FINANCIAL RATIOS

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

	Year Ended/As of December 31,			Three Months Ended/As of March 31,
	2023	2024	2025	2026
Gross profit margin[(1)] (%)	39.6	40.7	42.0	37.1
Net profit margin[(2)] (%)	22.1	22.5	23.6	18.1
Return on equity[(3)] (%)	14.5	17.7	15.8	N/A
Return on total assets[(4)] (%)	10.7	13.4	12.1	N/A
Current ratio[(5)] (times)	4.3	5.2	4.4	4.2

Notes:

(1) Gross profit margin is calculated based on gross profit for the year/period divided by the total revenue for the same year/period and multiplied by 100%.

(2) Net profit margin is calculated based on net profit for the year/period divided by the total revenue for the same year/period and multiplied by 100%.

(3) Return on equity is calculated based on net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%. Return on equity in the three months ended March 31, 2026 is not included for the purpose of comparison as we believe it is not meaningful to compare the ratio in the three months ended March 31, 2026 with the ratio calculated in full financial year end.

(4) Return on total assets is calculated based on net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%. Return on total assets in the three months ended March 31, 2026 is not included for the purpose of comparison as we believe it is not meaningful to compare the ratio in the three months ended March 31, 2026 with the ratio calculated in full financial year end.

(5) Current ratio is calculated based on current assets as of the end of the respective year/period divided by current liabilities as of the same date.

FINANCIAL RISKS DISCLOSURES

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 30 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see Appendix II to the document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document there had been no material adverse change in our financial, operational or prospects since March 31, 2026, being the latest reporting date of our historical financial information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.