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Application Proof of

POCO Holding Co., Ltd.*

(the “**Company**”)

(A joint stock company incorporated in the People’s Republic of China with limited liability)

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POCO Holding Co., Ltd.* 深圳市鉑科新材料股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)
Nominal value : RMB[1.00] per H Share
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]



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The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that is stated in this document at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. See “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” for further details.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]” for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be [REDACTED], sold, pledged or transferred within the United States, except pursuant to an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold outside the United States in offshore transactions in reliance on Regulation S.

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EXPECTED TIMETABLE⁽¹⁾

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EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

This Summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

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.

Alloy soft magnetic powder cores are made from alloy soft magnetic powders. They are generally combined with copper windings by customers to form wound power inductors, which are primarily used in power conversion applications. Our AI chip inductors, on the other hand, are finished board-mountable inductor components produced from alloy soft magnetic powders and conductor using integrated forming processes. They are primarily used for chip-level power supply in AI computing infrastructure application.

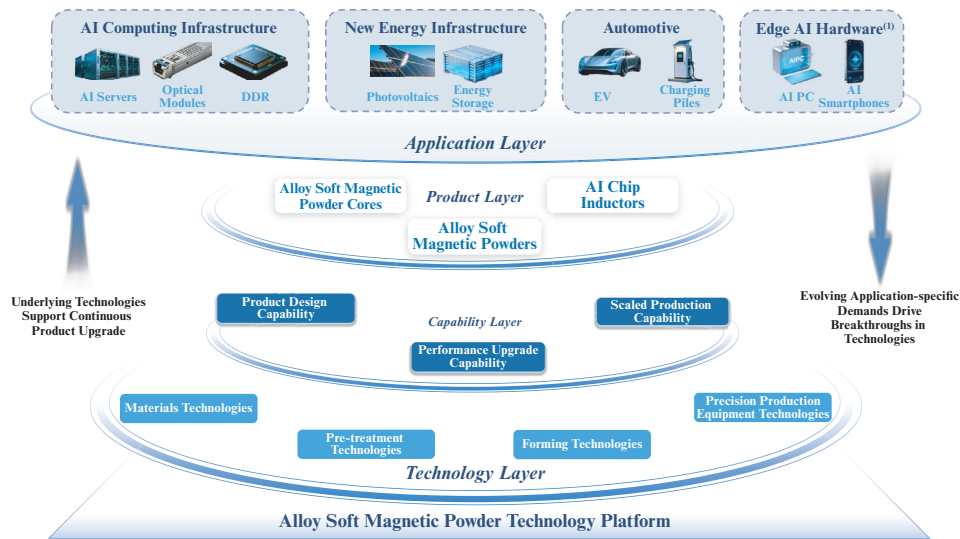
According to CIC, we are one of the few companies globally with vertically integrated capabilities across alloy soft magnetic powders, alloy soft magnetic powder cores and AI chip inductors. In terms of revenue in 2025, we (i) ranked first in the global alloy soft magnetic powder core market with a market share of 27.1%, and (ii) ranked fifth in the global AI chip inductor market with a market share of 7.6%. Our products have entered the supply chain of leading global AI chip companies and cloud service providers.

Our business is driven by long-term demand for higher power conversion efficiency, higher power density, improved transient response and enhanced system stability. These requirements are becoming increasingly important in the context of carbon neutrality initiatives, and the development of AI computing infrastructure, electrification and automation. 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.

Over the years, 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. This platform is built on material technologies, pre-treatment technologies, forming technologies and precision production equipment technologies. Based on these underlying technologies, we have developed product design, product upgrade and scaled production capabilities. These capabilities are applied throughout our engagement with customers to evaluate customers’ requirements and develop customized solutions. Our field application engineers (“FAEs”) work with customers from the product definition stage, and we use our magnetic materials database and powder core power inductor design assistance software to translate customers’ power system and application requirements into material compositions and component design solutions.

SUMMARY

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.

Supported by this platform, we have expanded from alloy soft magnetic powders to alloy soft magnetic powder cores, and further to AI chip inductors. We supply our alloy soft magnetic powders externally on a customized basis. Our alloy soft magnetic powder cores cover multiple material systems and are designed to meet power conversion requirements across different frequencies, core loss, saturation performance levels, 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 power capability. With over 17 years of experience in research and development (“R&D”), scaled production and application of alloy soft magnetic materials, we believe we are well positioned to capture opportunities in evolving downstream applications, including DDR memory, optical modules, AI PCs and AI smartphones.

Set forth below are further details of our business highlights:

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

Notes:

(1) According to CIC.

(2) See “Business — Research and Development — Our Technologies.”

SUMMARY

OUR BUSINESS MODEL AND PRODUCT

We design, develop and sell a portfolio of alloy soft magnetic powder-based products. During the Track Record Period, our product portfolio comprises (i) alloy soft magnetic powder cores, a type of magnetic core used in inductors; (ii) AI chip inductors, which are finished board-mountable inductor components produced from alloy soft magnetic powders and conductor using integrated forming processes; (iii) alloy soft magnetic powders, customized powder developed for customer designated applications; and (iv) others, including customized alloy-based inductors. See “Business — Our Products” for further details.

OUR STRENGTHS

We believe that the following strengths contribute to our success: (i) our alloy soft magnetic material technologies and early-mover accumulations drive product upgrades and application expansion; (ii) our systemic R&D and process capabilities transform material know-hows into product performance; (iii) our vertically integrated capabilities from materials to components support product quality, cost competitiveness and efficient product development; (iv) scaled production and quality control capabilities support stable supply to global customers; (v) customer base and technical engagement support continued growth; and (vi) experienced founding and management team and disciplined execution support our strategic development. See “Business — Our Strengths” for further details.

OUR STRATEGIES

We intend to implement the following strategies: (i) expand market share by strengthening capacity and capturing growth in downstream markets; (ii) continue to invest in R&D for advanced materials and processes; (iii) strengthen sales and management capabilities; and (iv) pursue strategic investments and acquisitions to complement our capabilities. See “Business — Our Strategies” for further details.

SALES AND DISTRIBUTION NETWORK

During the Track Record Period, substantially all of our sales were made directly to our customers. 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. These direct sales mainly comprise orders from passive components manufacturers, OSAT providers, IC manufacturers and photovoltaic inverter manufacturers. See “Business — Sales and Marketing — Our Sales Network” for further details.

SUMMARY

OUR PRODUCTION

As of March 31, 2026, we had two production bases in operation in Chinese Mainland. The following table sets forth details of our designed production capacity, actual production volume and utilization rate by major product types, 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.
- (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.

See “Business — Production” for further details.

CUSTOMERS AND SUPPLIERS

In 2023, 2024 and 2025 and the three months ended March 31, 2026, our five largest customers in each year/period 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. Revenue from our largest customer in each period of the Track Record Period accounted for 17.8%, 13.5%, 13.5% and 17.8% of our total revenues, respectively. See “Business — Our Customers” for further details.

SUMMARY

In 2023, 2024, 2025 and the three months ended March 31, 2026, purchases from our five largest suppliers in each year/period 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 in each period of the Track Record Period accounted for 21.6%, 20.3%, 19.1% and 14.7%, respectively. See “Business — Our Suppliers” for further details.

COMPETITIVE LANDSCAPE

We operate in competitive and rapidly evolving markets 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.

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors.” Some of the risks we face include: (i) our business is subject to macroeconomic fluctuations in the industries in which we operate; (ii) our historical growth may not be indicative of our future financial performance, and we may not be able to manage future growth plan effectively; (iii) demand for our products depends on demand in the end markets we serve, and any slowdown or decline in such demand could materially and adversely affect our business; (iv) competition and pricing pressure are important factors for our margins and financial performance; and (v) any disruption to the operation of our production bases or inability to enhance our production capabilities could directly affect our financial condition and results of operations. See “Risk Factors” for further details.

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

Our historical financial information was prepared in accordance with IFRS Accounting Standards (“IFRS”). The following tables present our historical financial information for the periods or as of the dates indicated, which have been derived from our historical financial information set forth in the Accountants’ Report in Appendix I to this document. The summary of historical financial data should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountants’ Report in Appendix I to this document.

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SUMMARY

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

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

	Year Ended December 31,						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

Our profit for the year increased from RMB255.6 million in 2023 to RMB373.8 million in 2024 and further increased to RMB426.1 million in 2025 and our profit for the period increased from RMB73.4 million in the three months ended March 31, 2025 to RMB88.5 million in the three months ended March 31, 2026, primarily due to the increase in revenue driven by the increasing demands from our customers for more alloy soft magnetic powder cores and AI chip inductors.

See “Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income.”

SUMMARY

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position 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)
Total current assets	1,193,453	1,412,542	1,956,693	1,973,154
Total non-current assets	1,318,269	1,667,367	2,014,637	2,097,821
Total assets	2,511,722	3,079,909	3,971,330	4,070,975
Total current liabilities	(277,855)	(271,032)	(441,922)	(467,930)
Total non-current liabilities	(326,493)	(488,351)	(471,362)	(474,549)
Total liabilities	(604,348)	(759,383)	(913,284)	(942,479)
Net current assets	915,598	1,141,510	1,514,771	1,505,224
Net assets	1,907,374	2,320,526	3,058,046	3,128,496

See “Financial Information — Selected Statements of Financial Position Items.”

Summary of Consolidated Cash Flow Statements

The following table sets forth a summary of our consolidated cash flow statements 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)
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

SUMMARY

See “Financial Information — Liquidity and Capital Resources.”

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.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, Mr. Du, our executive Director and the chairman of the Board, (i) was directly interested in 8,308,510 A Shares of our Company, representing approximately 2.04% of the voting power of our Company; and (ii) through Moma Investment, which was controlled as to 54.00% by Mr. Du, was indirectly interested in 91,261,463 A Shares of our Company, representing approximately 22.44% of the voting power of our Company. Accordingly, Mr. Du was interested in an aggregate of 99,569,973 A Shares of our Company and was entitled to exercise approximately 24.49% of the voting power of our Company. Accordingly, Mr. Du and Moma Investment are regarded as the Single Largest Group of Shareholders.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), Mr. Du and Moma Investment will be entitled to exercise approximately [REDACTED]% of the voting power at general meetings of our Company and will remain as the Single Largest Group of Shareholders. Upon [REDACTED], our Company will not have any controlling shareholder as defined under the Listing Rules.

SUMMARY

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE

Since December 2019, our A Shares have been listed on the Shenzhen Stock Exchange. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there had been no instances of any material non-compliance with the applicable rules of the Shenzhen Stock Exchange and other applicable PRC securities laws and regulations. To the best knowledge of our Directors, there are no material matters in relation to our compliance record on the Shenzhen Stock Exchange that should be brought to the attention of the Stock Exchange or [REDACTED] of the [REDACTED]. Based on the filings on the website of the Shenzhen Stock Exchange and the information available in the public domain, our PRC Legal Advisor is of the view that (i) during the Track Record Period and up to the Latest Practicable Date, there had been no instances of any material non-compliance of our Group with the applicable rules of the Shenzhen Stock Exchange and other applicable PRC securities laws and regulations and (ii) our Company has complied with all laws and regulations, in all material respects, applicable to the A-Shares Listing throughout the Track Record Period and up to the Latest Practicable Date.

Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor’s views as set out above, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with our Directors’ confirmation with regard to the compliance records of our Company on the Shenzhen Stock Exchange.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]). We intend to use the [REDACTED] we will receive from the [REDACTED] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions: (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand and upgrade our AI chip inductor production capacity; (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand and upgrade our alloy soft magnetic powder core production capacity; (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used for strategic partnerships, investments and acquisitions; and (iv) approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

See “Future Plans and Use of [REDACTED].”

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.

SUMMARY

LEGAL PROCEEDING 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 material fines, enforcement actions, or other material penalties that could, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial conditions. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENT

No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgages, contingent liabilities, guarantees or prospects since March 31, 2026, being the end of our latest reporting financial statements, and there has been no event since March 31, 2026 that would materially affect the information shown on the Accountants’ Report in Appendix I to this document.

[REDACTED]

Our [REDACTED] mainly include (i) [REDACTED]-related expenses, such as [REDACTED] fees and [REDACTED], and (ii) non-[REDACTED]-related 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]-related expenses 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].

[REDACTED]

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SUMMARY

[REDACTED]

DEFINITIONS

“2023 Share Incentive Plan”	the 2023 share incentive plan of our Company as approved by our Shareholders on April 17, 2023, the principal terms of which are set out in “Statutory and General Information — D. Share Incentive Plans — 1. 2023 Share Incentive Plan” in Appendix IV to this document
“2026 Restricted Share Incentive Plan”	the 2026 restricted share incentive plan of our Company as approved by our Shareholders on May 15, 2026, the principal terms of which are set out in “Statutory and General Information — D. Share Incentive Plans — 2. 2026 Restricted Share Incentive Plan” in Appendix IV to this document
“A Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are traded in Renminbi and listed on the Shenzhen Stock Exchange
“A Shareholder(s)”	holder(s) of our A Share(s)
“Accountants’ Report”	the accountants’ report of our Company for the Track Record Period, as included in Appendix I to this document
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on June 17, 2026 with effect from the [REDACTED], as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix III to this document
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Botai Investment”	Botai Investment Limited, a limited company incorporated in Hong Kong on March 27, 2025 and our wholly-owned subsidiary
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“China” or “PRC” or “Chinese Mainland”	the People’s Republic of China excluding, for the purposes of this document, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan, China
“CIC”	China Insights Industry Consultancy Limited, our industry consultant
“CIC Report”	the industry report commissioned by us and independently prepared by CIC, a summary of which is set forth in “Industry Overview” in this document
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company,” “our Company,” “we,” “our” or “us”	POCO Holding Co., Ltd. (深圳市鉚科新材料股份有限公司) (formerly known as Shenzhen POCO Magnetic Materials Co., Ltd. (深圳市鉚科磁材有限公司)), a company established under the laws of the PRC with limited liability on September 17, 2009 and converted into a joint stock company with limited liability on September 6, 2015, whose A Shares have been listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300811)
“credit period”	the period of time within which payment is required to be settled, calculated from the date of issuance of the relevant invoice
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Director(s)”	the director(s) of our Company
“EAR”	the U.S. Export Administration Regulations, 15 C.F.R. Parts 730–774
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Group,” “our Group,” “we,” “our” or “us”	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the context may require)
“Guide for New Listing Applicants”	the Guide for New Listing Applicants published by the Stock Exchange
[REDACTED]	[REDACTED]
“H Share(s)”	overseas [REDACTED] foreign shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be [REDACTED] and [REDACTED] Hong Kong dollars and [REDACTED] on the Stock Exchange
“H Shareholder(s)”	holder(s) of our H Share(s)
[REDACTED]	[REDACTED]

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DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“IFRS”	IFRS Accounting Standards, as issued by the International Accounting Standards Board

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DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(ies) who/which, to the best of our Directors’ knowledge, information and belief, is/are not a connected person of our Company
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Latest Practicable Date”	July 2, 2026, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Moma Investment”	Shenzhen Moma New Materials Investment Co., Ltd. (深圳市摩碼新材料投資有限公司), a limited liability company established under the laws of the PRC on May 22, 2013, and a member of our Single Largest Group of Shareholders

DEFINITIONS

“Mr. Du”	Mr. Du Jianghua (杜江華), our founder, executive Director, chairman of our Board and a member of our Single Largest Group of Shareholders
“Mr. Zhou”	Mr. Zhou Houqiang (周後強), our founder, executive Director and general manager
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NS CMIC List”	the U.S. Department of Treasury’s Non-Specially Designated National Chinese Military-Industrial Complex Companies List
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“POCO Chengdu”	Chengdu POCO Science and Technology Co., Ltd. (成都市鉑科新材料技術有限責任公司), a limited liability company established under the laws of the PRC on December 24, 2020 and our wholly-owned subsidiary
“POCO Heyuan”	Heyuan POCO Science and Technology New Materials Co., Ltd. (河源市鉑科新材料有限公司), a limited liability company established under the laws of the PRC on February 9, 2021 and our wholly-owned subsidiary
“POCO Holding”	POCO holding Limited, a limited company incorporated in Hong Kong on July 9, 2024 and our wholly-owned subsidiary

DEFINITIONS

“POCO Industrial”	Huizhou POCO Industrial Co., Ltd. (惠州鉑科實業有限公司) (formerly known as H.B. Fuller Industrial Materials (Huizhou) Co., Ltd. (惠州富樂工業材料有限公司)), a limited liability company established under the laws of the PRC on February 21, 2008 and our wholly-owned subsidiary
“POCO International”	POCO International Limited, a limited company incorporated in Hong Kong on July 18, 2024 and our wholly-owned subsidiary
“POCO Magnetic Materials”	Huizhou POCO Magnetic Materials Co., Ltd. (惠州鉑科磁材有限公司), a limited liability company established under the laws of the PRC on September 27, 2010 and our wholly-owned subsidiary
“POCO New Inductor Technology”	Huizhou POCO New Inductor Technology Co., Ltd. (惠州鉑科新感技術有限公司), a limited liability company established under the laws of the PRC on June 30, 2023 and our wholly-owned subsidiary
“POCO New Materials Sales”	Shenzhen POCO New Materials Sales Co., Ltd. (深圳市鉑科新材料銷售有限公司), a limited liability company established under the laws of the PRC on February 8, 2025 and our wholly-owned subsidiary
“POCO Suzhou”	Suzhou POCO New Inductor Materials Co., Ltd. (蘇州鉑科芯感新材料有限公司), a limited liability company established under the laws of the PRC on April 16, 2026 and our wholly-owned subsidiary
“POCO Thailand”	POCO New Material (Thailand) Co., Ltd, a private limited company incorporated in Thailand on November 6, 2024 and our wholly-owned subsidiary
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisor”	Beijing Tian Yuan Law Firm, our legal advisor as to PRC laws
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
[REDACTED]	[REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of China
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“Sanctioned Country”	any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions-related law or regulation of the Relevant Jurisdiction

DEFINITIONS

“Sanctioned Target”	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of our Share(s)
“Single Largest Group of Shareholders”	refers to Mr. Du and Moma Investment, details of which are set out in “Relationship with Our Single Largest Group of Shareholders” in this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy and ESG Committee”	the strategy and environmental, social and governance committee of the Board
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“THB”	Thai Baht, the lawful currency of Thailand
“Tiancheng Trading”	International Tiancheng Trading Limited, a limited company incorporated in Hong Kong on March 27, 2025 and our wholly-owned subsidiary
“Track Record Period”	the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

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DEFINITIONS

“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“VAT”	value-added tax
“%”	percent

In this document, the terms “associate(s),” “close associate(s),” “connected person(s),” “connected transaction(s),” “core connected person(s),” “subsidiary(ies),” “substantial shareholder(s)” and “treasury share(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Unless otherwise specified, in this document, certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“AI accelerator”	a specialized hardware accelerator designed to accelerate the processing of artificial intelligence (“AI”), machine learning and deep learning workloads
“AI chip inductors”	a small electronic component used to manage the flow of electrical signals in electronic devices built to be used in AI-related applications such as AI computing infrastructure
“AI server”	a kind of server specifically built to handle the demands of AI workloads
“alloy soft magnetic powder cores”	a kind of powder core made of a soft magnetic material with an insulating medium through metallurgical processes
“alloy soft magnetic powders”	a product made from elements such as iron, silicon, aluminum, chromium, nickel and molybdenum, alloyed at high temperature, then processed into powdered products through atomization or fragmentation
“ASIC”	application-specific integrated circuit, a semiconductor chip designed and optimized for a specific function or application
“ASP”	average selling price
“coercivity”	magnetic coercivity, the strength of the reverse magnetic field required to remove the magnetism of a magnetic material after it has been fully magnetized
“core loss”	the electric energy dissipated as heat within a magnetic core per unit volume when subjected to an alternating magnetic field
“Cu-Fe co-sintering” or “CFS”	high-pressure forming and Cu-Fe co-sintering technology, a manufacturing process that uses heat and pressure to bond copper and iron materials together into an integrated component
“DC”	direct current
“DC bias”	the characteristic of a magnetic core to maintain its magnetic permeability and inductance under a superimposed direct current field or load
“DC-DC converter”	an electrical system (device) which converts direct current sources from one voltage level to another
“FeSi powder”	ferro silicon powder, an alloy powder primarily composed of iron and silicon or aluminum and used in the production of magnetic materials and steel products
“FeSiCr powder”	iron-silicon-chromium alloy powder, an alloy powder primarily composed of iron, silicon and chromium, used in the manufacture of soft magnetic materials and components

GLOSSARY OF TECHNICAL TERMS

“field application engineers” or “FAEs”	technical specialists who provide on-site technical support and pre-sales and after-sales services to customers
“FPGA”	field-programmable gate array, a configurable integrated circuit that can be programmed and reprogrammed after manufacturing to perform a variety of digital functions
“GFA”	gross floor area
“GPU”	graphic processing unit, a microprocessor designed to handle graphics-related tasks
“Integrated circuit” or “IC”	an electronic circuit where all the elements of the circuit are integrated together on a single semiconductor chip
“magnetic flux”	a measure of the amount of magnetic field passing through a surface, calculated as the product of magnetic flux density and the area perpendicular to the magnetic field
“nanocrystalline powder”	a kind of powder made of extremely small crystalline particles at the nanometer scale
“OSAT”	outsourced semiconductor assembly and test
“PCBs”	printed circuit boards
“PV”	photovoltaic
“permeability”	a physical quantity (μ) that indicates how easily a magnetic material can be magnetized under an external magnetic field
“photovoltaic inverter”	a power conversion device that converts direct current generated by photovoltaic solar panels into alternating current for use in electrical grids or local power systems
“R&D”	research and development
“saturation flux density” or “Bs”	the magnetic flux density of a magnetic material at saturation, denoted by Bs and measured in tesla (T)
“switching frequency”	the number of times a power device switches on and off per unit of time
“UPS”	uninterruptible power supply, a power electronic device with an energy storage system that provides continuous and stable electrical power to connected equipment during power interruptions or fluctuations

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following: (i) our business prospects; (ii) future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand; (iii) our business and operating strategies and plans to achieve these strategies; (iv) general economic, political and business conditions in the markets in which we operate; (v) changes to the regulatory environment, operating conditions and general outlook in the industry and geographical markets in which we operate; (vi) the effects of the global financial markets and economic crisis; (vii) our financial condition and performance; (viii) our ability to reduce costs; (ix) our dividend policy; (x) the amount and nature of, and potential for, future development of our business; (xi) capital market developments; (xii) the actions and developments of our competitors; and (xiii) change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is subject to macroeconomic fluctuations in the industries in which we operate.

As a fundamental industry supporting the development of the national economy, the industry in which we operate is closely linked to the macroeconomic cycle, which has a significant impact on overall industry prosperity. The products we sold are widely used in many emerging industries including AI computing infrastructure, new energy infrastructure, automotive and other applications. These emerging industries are characterized by high efficiency, energy saving, and environmental protection, are strongly supported by national industrial policies, and represent the future direction of economic transformation, which are related to overall macroeconomic development conditions. As a result, our revenue, costs, margins and cash flows may fluctuate from period to period in response to changes in macroeconomic conditions. If industry or macroeconomic conditions deteriorate or policy support weakens, our business, financial condition, results of operations and prospects could be directly affected.

Our historical growth may not be indicative of our future financial performance, and we may not be able to manage future growth plan effectively.

Our revenue increased from RMB1,158.5 million in 2023 to RMB1,662.9 million in 2024, and further increased to RMB1,802.2 million in 2025. Our revenue increased from RMB383.3 million in the three months ended March 31, 2025 to RMB489.6 million in the three months ended March 31, 2026. However, our historical growth, profitability and financial performance reflect the operating environment, market conditions, competitive landscape and cost structure prevailing during those periods, and may not be indicative of our future results. Our future performance will depend on different factors, many of which are beyond our control, including overall macroeconomic conditions, industry cycles in the sectors we serve, changes in customer demand and regulatory or technological developments. There can be no assurance that we will be able to sustain our historical growth rates or profitability. Any slowdown in revenue growth, compression of margins or increase in costs could cause our results of operations to fluctuate significantly from period to period. Accordingly, [REDACTED] should not rely on our historical results as an indication of our future financial performance, and any failure to achieve expected growth could directly affect our business, financial condition and results of operations.

Demand for our products depends on demand in the end markets we serve, and any slowdown or decline in such demand could materially and adversely affect our business.

Our products are used in a range of end markets, such as AI computing infrastructure, new energy infrastructure and automotive applications. Demand for our products is therefore affected by demand conditions in these end markets. Demand in these end markets may fluctuate due to factors such as technology upgrades, industry support, product replacement cycles and changes in competitive dynamics. Further, demands for our products may also be affected by the changes in customer procurement and inventory plans. If demand in any of our key end markets slows, declines or recovers more slowly than expected, our customers may reduce, delay or cancel purchases of our

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products. We may also face slower revenue growth, lower capacity utilization, greater pricing pressure and reduced margins. As a result, any material slowdown or decline in demand in the end markets we serve could materially and adversely affect our business, financial condition, results of operations and prospects.

Competition and pricing pressure are important factors for our margins and financial performance.

We operate in a competitive market where we face competition from existing industry participants as well as new entrants. Competitors may include domestic and international manufacturers offering similar or substitute products. They may compete with us on the basis of price, product performance, quality, reliability, delivery time, technological capabilities, brand recognition and service.

In order to maintain or increase our market share, we are required to offer more competitive pricing, provide additional technical support, or invest more resources in product development and customer service. Technological advancements or changes in customer preferences could also render certain of our products less competitive if we do not respond in a timely and effective manner. If we are unable to compete effectively, we may experience loss of customers, reduced order volumes or pressure to lower prices, which could erode our gross margins and profitability. Any sustained increase in competitive intensity or pricing pressure could directly affect our business, financial condition, results of operations and prospects.

Any disruption to the operation of our production bases or inability to enhance our production capabilities could directly affect our financial condition and results of operations.

Our growth and profitability are affected by, among other things, our ability to enhance production capacity in line with business needs to meet the growing customer demand. To this extent, we may need to make upgrade and expansion plans, expand and construct new facilities, and maintain and purchase production equipment in a cost-efficient manner. These upgrades and expansions may involve constructing facilities or purchasing equipment, which are affected by our available working capital and are subject to delays or difficulties in the course of installing and implementation. There is no assurance, however, that our upgrade or expansion plan, if implemented, will be operationally or financially successful and substantiated by sufficient market demand.

Our production bases also face potential disruption from various risks beyond our control. These include, for example, physical damage from fires, floods, earthquakes, and typhoons, as well as operational challenges such as power outages, mechanical breakdowns, telecommunications failures, and loss of required licenses and permits, many of which are beyond our control. In addition, our production operations involve certain inherently risky and hazardous activities. Therefore, we are subject to risks associated with these activities, including equipment failures, industrial accidents, fires and explosions. These risks can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damage. Any of these consequences, if significant, could result in business interruption and directly affect our financial condition and results of operations.

Our ability to appropriately address the evolution in the industries and sectors where our products are used is important for our business, financial condition and results of operations.

The end markets in which our products are used continue to evolve, and our customers may require products with enhanced performance. Our competitiveness depends in part on our ability to anticipate these technological trends and translate them into timely upgrades of our existing products and the development of new products that meet evolving customer requirements. Technological development is inherently uncertain, which may cause our products and technological R&D to deviate from industry development directions. If we fail to align with

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industry trends in forward-looking technological innovation, we may face risks of declining product competitiveness and customer recognition, which could in turn affect our economic performance and even the sustainable development.

We are exposed to risks in relation to work safety and occurrence of accidents as well as other occupational and environmentally related risks.

Our business and production are subject to various risks and the production processes of our products are characterized by high temperature, high pressure and low oxygen conditions. Any equipment malfunction, operational failure, human error or failure by our employees or other on-site personnel to comply with applicable safety procedures may result in accidents, work-related injuries, property damage, production interruptions or other adverse consequences. During the Track Record Period, we conduct regular inspections of the facilities we operate and equipment maintenance and implement measures to prevent safety incidents, including establishing production safety systems and organizing safety training programs. However, there can be no assurance that these measures will be sufficient to prevent all accidents or work-related injuries, or that our employees and other on-site personnel will always strictly comply with such measures and procedures. See “Business — Employee — Production Safety Incident” for details. If we fail to provide in-depth safety training to employees and truthfully inform employees of the hazardous factors, preventive measures, and emergency response measures associated with their workplaces and job positions, or unable to effectively supervise employees in strictly complying with production safety regulations and operating procedures, we may be exposed to production disruptions, regulatory actions, compensation claims or reputational damage, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Maintaining and enhancing our brand and reputation is important for our business and financial performance.

Any negative publicity or other public disclosures concerning us, our affiliates or subsidiaries, management team, employees, other persons associated with us, our business partners or other third parties we cooperate with, or our industry generally, even if untrue, partially true or inconsistent, could directly affect our reputation, damage our brand image or have a direct effect on our results of operations, financial performance and business prospects. If we are unable to provide efficient maintenance and support services with results satisfactory to our customers, our reputation and business may also be harmed. Damage to our reputation could be difficult, expensive and time consuming to restore and could make potential or existing customers reluctant to select us for new engagements, resulting in a loss of business. Damage to our reputation could also reduce the value and effectiveness of our brand and could reduce investor confidence in us, affecting the price of our Shares.

Our success depends on maintaining and expanding our customer base while encouraging increased use of our products and services.

Our continued success depends on maintaining and expanding our customer base and increasing customer adoption of our products and services. We emphasize customer-driven R&D and long-term collaboration with strategic customers to support recurring demand. However, customer engagement may decline due to factors such as dissatisfaction with product performance, competitive pressure, macroeconomic conditions or changes in customer strategies. If we fail to adapt to industry trends, continue innovating or maintain stable customer relationships, customer retention and acquisition may be directly affected. Any sustained decline in customer engagement could lead to lower revenue and directly affect our business, financial condition and results of operations.

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Our customer and supplier concentration is high, and a loss of our major customers or suppliers may directly affect our business operations and financial results.

A portion of our revenue is derived from a limited number of major customers and our business operations depend on the continuous service of certain suppliers. See “Business — Our Customers” and “Business — Our Supply Chain — Our Suppliers — Our Major Suppliers” for more details. The relatively high contributions from these customers and suppliers indicate a certain degree of customer and supplier concentration. We cannot assure you that we will be able to maintain our relationships with our major customers and suppliers in the future. If we fail to meet our customers’ quality, delivery, cost or technological requirements, they may reduce their reliance on us or cease to source from us. If our supply is disrupted or delayed, we may fail to find replacements with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. As a result, any adverse change in the business relationship with one or more key customers or suppliers could have a direct impact on our revenue and operating performance.

We have been and intend to continue investing significantly in R&D activities, and the development cycles of our products can be long, which may impact our profitability and operating cash flow and may not generate the results we expect to achieve.

We may not be able to obtain sufficient resources, including qualified R&D personnel and R&D equipment to support the R&D of new or enhanced products. R&D activities are time-consuming and by the time our products and solutions are due for commercialization, new technologies could render our products obsolete, in which case we may not be able to recover related R&D expenses, which could result in a decline in our revenue, profitability and market share. Even if our R&D efforts successfully result in the development and commercialization of new products, these efforts may not contribute to our future results of operations within our expected timeframe, or at all. The success and profitability of our new products are subject to various factors such as market demand, macroeconomic conditions or the pace of technological advancement, which are beyond our control. Therefore, the contributions from our R&D efforts may not meet our expectations or even cover the expenses of such efforts, which would directly affect our business, results of operations, financial condition and competitive position.

Our success relies on the continued services and contributions from key management and other highly qualified personnel with specialized skills, including senior R&D personnel and skilled engineers.

We have cultivated a team of core R&D technical personnel, and certain of our products and technologies remain under development. Competition for management and technical talent is intense. If we fail to retain our key management or core technical personnel, attract or train suitable replacements in a timely manner, or if any of our core technologies are disclosed, misappropriated or otherwise compromised, our research and development, technology upgrade, production and commercialization efforts may be adversely affected, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our ongoing establishment of overseas base exposes us to a slowdown in overall profit growth that could exert a negative impact on our business performance.

Our Thailand Production Base under equipment testing is intended to enhance our global presence, serve local customers more effectively and optimize our supply chain. However, these initiatives expose us to additional risks and uncertainties associated with operating in new markets and jurisdictions. For example, the construction, ramp-up and operation of overseas base may encounter delays, cost overruns, regulatory or licensing hurdles, supply chain disruptions, labor shortages or difficulties in recruiting and retaining qualified local personnel. Moreover, geopolitical tensions, trade restrictions, changes in tariffs, exchange rate volatility or other external factors could affect the economics of operating overseas base or our ability to move products and components across borders. Any material adverse development affecting our overseas base could increase our costs, reduce our operational flexibility and negatively affect our overall business performance, financial condition and results of operations.

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Raw materials, key supplies and supply chain stability are important for our business, financial condition and results of operations.

We collaborate with third-party suppliers to provide raw materials, other services and supplies used in our production processes. Although we maintain qualified supplier records, our operations remain dependent on the stability, reliability and performance of these suppliers. The timely availability and consistent quality of materials supplied by third parties are critical to our ability to manufacture products according to schedule, maintain product standards and meet customer delivery requirements. Any interruption, delay or shortfall in the supply of required materials from key suppliers could disrupt our production plans and directly affect our ability to fulfill customer orders.

Further, prices of raw materials, such as iron, silicon, and nickel, affect our production costs and overall profitability. The prices of our key raw materials are subject to fluctuations driven by factors such as market demand and supply, energy costs, logistics constraints, geopolitical tensions, natural disasters and speculative activities in commodity markets. We cannot assure you that we will always be able to obtain quality raw materials in sufficient quantities at reasonable prices. Should there be any prolonged or significant increase in the prices of key raw materials, our production costs could be affected, which in turn, may affect our business, financial condition and results of operations.

We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures.

Our operations are subject to potential fluctuations in the political and economic relations among countries and counter-sanctions measures and export administration measures administered by the government authorities in the countries and regions in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Given the dynamic nature of geopolitical developments, international trade disputes, export administration, sanctions and counter-sanctions measures, and investment access may exacerbate unfavorable macroeconomic conditions, including inflationary pressures, foreign exchange volatility, financial market instability, and economic downturns. While we actively monitor these risks, any prolonged global economic deterioration or escalation in trade tensions could materially and adversely affect our business, capital market access, financial condition, and prospects.

Our international business may be affected by sanctions and export control laws and regulations. During the Track Record Period, we had limited revenue derived from sales to Russia, which amounted to RMB2.1 million in 2023 and RMB2.8 million in 2024, representing 0.2% and 0.2% of our total revenue for the respective years. We ceased Russia-related transactions after September 2024 and did not record any Russia-related sales after October 2024. Based on internal screening, the products sold were standard alloy soft magnetic powder cores with ordinary civilian applications. After consultation with our legal advisor as to U.S. export control and sanctions, the Russia-related customers were not identified as Sanctioned Targets, and the products sold not identified as items subject to the U.S. Export Administration Regulations, and that the historical Russia-related transactions do not constitute Sanctioned Activity.

We may be unable to obtain and maintain effective and sufficient protection of our intellectual property rights. And we may be subject to intellectual property infringement claims or other disputes, which could expose us to costly litigation and substantial liability and directly affect our reputation.

Protection of our intellectual property is critical to maintaining our competitive position. See “Business — Intellectual Property” for more details. There is no assurance that intellectual property rights will be granted in a timely manner or that protection will be consistent across jurisdictions. Third parties may independently develop similar technologies or infringe our intellectual property.

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Enforcing our rights may require costly and time-consuming litigation, with the results remaining uncertain. Any failure to protect our intellectual property could impair our competitive position and affect our business and results of operations.

In addition, we could in the future be subject to claims that we or our current or former employees, consultants or advisors have inadvertently or otherwise used or disclosed alleged intellectual property rights of third parties. We cannot assure you that we will prevail in these matters. Even if we were to succeed in our defense, involvement in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to third parties, require us to obtain licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our products. Any similar claim against us, even without any merit, could also damage our reputation and brand image.

Defects or unsatisfactory performance of our products, or failure to maintain effective quality control, could result in returns, recalls, reputational damage, loss of customers and product operations.

Defects or unsatisfactory performance of our products, or failures in our quality control processes, could result in product malfunctions, reduced efficiency or shorter-than-expected service life. Defective products or components may give rise to returns, replacements, repairs, product recalls, contractual penalties or warranty claims, which could increase our costs and affect our profitability. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customers, they also subject us to additional costs and expenses that may not be offset by increased revenue. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied. Customer dissatisfaction may result in loss of existing customers or failure to acquire new users, which may directly affect our business and results of operations.

Further, if our products cause or are alleged to have caused property damage, personal injury or other losses, we may be exposed to claims or disputes that could result in additional costs and divert management attention, which in turn, may affect our business performance, financial condition and results of operations.

Our ability to obtain and maintain necessary permits, licenses, approvals and qualifications is important for our business and results of operations.

The industries in which we operate are highly regulated. We are required to obtain and maintain the requisite licenses and approvals in China and in other jurisdictions where we operate. Compliance with the relevant regulations may require substantial expense and non-compliance may expose us to sanctions and penalties. We cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner as the licenses may only be valid for a limited period of time. Further, we may be required to obtain additional approvals, licenses, permits and certifications that we do not currently have for our existing business or new scope of business that we may expand into in the future. The loss of or failure to obtain or renew any of these permits, licenses, approvals and qualifications could directly affect our business, financial condition and results of operations.

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.

We have maintained insurance policies to cover various aspects of our business to secure our business continuity. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate for all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our

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policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, it could directly affect our business, financial condition, results of operations and prospects.

Labor-related issues may have a direct effect on our business.

We believe that we have a good working relationship with our employees and have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption to our operations and/or incur higher on-going labor costs, which may have an adverse effect on our business and results of operations. In addition, labor costs in regions where we operate may increase, which in turn affect our production costs. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We collaborate with third-party information technology service providers to support our business operations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be directly affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be directly affected.

We rely on our business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties. Our ability to detect or prevent fraudulent or illegal activities or other misconduct by such parties is important for our business.

We are exposed to fraudulent or illegal activities or other misconduct by our business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities. Although we have established internal control policies and relevant contractual covenants, we cannot assure you that we will be able to prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties, including, but not limited to, those in violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, could also subject us to negative publicity that could severely damage our brand and reputation and subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties could directly affect our business.

We may be subject to impact of our risk management and internal control systems in the future.

We have designed and implemented risk management and internal control policies and procedures to monitor and control potential risk exposures relevant to our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot guarantee that these systems will be sufficiently effective in identifying, managing and preventing all potential risks that may arise from our business operations. If our internal control

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system fails to detect potential risks in our business, as intended, or is otherwise subject to weaknesses and deficiencies, our business, financial condition and results of operations could be directly affected.

Our risk management and internal control systems also require effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or that such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be directly affected.

Our manufacturing operations consume significant amounts of electricity and other forms of energy, exposing us to risks from rising global and regional energy costs as well as potential supply disruptions.

We are exposed to the risk of rising energy prices as well as potential supply disruptions, both of which could directly affect our operations and financial performance. Volatility in, or shortages of, electricity or other energy inputs may arise from factors beyond our control, including fluctuations in fuel prices, instability of local or regional power grids, geopolitical events affecting energy supply and pricing, adverse weather conditions or natural disasters, and changes in energy, environmental or climate-related policies or regulations. Any of these factors could result in higher tariffs, surcharges, mandated curtailments, or unplanned outages affecting the facilities from which we obtain electricity or other energy. In response to these risks, we may from time to time take mitigation measures, such as adjusting our production schedules, arranging for alternative energy supply or maintaining backup power systems. However, these measures involve additional capital and operating expenditures, may not be economically viable in all circumstances and cannot guarantee uninterrupted power supply or full protection against cost increases. In particular, our ability to pass higher energy costs on to customers through price adjustments is subject to market conditions, competitive dynamics and contractual arrangements, and there can be no assurance that such cost increases will be fully or promptly recovered.

We are subject to stringent environmental laws and regulations and may incur substantial costs in complying with such laws and regulations and resolving relevant risks.

Our production generates sewage and other industrial waste at different stages of the production process. As a result, our operations are subject to various environmental laws and regulations and administrative adjudications. Environmental laws and regulations impose stringent standards on our handling and disposal of waste and emission of sewage. If we fail to comply with any of the regulations or to satisfy any of the conditions required for the maintenance of our licenses and certificates, such licenses and certificates could be temporarily suspended, revoked, or rejected upon renewal or delayed for renewal upon expiry of their original terms. This could directly affect our business, financial condition and results of operations. Given the magnitude, complexity and continuous amendments to these laws and regulations, the liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, termination of government contracts or suspension of their operations.

Our involvement in legal proceedings and commercial or contractual disputes, and their potential impact on our reputation, business, financial condition and results of operations, are important for our business.

We may be involved in commercial or contractual disputes, legal and administrative proceedings, and claims arising out of the ordinary course of our business. We cannot assure you that we will not be involved in various disputes in the future, which may expose us to additional risks and losses. In addition, existing or future disputes, proceedings and claims may be costly to defend or resolve. We may have to pay legal costs associated with such disputes, including fees relating to

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appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies. Any claims, disputes, inquiries, investigations and proceedings may result in damage to our reputation, additional operating costs and diversion of resources and management’s attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may directly affect our reputation, business, financial condition and results of operations.

We may face risks related to our properties.

We face legal defects regarding some of our owned properties. As of the Latest Practicable Date, we have not obtained the real estate ownership certificates for certain properties owned. While we are in the process of fulfilling the relevant procedures required for the ownership certificates for these properties, we may not be able to obtain these certificates in a timely manner or at all, in which case our business may be affected. See “Business — Properties — Owned Properties” for details.

Further, under the Administrative Measures on Commodity Housing Leasing (《商品房屋租賃管理辦法》), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we had not completed lease registration for properties we leased in China. According to the relevant PRC laws and regulations, we may be required by relevant government authorities to file lease agreements for registration within a time limit, and may be subject to a fine ranging from RMB1,000 to RMB10,000 for each of the non-registered leased property exceeding such time limit.

Under the Urban and Rural Planning Law of the People’s Republic of China (《中華人民共和國城鄉規劃法》), temporary construction within urban or township planning areas shall be subject to the approval of the urban and rural planning authorities of the relevant city or county people’s government. As of the Latest Practicable Date, we constructed a temporary building structure for inventory or supplementary production use. As advised by our PRC Legal Advisers, we may be requested by the relevant local government authority to demolish our temporary building structure within a prescribed period of time and subject to a fine up to an amount equivalent to our construction cost of the temporary building structure.

Force majeure events, such as natural disasters, adverse weather conditions, public health and public security hazards, may severely disrupt our business and operations.

Force majeure events may severely disrupt our business and operations. We may be exposed to events such as earthquakes, floods or other similar occurrences that are beyond our control and may directly affect our operational facilities and business activities. Any future occurrence of force majeure events, including hurricanes, earthquakes and other natural disasters, epidemics, quarantines, terrorism, embargos, plant closures or other unforeseen events beyond our control, could result in significant operational disruptions and property damage. Such events may interrupt production, logistics or other critical business functions and could materially and directly affect our business, financial condition and results of operations.

Effective management of our distributors and their compliance with framework agreements and distributors management policy are important for our business, prospects and reputation.

We engaged distributors to supplement our direct sales of products. For the distributorship, we primarily rely on distribution agreements and distributors management policy to regulate our relationships with these distributors. However, we cannot assure you that we will always be able to manage our distributors effectively, or that our distributors will not breach our agreements or policies. Any breach or alleged breach by our distributors of the distribution agreements, distributors management policy or applicable laws and regulations could result in potential legal liability incurred by us, damage to our goodwill, a decline in the market value of our brand and adverse public perception regarding the quality of our products, which could have a direct effect on our business, financial condition, results of operations and prospects.

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Market risk from fluctuations in foreign currency exchange rates could directly impact our financial performance.

During the Track Record Period, we had overseas customers and conducted settlements in U.S. dollars. There may be a certain time lag between the execution of sales and procurement contracts and the receipt and payment of foreign currency. During the Track Record Period, the amount of exchange gains and losses was relatively small. As we continue to expand its scale of operations, overseas sales may also increase accordingly. If significant exchange rate fluctuations occur in the future or settlements cannot be completed in a timely manner, and we are unable to take effective countermeasures, our profitability may be exposed to risks arising from exchange rate volatility.

Any changes or discontinuation of preferential tax treatment and government grants may affect our business, results of operations and financial condition.

During the Track Record Period, we received government grants. As many of these government grants are non-recurring in nature, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants that may become available to us in the future. Furthermore, we are subject to preferential income tax treatments. If we cease to be entitled to such government grants or preferential tax treatment or if the relevant PRC laws and regulations change, our income tax expenses may increase, which could directly affect our business, results of operations, financial condition and prospects.

Credit risk related to delays in payment and defaults by customers or related parties is important for our liquidity and financial condition.

We are exposed to credit risks related to delay in payment and defaults of our customers or related parties. As of December 31, 2023, 2024, 2025, and March 31, 2026, we recorded loss allowance for trade and bills receivable of RMB28.4 million, RMB42.9 million, RMB42.8 million and RMB41.6 million, respectively. We may not be able to collect any, if not all, such trade and bills receivable due to a variety of factors that are beyond our control, including long payment cycle, adverse operating conditions or financial condition of our customers, and our customers’ inability to pay caused by their end customers’ delay in payment. In such circumstances, we may have to make impairment provisions, and our liquidity and financial condition will be directly affected.

Our ability to recover trade receivables in a timely manner is important for our business and financial performance and results of operations.

The ability of our customers and counterparties to meet their payment obligations may be affected by their own business performance, financial condition, as well as broader macroeconomic and industry conditions. If any major customer or a significant number of customers experience financial difficulties, delay payments, default on their obligations or become insolvent, we may have to extend payment terms, restructure receivables, recognize impairment losses or write off bad debts. Similarly, if suppliers or other counterparties fail to perform their obligations after receiving prepayments or deposits from us, we may face difficulties in recovering such amounts or obtaining alternative supplies on comparable terms. Any significant delays or defaults in the collection of trade receivables, prepayments and other amounts due could directly affect our cash flows, liquidity position, working capital management and overall financial condition.

We are subject to risks of inventory impairment, shortages and excess inventory, which are important for our business, financial condition and results of operation.

If market demand weakens further or if downstream investment continues to slow, the net realizable value of our inventories may fall materially below their carrying costs, which could require us to recognize substantial inventory write-downs or impairment losses. Any such impairment would directly reduce our gross profit and net profit, directly affect our asset quality and leverage ratios,

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and may weaken our ability to obtain external financing on favorable terms. In addition, excess or obsolete inventory may constrain our operational flexibility and negatively affect our liquidity position, thereby directly affecting our business, financial condition and results of operations.

Our ongoing capital investment needs and related cost control and financing arrangements are important for our business.

We require continuous and significant capital investments to expand and upgrade our production facilities, introduce new equipment, enhance automation and improve product quality and compliance with evolving technical standards. We may not always be able to accurately forecast the required level or timing of capital investments. If we invest in additional capacity or new technologies based on overly optimistic demand expectations, we may experience under-utilization of facilities, lower returns on investment and increased depreciation and financing costs. Conversely, if we under-invest or delay necessary capital projects, we may be unable to meet customer demand, fall behind competitors in technology and efficiency, or face higher maintenance and repair costs for aging equipment.

To fund capital expenditures, we may need to rely on internally generated cash flows, bank borrowings or other external financing. There can be no assurance that such financing will be available on terms acceptable to us, or at all. Increased leverage could, in turn, increase our interest expenses and subject us to restrictive covenants that limit our operational and financial flexibility. Any of the foregoing could directly affect our business, financial condition, results of operations and prospects.

Our investment in wealth management products may affect our financial performance and financial position.

During the Track Record Period, we purchased wealth management products as a supplemental mean to improve the utilization of our cash on hand on a short-term basis. We intend to purchase low-risk wealth management products with good liquidity for treasury management purpose in the future. There is no assurance that we will not record a loss from wealth management products. As a result, our financial performance and financial position may be adversely affected. Furthermore, factors beyond our control can influence and cause adverse changes to the estimates we use and thereby affect the fair value of wealth management products. These factors include, but not limited to, general economic condition and changes in market foreign exchange rates. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could adversely affect our financial performance and financial position.

We have granted, and may continue to grant share-based awards, which may increase share-based payment expenses and affect our financial condition and results of operations.

We adopted share incentive plans including share-based compensation for the benefit of our employees to incentivize and reward the eligible persons who have contributed to our success. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees. Nevertheless, share-based compensation expenses would potentially dilute the shareholding of existing shareholders. We may continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the share incentive plan from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods following this [REDACTED].

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RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTIONS WE OPERATE

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in China could materially and adversely affect our business, financial condition, results of operations and prospects.

The majority of our business assets are located in China and vast majority of our sales and revenue was derived from China during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC government could affect our business and financial condition. Failure to fully adapt to these changes in political and economic policies may adversely affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of companies in our industry. See “Regulatory Overview” for more details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

We are subject to a range of laws, regulations and regulatory standards, and any failure to comply with these requirements may expose us to liabilities.

We are subject to extensive laws, regulations and regulatory requirements in the PRC and other jurisdictions in which we conduct our business, and any failure to comply with such requirements may subject us to liabilities and penalties. For example, we are required to comply with various labor-related laws and regulations in the PRC, including those relating to social insurance and housing provident fund contributions for our employees.

Under the relevant PRC laws and regulations, including the Regulation on the Administration of Housing Provident Funds and the PRC Social Insurance Law, PRC enterprises are required to establish housing provident fund accounts for their employees, complete social insurance registration and make contributions to social insurance and housing provident fund in a timely and full manner. Although we were not subject to any material administrative penalties imposed by the relevant authorities in connection with our social insurance and housing provident fund contributions during the Track Record Period, there can be no assurance that our historical and current practices in this regard will always be regarded as fully compliant by the relevant regulatory authorities, particularly in light of the evolving interpretation, application and enforcement of the relevant laws and regulations.

If our practices are determined to be non-compliant, we may be required to make up any shortfall in social insurance and housing provident fund contributions within a prescribed time period and may be subject to administrative penalties if we fail to rectify such non-compliance in accordance with the requirements of the relevant authorities. During the Track Record Period, we had not received any administrative order to rectify our practices comprehensively or to pay up any shortfall all at once or subject to any material administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. Considering relevant regulator policies and the facts stated above provided that there are no material changes to the current social insurance, housing provident fund policies and regulations, or to the enforcement and supervision requirements of local governments and in the absence of collective employee complaints or litigation or arbitrations, our PRC Legal Advisor is of the view that the likelihood that we would be required by relevant regulatory authorities to pay up any shortfall all at once for social insurance and housing provident fund contribution or become subject to material administrative penalties by relevant authorities is remote. Notwithstanding the foregoing, any failure by us to comply with other applicable labor laws and regulations in the PRC may also expose us to liabilities, penalties or claims for compensation by employees.

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You may experience difficulties in effecting service of legal process and enforcing judgments obtained from non-PRC courts or tribunals against us and our management who reside in the PRC.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex for [REDACTED] to effect service of process upon or to enforce judgments outside of China against us and most of our Directors and senior management outside China. A judgment of a court or tribunal of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts or tribunals of China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China is not a party to treaties providing for the reciprocal enforcement of judgments of courts or tribunals with certain foreign countries such as the United States, and enforcement in China of judgments of a court or tribunal in these jurisdictions may consequently be difficult or impossible.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your [REDACTED].

The conversion of Renminbi is subject to applicable laws and regulations in China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange (“SAFE”). We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, results of operations and financial condition, may be affected.

Our operations are subject to PRC tax laws and regulations.

As a company incorporated in China, we are subject to PRC tax laws and regulations. We cannot assure you that we are able to fully comply with such laws and regulations. Any violation of such laws and regulations may result in fines, other penalties, actions or proceedings that could adversely affect our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

According to the relevant laws and regulations, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. And the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends. In addition, if a non-resident enterprise has

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no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Specifically, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends, (ii) otherwise, 10% of the total amount of dividends. Considering the above, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

Our operations are subject to cybersecurity, data privacy and personal information protection risks, and any non-compliance or security incident could adversely affect us.

We rely on information technology systems to support our business operations, including production management, supply chain coordination, financial reporting and internal communications. In the course of our business, we may collect, process and store certain data, which may include business-sensitive information and limited personal information of employees and business contacts, subject to applicable cybersecurity, data privacy and personal information protection laws and regulations. The regulatory framework governing cyber security and data protection in the PRC and other jurisdictions where we operate is evolving and becoming increasingly stringent. Any failure to establish and maintain appropriate policies, systems and controls, or any misinterpretation of applicable requirements, could result in non-compliance with the relevant laws and regulations.

Our IT systems and data may also be vulnerable to cyber-attacks, hacking, phishing, malware, ransomware, unauthorized access, misuse or other security incidents. Any actual or suspected data breach or loss, or any material disruption to our IT systems, could result in business interruptions, loss of data, increased recovery costs, reputational damage and potential regulatory inquiries or penalties. Although we have taken certain information security measures, such measures may not be sufficient to prevent or fully mitigate all such risks. If any of the foregoing events occurs, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISKS RELATED TO THE [REDACTED]

We will be concurrently subject to Hong Kong and China listing and regulatory requirements.

As we are listed on the Shenzhen Stock Exchange and will be [REDACTED] on the Hong Kong Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

The characteristics of the A share and H share markets may differ.

Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no [REDACTED] or settlement between the H share and A share markets. With different [REDACTED] characteristics, the H share and A share markets have divergent [REDACTED], liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the [REDACTED] of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [REDACTED] of our H Shares, and vice versa. Due to the different characteristics of the H share

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and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an [REDACTED] in our H Shares.

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. There can be no guarantee that an active [REDACTED] for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company, the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our H Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse impact on the [REDACTED] of our H Shares and our ability to raise additional capital in the future.

The [REDACTED] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [REDACTED], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. The H Shares held by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our H Shares commences on the Stock Exchange. We cannot assure you that our existing Shareholders will not dispose any H Shares they may own now or in the future. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Dividends declared and distributed in the past may not be indicative of our dividend payments in the future and there can be no assurance if and when we will pay dividends in the future.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of Chinese Mainland, the payment of dividends may be subject to certain limitations. The declaration, payment and amount of any future dividends are subject to the discretion of our board of Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our board of Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of Chinese Mainland. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Our Single Largest Group of Shareholders can exert significant influence on us and could cause us to act in a way that may not be in the best interests of our minority Shareholders.

Our Single Largest Group of Shareholders has substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce

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the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Single Largest Group of Shareholders may differ from the interests of our other Shareholders. It is possible that our Single Largest Group of Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange Market.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective [REDACTED] in our H Shares should be reminded that, in making their [REDACTED] decisions as to whether to [REDACTED] our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. There may be additional media coverage regarding us, our business, our industry and the [REDACTED] subsequent to the date of this document but prior to the completion of the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

We have derived certain facts and other statistics in this document, particularly those relating to the general economy and the industries in which we operate, from information provided by official government sources. We, the Sole Sponsor, [REDACTED], any of the [REDACTED], any of their respective directors, supervisors, and advisors, or any other persons or parties involved in the [REDACTED] have not independently verified information and statistics from official government sources, and there can be no assurance as to the accuracy of such facts and statistics. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions may prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

WAIVERS AND EXEMPTIONS

In preparation of the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive directors must be ordinarily resident in Hong Kong.

Since our principal business and operations are substantially located, managed and conducted in the PRC, our Directors consider that appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to or appropriate for the Group. As none of our executive Directors are ordinarily based in Hong Kong, we do not, and do not contemplate that we will in the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and our Company:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Ruan Jialin (阮佳林), an executive Director, and Ms. Zhao Na (趙娜) (“**Ms. Zhao**”), one of our joint company secretaries. Each of the authorized representatives confirms that he or she possesses valid travel documents and can readily travel to Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone and email. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) the authorized representatives have means to contact our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matter;
- (c) all of our Directors have confirmed that they possess or can apply for and renew valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange upon reasonable notice and within a reasonable period. Each of our Directors will be readily contactable by telephone and email, and is authorized to communicate on behalf of our Company with the Stock Exchange;
- (d) each of our Directors has provided his or her respective contact details, including addresses, office phone numbers, mobile phone numbers, email addresses and fax numbers (where applicable), to the Stock Exchange and the authorized representatives. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the contact details and his or her place of accommodation to the authorized representatives;
- (e) our Company has appointed Yue Xiu Capital Limited as compliance advisor pursuant to Rule 3A.19 of the Listing Rules who will have access at all times to the authorized representatives, our Directors and other senior management of our Company, and will act as an additional channel of communication with the Stock Exchange for the period

WAIVERS AND EXEMPTIONS

commencing on the date of the [REDACTED] of our H Shares on the Main Board and ending on the date when our Company distributes its annual report for the first full financial year in accordance with Rule 13.46 of the Listing Rules; and

- (f) meetings between the Stock Exchange and our Directors can be arranged through the authorized representatives of our Company or directly with our Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the authorized representatives and/or its compliance advisor.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he or she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

WAIVERS AND EXEMPTIONS

Further, pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and
- (b) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

We have appointed Mr. Ruan Jialin (阮佳林) (“**Mr. Ruan**”) as one of our joint company secretaries. Mr. Ruan joined our Group in September 2009 as a vice general manager and has been our Director and secretary of the Board since August 2015. He is primarily responsible for overseeing the securities matters, strategic investment and investor relations matters of our Group. Although our Company believes, having regard to his past experience in handling corporate matters, that he has a thorough understanding of our Company and the Board, he does not possess the requisite qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Ms. Zhao, who is a Hong Kong resident and possesses such qualifications, to be a joint company secretary to assist Mr. Ruan in the compliance matters for the [REDACTED] as well as other Hong Kong regulatory requirements for a period of three years commencing from the [REDACTED]. For the biographies of our joint company secretaries, see “Directors and Senior Management — Joint Company Secretaries” in this document. Over such three-year period, we will implement measures to assist Mr. Ruan to satisfy the requisite qualifications as prescribed in Rule 3.28 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules in relation to Ms. Zhao’s appointment as joint company secretary pursuant to Chapter 3.10 of the Guide for New Listing Applicants on the following conditions:

- (a) Mr. Ruan must be assisted by Ms. Zhao, who possesses the qualification and experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the validity period of the waiver; and
- (b) the waiver is valid for a period of three years from the [REDACTED] and will be revoked immediately if and when Ms. Zhao ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company.

It is anticipated that Mr. Ruan will gain the relevant experience with the assistance of Ms. Zhao. In addition, Mr. Ruan will comply with the annual professional training requirements under Rule 3.29 of the Listing Rules and enhance his understanding of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure that Mr. Ruan has access to the relevant training and support to familiarize himself with the Listing Rules and the duties of a company secretary of an issuer [REDACTED] on the Stock Exchange.

Before the end of the initial three-year period, we will evaluate Mr. Ruan’s experience in order to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied at the time and on-going assistance would be needed. We would then endeavor to demonstrate to the satisfaction of the Stock Exchange that Mr. Ruan, having had the benefit of Ms. Zhao’s assistance for three years, would then have acquired the “relevant experience” within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

WAIVERS AND EXEMPTIONS

WAIVER AND EXEMPTION IN RESPECT OF OUTSTANDING SHARE OPTIONS UNDER THE 2023 SHARE INCENTIVE PLAN

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe certain disclosure requirements in relation to the share options granted by our Company (the “**Share Option Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per Share arising from the issue of Shares in respect of such outstanding options;
- (b) paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in the document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted, the price and duration of the option and the name and address of the grantee; and
- (c) paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to disclose, amongst others, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.

Pursuant to paragraphs 6 to 7 of Chapter 3.6 of the Guide for New Listing Applicants, the Stock Exchange would normally grant waiver from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, the 2023 Share Incentive Plan was in effect, to which the Share Option Disclosure Requirements are applicable. For details, see “Appendix IV — Statutory and General Information — D. Share Incentive Plans — 1. 2023 Share Incentive Plan” to this document.

As of the Latest Practicable Date, the total number of A Shares underlying all outstanding options under the 2023 Share Incentive Plan amounted to 1,840,905, accounting for approximately [REDACTED]% of the total issued Shares upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]). Of these outstanding options, (i) options to subscribe for 31,046 A Shares were granted to one member of our senior management who is not a Director, (ii) options to subscribe for 130,110 A Shares were granted to eight connected persons, and (iii) options to subscribe for 1,679,749 A Shares were granted to 195 employees of our Group who are not Directors, members of senior management or connected persons of our Company. Such options account for approximately 1.69%, 7.07% and 91.25%, respectively, of the total outstanding options under the 2023 Share Incentive Plan, and approximately [REDACTED]%, [REDACTED]% and [REDACTED]% of the total issued Shares upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]).

WAIVERS AND EXEMPTIONS

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix D1A to the Listing Rules and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption would not prejudice the interests of the [REDACTED] for the following reasons:

- (a) given that 195 grantees (who are not Directors, members of senior management and connected persons of our Company) are involved for the granting of the outstanding options under the 2023 Share Incentive Plan, strict compliance with such disclosure requirements in setting out full details of all the grantees who have been granted with share options under the 2023 Share Incentive Plan in this document would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation and document preparation;
- (b) the grant and exercise in full of the options under the 2023 Share Incentive Plan will not cause any material adverse impact to the financial position of our Group. The 195 grantees who are not Directors, members of senior management and connected persons of our Company, have been granted options to acquire 1,679,749 A Shares. The 1,679,749 A Shares underlying the granted options represent approximately [REDACTED]% in our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), which is not material in the circumstances of our Company. Strict compliance with the applicable Share Option Disclosure Requirements to disclose names, addresses and entitlements on an individual basis in this document will require number of additional pages of disclosure that does not provide any material information to the [REDACTED];
- (c) there will not be any new H Shares issued under the 2023 Share Incentive Plan as the foregoing plan is an A-Share incentive scheme;
- (d) not being fully compliant with the Share Option Disclosure Requirements would not prevent our Company from providing our [REDACTED] with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (e) material information relating to the options under the 2023 Share Incentive Plan has been disclosed in this document to provide prospective [REDACTED] with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per A Share of the options in making their [REDACTED], and such information includes:
 - (i) a summary of the terms of the 2023 Share Incentive Plan;
 - (ii) the aggregate number of Shares subject to the outstanding options and the percentage to our total issued share capital represented by such number of Shares;
 - (iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the [REDACTED] (assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]);
 - (iv) full details of the options granted by our Company to Directors, members of senior management and connected persons of our Company (if any), on an individual basis, are disclosed in this document, and such details include all the particulars required

WAIVERS AND EXEMPTIONS

under Rule 17.02(1)(b) and paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

- (v) in respect of the options under the 2023 Share Incentive Plan granted to remaining grantees (being the other grantees who are not Directors, members of senior management and connected persons of the Company, disclosure will be made, on an aggregate basis, including (i) the aggregate number of grantees and number of Shares underlying the options under the 2023 Share Incentive Plan; (ii) the consideration (if any) paid for the grant of the options under the 2023 Share Incentive Plan; and (iii) the exercise period and the exercise price of the options granted under the 2023 Share Incentive Plan; and
- (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the relevant requirements under the Listing Rules on the conditions that:

- (a) on an individual basis, full details of the options under the 2023 Share Incentive Plan granted by our Company to each of our Directors, members of senior management and connected persons of our Company (if any) as of the Latest Practicable Date will be disclosed in the section headed “Appendix IV — Statutory and General Information — D. Share Incentive Plans — 1. 2023 Share Incentive Plan” in this document as required under Rule 17.02(1)(b) and paragraph 27 of Appendix D1A to the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the outstanding options granted by our Company under the 2023 Share Incentive Plan to the remaining grantees other than those referred to in sub-paragraph (a) above as of the Latest Practicable Date, disclosure will be made on an aggregate basis, categorized into lots based on the number of A Shares underlying each individual grantee, being (i) 1 to 9,999 A Shares, (ii) 10,000 to 19,999 A Shares, and (iii) over 20,000 A Shares. For each lot of A Shares, the following details are disclosed in this document: (i) the aggregate number of the grantees and the number of A Shares subject to the options, (ii) the consideration (if any) paid for the grant of the options, and (iii) the exercise period and the exercise price for the options;
- (c) the aggregate number of A Shares underlying the outstanding options granted under the 2023 Share Incentive Plan and the percentage to our Company’s total issued share capital represented by such number of A Shares as of the Latest Practicable Date will be disclosed in this document;
- (d) the dilutive effect and the impact on earnings per Share upon full exercise of the options under the 2023 Share Incentive Plan will be disclosed in the section headed “Appendix IV — Statutory and General Information — D. Share Incentive Plans — 1. 2023 Share Incentive Plan” in this document;
- (e) a summary of the principal terms of the 2023 Share Incentive Plan will be disclosed in the section headed “Appendix IV — Statutory and General Information — D. Share Incentive Plans — 1. 2023 Share Incentive Plan” in this document;
- (f) the particulars of the waiver and the exemption will be set out in this document;
- (g) a full list of all the grantees with outstanding options under the 2023 Share Incentive Plan as of the Latest Practicable Date, containing all details as required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and

WAIVERS AND EXEMPTIONS

Miscellaneous Provisions) Ordinance will be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix V to this document; and

- (h) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We have applied for, and the SFC [has granted], a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) on an individual basis, full details of the outstanding options granted by our Company under the 2023 Share Incentive Plan to each of our Directors, members of the senior management and other connected persons of our Company (if any) as of the Latest Practicable Date will be disclosed in the section headed “Appendix IV — Statutory and General Information — D. Share Incentive Plans — 1. 2023 Share Incentive Plan” in this document as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the outstanding options granted under the 2023 Share Incentive Plan to the remaining grantees other than those referred to in sub-paragraph (a) above as of the Latest Practicable Date, disclosure will be made on an aggregate basis, categorized into lots based on the number of A Shares underlying each individual grantee, being (i) 1 to 9,999 A Shares, (ii) 10,000 to 19,999 A Shares, and (iii) over 20,000 A Shares. For each lot of A Shares, the following details are disclosed in this document: (i) the aggregate number of the grantees and the number of A Shares subject to the options, (ii) the consideration (if any) paid for the grant of the options, and (iii) the exercise period and the exercise price for the options;
- (c) a full list of all the grantees with outstanding options under the 2023 Share Incentive Plan as of the Latest Practicable Date, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for physical public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix V to this document; and
- (d) the particulars of this exemption will be disclosed in this document and that this document will be issued on or before [REDACTED].

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

WAIVERS AND EXEMPTIONS

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
Executive Directors		
Mr. Du Jianghua (杜江華)	Unit A-15B, Building 6 Lanxi Valley Phase II No. 6 Yanshan Road Nanshan District Shenzhen, Guangdong, PRC	Chinese
Mr. Zhou Houqiang (周後強)	Room 1702, Tower A Building 6, Xilongwan Garden No. 2 Jia'an West Road Baoan District Shenzhen, Guangdong, PRC	Chinese
Mr. Ruan Jialin (阮佳林)	2308, Peng Mansion No. 1118 Wenjin North Road Luohu District Shenzhen, Guangdong, PRC	Chinese
Mr. Luo Zhimin (羅志敏)	7F, Building 5 Phase II, Xishan Meidiyuan Meiban Avenue, Baoan District Shenzhen, Guangdong, PRC	Chinese
Independent Non-Executive Directors		
Dr. Xie Chunxiao (謝春曉)	No. 2 Libin Road Songshan Lake Science and Technology Industrial Park Dongguan, Guangdong, PRC	Chinese
Dr. Yi Zhihong (伊志宏)	No. 314, Dongfeng Building No.2 Renmin University of China Haidian District, Beijing, PRC	Chinese
Mr. Lee Chi Sum (李志深)	G/F, 99B Ha Yau Tin Tsuen Shap Pat Heung Yuen Long, N.T. Hong Kong	Chinese (Hong Kong)

Further information about our Directors are set out in “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	CITIC Securities (Hong Kong) Limited 18/F, One Pacific Place 88 Queensway Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Legal Advisors to our Company	<i>As to Hong Kong and U.S. laws:</i> Paul Hastings (Hong Kong) LLP 22/F, Bank of China Tower 1 Garden Road Hong Kong <i>As to PRC law:</i> Beijing Tian Yuan Law Firm Suite 509 Tower A, Corporate Square 35 Financial Street Xicheng District, Beijing PRC
Legal Advisors to the Sole Sponsor and [REDACTED]	<i>As to Hong Kong and U.S. laws:</i> Sullivan & Cromwell (Hong Kong) LLP 20/F, Alexandra House 18 Chater Road Central Hong Kong <i>As to PRC law:</i> King & Wood 18th Floor, East Tower World Financial Center No. 1 Dongsanhuan Zhonglu Chaoyang District, Beijing PRC
Auditor and Reporting Accountant	KPMG <i>Certified Public Accountants</i> <i>Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance</i> 8th Floor, Prince’s Building 10 Chater Road Central, Hong Kong

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DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

China Insights Industry Consultancy Limited
10/F, Block B, Jing'an International Center
88 Puji Road
Shanghai
PRC

Compliance Advisor

Yue Xiu Capital Limited
Rooms Nos. 4917–4937
49/F, Sun Hung Kai Centre
No. 30 Harbour Road
Wanchai, Hong Kong

[REDACTED]

[REDACTED]

CORPORATE INFORMATION

Registered Office	1301, Building B Zhigu R&D Building Shuguang Community, Xili Subdistrict Nanshan District, Shenzhen China
Headquarters and Principal Place of Business in the PRC	1301, Building B Zhigu R&D Building Shuguang Community, Xili Subdistrict Nanshan District, Shenzhen China
Principal Place of Business in Hong Kong	Room 1919, 19/F Lee Garden One 33 Hysan Road Causeway Bay Hong Kong
Company’s Website	<u>www.pocomagnetic.com</u> <i>(The information on the website does not form part of this document)</i>
Joint Company Secretaries	Mr. Ruan Jialin (阮佳林) 1301, Building B Zhigu R&D Building Shuguang Community, Xili Subdistrict Nanshan District, Shenzhen China Ms. Zhao Na (趙娜) <i>(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> Room 1919, 19/F Lee Garden One 33 Hysan Road Causeway Bay Hong Kong
Authorized Representatives	Mr. Ruan Jialin (阮佳林) 1301, Building B Zhigu R&D Building Shuguang Community, Xili Subdistrict Nanshan District, Shenzhen China Ms. Zhao Na (趙娜) Room 1919, 19/F Lee Garden One 33 Hysan Road Causeway Bay Hong Kong
Audit Committee	Mr. Lee Chi Sum (李志深) <i>(Chairperson)</i> Dr. Xie Chunxiao (謝春曉) Dr. Yi Zhihong (伊志宏)

CORPORATE INFORMATION

Remuneration and Appraisal Committee	Dr. Xie Chunxiao (謝春曉)(<i>Chairperson</i>) Mr. Ruan Jialin (阮佳林) Dr. Yi Zhihong (伊志宏)
Nomination Committee	Dr. Yi Zhihong (伊志宏)(<i>Chairperson</i>) Mr. Lee Chi Sum (李志深) Mr. Luo Zhimin (羅志敏)
Strategy and ESG Committee	Mr. Du Jianghua (杜江華)(<i>Chairperson</i>) Mr. Zhou Houqiang (周後強) Dr. Yi Zhihong (伊志宏)
[REDACTED]	[REDACTED]
Principal Bank	Bank of China Shenzhen Nantou Sub-branch 3/F, Tower A Tianyuan Central Business Plaza Haide 3rd Road Nanshan District Shenzhen, Guangdong, PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by China Insights Consultancy (the “CIC Report”). We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the [REDACTED]. Information and statistics from official government sources have not been independently verified by us, the Sole Sponsor, [REDACTED], any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] and no representation is given as to their correctness or accuracy.

OVERVIEW OF ALLOY SOFT MAGNETIC POWDER-BASED PRODUCTS INDUSTRY

Definition and Classification of Alloy Soft Magnetic Materials

Alloy soft magnetic materials are soft magnetic materials built upon multi-component alloy formulations comprising a series of alloying elements such as iron, silicon, aluminum, chromium, nickel and molybdenum. Alloying elements modify the microscopic crystalline phase structure, electrical resistivity and magnetization properties of such materials, enabling them to deliver higher saturation magnetic flux density, lower core loss under high-frequency conditions and superior stability under high-temperature conditions, compared to the other soft magnetic materials such as ferrite soft magnetic materials.

Classified by physical morphology, alloy soft magnetic materials can be categorized into alloy soft magnetic powders, alloy soft magnetic strips and other forms. The alloy soft magnetic powders are formed through high-temperature alloying of multiple metallic elements, followed by atomization or ball milling fragmentation. Aligned with the Company’s core product portfolio, this section focuses on the alloy soft magnetic powder related industry.

Definition and Industrial Chain Analysis of Alloy Soft Magnetic Powder-Based Products Industry

Alloy soft magnetic powder-based products are products manufactured from alloy soft magnetic powders, which primarily includes 1) alloy soft magnetic powder cores and 2) magnetic components including AI chip inductors and wound power inductors.

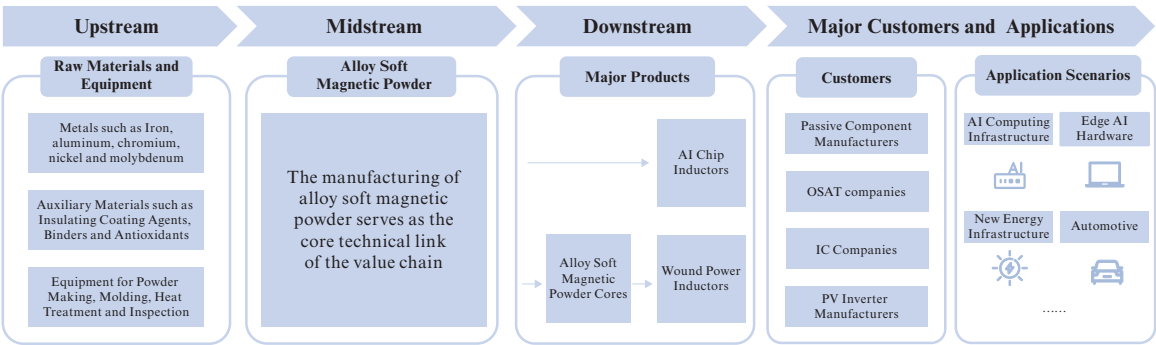
The industrial chain of alloy soft magnetic powder-based products industry, centered on alloy soft magnetic powder as the core raw material, has achieved full-fledged layout.

- The upstream segment of the industrial chain encompasses raw materials and production equipment for the manufacturing of alloy soft magnetic powder, mainly consisting of metals, auxiliary materials and various dedicated production equipment.
- The midstream segment represents the core technological link of the industrial chain. Manufacturers conduct R&D and production of alloy soft magnetic powders relying on proprietary formula systems and precision processing techniques. Electromagnetic properties of the powder, including saturation magnetic flux density, core loss and DC bias resistance, directly determine the core performance metrics of downstream magnetic powder cores and magnetic components, and exert a decisive impact on the performance of end products.

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- The downstream segment encompasses alloy soft magnetic powder cores and AI chip inductors. The powder is compacted into alloy soft magnetic powder cores, which will be further processed with winding procedures to manufacture wound power inductors. AI chip inductors are directly formed from the powder and conductor through integrated forming processes. The aforesaid products are primarily sold to passive component manufacturers, outsourced semiconductor assembly and testing (OSAT) companies, integrated circuit (IC) companies and photovoltaic (PV) inverter manufacturers, and are widely applied various application scenarios.

Industrial Chain of Alloy Soft Magnetic Powder-Based Products Industry



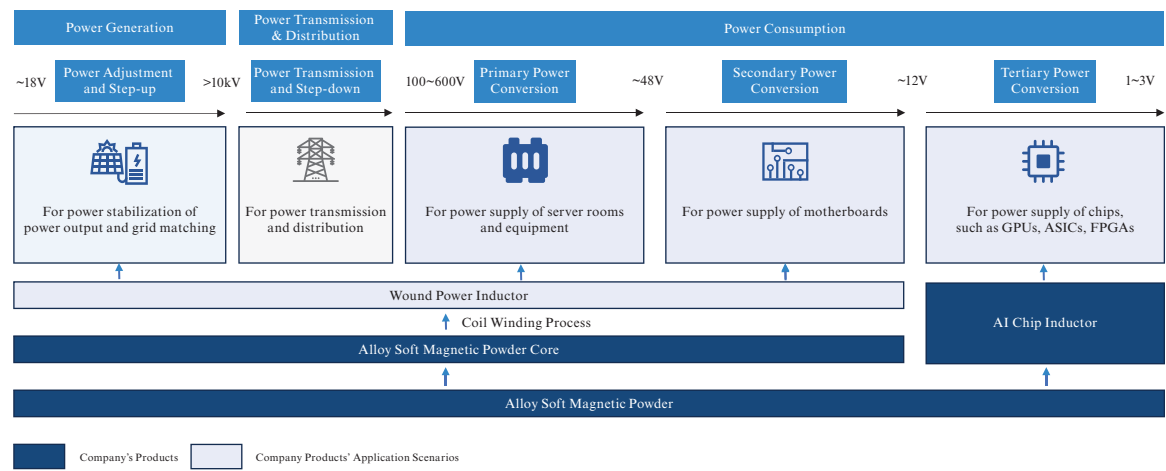
Source: Expert Interviews, CIC

Alloy Soft Magnetic Powder-Based Products: Empowering Critical Nodes in Power Conversion

Power generation, transmission and distribution, and consumption are the three core stages of the power system. Electricity generated on the power generation side is transmitted after voltage step-up and subsequently delivered to the consumption side through one or more power conversion processes. On the consumption side, electric power undergoes primary, secondary and tertiary conversion stages, which cater to system-level, board-level and chip-level power supply applications respectively. The Company’s products empower critical nodes in power conversion. In particular, powder cores made from alloy soft magnetic powders are processed into wound power inductors via coil winding processes and are primarily used in PV inverter and power conversion systems (PCS) on power generation side and primary and secondary power conversion stages on power consumption side, while AI chip inductors directly fabricated from alloy soft magnetic powders are mainly applied in tertiary power conversion stage.

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Overview of Power System Operation and Power Conversion



Source: Expert Interviews, CIC

Development Trends of Alloy Soft Magnetic Powder-Based Products Amid the Waves of Electrification and Intelligence

Energy Transition and Expansion of New Energy Applications Drive Demand for Alloy Soft Magnetic Powder-Based Products

Driven by the global carbon neutrality strategy, countries are accelerating the transition from fossil fuels to clean energy, propelling the rapid expansion of PV, energy storage, and new energy vehicles (NEVs). This transition is driving power equipment and power supply systems towards higher efficiency, power density and reliability. Alloy soft magnetic powder-based products, widely used in new energy applications, are key functional devices for power conversion, filtering, voltage regulation and energy storage. The ongoing energy transition and expansion of new energy applications are expected to continue driving demand for such products.

- **Expanding PV Installations.** Supported by the continuous decline in solar levelized cost of electricity and global energy transition policies, the global cumulative installed capacity of distributed PV installations surged from 229.9 GW in 2020 to 1.1 TW in 2025, representing a CAGR of 38.0%, and is expected to reach 2.9 TW by 2030, representing a CAGR of 20.0% from 2025 to 2030. As a core energy conversion device, PV inverters are evolving towards higher power density, efficiency and intelligence to support large-scale PV deployment and complex grid requirements. Alloy soft magnetic powder-based products play a critical role in PV inverters by enabling power conversion, voltage regulation and electromagnetic interference filtering. The expansion of PV installations and inverter upgrades are expected to drive demand for alloy soft magnetic powder-based products.
- **Accelerating Energy Storage Deployment.** Energy storage has become critical infrastructure for grid peak shaving, frequency regulation and renewable energy integration. Global distributed energy storage newly installed capacity increased from 3.9 GWh in 2020 to 34.3 GWh in 2025, representing a CAGR of 54.5%, and is expected to reach 110.4 GWh by 2030, representing a CAGR of 26.3% from 2025 to 2030. As energy storage systems evolve towards larger capacity, higher efficiency and improved safety, PCS and battery management systems continue to be upgraded. Alloy soft magnetic powder-based products are essential in PCS for voltage regulation during charging and

INDUSTRY OVERVIEW

discharging and harmonic filtering. The continued expansion of energy storage applications and equipment upgrades are expected to drive demand for alloy soft magnetic powder-based products.

- **NEV Expansion and Charging Infrastructure Development.** Automotive electrification represents a pivotal frontier in the global energy transition. Global NEV sales exceeded 23.7 million units in 2025, with a penetration rate of 23.0%, and are expected to increase to 41.9% by 2030. The adoption of 800V high-voltage fast-charging platforms is driving upgrades in vehicle electrical architectures. Core subsystems, including on-board chargers (OBC), DC-DC converters, traction inverters, and charging modules, are transitioning towards higher power, integration and efficiency. Meanwhile, fast-charging infrastructure and related power modules continue to expand. Both in-vehicle power systems and charging infrastructure rely on alloy soft magnetic powder-based products for power conversion, voltage regulation and electromagnetic interference filtering. The growth of NEVs, advancement of vehicle electrical architectures and expansion of charging infrastructure are expected to further drive demand for alloy soft magnetic powder-based products.

Intelligent Upgrading and AI Computing Power Development Drives Growth for Alloy Soft Magnetic Powder-Based Products

The continuous advancement of AI technologies and expansion of application scenarios are driving global AI computing infrastructure and edge AI devices into a new upgrade cycle, resulting in structural changes in power supply architectures and energy management systems. Alloy soft magnetic powder-based products are core enablers of efficient power delivery, voltage regulation and power management in computing equipment. The evolution of these industries is synchronously driving sustained growth in demand for alloy soft magnetic powder-based products.

- **Development of AI Computing Infrastructure.** The accelerating adoption of large AI models has prompted global technology companies to increase investment in computing infrastructure, driving the expansion of AI data centers. In terms of revenue, the market size of global AI servers reached RMB1.7 trillion in 2025 and is projected to grow to RMB7.5 trillion by 2030, representing a CAGR of 35.3%. Driven by increasing AI computing demand, computing clusters are evolving towards higher density and higher power consumption, with rising power loads per rack and power consumption of high-performance AI chips, including GPUs, ASICs and FPGAs. As traditional low-voltage power distribution architectures face limitations in efficiency, power loss and power density, data center power systems are transitioning towards high-voltage direct current and higher power-density architectures. Such upgrades are expected to increase the demand for alloy soft magnetic powder-based products.
- **Development of Edge AI Hardware.** The increasing adoption of AI technologies at the edge is accelerating the development of applications including smart vehicles, AI PCs, AI smartphones and embodied intelligence. In smart vehicles, the adoption of intelligent driving and intelligent cockpits is driving vehicle electrical and electronic architectures towards higher computing power and centralized domain controllers, increasing requirements for in-vehicle power supply and energy management systems. For AI PCs and AI smartphones, the deployment of on-device large AI models and local AI functions is increasing demand for real-time inference capabilities, driving chips towards higher computing power and higher power consumption, thereby elevating requirements for power management and power inductors. In embodied intelligence, the market size of global embodied intelligent robots reached RMB4.1 billion in 2025 and is expected to grow to RMB1.1 trillion by 2035, representing a CAGR of 155.0%. The increasing complexity of perception and control systems, as well as the growing number of

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computing and drive modules, are placing higher demands on system-level power delivery capability and dynamic stability. These trends are expected to collectively drive demand for alloy soft magnetic powder-based products across edge AI applications.

ANALYSIS OF GLOBAL ALLOY SOFT MAGNETIC POWDER CORE INDUSTRY

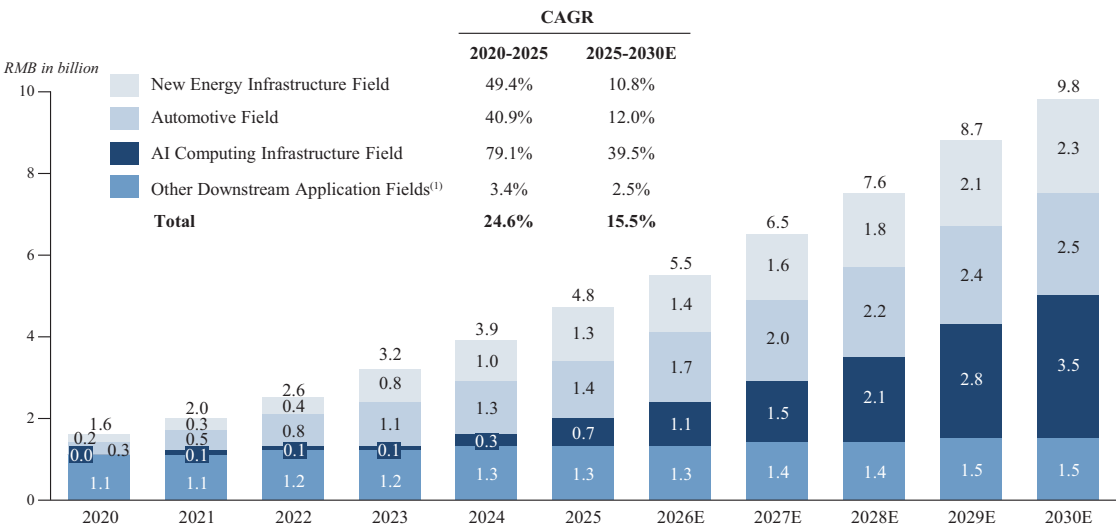
Definition and Market Size of Soft Magnetic Powder Core Industry

Alloy soft magnetic powder core is a kind of powder core made of a soft magnetic material with an insulating medium through metallurgical processes. After undergoing winding procedures, alloy soft magnetic powder cores can be processed into wound power inductors, which are widely deployed across various application fields such as new energy infrastructure, automotive and AI computing infrastructure.

Benefiting from sustained demand growth in new energy sectors such as PV and energy storage, the global alloy soft magnetic powder core market has expanded rapidly in recent years. In terms of revenue, the global market size grew from RMB1.6 billion in 2020 to RMB4.8 billion in 2025, representing a CAGR of 24.6%. Looking ahead, demand from PV and energy storage applications is expected to remain robust, while accelerated construction of computing infrastructure and rising NEV penetration are expected to further drive demand for high-power and high-frequency power equipment, supporting the continued expansion of the alloy soft magnetic powder core market. The global market size is projected to reach RMB9.8 billion by 2030, representing a CAGR of 15.5%.

From a production capacity perspective, China has become the primary production base for alloy soft magnetic powder cores globally. In 2025, global production capacity of alloy soft magnetic powder cores reached 217,000 tons, with China accounting for over 90% of the total capacity.

Market Size of Global Alloy Soft Magnetic Powder Core Industry, in Terms of Revenue, 2020–2030E



Notes:

(1) Other downstream application fields include home appliances, industrial switches, UPS power supplies (excluding server applications), and electronic communications, etc.

Source: Bloomberg New Energy Finance, China Electric Vehicle Charging Infrastructure Promotion Alliance, International Renewable Energy Agency, Expert interviews, CIC

INDUSTRY OVERVIEW

Drivers and Future Trends of the Global Alloy Soft Magnetic Powder Core Industry

- **Growth of PV and Energy Storage Applications.** Driven by the global energy transition and carbon neutrality initiatives, the PV and energy storage industries continue to expand, driving demand for key power equipment such as PV inverters and energy storage converters. Concurrently, these devices are upgrading towards higher power density, efficiency and operating frequencies, imposing increasingly stringent requirements on magnetic components. Wound power inductors based on alloy soft magnetic powder cores feature high saturation flux density and favorable DC bias characteristics, making them suitable for high-frequency switching, high-current and high-power-density applications in new energy power systems. As critical magnetic components, wound inductors are expected to experience increasing demand alongside the expansion of PV and energy storage applications, thereby supporting the growth of the alloy soft magnetic powder core market.
- **Development of NEVs and Charging Infrastructure.** Driven by continued growth in NEV sales and accelerating charging infrastructure development, the NEV industry continues to expand. Meanwhile, NEVs are evolving towards 800V high-voltage platforms, high-power fast charging, and high-performance drive systems, elevating the requirements for power conversion efficiency, power supply stability, and high-temperature adaptability for core components such as OBC, DC-DC converters, and charging modules. Alloy soft magnetic powder cores maintain stable magnetic properties under high-current and high-temperature conditions, leading to their widespread deployment in wound power inductors within NEVs and charging systems.
- **Accelerated Deployment of AI Computing Infrastructure.** Driven by the rapid expansion of global AI computing infrastructure and rising per-rack power density, the deployment of UPS systems, rack-mounted PSUs and high-power supply modules is accelerating. These systems typically operate under high current loads, significant load fluctuations, continuous operation and elevated temperatures, creating demand for large-specification wound power inductors. Compared with traditional silicon steel laminations, alloy soft magnetic powder cores offer lower core loss under high frequency conditions with switching frequency higher than 5kHz, making them suitable for high frequency power supply designs. They help meet the requirements of data center power equipment for high reliability, low heat generation and high current-carrying capacity. As AI data center construction accelerate, increasing shipments of high-power supply equipment are expected to drive demand for wound inductors and support the long-term growth of the alloy soft magnetic powder core market.
- **Growing Customization and Evolution Towards Design-in Models.** As requirements for power density, stability and miniaturization continue to increase across PV, energy storage, NEVs and AI computing infrastructure, standardized alloy soft magnetic powder cores are becoming less able to meet differentiated application requirements. Downstream inductor products are therefore shifting from standardized offerings towards application-specific customized solutions. This requires powder core manufacturers to engage in early-stage co-development with customers, customizing alloy formulations, permeability, loss characteristics and core structures based on application requirements, thereby enhancing technical collaboration with downstream customers. Compared with standardized supply models, the Design-in model requires higher capabilities in material R&D, process adaptability and response speed, while increasing product value and raising industry entry barriers, thereby driving a sustained upward shift in the industry’s value chain.

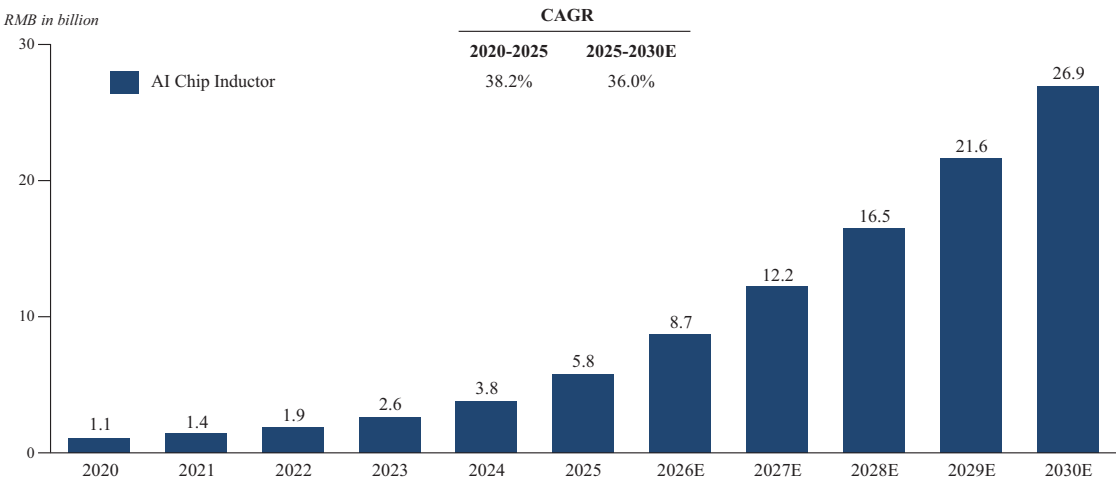
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ANALYSIS OF GLOBAL AI CHIP INDUCTOR INDUSTRY

Overview and Market Size of Global AI Chip Inductor Industry

An inductor is an electronic component operating on the principle of electromagnetic induction. Power inductors are primarily deployed in power supply circuits to store and convert electrical energy, stabilize current and voltage, and ensure smooth and reliable power delivery. AI chip inductors are specialized power inductors designed for AI computing scenarios. They are used in power supply circuits of high-performance AI accelerator chips such as GPUs, ASICs, and FPGAs, as well as supporting optical modules and high-speed memory chips. They also address the power supply requirements of AI chips in edge hardware such as AI smartphones, AI PCs and robotic systems. As such, AI chip inductors constitute a core foundational component enabling efficient and stable power delivery for both cloud computing infrastructure and edge intelligent hardware. In terms of revenue, the market size of global AI chip inductor industry grew from RMB1.1 billion in 2020 to RMB5.8 billion in 2025, representing a CAGR of 38.2%, and is expected to reach RMB26.9 billion by 2030, representing a CAGR of 36.0% from 2025 to 2030.

Market Size of Global AI Chip Inductor Industry, in Terms of Revenue, 2020–2030E



Source: International Data Corporation, Omdia, Expert Interviews, CIC

Drivers and Trends of the AI Chip Inductor Industry

- AI Computing Expansion Supporting Demand Growth and Product Upgrades.** Global demand for AI computing power continues to surge. Global AI token consumption is estimated to increase from 5,500 trillion tokens in 2025 to over 120,000 trillion tokens by 2030, representing a CAGR of 194.5%. This massive compute requirement accelerates the deployment of diverse high-performance chips and next-generation memory, while their ultra-high current and transient load profiles compel a shift from traditional discrete power designs to ultra-multiphase parallel architectures. Each additional power phase directly increases inductor count per system. Concurrently, the migration toward highly integrated DC power modules in AI servers elevates current density and thermal demands, driving AI chip inductors toward higher current ratings, superior high-frequency performance, and enhanced reliability, alongside increased penetration of high-performance alloy soft magnetic materials.

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- **Optical Communications Upgrade and Application Expansion Driving Demand Growth.** As data transfer requirements escalate for AI large-model training and inference, global communications infrastructure is accelerating its transition from traditional electrical signaling toward optical communications. Optical transceiver modules require increasingly stringent power stability, signal integrity, and low-noise operation, and rely on AI chip inductors to maintain stable power delivery under high current conditions. Concurrently, the migration of optical modules toward higher data rates and greater density raises performance requirements for inductors in terms of miniaturization, higher frequency operation, and reliability. AI chip inductors play a critical role in laser drivers, opto-electrical conversion stages, and power management within optical modules. The upgrade cycle of optical communications infrastructure and the widening adoption of optical modules create an additional demand channel for AI chip inductors.
- **Rapid Edge AI Adoption and Computing Upgrades Driving Incremental Demand and Technological Iteration.** As AI capabilities embed into endpoints from AI PCs to intelligent cockpits, local inference drives scaled NPU and AI SoC deployments, prompting upgrades to power management schemes and creating steady incremental volumes. The pronounced high-current transients of these chips, coupled with stringent terminal demands for miniaturization and low loss, are pushing power architectures toward multiphase parallel designs and near-chip power delivery. This shift increases inductor count per system while compelling advancements in current handling, loss reduction, and form factor minimization, driving the continued expansion of high-performance alloy soft magnetic materials. Furthermore, the extension of edge AI into automotive and industrial scenarios introduces critical requirements for high-temperature tolerance and saturation resistance, broadening the industry’s application boundary and steering the technology stack toward higher performance.
- **Material System Shift Toward Alloy Soft Magnetic Solutions.** The downstream selection framework for AI chip inductors has migrated from a predominantly cost-led basis to one gated by performance, reliability and operating-condition robustness across AI servers, smart vehicles, AI PCs and robotics platforms. Traditional ferrites saturate more readily under high current and exhibit sharper magnetic property drift at elevated temperatures, limiting their fit for the high-power, high-transient, wide-temperature envelope required by advanced AI chips. By contrast, alloy soft magnetic materials offer higher saturation flux density, stronger saturation resistance behavior and better high-temperature stability, yielding higher achievable power density that aligns with multi-phase and TLVR-coupled power architectures. These structural advantages continue to drive ASM-based AI chip inductors to gain share at the expense of ferrite solutions.

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COMPETITIVE LANDSCAPE OF GLOBAL ALLOY SOFT MAGNETIC POWDER-BASED PRODUCTS INDUSTRY

Rankings of Alloy Soft Magnetic Powder-Based Products Suppliers

Ranking of Global Alloy Soft Magnetic Powder Core Suppliers

The global alloy soft magnetic powder core industry features a relatively concentrated competitive landscape. In 2025, the combined market share of the top five suppliers reached 63.2%. The Company ranked as the largest alloy soft magnetic powder core supplier globally in terms of revenue, with a market share of 27.1%.

Ranking of Alloy Soft Magnetic Powder Core Suppliers⁽¹⁾, in Terms of Revenue, 2025

Ranking	Industry Participants	Revenue (RMB in million)	Market Share (%)
1	The Company	1,289.2	27.1%
2	Company A ⁽²⁾	~650.0	~13.6%
3	Company B ⁽³⁾	~500.0	~10.5%
4	Company C ⁽⁴⁾	~400.0	~8.4%
5	Company D ⁽⁵⁾	~170.0	~3.6%
Sub Total		~3,009.2	~63.2%

Notes:

- (1) Except for the Company’s data, other industry participants’ revenues in this ranking are estimated based on publicly available information, corporate annual reports, and expert interviews;
- (2) Company A is a powder metallurgy mechanical components and soft magnetic materials manufacturer, founded in 1994, headquartered in Ningbo, China, and listed on the Shanghai Stock Exchange;
- (3) Company B is a soft magnetic materials manufacturer, founded in 1980, headquartered in South Korea;
- (4) Company C is a soft magnetic materials manufacturer, founded in 1949, headquartered in United States;
- (5) Company D is a soft magnetic materials manufacturer, founded in 1951, headquartered in United States.

Source: Annual Reports, Expert interviews, CIC

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Ranking of Global AI Chip Inductor Suppliers

The global AI chip inductor industry features a relatively concentrated competitive landscape. In 2025, the combined market share of the top five suppliers reached 72.5%. The Company ranked as the fifth largest AI chip inductor supplier globally in terms of revenue, with a market share of 7.6%.

Ranking of AI Chip Inductor Suppliers⁽¹⁾, in Terms of Revenue, 2025

Ranking	Industry Participants	Revenue (RMB in million)	Market Share (%)
1	Company E ⁽²⁾	~1,950.0	~33.8%
2	Company F ⁽³⁾	~615.0	~10.6%
3	Company G ⁽⁴⁾	~600.0	~10.4%
4	Company H ⁽⁵⁾	~585.0	~10.1%
5	The Company	439.5	7.6%
Sub Total		~4,189.5	~72.5%

Notes:

- (1) Except for the Company’s data, other industry participants’ revenues in this ranking are estimated based on publicly available information, corporate annual reports, and expert interviews;
- (2) Company E is a provider of power management and thermal management solutions, founded in 1971, headquartered in Taiwan, China, and listed on the Taiwan Stock Exchange;
- (3) Company F is an electronic component manufacturer, founded in 1935, headquartered in Japan, and listed on the Tokyo Stock Exchange;
- (4) Company G is an electronic component manufacturer, founded in 1950, headquartered in Japan, and listed on the Tokyo Stock Exchange;
- (5) Company H is an electronic component manufacturer, founded in 2000, headquartered in Guangdong, China, and listed on the Shenzhen Stock Exchange.

Source: Annual Reports, Expert interviews, CIC

Overview of Vertically Integrated Business Models for Alloy Soft Magnetic Materials and Components

Vertically integrated suppliers of alloy soft magnetic materials and magnetic components refer to enterprises possessing independent R&D and mass manufacturing capabilities across alloy soft magnetic powders, powder cores, and magnetic components. The deployment of such integrated models has gradually emerged as a pivotal trend for industry players seeking to construct core competitive moats. Compared to participants focusing solely on materials or components, vertically integrated suppliers can establish a full-chain collaborative system spanning materials, devices, and applications. This model fosters significant competitive advantages across product performance, R&D velocity, cost control, and customer service.

- **Superior Collaborative R&D Capabilities.** Leveraging downstream application requirements from AI computing infrastructure, advanced process chips, and new energy vehicles, suppliers can synchronously optimize magnetic powder formulations, calibrate powder core performance, and design AI chip inductor structures. This effectively enhances product adaptability while shortening new product development cycles.

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- **Optimized Balance Between Performance and Cost.** Capitalizing on synergies across the entire process flow, suppliers can systematically optimize core parameters such as core loss, saturation flux density, and high-frequency characteristics, achieving an optimal equilibrium between high performance and refined cost management.
- **Enhanced Supply Chain Stability and Product Consistency.** The integrated model mitigates supply volatility and quality risks associated with external raw material procurement, effectively improving batch-to-batch consistency, delivery reliability, and large-scale supply capabilities.
- **Significant Customer Stickiness and Industry Barriers.** High-end application scenarios impose stringent requirements on performance, reliability, and joint development capabilities. Integrated suppliers are better positioned to forge long-term, deep partnerships with core downstream customers, establishing formidable industry entry barriers.

Entry Barriers and Key Success Factors for the Global Alloy Soft Magnetic Powder-based Products Industry

- **Interdisciplinary Integration R&D Capability.** The convergence of metallurgy, power electronics, and materials science constitutes the foundational prerequisite for addressing the power demands of advanced applications. Industry leaders leverage deep, cross-functional expertise to synchronize material optimization with core powder metallurgy mastery and customized designs aligned with evolving chip architectures. By pioneering frontier technologies, incumbents solidify formidable technological moats. New entrants, lacking the requisite long-term accumulation, face insurmountable difficulties in integrating these disparate resources to match the velocity of downstream chip iterations.
- **Long-Standing Accumulation of Know-How Expertise.** Production relies intrinsically on extensive, full-process proprietary know-how, forming a core industry barrier. Precision-critical stages, ranging from alloy formulation and atomization to insulation coating, demand high-level coordination which renders yield rates resistant to replication through imitation. Similarly, the molding process requires precise annealing parameters uniquely aligned with specific powder characteristics, while finished goods inspection imposes stringent requirements on quality control systems. New entrants lack command over these core technical parameters and integrated workflows, thereby hindering stable mass production across the value chain.
- **Customer Qualification and Stickiness.** As key part of power electronic equipment, alloy soft magnetic powder cores and AI chip inductors are subject to rigorous, multi-year qualification and reliability validation, creating significant switching costs once suppliers are certified. The industry has evolved from standardized procurement toward early-stage Design-in collaboration, requiring suppliers to engage in deep technological integration during customer product development. Leveraging proven capabilities in materials R&D, device design, and rapid response, industry leaders have secured their positions within global supply chains. Conversely, new entrants struggle to pass stringent certifications or establish stable cooperative relationships in the near term, thereby failing to build effective market competitiveness.

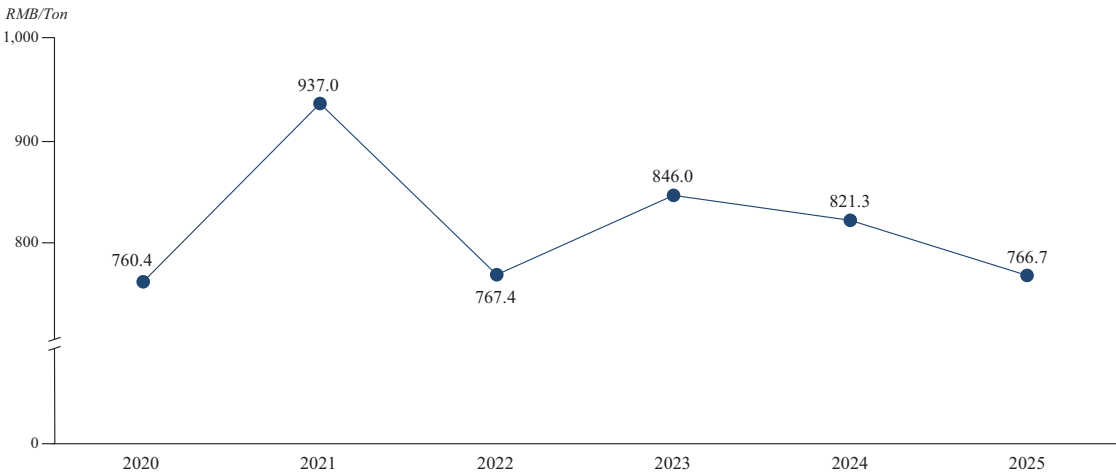
ANALYSIS OF RAW MATERIAL PRICE OF GLOBAL ALLOY SOFT MAGNETIC POWDER-BASED PRODUCTS INDUSTRY

Iron serves as the primary raw material for producing alloy soft magnetic powder-based products. In 2021, production capacity reductions and transportation disruptions in major producing regions tightened iron ore supply, leading to a supply-demand imbalance and a sharp

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increase in prices. After 2021, as production capacity in various regions recovered, supply pressures eased, and prices retreated. Overall, iron ore prices exhibited a fluctuating trend from 2020 to 2025 and are expected to remain relatively stable in the medium to long term.

Global Settlement Prices of Iron Ore Futures, 2020–2025



Source: Dalian Commodity Exchange, CIC

SOURCE OF INFORMATION

In connection with the [REDACTED], we engaged CIC, an independent market research consultant, to conduct an analysis of, and to prepare a report about global alloy soft magnetic powder-based products industry. The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of RMB450,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC’s services include industry consultancy services, commercial due diligence and strategic consulting.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The market projections in the commissioned report are based on the following key assumptions: (i) the overall global social, economic, and political environment is expected to maintain a stable trend over the next decade; (ii) related key industry drivers are likely to propel continued growth in global alloy soft magnetic powder-based products industry throughout the forecast period; and (iii) there will be no extreme force majeure event or unforeseen industry regulation that may significantly or fundamentally affect the relevant market and industry. Unless otherwise specified, all data and forecasts contained in this section are derived from the consultancy report of CIC. The Directors, upon acting with reasonable prudence, confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the consultancy report.

Our Directors, after taking reasonable care, confirm that to the best of their knowledge, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report and up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section.

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OVERVIEW OF PRC LAWS AND REGULATIONS

Our business activities in the PRC are supervised and regulated by the current laws, regulations, rules and other regulatory documents of the PRC. The following sets forth a summary of the major laws and regulations applicable to our business, including business supervision, corporate governance and risk control, as well as other necessary general regulations. The information provided in this section shall not be construed as a comprehensive summary of applicable laws and regulations, nor a detailed description of all the laws and regulations which we are required to comply with.

INDUSTRIAL POLICIES

On January 25, 2017, the National Development and Reform Commission (“NDRC”) issued the Guiding Catalogue of Key Products and Services in Strategic Emerging Industries (2016 Edition) (《戰略性新興產業重點產品和服務指導目錄(2016版)》), which clarifies eight industries in five major areas, further subdivided into 174 sub-directions under 40 key directions and nearly 4,000 subdivided products and services, and metallic functional powder materials and soft magnetic composites are included in the catalogue.

According to the Guiding Catalogue for Industrial Structure Adjustment (2024 Edition) (《產業結構調整指導目錄(2024年本)》) issued by the NDRC on December 27, 2023, manufacturing of new electronic components such as chip components, power electronic devices, integrated passive components are included in the encouraged category.

According to the Circular of the General Office of the State Council on Deepening Institutional Reform of the Electrical and Electronics Industry (《國務院辦公廳關於深化電子電器行業管理制度改革的意見》) promulgated by General Office of the State Council on September 17, 2022 and effected on the same day, to further optimize the management system of the electronic and electrical appliance industry, and promote the high-quality development of the industry, efforts should be made to coordinate the relevant policy resources and increase support for the upgrading and key technology breakthroughs in the basic electronic industry (including the manufacturing of electronic materials, electronic components, special electronic equipment and electronic measuring instruments, etc.).

COMPANY LAW AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC are governed by the *Company Law of the PRC* (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018 and December 2023, respectively. The latest amendment has been effective since 1 July 2024. According to the Company Law of the PRC, companies are generally classified into two categories: limited liability companies and joint stock limited companies. A joint stock limited company is a legal enterprise incorporated in the PRC pursuant to the Company Law of the PRC. It owns independent legal property and enjoys the right to such property. Its registered capital is divided into shares of equal par value. The company shall be liable for its debts to the extent of all its assets. The shareholders of the company shall be liable for the company to the extent of the shares subscribed for by them.

The *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》), which was promulgated on 15 March 2019 and came into effect on 1 January 2020, sets out the regulatory framework for foreign investments and pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the “foreign investors”) shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of treating domestic investments and foreign investments equally. It, together with its implementation rules, also sets

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forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system where foreign investors or foreign-funded enterprises shall submit investment information to the competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

The *Measures for Foreign Investment Information Reporting* (《外商投資信息報告辦法》), which was promulgated on 30 December 2019 and came into effect on 1 January 2020, sets out the details of the foreign investment information report system. Since 1 January 2020, with respect to foreign investors carrying out investment activities directly or indirectly in the PRC, the foreign investors or foreign-funded enterprises shall submit investment information to the commerce authorities in accordance with these measures.

According to the *Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition)* (《外商投資准入特別管理措施(負面清單)(2024年版)》) promulgated on 6 September 2024, a domestic enterprise engaged in business in a field in which investment is prohibited by the Negative List may offer shares and be listed for trading overseas, subject to the examination and approval of the appropriate department of the state; an overseas investor shall not participate in the operations and management of the enterprise, and its stake shall be subject to the relevant provisions on the administration of domestic securities investment by overseas investors.

FOREIGN EXCHANGE

Pursuant to the principal regulations governing foreign currency exchange in PRC are the *Foreign Exchange Control Regulations of the PRC* (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and last amended and effective on 5 August 2008, the foreign exchange management matters in the PRC may be divided into current account items (including trade-related receipts and payments, and interest and dividend payments) and capital account items (including direct equity investment, loans and divestment).

On 10 April 2020, the State Administration of Foreign Exchange (the “SAFE”) issued and implemented the *Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business* (《關於優化外匯管理支持涉外業務發展的通知》), which stipulates that eligible enterprises are allowed to make domestic payments by using their capital, foreign debts and overseas listing, without prior provision of proof materials for veracity to the bank for each transaction, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts.

On 4 December 2023, the SAFE issued and implemented the *Notice on Further Deepening Reforms to Facilitate Cross-border Trade and Investment* (《關於進一步深化改革促進跨境貿易投資便利化的通知》), which provides that the equity transfer consideration funds in foreign currency received by a domestic equity transferor (including institutions and individuals) from domestic parties, as well as the foreign exchange funds raised by domestic enterprises through overseas listing, may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion.

Pursuant to the *Notice of the People’s Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Administration of Funds Raised by Domestic Enterprises Listed Overseas* (《中國人民銀行國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》), which was promulgated on 24 December 2025 and effective on 1 April 2026, a domestic enterprise that conducts an overseas listing shall, within 30 working days from the first trading day of the overseas listing or the completion of the over-allotment option, apply to a bank within the province or the separately-listed municipality where it is registered for overseas listing registration by presenting prescribed materials.

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OUTBOUND DIRECT INVESTMENT

Pursuant to the *Regulations on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions* (《關於發佈境內機構境外直接投資外匯管理規定》) issued by the SAFE on July 13, 2009 and came into effect on August 1, 2009, upon obtaining approval for overseas direct investment, an enterprise in Chinese Mainland shall apply for foreign exchange registration for its overseas direct investments.

According to the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued on February 13, 2015 and came into effect on June 1, 2015, the administrative approval for foreign exchange registration approval under overseas direct investment has been canceled, and the banks and their branches are entitled to review and carry out foreign exchange registration under overseas direct investment directly.

Pursuant to the *Administrative Measures on Overseas Investments* (《境外投資管理辦法》) which was issued by the Ministry of Commerce on September 6, 2014 and came into effect on October 6, 2014, the Ministry of Commerce and the provincial commerce authorities shall implement filing and examination and approval respectively based on different circumstances of overseas investments of enterprises. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to examination and approval. Overseas investment under other circumstances shall be subject to filing.

Pursuant to the *Administrative Measures for the Outbound Investment by Enterprises* (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018, the investing activities of enterprises in Chinese Mainland such as acquiring overseas ownerships, controlling rights, business management rights and other relevant rights and interests by way of investing with assets or equities or providing financing or guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or filing with the NDRC in accordance with the relevant conditions of the overseas investment projects. Outbound investment projects that involve sensitive countries and regions or sensitive industries shall be subject to approval by the NDRC, and non-sensitive outbound investment projects shall be subject to filing. For non-sensitive projects of US\$300 million or above invested by local enterprise in Chinese Mainland or carried out by overseas enterprises controlled by them, the investors shall file with the NDRC and non-sensitive outbound investment projects, of which the investment amount of investors in Chinese Mainland is less than US\$300 million (exclusive) shall file with the provincial counterpart of the NDRC.

Pursuant to the *Provisions of the State Council on Outbound Investment* (《國務院關於對外投資的規定》) (“**the Provisions**”) promulgated by the State Council on May 5, 2026 and becoming effective from July 1, 2026, the Provisions strengthen supervision over outbound investment, guiding and supervising investors to standardize their investment and business operations. The Provisions also prohibit any illegal cross-border transfer of goods, technologies, services and data that are prohibited or restricted from export, and clarify the compliance obligations including filing, information reporting and cross-border fund management for outbound investment activities.

INTELLECTUAL PROPERTY

The Issuer’s intellectual property rights primarily consist of trademarks, patents, copyright and domain names. PRC laws governing intellectual property also primarily cover the aforesaid aspects, and the Issuer shall strictly comply therewith.

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Trademark

According to the *Trademark Law of the PRC* (《中華人民共和國商標法》), which was approved by the SCNPC on 23 August 1982 and most recently amended on 26 June 2026 and will come into effect on 1 January 2027, and the *Implementation Regulations for the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002, later amended on 29 April 2014 and effective from 1 May 2014, the Trademark Bureau is responsible for the registration and administration of trademarks throughout the PRC. Trademarks approved and registered by the trademark administrative department of the State Council are registered trademarks; trademark registrants enjoy exclusive rights to use trademarks and are protected by the law. All the registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner pursuant to the provisions within the 12-month period before the expiry date.

Conducts that shall be deemed as an infringement of the exclusive right to use registered trademarks include, but are not limited to, the following: (i) use of a trademark identical to a registered trademark on the same type of commodities without licensing by the trademark registrant; (ii) use of a trademark similar to a registered trademark on the same type of commodities without licensing by the trademark registrant, or use of a trademark identical or similar to the registered trademark on similar commodities which easily causes confusion; (iii) sale of commodities which infringe upon exclusive rights to use registered trademarks; (iv) forgery or unauthorized manufacturing of labels of other's registered trademark or sale of forged or unauthorized labels of other's registered trademark; (v) change of a registered trademark without the consent of the trademark registrant, and sale of commodities bearing the changed trademark in the market; (vi) intentionally providing convenience for other's infringement of exclusive rights to use registered trademarks, assisting others in committing such infringement; (vii) causing harm to other's exclusive rights to use registered trademarks. The infringer may be ordered to stop the infringement act immediately and may also be held liable for compensation to the trademark holder. The infringer may also be subject to administrative penalties, which may include fines. Where the case constitutes a criminal offence, criminal liability shall apply.

Patent

According to the *Patent Law of the PRC* (《中華人民共和國專利法》), promulgated by the SCNPC on 12 March 1984, which was latest amended on 17 October 2020 and became effective on 1 June 2021, and *Implementing Rules for the Patent Law of the PRC* (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on 15 June 2001, most recently amended on 11 December 2023 and effective from 20 January 2024, patents are classified into three categories: invention, utility model and design. The duration of patent rights for inventions, utility models and designs shall be 20 years, 10 years and 15 years respectively. The patent administrative department under the State Council shall be responsible for administration of patent matters nationwide, accept and examine patent applications and grant patent rights pursuant to the law. Implementation of a patent without licensing of the patentee shall constitute patent infringement. Following the grant of patent rights for an invention or a utility model, unless otherwise stipulated by law, no organization or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, use, offer to sell, sell or import such patented products for manufacturing and business purposes, or use the patented method and use, offer to sell, sell or import products obtained directly according to the patented method. Following the grant of design patent rights, no organization or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, offer to sell, sell or import the design patented products for manufacturing and business purposes. The infringer may be ordered to cease the infringement act and may be liable for compensation to the patentee. The infringer may also be subject to administrative penalties, which may include fines. Where the act constitutes a criminal offence in accordance with the law, the infringer shall bear criminal liability.

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Copyright

Pursuant to the *Copyright Law of the PRC* (《中華人民共和國著作權法》) promulgated by the SCNPC on 7 September 1990 and most recently amended on 11 November 2020 and effective from 1 June 2021, and the *Implementation Regulations for the Copyright Law of the PRC* (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on 2 August 2002, latest amended on 30 January 2013 and effective on 1 March 2013, Chinese citizens, legal entities or unincorporated organizations without legal personality enjoy copyright in their works, whether published or not, which include but not limit to written works, photographic works and computer software.

Pursuant to the *Regulations on the Protection of Computer Software* (《計算機軟件保護條例》) promulgated by the State Council on 4 June 1991, latest amended on 30 January 2013 and effective on 1 March 2013, Chinese residents, legal entities or other organizations shall be entitled to the copyright of the software they developed, whether the software is released publicly or not. The protection period for software copyright of legal entities shall be 50 years, concluding on 31 December of the 50th year after the software’s initial release. But if the software has not been released within 50 years from the date on which the software development is completed, it shall no longer receive the protection of these Regulations.

Domain Names

According to *Measures for the Administration of Internet Domain Names* (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology (the “MIIT”) on 24 August 2017 and effective on 1 November 2017, the MIIT shall implement supervision and administration over domain name services nationwide. No organization or individual shall hinder secured and stable operation of the Internet Domain Name System.

LABOUR AND SOCIAL WELFARE

Labor

According to the *Labor Law of the PRC* (《中華人民共和國勞動法》), which was first promulgated by the SCNPC on 5 July 1994, most recently amended and effective on 29 December 2018, a written labor contract shall be concluded for establishment of work relationships. Wages paid by an employer to its workers shall not be less than the local minimum wage standards. An employer must establish a sound labor safety and hygiene system to prevent accidents during work and reduce occupational hazards.

According to the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007, amended on 28 December 2012 and became effective on 1 July 2013, labor contracts include fixed-term labor contracts, non-fixed-term labor contracts, and labor contracts whose term is based on the completion of certain work tasks. The employers shall pay to the workers in a timely and full manner in accordance with the stipulations of the labor contract and State provisions.

Social Insurance

The PRC social insurance system is mainly governed by the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), promulgated by the SCNPC on 28 October 2010 and latest amended and effective on 29 December 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

According to the *Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》), promulgated by the State Council on 22 January 1999 and most recently amended on 24 March 2019 and effective from the same date, enterprises shall register social insurance with local social insurance agency and pay or withhold relevant social insurance for

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or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to remedy the non-compliance, pay the required contributions within a set time and pay a late payment surcharge.

According to the Article 19 (2) of the *Supreme People’s Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases* (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which promulgated on July 31, 2025 and became effective on September 1, 2025, where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the PRC Labor Contract Law, the People’s Court shall support such claims in accordance with the law.

Housing Provident Fund

In accordance with the *Regulations on the Administration of Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999, latest amended and effective on 24 March 2019, enterprises must register with the housing provident fund management center and open bank accounts for depositing employees’ housing provident fund. Employers shall pay and deposit housing provident funds on schedule and in full. Where an entity fails to pay or underpays the housing provident fund within the prescribed time, the housing provident fund management center shall order it to make full payment within a specified time and may apply to the people’s court for compulsory enforcement.

LAND AND REAL ESTATES

Land Use Rights and House Ownership

Pursuant to the *Land Administration Law of the PRC* (《中華人民共和國土地管理法》), which was promulgated on 25 June 1986 and was revised on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019, respectively, and the *Regulations on the Implementation of the Land Administration Law of the PRC* (《中華人民共和國土地管理法實施條例》), which was promulgated on 27 December 1998 and was revised on 8 January 2011, 29 July 2014 and 2 July 2021, respectively, land in the PRC is either state-owned or collectively-owned. Lawfully registered land ownership and land use rights are protected by law.

Pursuant to the *Urban Real Estate Administration Law of the PRC* (《中華人民共和國城市房地產管理法》), and the *Interim Regulation on Real Estate Registration* (《不動產登記暫行條例》) promulgated by the State Council on 10 March 2014, amended twice in 2019 and 2024, and effective on 1 May 2024, the State implements a unified real estate registration system. Where the land use right is obtained by way of assignment or allocation, registration formalities shall be completed with the land administration authorities of People’s Government of county level and above; upon verification by the land administration authority of the People’s Government, a land use right certificate shall be issued by the Government. Where a building is constructed on land legally obtained for real estate development, registration shall be applied for with the real estate administrative department of the local people’s government at or above the county level by presenting the land use right certificate, which shall verify the application and issue the ownership certificate therefor.

Leasing Properties

Pursuant to the *Urban Real Estate Administration Law of the PRC* (《中華人民共和國城市房地產管理法》), in the lease of a house, the lessor and the lessee shall conclude a written lease contract defining such matters as the term, purpose and price of the lease, liability for repair, as well as other rights and obligations of both parties, and shall register the lease contract with the department of housing administration for the record. Pursuant to the *Administrative Measures on Commodity Housing Leasing* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and entered into force on February

REGULATORY OVERVIEW

1, 2011, the parties to a commodity house lease registration with the competent construction (real-estate) departments of the municipalities directly under the lease is executed. If a party to a housing lease fails to register the housing lease for the record, the competent construction (real estate) departments of the municipalities directly under the central government, cities or counties shall order the party to make corrections within a prescribed time limit; and shall impose a fine below RMB1,000 on individuals who fail to rectify within the specified time limit, and a fine between RMB1,000 and RMB10,000 on entities which fail to rectify within the specified time limit.

According to *Civil Code of the PRC* (《中華人民共和國民法典》) which took effect on 1 January 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee’s possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

TAXATION

Enterprise Income Tax

According to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended and effective on 29 December 2018, and the *Implementation Regulations for the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended on 6 December 2024, a resident enterprise refers to an enterprise established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC, while a non-resident enterprise refers to an enterprise established in accordance with any laws of foreign countries (regions) with no actual management entity within the PRC but have establishments or premises in the PRC, or with no establishments or premises in the PRC but whose income is derived from the PRC. According to the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed on both non-resident enterprises and resident enterprises, except where tax incentives are granted to special industries and projects. The high-tech enterprises that need full support from the PRC’s government will enjoy a 15% tax rate reduction for Enterprise Income Tax.

According to the *EIT Law and the Administrative Measures on the Recognition of High and New Technology Enterprise* (《高新技術企業認定管理辦法》), which was jointly promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 14 April 2008, amended on 29 January 2016 and came into effect on 1 January 2016, a high and new technology enterprise recognized by the relevant governmental authorities may enjoy a preferential enterprise income tax rate of 15% from the year it obtains the certificate of the high and new technology enterprise and the qualification of a high and new technology enterprise shall be valid for three years from the issue date of the certificate of a high and new technology enterprise.

Value-added Tax

Pursuant to the *Value-added Tax Law of the PRC* (《中華人民共和國增值稅法》), which was promulgated by the SCNPC in 2024 and effective on 1 January 2026, and the *Implementation Rules for the Provisional Regulations the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on 28 October 2011 and effective from 1 November 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the VAT.

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Dividend Withholding Tax

According to the *Treaty on the Avoidance of Double Taxation and Tax Evasion between Chinese Mainland and Hong Kong* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC Government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. In respect of the dividends paid by a PRC resident enterprise to a Hong Kong resident, the withholding tax shall not exceed 5% of the total dividends if the payee beneficially owns 25% or more interest in the payor; otherwise, such withholding tax shall not exceed 10% of the total dividends.

PRODUCT QUALITY

According to the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》), which was promulgated by the SCNPC on 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018, respectively, all production and sales activities within the PRC must comply with this Law. Producers and sellers shall bear the responsibility for product quality in accordance with the provisions of this Law. The responsibilities and obligations of producers for product quality include: (i) they shall be responsible for the quality of the products they produce; (ii) the labels on the products or their packaging shall be true; (iii) they shall not produce products that have been ordered to be eliminated by the PRC, shall not sell products that have been ordered to be eliminated and discontinued, and shall not sell products that have become invalid or deteriorated; (iv) they shall not forge the place of production, and shall not forge or fraudulently use the name or address of the factories of other manufacturers; and (v) they shall not forge or fraudulently use the certification mark and other product quality marks; (vi) adulteration, using fake products as genuine products, sub-standard products as good products, sub-standard products as qualified products are not allowed; and (vii) they shall make sure that the packaging for products that are fragile, flammable, explosive, highly toxic, corrosive or radioactive, cannot be inverted during storage and transport, or have other special requirements, must meet the corresponding requirements, and that there is a warning sign or warning note indicating the precautions to be taken for storage and transport. Producers who are in violation of the above responsibilities and obligations shall be liable for civil damages. The relevant authorities may order the production to stop, confiscate the illegal products, impose a fine and confiscate the illegal proceeds (if any). In serious cases, the business license will be revoked; in case of crime, criminal liability will be investigated according to the law.

ENVIRONMENTAL PROTECTION

Environmental Protection, Impact Assessment and Acceptance

Pursuant to the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), which was promulgated on 26 December 1989 and last amended on 24 April 2014, the *Environmental Impact Assessment Law of the People's Republic of China* (《中華人民共和國環境影響評價法》) amended by the SCNPC and came into effect on 29 December 2018, the *Regulations on the Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》) amended by the State Council on 16 July 2017 and effective on October 1, 2017, and the *Interim Measures for the Acceptance Examination of Environmental Protection Facilities of Construction Projects* (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the former Ministry of Environmental Protection and came into effect on November 20, 2017, enterprises planning for construction projects shall provide environmental impact reports, environmental impact statements and environmental impact registration forms relating to such projects. The environmental impact reports and environmental impact statements must be approved by the competent environmental protection authority prior to the commencement of any construction work, and the environmental impact registration forms must be filed with the said authority. Enterprises that are required to submit an environmental impact report and an environmental impact statement shall be responsible for the examination and acceptance of the environmental protection facilities upon the completion of the construction project. Construction projects shall not be officially put into production or use until their associated

REGULATORY OVERVIEW

environmental protection facilities have passed acceptance inspections. The relevant regulatory authorities have the power to carry out inspections and supervise the implementation of these facilities.

Enterprises and other producers that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by the waste gas, wastewater, waste residue and dust generated during production, construction or other activities. Facilities for the prevention and control of pollution in a construction project shall be designed, constructed and put into operation simultaneously with the main work. The pollution prevention facilities shall comply with the requirements of the approved environmental impact assessment documents and shall not be dismantled or left idle without authorization.

Pollutant Control

Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and became effective on March 1, 2021 provided that, enterprises, public institutions or any other producers and operators which are subject to the administration of permitting of pollutant discharges under the law shall apply for pollutant discharge permits under the provisions of this Regulation; those pollutant-discharging entities which have not obtained pollutant discharge permits shall not be allowed to discharge pollutants. *Measures for Pollutant Discharge Permitting Administration* (《排污許可管理辦法》), which was promulgated by the Ministry of Ecological Environment on April 1, 2024 and effective on July 1, 2024, prescribes the specific measures for application, approval and implementation of pollutant discharge permits, as well as the supervision and administration relating to pollutant discharge permits and other activities.

According to the *Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019)* (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment came into effect on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented based on factors such as the amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The pollutant discharging entity subject to registration management does not need to apply for the pollutant discharge permit, but shall fill in the pollutant discharge registration form on the national pollutant discharge permit management information platform.

According to the *Guidelines for the Registration of Pollutant Discharge for Stationary Pollution Sources (Trial Implementation)* (《固定污染源排污登記工作指南(試行)》) issued by the Ministry of Ecology and Environment and came into effect on January 6, 2020, enterprises that do not need to apply for a pollutant discharge permit in accordance with the law shall carry out pollutant discharge registration in accordance with the relevant provisions.

LAWS AND REGULATIONS RELATING TO WORK SAFETY

According to the *Work Safety Law of the PRC* (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002 and was latest amended on June 10, 2021, entities that engage in production and business operation activities in PRC shall set up and perfect the responsibility system for work safety, improve the conditions for work safety, strengthen the education and training on work safety for employees, provide articles of labor protection that meet the national standards or industrial standard for their employees. In addition, the production and business operation entities shall report the major hazard sources and related safety measures and emergency measures to the emergency management department and other relevant departments for the record and formulate a safety risk rating control system and take corresponding control measures.

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Pursuant to the *Regulations on the Reporting, Investigation and Handling of Work Safety Accidents* (《生產安全事故報告和調查處理條例》), issued by the State Council on 9 April 2007 and effective on 1 June 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follow:

- (i) Particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;
- (ii) Significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;
- (iii) Relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and
- (iv) General accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

CUSTOMS

According to the *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994, latest amended on 27 December 2025 and implemented on 1 March 2026, the PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. The State may, based on the specific reasons as prescribed in the Foreign Trade Law of the PRC, prohibit or restrict the import and export of relevant goods and technologies, or take other necessary measures.

According to the *Customs Law of the PRC* (《中華人民共和國海關法》), which was promulgated by the SCNPC on 22 January 1987 and was last amended and implemented on 29 April 2021, all conveyances, goods and articles entering or leaving the territory shall be subject to customs control, including declaration, examination and supervision. Duties shall be levied accordingly. Unless otherwise exempted or reduced by the laws or regulations, the consignee of import goods, the consignor of export goods and the owner of inward and outward articles shall be the obligatory customs duty payer. A fine may be imposed for acts which violate the regulations on customs control prescribed in the Customs Law of the PRC.

According to the *Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC* (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on November 19, 2021 and came into effect on January 1, 2022, customs declaration entities refer to consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualifications and in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade business operators. According to the *Notice on Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods* (《關於進出口貨物收發貨人備案有關事宜的通知》) issued by the Department of Enterprise Management and Audit-Based Control of the General Administration of Customs on January 3, 2023 and came into effect on the same day, a consignee or consignor of imported or exported goods who applies for filing shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

REGULATORY OVERVIEW

CYBERSECURITY, DATA SECURITY AND PROTECTION OF PERSONAL INFORMATION

Cybersecurity and Data Security

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”) promulgated on 7 November 2016, latest amended in 2025 and becoming effective on 1 January 2026, is applied to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfill the cybersecurity protection obligations when conducting business and providing services. Those who provide services through networks shall take technical and other necessary measures in accordance with the mandatory requirements of laws, regulations and national standards to ensure cybersecurity and stable operation, respond to cybersecurity incidents effectively, prevent cyber-related illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data, and network operators shall not collect the personal information irrelevant to the services provided, or collect or use the personal information in violation of the provisions of laws and regulations and agreements between both parties.

The Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”) promulgated on 10 June 2021 and becoming effective on 1 September 2021. The Data Security Law mainly sets forth specific provisions regarding the establishment of basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency response system.

According to the *Measures for Cybersecurity Review* (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”) jointly revised and promulgated by the Cyberspace Administration of China and other twelve PRC regulatory authorities on 28 December 2021, and the *Regulations on the Cyber Data Security Management* (《網絡數據安全管理條例》) (the “**Cyber Data Security Regulations**”) promulgated by the State Council on 24 September 2024, which became effective on 1 January 2025, stipulate that the Cyber Data Security Regulations optimize regulations for cross-border network data security management, specifying conditions under which network data processors may provide personal information abroad in accordance with international treaties or agreements. The regulations clarify that data not identified or publicly announced as important data by relevant regions or departments need not undergo cross-border security assessments for important data.

Protection of Personal Information

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “**PIPL**”) promulgated by the SCNPC on August 20, 2021 and came into effect on 1 November 2021 aims to protect the rights and interests of personal information, regulate personal information processing activities and promote the reasonable use of personal information. Personal information as defined in the PIPL refers to all kinds of information related to identified or identifiable natural persons recorded electronically or by other means, excluding anonymized information. The PIPL stipulates the circumstances under which personal information processors may process personal information, including but not limited to obtaining the consent of the individual concerned, and where it is necessary for the conclusion and performance of a contract to which the individual concerned is a party. It also sets out certain specific rules regarding the obligations of personal information processors, such as informing individuals of the purposes of processing, the methods of processing, and the obligation of third parties who have access to personal information through joint processing or entrustment.

REGULATORY OVERVIEW

OVERSEAS SECURITIES OFFERING AND LISTINGS

The *Securities Law of the PRC* (《中華人民共和國證券法》) was promulgated by the SCNPC on December 29, 1998, and was last revised on December 28, 2019, coming into effect on March 1, 2020. It comprehensively regulates activities in the securities market of Chinese Mainland, including the issuance and trading of securities, listed companies, securities exchanges, securities firms, acquisitions, and the responsibilities of securities regulatory authorities. The China Securities Regulatory Commission (the “CSRC”) is the securities regulatory body established by the State Council, responsible for the lawful supervision and management of the securities market.

On February 17, 2023, China Securities Regulatory Commission released the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”), which was implemented on March 31, 2023 together with several supporting guidelines (together with the Trial Measures, collectively referred to as the “**New Regulations on Filing**”). Under New Regulations on Filing, an enterprise within the PRC that directly or indirectly issues securities overseas or lists and deals in its securities overseas shall comply with the laws, administrative regulations and relevant national rules on foreign investment, state-owned assets management, industrial supervision, overseas investment, cyber security, and data security etc., and shall not disturb the domestic market order or do harm to national interests, social public interests, and the legitimate rights and interests of domestic investors.

An issuer seeking an overseas initial public offering or listing shall, within 3 working days after submitting the issuance and listing application documents overseas, file a registration with the CSRC and submit the filing report, legal opinions, and other relevant documents, ensuring a true, accurate, and complete description of shareholder information. Once the filing documents are complete and comply with the stipulated requirements, the CSRC will, within 20 working days of receiving such documents, conclude the review procedure and publish the filing results on its official website. If the filing documents are incomplete or do not conform to the stipulated requirements, the CSRC will, within 5 working days of receiving the filing documents, request supplementary materials. The issuer shall provide the additional documents within 30 working days.

On February 24, 2023, the CSRC and other three relevant government authorities jointly published the *Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies* (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”), which became effective from 31 March 2023. The Archives Rules requires that, in relation to the overseas listing activities of domestic enterprises, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with the relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. Under the Archives Rules, the “domestic enterprises” refer to the domestic joint stock limited companies listing overseas directly and the domestic operation entities of a non-PRC company listing overseas. According to the Archives Rules, during the course of an overseas offering and listing, if a domestic enterprise needs to provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing subjects, other documents and materials, the disclosure of which will cause adverse impact on the national security or public interests, a domestic enterprise shall strictly go through the corresponding procedures pursuant to the relevant provisions of the State.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to September 2009, when our Company was founded as a limited liability company under the laws of PRC by Mr. Du, an executive Director and chairman of the Board, under the name of Shenzhen POCO Magnetic Materials Co., Ltd. (深圳市鉑科磁材有限公司). For the biographical details of Mr. Du, see “Directors and Senior Management” in this document.

In September 2015, our Company was converted into a joint stock company with limited liability and renamed as POCO Holding Co., Ltd. (深圳市鉑科新材料股份有限公司). In December 2019, our A Shares were listed on the ChiNext Board of the Shenzhen Stock Exchange under the stock code 300811. As of the Latest Practicable Date, our Single Largest Group of Shareholders, which consist of Mr. Du and Moma Investment, held approximately 24.49% of our total issued share capital in aggregate. For further details of our Single Largest Group of Shareholders, see “Relationship with our Single Largest Group of Shareholders” in this document.

MILESTONES

The following is a summary of our Group’s key corporate and business development milestones:

<u>Year</u>	<u>Event</u>
2009	Our Company was established in Shenzhen, Guangdong Province, PRC.
2010	Our Huizhou production base commenced operation.
2015	Our Company was converted from a limited liability company into a joint stock limited company and renamed as POCO Holding Co., Ltd. (深圳市鉑科新材料股份有限公司).
2019	Our A Shares were listed on the Shenzhen Stock Exchange (stock code: 300811).
2020	We were recognized as a National Specialized and Sophisticated “Little Giant” Enterprise (國家級專精特新「小巨人」企業).
2021	We commenced investment in and construction of our Heyuan production base.
2022	We received the 23rd China Patent Excellence Award and were recognized as a national Manufacturing Single Champion Demonstration Enterprise.
2023	Our Heyuan production base commenced operation. We commenced mass production of AI chip inductors manufactured using our proprietary Cu-Fe co-sintering technology.
2024	We commenced investment in our Thailand production base.
2025	We received the Guangdong Province Science and Technology Progress Award — Second Prize (廣東省科技進步獎二等獎).

HISTORY AND CORPORATE STRUCTURE

<u>Year</u>	<u>Event</u>
2026	We entered into an agreement with the Administration Committee of Huizhou Huidong Industrial Park (惠州惠東產業園區管理委員會) to facilitate the development of the high-end alloy soft magnetic materials and magnetic components production base project.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following entities were our major subsidiaries which had made a material contribution to our results of operations during the Track Record Period or are otherwise material to our business development:

<u>Name of subsidiary</u>	<u>Place of establishment/ incorporation</u>	<u>Date of establishment/ incorporation</u>	<u>Equity interest attributable to our Group</u>	<u>Principal business activities</u>
POCO Magnetic Materials	PRC	September 27, 2010	100.00%	Manufacturing of products
POCO Industrial . . .	PRC	February 21, 2008	100.00%	Manufacturing of products
POCO Heyuan	PRC	February 9, 2021	100.00%	Manufacturing of products
POCO New Inductor Technology	PRC	June 30, 2023	100.00%	Manufacturing of products
POCO New Materials Sales	PRC	February 8, 2025	100.00%	Sales of products
POCO Thailand	Thailand	November 6, 2024	100.00%	Manufacturing of products

Please refer to “— Corporate Structure” in this section and Note 1 of the Accountants’ Report set out in Appendix I to this document for information on our other subsidiaries. For changes in the registered capital of our subsidiaries, see “Statutory and General Information — A. Further Information about Our Group — 3. Changes in the Share Capital of Our Subsidiaries” in Appendix IV to this document.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Early Development and Conversion into a Joint Stock Company

Our Company, then known as Shenzhen POCO Magnetic Material Co., Ltd. (深圳市鉑科磁材有限公司), was established in the PRC on September 17, 2009 as a limited liability company with an initial registered capital of RMB10 million. Upon establishment, our Company was owned as to 50% by Mr. Du and as to 50% by Mr. Zhou. Between November 2012 and June 2015, our Company underwent several rounds of capital increases and equity transfers, upon completion of which our registered capital increased to RMB16.3 million.

HISTORY AND CORPORATE STRUCTURE

On September 6, 2015, our Company was converted from a limited liability company to a joint stock limited company, with 36,000,000 Shares subscribed to by the following shareholders:

Shareholder	Number of Shares	Percentage of Shareholding
Moma Investment ⁽¹⁾	16,055,485	44.60%
Mr. Zhou	7,735,830	21.49%
Mr. Luo Zhimin ⁽²⁾	4,159,829	11.56%
Mr. Ruan Jialin ⁽²⁾	4,159,829	11.56%
Mr. Chen Chongxian ⁽³⁾	2,429,448	6.75%
Mr. Du	1,459,579	4.05%
Total	36,000,000	100.00%

Notes:

- (1) Moma Investment was owned as to 54.00% by Mr. Du, 36.00% by Mr. Sun Jinyong (孫金永) and 10.00% by Mr. Zhao Ye (趙野) at the relevant time and as of the Latest Practicable Date.
- (2) Mr. Luo Zhimin is an executive Director and Mr. Ruan Jialin is an executive Director, the vice general manager and secretary of the Board of our Company. For further details, see “Directors and Senior Management”.
- (3) To the best of the knowledge of our Directors, Mr. Chen Chongxian was an Independent Third Party as of the Latest Practicable Date.

Capital Increases in 2015

In September 2015, Shenzhen POCO Tiancheng Investment Management Enterprise (Limited Partnership) (深圳市鉅科天成投資管理企業(有限合夥)) (“**POCO Tiancheng**”) subscribed for 1,910,000 Shares of our Company at a consideration of RMB5,000,000. In October 2015, each of Guangfa Qianhe Investment Co., Ltd. (廣發乾和投資有限公司) (“**Guangfa Qianhe**”), Shenzhen Huibo Growth Venture Capital Co., Ltd. (深圳市匯博成長創業投資有限公司) (now known as Shenzhen Zhongxiaodan Venture Capital Investment Co., Ltd. (深圳市中小擔創業投資有限公司), “**Shenzhen Zhongxiaodan**”) and Mr. Fei Teng (費騰) subscribed for 2,614,379, 1,368,222 and 1,307,399 Shares of our Company at a consideration of RMB20,000,000, RMB10,466,900 and RMB10,001,600, respectively. The above consideration was determined based on arm’s length negotiations among the relevant parties taking into consideration our Company’s financial performance and development stage. Upon completion, our registered capital was increased to RMB43,200,000.

Listing on the Shenzhen Stock Exchange and Subsequent Change of Share Capital

On December 30, 2019, our A Shares were listed on the Shenzhen Stock Exchange under the stock code 300811. In connection with the A Shares listing (the “**A-Shares Listing**”), we issued an aggregate of 14,400,000 A Shares, accounting for approximately 25% of our enlarged share capital immediately following the completion of the A-Shares Listing. Immediately upon the completion of the A-Shares Listing, our registered capital was increased to RMB57,600,000. The shareholding

HISTORY AND CORPORATE STRUCTURE

structure of our Company immediately following the completion of our A-Shares Listing was as follows:

Shareholder	Number of Shares	Percentage of Shareholding
Moma Investment	16,055,485	27.87%
Mr. Zhou	7,735,830	13.43%
Mr. Luo Zhimin	4,159,829	7.22%
Mr. Ruan Jialin	4,159,829	7.22%
Guangfa Qianhe ⁽¹⁾	2,614,379	4.54%
Mr. Chen Chongxian	2,429,448	4.22%
POCO Tiancheng ⁽²⁾	1,910,000	3.32%
Mr. Du	1,459,579	2.53%
Shenzhen Zhongxiaodan ⁽¹⁾	1,368,222	2.38%
Mr. Fei Teng ⁽¹⁾	1,307,399	2.27%
Other A Shareholders	14,400,000	25.00%
Total	57,600,000	100.00%

Notes:

- (1) To the best of the knowledge of our Directors, each of Guangfa Qianhe, Shenzhen Zhongxiaodan and Mr. Fei Teng was an Independent Third Party.
- (2) POCO Tiancheng is a partnership established as an employee shareholding platform of our Company. As of the Latest Practicable Date, Mr. Ruan Jialin was the general partner and owned approximately 22.19% of the partnership interests in POCO Tiancheng; and the limited partners of POCO Tiancheng were 37 former and current employees of our Company. Save for Mr. Guo Jianjun (郭建軍), Mr. Wei Lanqiang (韋蘭強) and Mr. Zhang Jinbo (張金波), each being a connected person of our Company at the subsidiary level, and Ms. Yi Xiyan (易喜艷), being the spouse of Mr. Guo Jianjun, each of the limited partners is an Independent Third Party. None of the limited partners of POCO Tiancheng held more than 20% of the partnership interests therein. As of the Latest Practicable Date, POCO Tiancheng had disposed of and no longer hold any interests in our Company.

Public Issuance of 2022 Convertible Bonds and Subsequent Conversion and Redemption

In March 2022, our Company issued 4.3 million convertible bonds (the “2022 Convertible Bonds”) in the principal amount of RMB430 million with a maturity period of six years, which were listed on the Shenzhen Stock Exchange (bond code: 123139) with an initial conversion price of RMB76.50 per Share (subject to adjustment under the terms of issue) and were convertible into A Shares of our Company during the period between the first trading day after six months from the completion date of the issuance of the 2022 Convertible Bonds (i.e. September 19, 2022) and the maturity date thereof (i.e. March 10, 2028). The initial conversion price of the 2022 Convertible Bonds was determined with reference to the average trading price of our A Shares prior to the date of the offering circular of the 2022 Convertible Bonds and was subsequently adjusted to RMB76.00 per Share in light of various changes in our share capital. As of December 9, 2022, (i) a total of 5,615,914 A Shares were issued upon conversion of a portion of the 2022 Convertible Bonds and (ii) all other outstanding 2022 Convertible Bonds were redeemed by our Company pursuant to the terms of issue and were then delisted from the Shenzhen Stock Exchange. We raised net proceeds of approximately RMB419.2 million from the issuance of the 2022 Convertible Bonds, which were utilized for construction of our production base and for our general working capital.

Private Placing of A Shares in 2025

In February 2025, we placed a total of 6,721,935 A Shares to 12 investors at an issue price of RMB44.63 per A Share, which was determined with reference to the average price of our A Shares 20 trading days prior to the pricing date. The 12 investors comprised Bank of Communications Schroder Fund Management Co., Ltd. (交銀施羅德基金管理有限公司), Nuode Asset Management Co., Ltd. (諾德基金管理有限公司), Mr. Dong Xinzhì (董新志), Mr. Wang Wei (王瑋), Southwest

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Securities Co., Ltd. (西南證券股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600369), Caitong Fund Management Co., Ltd. (財通基金管理有限公司), Mr. Dong Weiguo (董衛國) and five other investment funds or asset management products, each of which was, to the best knowledge of our Directors, an Independent Third Party. We raised net proceeds of approximately RMB294.3 million from the private placing, which were utilized for construction of our production facilities.

Other Shareholding Changes

Save for the aforementioned shareholding changes, since 2021, there have been several changes in the share capital of our Company as a result of the conversion of capital reserve into share capital, the grants of restricted shares under the 2021 restricted share incentive plan of our Company (which was completed in May 2025 upon the vesting of all restricted Shares granted to the grantees thereunder) and the grants of restricted shares and exercises of share options under the 2023 Share Incentive Plan. As of the Latest Practicable Date, the total share capital of our Company was RMB406,614,701, divided into 406,614,701 A Shares.

EMPLOYEE INCENTIVE PLANS

On April 17, 2023 and May 15, 2026, our Company adopted the 2023 Share Incentive Plan and the 2026 Restricted Share Incentive Plan (collectively, the “**Employee Incentive Plans**”), respectively, in order to motivate, attract and incentivize eligible participants and to align their interests with those of our Company and our Shareholders. The principal terms of the Employee Incentive Plans and the details of grants thereunder are set out in the section headed “Appendix IV — Statutory and General Information — D. Share Incentive Plans.”

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we had not conducted any acquisitions, disposals or mergers that we consider material to us.

OUR A SHARE LISTING AND REASONS FOR THE [REDACTED]

Since December 2019, our A Shares have been listed on the Shenzhen Stock Exchange. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there had been no instances of any material non-compliance with the applicable rules of the Shenzhen Stock Exchange and other applicable PRC securities laws and regulations. To the best knowledge of our Directors, there are no material matters in relation to our compliance record on the Shenzhen Stock Exchange that should be brought to the attention of the Stock Exchange or [REDACTED] of the [REDACTED]. Based on the filings on the website of the Shenzhen Stock Exchange and the information available in the public domain, our PRC Legal Advisor is of the view that (i) during the Track Record Period and up to the Latest Practicable Date, there had been no instances of any material non-compliance of our Group with the applicable rules of the Shenzhen Stock Exchange and other applicable PRC securities laws and regulations and (ii) our Company has complied with all laws and regulations, in all material respects, applicable to the A-Shares Listing throughout the Track Record Period and up to the Latest Practicable Date.

Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor’s views as set out above, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with our Directors’ confirmation with regard to the compliance records of our Company on the Shenzhen Stock Exchange.

We seek to [REDACTED] our H Shares on the [REDACTED] to raise additional capital for business growth and expansion, diversify our fundraising channels, reinforce our industry standing, enhance global brand awareness and competitiveness and optimize our capital structure and shareholder composition to support sustainable development and governance. See “Business — Our Strategies” and “Future Plans and Use of [REDACTED]” in this document for more details.

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[REDACTED]

Rule 19A.13A(2) of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public, at the time of listing, must (a) represent at least 10% of the issuer’s total number of issued shares in the class to which H shares belong (excluding treasury shares); or (b) have an expected market value of not less than HK\$3,000,000,000.

Our A Shares are listed on the ChiNext Board of the Shenzhen Stock Exchange. So far as our Directors are aware, all [REDACTED] H Shares to be [REDACTED] pursuant to the [REDACTED], representing approximately [REDACTED]% of our total issued share capital immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the [REDACTED]), will be held by the public and counted towards the [REDACTED] for the purpose of Rule 19A.13A of the Listing Rules at the time of the [REDACTED]. Based on the above, it is expected that our Company will satisfy the [REDACTED] requirements as required under Rule 19A.13A(2)(a) of the Listing Rules.

[REDACTED]

Rule 19A.13C(2) of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50,000,000; or (b) have an expected market value at the time of listing of not less than HK\$600,000,000.

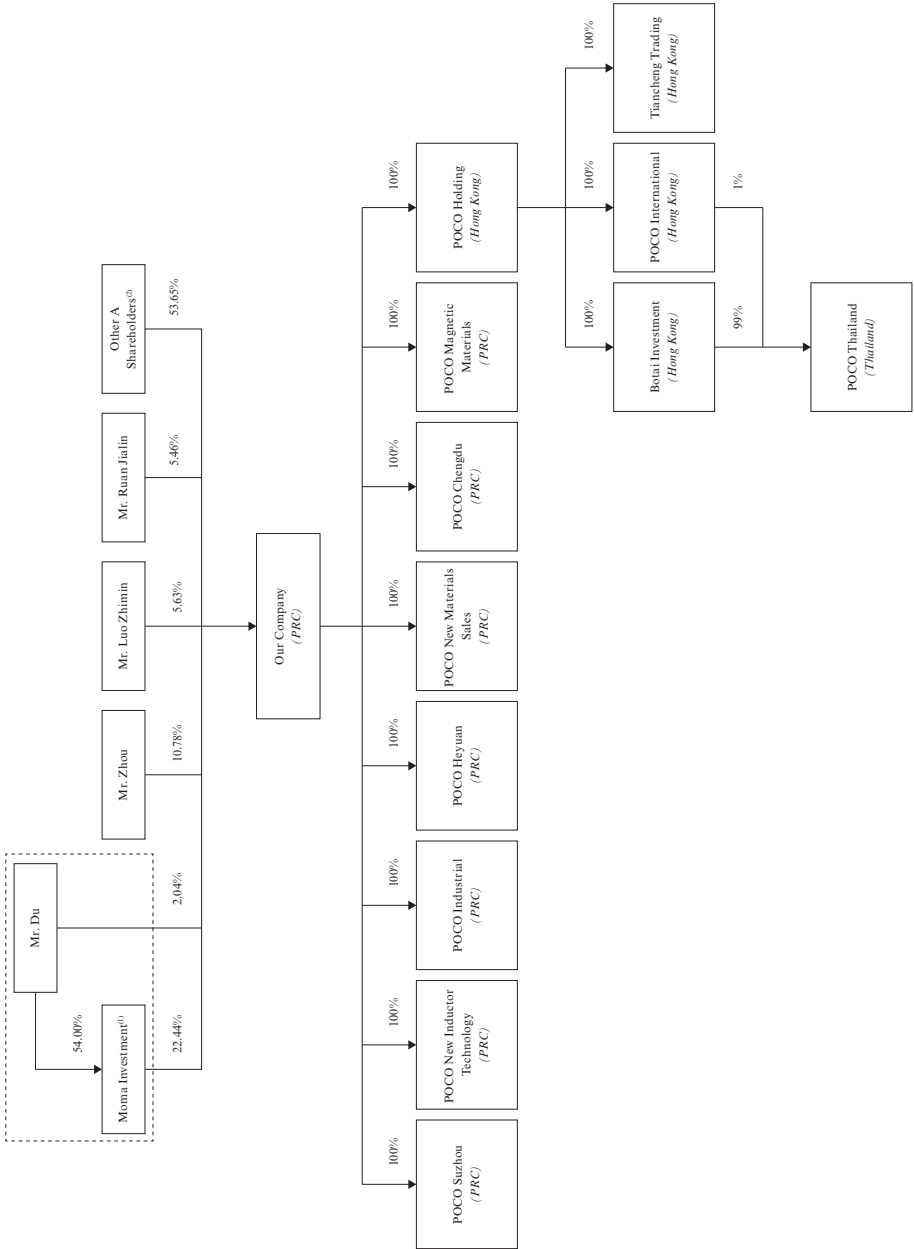
Assuming that the final [REDACTED] is fixed at the minimum [REDACTED] of HK\$[REDACTED] per [REDACTED], the [REDACTED] H Shares (representing approximately [REDACTED]% of our total issued share capital immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the [REDACTED]) with an expected [REDACTED] of approximately HK\$[REDACTED], [REDACTED], will not be subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of the [REDACTED], and hence our Company will satisfy the [REDACTED] requirement under Rule 19A.13C of the Listing Rules.

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CORPORATE STRUCTURE

Corporate Structure Immediately Before the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of our Group immediately before the [REDACTED], assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].



HISTORY AND CORPORATE STRUCTURE

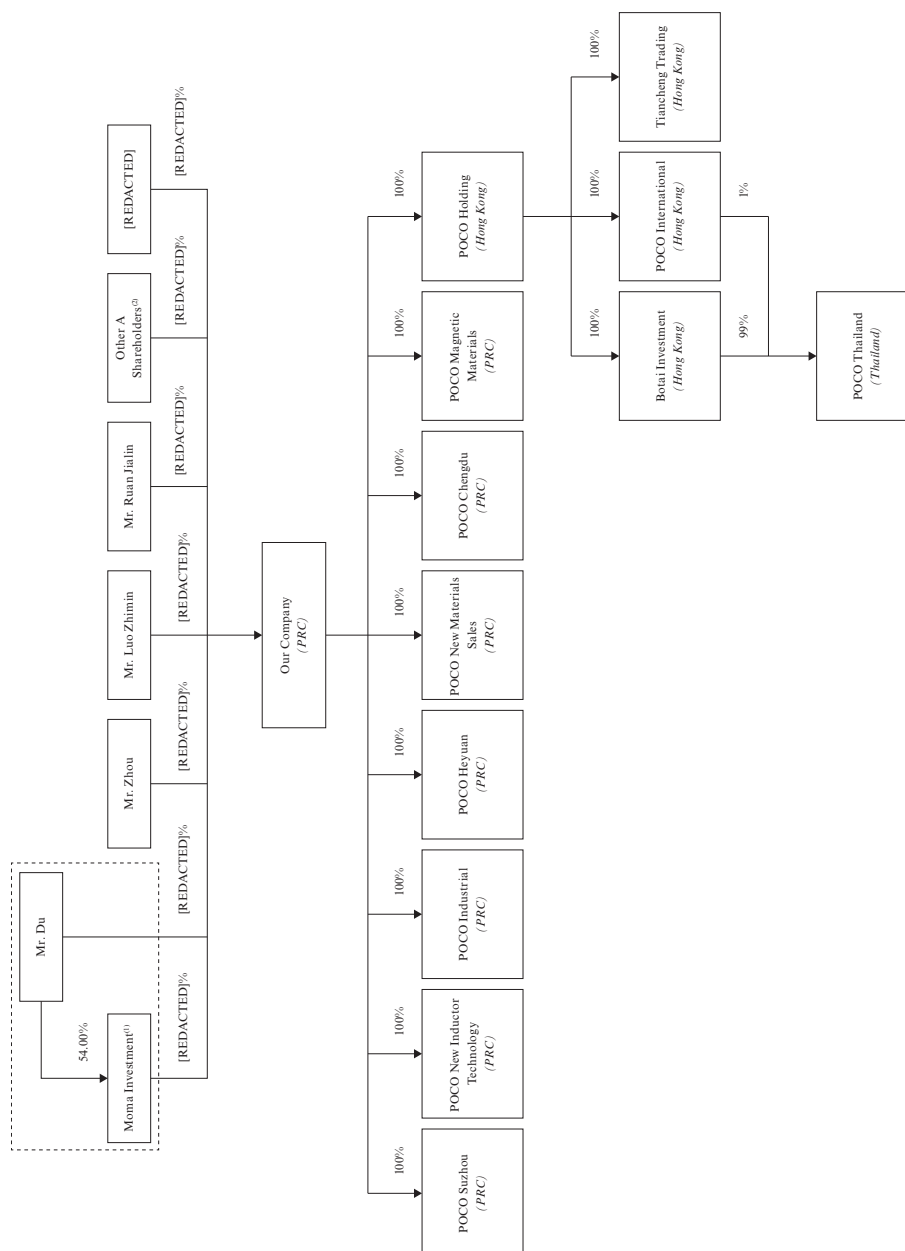
Notes:

- (1) As of the Latest Practicable Date, Moma Investment was owned as to 54.00% by Mr. Du, 36.00% by Mr. Sun Jinyong (孫金永) and 10.00% by Mr. Zhao Ye (趙野). To the best of the knowledge of our Directors, Mr. Sun Jinyong holds, through Moma Investment, an indirect interest in our Company that is disclosable under Part XV of the SFO (see “Substantial Shareholders” in this document for further details). Each of Mr. Sun Jinyong and Mr. Zhao Ye is an Independent Third Party.
- Mr. Du and Moma Investment constitute our Single Largest Group of Shareholders (see “Relationship with Our Single Largest Group of Shareholders” for further details). Having considered (i) the minority interests held by Mr. Sun Jinyong and Mr. Zhao Ye in Moma Investment, (ii) there does not exist any acting-in-concert or voting proxy or other similar arrangement between Mr. Du, Mr. Sun Jinyong and Mr. Zhao Ye, nor any other arrangement conferring control or influence on the Company upon Mr. Sun Jinyong and Mr. Zhao Ye, and (iii) Mr. Sun Jinyong and Mr. Zhao Ye are not involved in our management and operations, and do not hold any positions within our Group, Mr. Sun Jinyong and Mr. Zhao Ye are not considered as members of the Single Largest Group of Shareholders.
- (2) To the best of the knowledge of our Directors, none of such A Shareholders held more than 5% interests in our Company as of the Latest Practicable Date.

HISTORY AND CORPORATE STRUCTURE

Corporate Structure Immediately Following the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of our Group immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised and that no changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED].



Notes (1) — (2): See “— Corporate Structure — Corporate Structure Immediately Before the [REDACTED]” in this section.

HISTORY AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

The following table sets out our shareholding structure as of the Latest Practicable Date and immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), respectively:

Shareholder	As of the Latest Practicable Date		Immediately after completion of the [REDACTED] ⁽¹⁾			
	Number of A Shares	Approximate percentage of interest in total issued share capital	Number of A Shares	Number of H Shares	Approximate percentage of interest in relevant class of Shares	Approximate percentage of interest in total issued share capital
Moma Investment	91,261,463	22.44%	91,261,463	—	22.44%	[REDACTED]%
Mr. Zhou	43,833,615	10.78%	43,833,615	—	10.78%	[REDACTED]%
Mr. Luo Zhimin	22,888,578	5.63%	22,888,578	—	5.63%	[REDACTED]%
Mr. Ruan Jialin	22,182,978	5.46%	22,182,978	—	5.46%	[REDACTED]%
Mr. Du	8,308,510	2.04%	8,308,510	—	2.04%	[REDACTED]%
Other A Shareholders ⁽²⁾	218,139,557	53.65%	218,139,557	—	53.65%	[REDACTED]%
[REDACTED]	—	—	—	[REDACTED]	[REDACTED]%	[REDACTED]%
Total	406,614,701	100.00%	406,614,701	[REDACTED]	—	100.00%

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares, consisting of 406,614,701 A Shares and [REDACTED] in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]).
- (2) To the best of the knowledge of our Directors, none of such A Shareholders held more than 5% interests in our Company as of the Latest Practicable Date.

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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.

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Set forth below are further details of our business highlights:

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

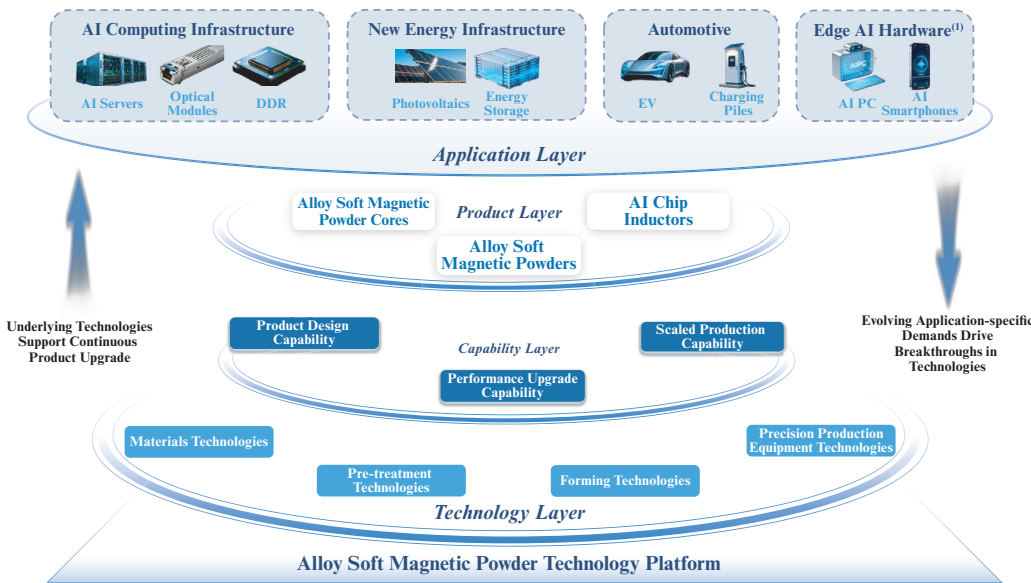
Note:

- (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.

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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.

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- 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

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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.

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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

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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.

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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.

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- **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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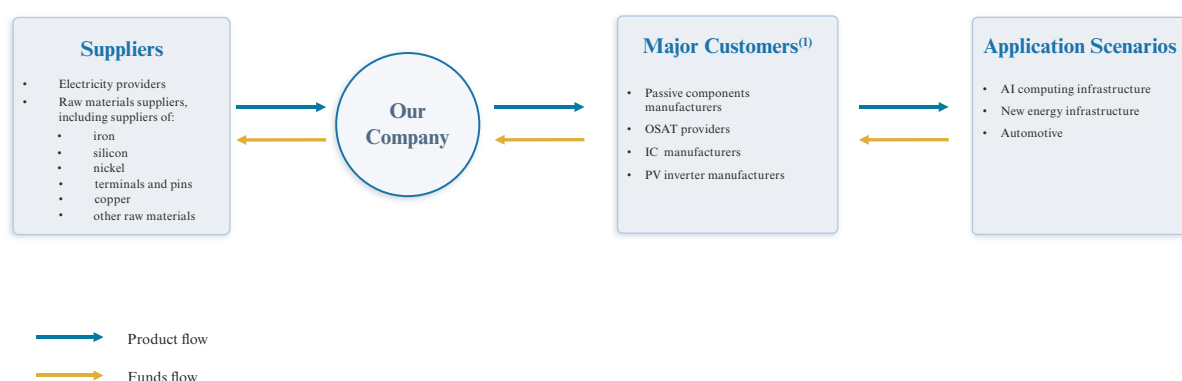
Pursue Strategic Investments and Acquisitions to Complement Our Capabilities

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.

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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

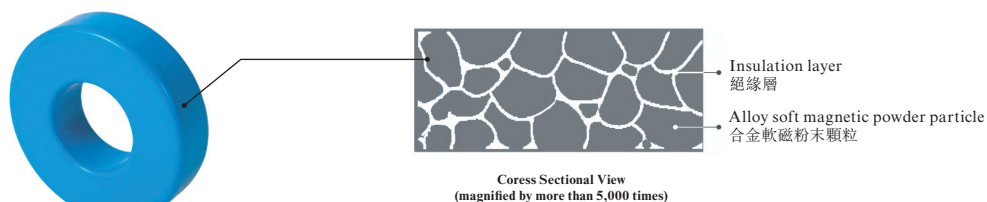
Alloy soft magnetic powder cores are magnetic cores used in inductors, which are basic building blocks of power conversion circuits found in electrical and electronic equipment. Our alloy soft magnetic powder cores products mainly comprise FeSi based and FeNi based alloy soft magnetic powder cores.

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:

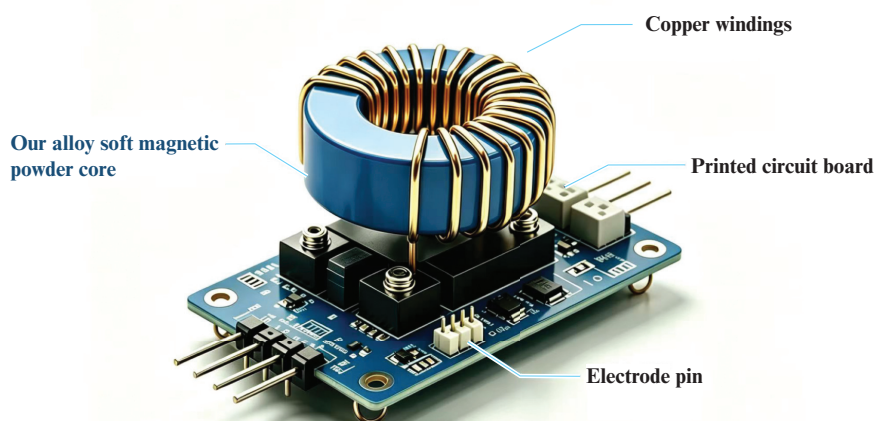
- **Low core loss.** Featuring low core loss characteristics, which reduce heat generation during operation, thereby helping to improve the overall energy efficiency of our customers’ end-products;
- **High DC bias performance.** This helps maintain stable inductance even when carrying high direct current 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.

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



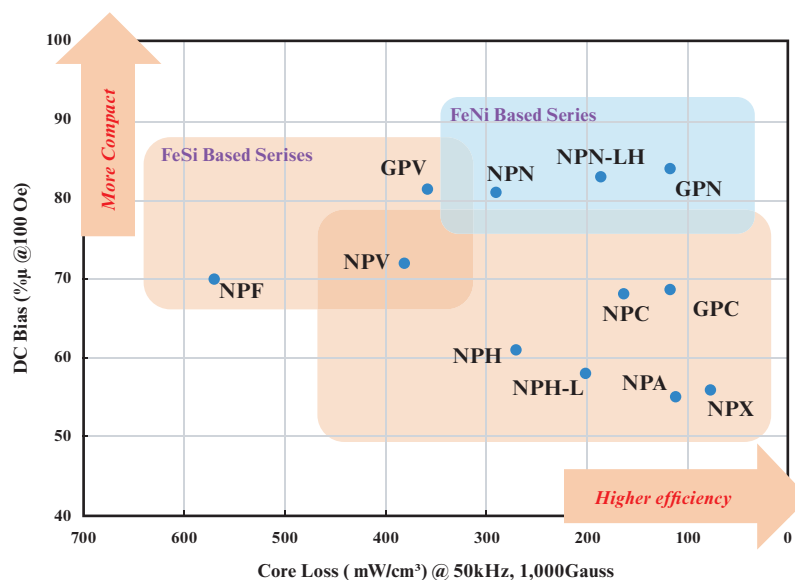
Set forth below is a structural illustration of how our alloy soft magnetic powder cores integrated into the end product of our customers:



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.

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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.

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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	• New energy infrastructure • Automotive	• 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	• New energy infrastructure • AI computing infrastructure	• 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	• New energy infrastructure • AI computing infrastructure	• 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	• AI computing infrastructure • Automotive	• 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	• AI computing infrastructure • Automotive	• 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.

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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	- AI computing Infrastructure - New energy infrastructure - Automotive	- 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	- AI computing Infrastructure - New energy infrastructure - Automotive	- 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	- AI computing Infrastructure - New energy infrastructure - Automotive	- 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:



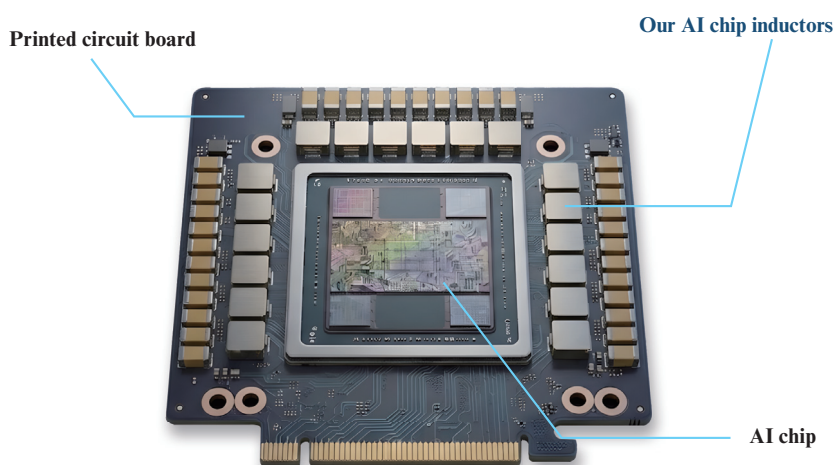
AI Chip Inductors

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.

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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

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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. Market research** We collect market information, assess customer and end-user requirements and identify technology trends to better understand evolving application requirements.
- 2. Project initiation** Based on the market research findings, we assess project feasibility and determine whether to proceed with development.
- 3. Project planning** Taking into account the customer validation requirement, we determine product specifications, technical pathways, project timelines and key milestones.
- 4. Product development** We carry out material composition, process design, product structure design and sample preparation in accordance with the project plan.
- 5. Product pilot trial** 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. Mass production** After successful pilot trial, we transfer technical documentation and process requirements to our manufacturing facilities and support standardized production and post-launch product optimization.

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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.

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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.

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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.

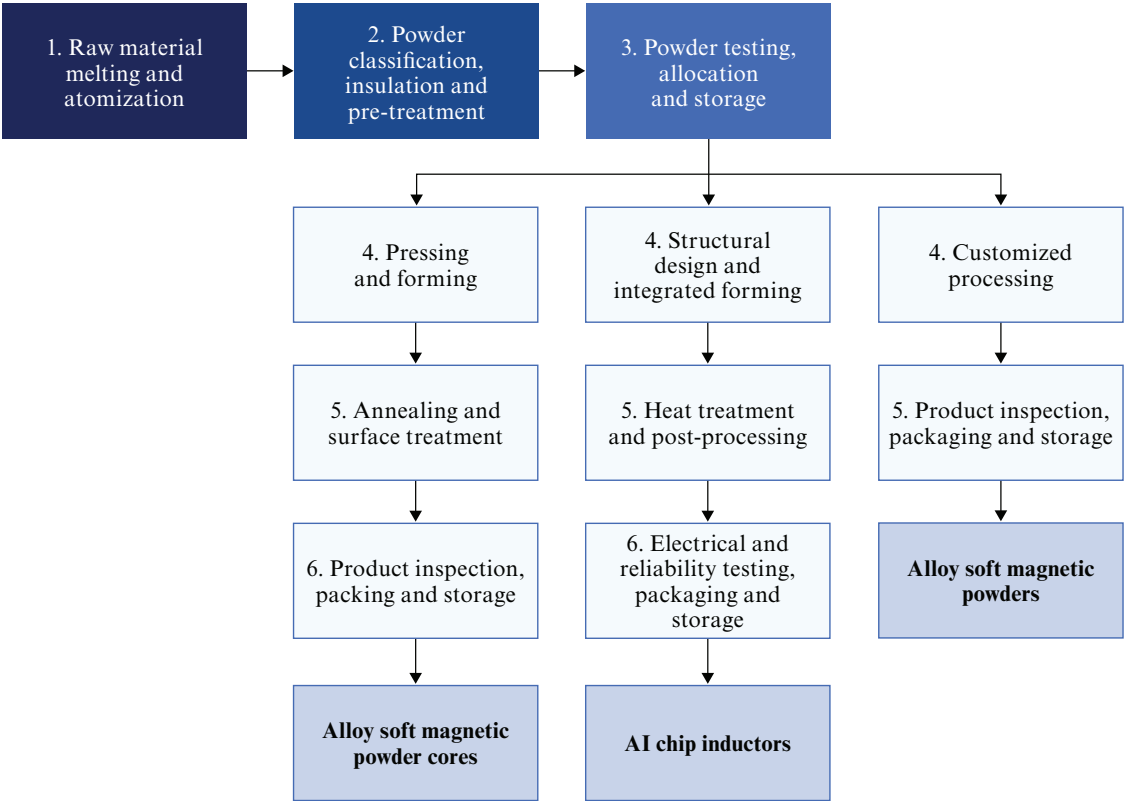
PRODUCTION

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.

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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.

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- (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

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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,

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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.

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- **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>

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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.”

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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.

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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.

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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.

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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.

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- ***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:

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Year Ended December 31,					Three months ended March 31,				
2023					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 A ⁽¹⁾	113,728	21.6	Telegraphic transfer	Supplier A ⁽¹⁾	Supplier A ⁽¹⁾	140,574	19.1	Telegraphic transfer	Supplier A ⁽¹⁾
Supplier B ⁽²⁾	73,682	14.0	Bills	Supplier B ⁽²⁾	Supplier B ⁽²⁾	73,168	10.0	Bills	Supplier G ⁽⁷⁾
Supplier C ⁽³⁾	39,327	7.5	Bills	Supplier C ⁽³⁾	Supplier C ⁽⁷⁾	41,367	5.6	Telegraphic transfer	Supplier D ⁽⁴⁾
Supplier D ⁽⁴⁾	22,687	4.3	Bills	Supplier E ⁽⁵⁾	Supplier D ⁽⁴⁾	36,719	5.0	Bills	Supplier B ⁽²⁾
Supplier E ⁽⁵⁾	22,612	4.3	Telegraphic transfer	Supplier F ⁽⁶⁾	Supplier C ⁽³⁾	34,364	4.7	Bills	Supplier H ⁽⁸⁾
Total	272,036	51.7		Total	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.

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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.

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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.

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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.

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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.

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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.

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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

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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)

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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

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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

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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

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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.

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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.

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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.

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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)

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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.

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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.

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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.

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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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i> (unaudited)	%	<i>RMB'000</i> (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.

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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.

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- *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.

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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)	% (unaudited)	RMB'000 (unaudited)	% (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)	% (unaudited)	RMB'000 (unaudited)	% (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

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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 (unaudited)	%	RMB'000 (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

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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.

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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)	% (unaudited)	RMB'000 (unaudited)	% (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.

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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 (unaudited)	%	RMB'000 (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.

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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.

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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].

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (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	<u>(78,886)</u>	<u>13,383</u>	<u>319,228</u>	<u>294,810</u>	<u>(25,410)</u>
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	<u>136,308</u>	<u>181,051</u>	<u>144,206</u>	<u>144,206</u>	<u>435,033</u>
Cash and cash equivalents at the end of the year/period	<u>181,051</u>	<u>144,206</u>	<u>435,033</u>	<u>252,569</u>	<u>443,421</u>

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.

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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.

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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	As of
	2023	2024	2025	March 31,	May 31,
	RMB'000	RMB'000	RMB'000	2026	2026
				RMB'000	RMB'000
				(unaudited)	(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

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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.

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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.

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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
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
				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
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
				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

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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.

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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

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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

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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.

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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
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
				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
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
				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

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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.

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INDEBTEDNESS

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

	As of December 31,			As of	As of
	2023	2024	2025	March 31,	May 31,
	RMB'000	RMB'000	RMB'000	2026	2026
				RMB'000	RMB'000
				(unaudited)	(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

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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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Du, our executive Director and the chairman of the Board, (i) was directly interested in 8,308,510 A Shares of our Company, representing approximately 2.04% of the voting power of our Company; and (ii) through Moma Investment, which was controlled as to 54.00% by Mr. Du, was indirectly interested in 91,261,463 A Shares of our Company, representing approximately 22.44% of the voting power of our Company. Accordingly, Mr. Du was interested in an aggregate of 99,569,973 A Shares of our Company and was entitled to exercise approximately 24.49% of the voting power of our Company. Accordingly, Mr. Du and Moma Investment are regarded as the Single Largest Group of Shareholders.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), Mr. Du and Moma Investment will be entitled to exercise approximately [REDACTED]% of the voting power at general meetings of our Company and will remain as the Single Largest Group of Shareholders. Upon [REDACTED], our Company will not have any controlling shareholder as defined under the Listing Rules.

INTEREST IN COMPETING BUSINESS

Our Single Largest Group of Shareholders has confirmed that, as of the Latest Practicable Date, they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business.

NON-COMPETITION UNDERTAKING

For the purpose of the listing of our A Shares on the Shenzhen Stock Exchange, each member of our Single Largest Group of Shareholders, namely Mr. Du and Moma Investment, has provided a non-competition undertaking in favor of our Company, pursuant to which each of them has undertaken that, among others:

- (i) save for directly holding equity interests in our Company, he or it has not directly or indirectly engaged in any business which competes or may compete with the business carried on by our Company (the “**Competing Business**”), nor does he or it participate in the investment of any other enterprise whose products or business compete or may compete with the products or business of our Company;
- (ii) during the period in which he or it is associated with our Company, neither he or it nor any other enterprise controlled by or in which he or it has an equity interest will, directly or indirectly, engage in any business which competes or may compete with the business carried on by our Company. In the event that he or it or any other enterprise controlled by or in which he or it has an equity interest obtains any business opportunity which competes or may compete with the products or business of our Company, he or it shall promptly notify our Company and offer such business opportunity to our Company so as to ensure that the interests of our Company and all its shareholders will not be prejudiced;
- (iii) he or it undertakes not to improperly interfere with the operational management activities of our Company or misappropriate the interests of our Company; and
- (iv) any gains derived by him or it from any failure to perform the above undertakings shall be surrendered to our Company in full. In the event that any economic losses are caused to our Company or its other shareholders as a result of his or its failure to perform the above undertakings, he or it shall compensate our Company and such other shareholders for all such economic losses suffered by them.

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Single Largest Group of Shareholders and their close associates upon [REDACTED].

Management Independence

Upon [REDACTED], our Board will comprise seven Directors, including four executive Directors and three independent non-executive Directors. Our management and operational decisions are made collectively by our Board and senior management, most of whom have served our Group for a significant period of time and have substantial and extensive relevant industry experience and expertise as set out in the section headed “Directors and Senior Management” in this document. Other than Mr. Du, who is a member of our Single Largest Group of Shareholders, an executive Director and the chairman of the Board, none of our Directors or members of senior management is or will be a member of our Single Largest Group of Shareholders upon [REDACTED], or holds any directorship or executive position in any of the close associates of our Single Largest Group of Shareholders.

Our Directors consider that our Board and senior management will function independently of our Single Largest Group of Shareholders for the following reasons:

- (i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and should not allow any conflict of interests between his or her duties as a Director and his or her personal interests;
- (ii) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our executive Directors and senior management, see “Directors and Senior Management” in this document;
- (iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under our Articles of Association and/or the Listing Rules;
- (iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting and shall abstain from voting in respect of such transaction and not be counted towards the quorum at the relevant Board meetings of our Company; and
- (v) we have appointed three independent non-executive Directors, comprising more than one third of the total members of our Board, who have sufficient knowledge, experience and competence to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable of performing their roles in our Company independently and managing our business independently of our Single Largest Group of Shareholders and their close associates after [REDACTED].

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Operational Independence

We have full rights to make all decisions regarding, and carry out, our business operations independently. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Single Largest Group of Shareholders and their close associates. We have independent access to suppliers and customers. We are also in possession of all assets, licenses, trademarks and other intellectual property and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that we will be able to operate independently of our Single Largest Group of Shareholders and their close associates after [REDACTED].

Financial Independence

We have the ability to operate independently of our Single Largest Group of Shareholders and their close associates from a financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of financial staff responsible for financial control, accounting and reporting functions, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We have adequate financial resources and credit facilities to support our daily operations without relying on any guarantee or security provided by our Single Largest Group of Shareholders and their close associates.

We do not rely on our Single Largest Group of Shareholders or their close associates to provide financial assistance to our Group. We have independent access to third party financing and our Directors believe that, if necessary, we are capable of obtaining financing from external sources without reliance on our Single Largest Group of Shareholders or their close associates. As of the Latest Practicable Date, none of the members of our Single Largest Group of Shareholders or their close associates has provided any loans, borrowings or guarantees to our Group.

Based on the above, our Directors are satisfied that we will be able to maintain financial independence from our Single Largest Group of Shareholders and their close associates after [REDACTED].

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflict of interests with our Single Largest Group of Shareholders and their close associates:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest, nor shall such Director be counted in the quorum present at the Board meeting;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or any of his/her close associates have a material interest;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Single Largest Group of Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules; and

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

- (iv) we are committed that our Board shall include a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors possess sufficient experience and are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders as a whole. For details of our independent non-executive Directors, see “Directors and Senior Management — Directors — Independent Non-Executive Directors” in this document.

We have appointed Yue Xiu Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

SHARE CAPITAL

IMMEDIATELY BEFORE THE [REDACTED]

As of the Latest Practicable Date, the issued share capital of our Company consisted of 406,614,701 A Shares with a nominal value of RMB1.00 each, all of which are listed on the Shenzhen Stock Exchange.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), the issued share capital of our Company will be as follows:

	<u>Number of Shares</u>	<u>Approximate shareholding of total issued share capital</u>
A Shares in issue	406,614,701	[REDACTED]%
H Shares to be [REDACTED] pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]%</u>
Total	<u><u>[REDACTED]</u></u>	<u><u>100.00%</u></u>

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is exercised in full and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), the issued share capital of our Company will be as follows:

	<u>Number of Shares</u>	<u>Approximate shareholding of total issued share capital</u>
A Shares in issue	406,614,701	[REDACTED]%
H Shares to be [REDACTED] pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]%</u>
Total	<u><u>[REDACTED]</u></u>	<u><u>100.00%</u></u>

OUR SHARES

Upon the completion of the [REDACTED], our Shares will consist of A Shares and H Shares. The A Shares and H Shares are all ordinary Shares in the share capital of our Company. Apart from certain qualified domestic institutional investors in the Chinese Mainland, the qualified investors in the Chinese Mainland under the Shenzhen-Hong Kong Stock Connect (if our H Shares are eligible securities for that purpose) and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws or upon approvals of any competent authorities, H Shares generally cannot be [REDACTED] for by or [REDACTED] between legal or natural persons in the Chinese Mainland.

Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between the Chinese Mainland and Hong Kong. Our A Shares can be subscribed for and traded by investors in the Chinese Mainland, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. Our H Shares can be [REDACTED] for or [REDACTED] by Hong Kong and other overseas [REDACTED] and qualified domestic institutional [REDACTED]. If our H Shares are eligible

SHARE CAPITAL

securities under the Southbound Trading Link, they can also be [REDACTED] for and [REDACTED] by [REDACTED] in the Chinese Mainland in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請「全流通」業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A Shares held by them into H Shares for [REDACTED] and [REDACTED] on the Stock Exchange.

RANKING

Our A Shares and our H Shares are regarded as one class of Shares under our Articles of Association and shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends could also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

APPROVAL FROM A SHAREHOLDERS REGARDING THE [REDACTED]

We have obtained our A Shareholders’ approval to [REDACTED] H Shares and seek the [REDACTED] of H Shares on the Stock Exchange at the general meeting of our Company held on June 17, 2026. Such approval is subject to the following conditions:

- (i) **Size of the [REDACTED].** The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the total issued share capital enlarged by the H Shares to be [REDACTED] pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be [REDACTED] pursuant to the exercise of the [REDACTED] shall not exceed [REDACTED]% of the total number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) **Method of [REDACTED].** The method of [REDACTED] shall be by way of an [REDACTED] to institutional [REDACTED] and a [REDACTED] for [REDACTED] in Hong Kong.
- (iii) **Target [REDACTED].** The H Shares shall be [REDACTED] to [REDACTED] in Hong Kong under the [REDACTED] and international [REDACTED], qualified domestic institutional [REDACTED] in the Chinese Mainland and other [REDACTED] who are approved by regulatory bodies in the Chinese Mainland to [REDACTED] abroad in [REDACTED].
- (iv) **[REDACTED] basis.** The [REDACTED] of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, acceptance of [REDACTED] and the risks related to the [REDACTED], according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.
- (v) **Validity period.** The [REDACTED] of H Shares and [REDACTED] of H Shares on the Stock Exchange shall be completed within 24 months from the date when the shareholders’ meeting was held on June 17, 2026. If the Company has obtained approval or filing from relevant regulatory bodies for the [REDACTED] and [REDACTED] of the H Shares within such validity period, the validity period of the resolution will automatically be extended to the later of the [REDACTED] and the completion date of the exercise of the [REDACTED] (if any).

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

SHARE CAPITAL

There is no other approved [REDACTED] plan for the Shares except the [REDACTED].

GENERAL MEETINGS

For details of circumstance under which our Shareholders’ general meetings are required, see “Summary of Articles of Association — Shareholders and Shareholders’ Meetings” in Appendix III to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes to our issued share capital between the Latest Practicable Date and the [REDACTED]), the following persons will have an interest or short position in Shares and/or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company.

Name of Shareholder	Nature of interest	Description of Shares	Number of Shares interested	Approximate percentage of interest in the total issued share capital of our Company as of the Latest Practicable Date	Assuming the [REDACTED] is not exercised	
					Approximate percentage of shareholding in our A Shares immediately after the [REDACTED] ⁽¹⁾	Approximate percentage of shareholding in the total issued share capital of our Company immediately after the [REDACTED] ⁽¹⁾
Mr. Du ⁽²⁾⁽³⁾	Beneficial owner	A Shares	8,308,510 (L)	2.04%	2.04%	[REDACTED]%
	Interest in controlled corporation	A Shares	91,261,463 (L)	22.44%	22.44%	[REDACTED]%
Mr. Sun Jinyong ⁽³⁾	Interest in controlled corporation	A Shares	91,261,463 (L)	22.44%	22.44%	[REDACTED]%
Moma Investment ⁽²⁾⁽³⁾	Beneficial owner	A Shares	91,261,463 (L)	22.44%	22.44%	[REDACTED]%
Mr. Zhou ⁽²⁾	Beneficial owner	A Shares	43,833,615 (L)	10.78%	10.78%	[REDACTED]%
Mr. Luo Zhimin ⁽²⁾	Beneficial owner	A Shares	22,888,578 (L)	5.63%	5.63%	[REDACTED]%
Mr. Ruan Jialin ⁽²⁾	Beneficial owner	A Shares	22,182,978 (L)	5.46%	5.46%	[REDACTED]%

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares, consisting of 406,614,701 A Shares and [REDACTED] H Shares in [REDACTED] immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]).
- (2) As of the Latest Practicable Date, Mr. Du, Moma Investment, Mr. Zhou, Mr. Luo Zhimin and Mr. Ruan Jianglin directly held 8,308,510, 91,261,463, 43,833,615, 22,888,578 and 22,182,978 A Shares, respectively. For further details, see “History and Corporate Structure — Corporate Structure” in this document.
- (3) As of the Latest Practicable Date, Moma Investment was owned as to 54.0% by Mr. Du and 36.0% by Mr. Sun Jinyong. By virtue of SFO, each of Mr. Du and Mr. Sun is deemed to be interested in the 91,261,463 Shares held by Moma Investment as of the Latest Practicable Date.
- (4) The letter “L” denotes the person’s long position in the Shares.

For details of shareholders who will be, directly or indirectly, interested in 10% or more of the issued voting shares of other members of our Group, see “Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix IV to this document.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board comprises seven Directors, including four executive Directors, and three independent non-executive Directors, namely:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and members of senior management
Mr. Du Jianghua (杜江華)	53	Executive Director and chairman of the Board	September 17, 2009	September 17, 2009	Overseeing the overall management, strategic planning and decision-making for key business and operation matters of our Group	N/A
Mr. Zhou Houqiang (周後強)	49	Executive Director and general manager	September 17, 2009	August 14, 2015	Overseeing the execution of strategic plans and research and development matters of our Group	N/A
Mr. Ruan Jialin (阮佳林)	48	Executive Director, vice general manager and secretary of the Board	September 17, 2009	August 14, 2015	Overseeing the securities matters, strategic investment and investor relations matters of our Group	N/A
Mr. Luo Zhimin (羅志敏)	45	Executive Director and vice general manager	September 17, 2009	August 14, 2015	Overseeing the market expansion and marketing management of our Group	N/A
Dr. Xie Chunxiao (謝春曉)	45	Independent Non-executive Director	August 16, 2021	August 16, 2021	Providing independent advice on the operations and management of our Group	N/A
Dr. Yi Zhihong (伊志宏)	61	Independent Non-executive Director	August 16, 2021	August 16, 2021	Providing independent advice on the operations and management of our Group	N/A
Mr. Lee Chi Sum (李志深)	42	Independent Non-executive Director	June 17, 2026	June 17, 2026	Providing independent advice on the operations and management of our Group	N/A

DIRECTORS

Executive Directors

Mr. Du Jianghua (杜江華), aged 53, is our founder and has served as a Director of our Company since September 2009 and as the chairman of the Board since August 2015, and served as our general manager from September 2009 to August 2022. Mr. Du was re-designated as our executive Director in June 2026 with effect from the [REDACTED]. He has also served as director and senior management in various subsidiaries of our Company, including as an executive director and the general manager at POCO Magnetic Materials from September 2010 to May 2020, and an executive director at POCO Industrial from November 2015 to May 2020, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Du has more than 27 years of experience in corporate management. Mr. Du invested in various companies, and served as a supervisor therein, including Qingdao Yatu Power Systems Co., Ltd. (青島雅圖電源系統有限公司) (“**Qingdao Yatu**”) from January 1999 to December 2003, which was engaged in the manufacturing and trading of electromechanical equipment; Dongguan Yichuang Electronics Co., Ltd. (東莞市易創電子有限公司) from July 2001 to June 2015, which was engaged in the sales of electronic products, instruments, electronic anti-theft materials, and information consumables; Dongguan Yuke Electronics Technology Co., Ltd. (東莞市宇科電子科技有限公司) (formerly known as Dongguan Nayu Electronics Technology Co., Ltd. (東莞市納宇電子科技有限公司)) from December 2003 to June 2016, which was engaged in the development of automation control systems and the sale of electronic and industrial products; and Dongguan Yichuang Printing Materials Co., Ltd. (東莞市易創印刷材料有限公司) from July 2007 to June 2015, which was engaged in the sale of printing materials and equipment.

Mr. Du obtained his MBA degree from Hong Kong Baptist University (香港浸會大學) in November 2006.

Mr. Du was a supervisor and owned 25% equity interest of Qingdao Yatu whose business license was revoked in December 2003 due to failure to conduct annual inspection on a timely manner under PRC laws. As confirmed by our PRC Legal Advisor, such revocation of business license would not affect Mr. Du’s suitability to serve as a director of our Company. Mr. Du confirmed that (i) he did not incur any debt and/or liabilities because of such revocation of business license; (ii) Qingdao Yatu was not involved in any non-compliance or litigation prior to the revocation of business license; and (iii) the revocation of business license did not have any negative effect on our Group.

Mr. Zhou Houqiang (周後強) (former name: Guo Xiongzhi (郭雄志)), aged 49, joined our Company in September 2009 and served as a supervisor and head of R&D department from September 2009 to August 2015, and has been our Director since August 2015, our general manager since August 2022. Mr. Zhou was re-designated as our executive Director in June 2026 with effect from the [REDACTED]. Mr. Zhou also served as the supervisor of our subsidiary, POCO Magnetic Materials, from September 2010 to March 2026.

Prior to joining our Group, Mr. Zhou worked at Hongfujin Precision Industry (Shenzhen) Co., Ltd. (鴻富錦精密工業(深圳)有限公司) from January 2001 to February 2002. He worked at Arnold Magnetics (Shenzhen) Ltd. (阿諾德磁材(深圳)有限公司) from March 2002 to October 2008. Mr. Zhou also worked as a supervisor at Shenzhen Hongxinze Technology Co., Ltd. (深圳市鴻信澤科技有限公司) until June 2015.

Mr. Zhou obtained his bachelor’s degree in engineering from Northwestern Polytechnical University (西北工業大學) in the PRC in July 2000. He was a member of New Energy Power Conversion Technology Professional Committee of the China Power Supply Society (中國電源學會 新能源電能變換技術專業委員會) from 2015 to 2019, and a member of the youth engineer working group of Power Electronics Professional Committee of the China Electrotechnical Society (中國電工技術學會電力電子專業委員會) from 2020 to 2023. Mr. Zhou was awarded 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獎) by China Nonferrous Metals Industry Association (中國有色金屬工業協會) and China Nonferrous Metals Society (中國有色金屬學會) in December 2018. He was also recognized as a local-level talent (深圳市地方級領軍人才) by Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) in March 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ruan Jialin (阮佳林), aged 48, has been our Director and secretary of the Board since August 2015 and a vice general manager of our Company since September 2009. Mr. Ruan was re-designated as our executive Director in June 2026 with effect from the [REDACTED]. Since June 2023, Mr. Ruan has served as the general partner at Huizhou Xingan Tiancheng Venture Capital Partnership (Limited Partnership) (惠州新感天成創業投資合夥企業(有限合夥))¹ (“**Huizhou Xingan Tiancheng**”), a limited liability partnership which engaged in venture capital investment and other investment activities. Since August 2023, Mr. Ruan has also served as an executive director at Beijing Paipu Private Equity Fund Management Co., Ltd. (北京滄圃私募基金管理有限公司), which is engaged in private equity fund management and venture capital fund management services and is also the general partner of Jiaying Paipu Chunzhiyang Venture Capital Partnership (Limited Partnership) (嘉興滄圃春之陽創業投資合夥企業(有限合夥)) (in which our Company held a 32% limited partnership interest as of the Latest Practicable Date). Mr. Ruan has also served as the executive director and director of several of our subsidiaries, including POCO Industrial since May 2020, POCO Magnetic Materials since May 2020, POCO Heyuan since February 2021, POCO New Inductor Technology since June 2023, POCO Thailand since November 2024 and New Materials Sales since February 2025.

Prior to joining our Group, Mr. Ruan worked at Hongfujin Precision Industry (Shenzhen) Co., Ltd. (鴻富錦精密工業(深圳)有限公司) (currently known as Foxconn Technology Group Co., Ltd. (富士康科技集團有限公司)) from January 2001 to September 2002. From October 2002 to March 2006, he worked at Shenzhen Futaihong Precision Industry Co., Ltd. (深圳富泰宏精密工業有限公司). From August 2007 to June 2015, Mr. Ruan worked at Shenzhen Hongxinze Technology Co., Ltd. (深圳市鴻信澤科技有限公司).

Mr. Ruan obtained his bachelor’s degree in engineering from Northwestern Polytechnical University (西北工業大學) in the PRC in July 2000. He was a deputy director member of the Magnetic Technology Professional Committee of the China Power Supply Society (中國電源學會磁技術專業委員會) from 2014 to 2017. He was recognized as a reserve talent (深圳市後備級人才) by Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) in July 2014. He was also awarded 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獎) by China Nonferrous Metals Industry Association (中國有色金屬工業協會) and China Nonferrous Metals Society (中國有色金屬學會) in December 2018.

Mr. Luo Zhimin (羅志敏), aged 45, has been our Director since August 2015 and a vice general manager of our Company since September 2009. Mr. Luo was re-designated as our executive Director in June 2026 with effect from the [REDACTED]. Mr. Luo was the supervisor of POCO Industrial from November 2015 to June 2026 and has been the manager of POCO New Materials Sales since February 2025.

Prior to joining our Group, Mr. Luo worked at Fujin Precision Industry (Shenzhen) Co., Ltd. (富金精密工業(深圳)有限公司) from November 1999 to January 2001 and from January 2006 to November 2007, and at Hongfujin Precision Industry (Shenzhen) Co., Ltd. (鴻富錦精密工業(深圳)有限公司) (currently known as Foxconn Technology Group Co., Ltd. (富士康科技集團有限公司)) from February 2002 to December 2005. After that, Mr. Luo worked at Shenzhen Hongxinze Technology Co., Ltd. (深圳市鴻信澤科技有限公司).

Mr. Luo obtained a college diploma of business management from China University of Geosciences (中國地質大學) in the PRC in January 2012 through online course. Mr. Luo was a member of the New Energy Vehicle Charging and Drive Professional Committee of the China Power Supply Society (中國電源學會新能源車充電與驅動專業委員會) from 2016 to 2018.

¹ Huizhou Xingan Tiancheng previously held 20.0% equity interest in our subsidiary, POCO New Inductor Technology, between June 2023 and January 2026, immediately prior to the acquisition of such equity interest by our Company in January 2026.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Dr. Xie Chunxiao (謝春曉), aged 45, has been our independent Director since August 2021, and was re-designated as an independent non-executive Director in June 2026 with effect from the [REDACTED].

Dr. Xie has been working at Dongguan University of Technology (東莞理工學院) since September 2006, where he was promoted to lecturer in materials science and engineering in November 2009, to associate professor in mechanical engineering in December 2016 and to professor in mechanical engineering in July 2024. Dr. Xie has been serving as an independent director at Opt Machine Vision Tech Co., Ltd (廣東奧普特科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688686)) since November 2024.

Dr. Xie obtained his bachelor's degree in engineering from Southern Metallurgical College (南方冶金學院, currently known as Jiangxi University of Science and Technology (江西理工大學)) in the PRC in June 2003, master's degree in engineering from Jiangxi University of Science and Technology (江西理工大學) in the PRC in June 2007 and doctoral degree in engineering from Guangdong University of Technology (廣東工業大學) in the PRC in December 2013, respectively.

Dr. Yi Zhihong (伊志宏), aged 61, has been our independent Director since August 2021, and was re-designated as an independent non-executive Director in June 2026 with effect from the [REDACTED].

Dr. Yi has been working at Renmin University of China (中國人民大學) since July 1989, where she successively served as a teaching assistant, a lecturer and an associate professor, and has been a professor since June 2001, concurrently served as the dean of the school of business from December 2005 to December 2013, and the vice president of the university from May 2012 to August 2017. Dr. Yi also served as an independent director at Qianjiang Water Conservancy Development Co., Ltd. (錢江水利開發股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600283)) from November 2020 to May 2026, and has been working as an independent director at China Asset Management Co., Ltd. (華夏基金管理有限公司) since May 2024.

Dr. Yi obtained her bachelor's degree, master's degree and doctoral degree in economics from Renmin University of China (中國人民大學) in the PRC in July 1986, July 1989 and January 2000, respectively. Dr. Yi was granted the Special Government Allowances of the State Council (國務院特殊津貼) by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in September 2018.

Mr. Lee Chi Sum (李志深), aged 42, has been our independent Director since June 2026, and was re-designated as an independent non-executive Director in June 2026 with effect from the [REDACTED].

From September 2007 to July 2010, Mr. Lee successively worked as a staff accountant and semi-senior accountant at SHINEWING (HK) CPA Limited (信永中和香港會計師事務所有限公司). From July 2010 to December 2021, he worked at Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) with his last position as the senior manager in audit and assurance function. From January 2022 to November 2022, he worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP Guangzhou Branch (德勤華永會計師事務所(特殊普通合伙)廣州分所) with his last position as a director in audit and assurance department. In February 2023, he joined ZHONGHUI ANDA CPA Limited (中匯安達會計師事務所有限公司) as an audit principal and has been serving as audit partner since July 2024.

Mr. Lee obtained his degree in bachelor of business administration in accountancy from City University of Hong Kong (香港城市大學) in Hong Kong in November 2007. Mr. Lee has been a Certified Public Accountant qualified by The Hong Kong Institute of Certified Public Accountants (香港會計師公會) since May 2012, a member of The Association of Chartered Certified Accountants (特許公認會計師公會) since June 2022, a member of Certified Practising Accountant Australia (澳洲

DIRECTORS AND SENIOR MANAGEMENT

會計師公會) since January 2024, a fellow Certified Public Accountant by The Hong Kong Institute of Certified Public Accountants (香港會計師公會) since May 2025, and a Certified Public Accountant (Practising) registered with the Accounting and Financial Reporting Council of Hong Kong (香港會計及財務匯報局).

SENIOR MANAGEMENT

Our senior management team is responsible for the day-to-day management and operations of our business. The following table provides information about members of the senior management of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment of senior management	Roles and responsibilities	Relationship with other Directors and members of senior management
Mr. Zhou Houqiang (周後強)	49	Executive Director and general manager	September 17, 2009	August 25, 2022	Overseeing the execution of strategic plans and research and development of our Group	N/A
Mr. Ruan Jialin (阮佳林)	48	Executive Director, vice general manager and secretary of the Board	September 17, 2009	September 17, 2009	Overseeing the securities matters, strategic investment and investor relations of our Group	N/A
Mr. Luo Zhimin (羅志敏)	45	Executive Director and vice general manager	September 17, 2009	September 17, 2009	Overseeing the market expansion and marketing management of our Group	N/A
Mr. You Xin (游欣)	39	Financial director	September 17, 2009	October 26, 2020	Overseeing financial operations and management of our Group	N/A

For the biographies of Mr. Zhou Houqiang, Mr. Ruan Jialin, and Mr. Luo Zhimin, see “— Directors — Executive Directors” in this section.

Mr. You Xin (游欣), aged 39, joined our Company as financial manager in September 2009 and has been our financial director since October 2020. Mr. You has served as the financial director at several of our subsidiaries since their respective establishments, including POCO New Inductor Technology, POCO Heyuan and POCO New Materials Sales.

Mr. You obtained his bachelor’s degree in management from Jiangxi University of Finance and Economics (江西財經大學) in the PRC in July 2009.

JOINT COMPANY SECRETARIES

Mr. Ruan Jialin (阮佳林), the secretary of the Board, was appointed as one of our joint company secretaries in June 2026 with effect from the [REDACTED]. For the biographical details of Mr. Ruan, see “— Directors — Executive Directors” in this section.

Ms. Zhao Na (趙娜), was appointed as one of our joint company secretaries in June 2026 with effect from the [REDACTED].

Ms. Zhao serves as an assistant manager of company secretarial services of Tricor Services Limited. She has approximately six years of experience in the corporate governance field. She has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Zhao is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Zhao obtained a master’s degree in corporate governance from The Hong Kong Polytechnic University.

DIRECTORS AND SENIOR MANAGEMENT

OTHER INFORMATION

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on June 2, 2026; and (ii) understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

Each of the independent non-executive Directors confirms (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of our Company; and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

Each of our Directors confirms that he or she does not have any interest in a business apart from the business of our Group which competes or is likely to compete, whether directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Except as disclosed above, none of our Directors or members of senior management held any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date. Except as disclosed above, none of our Directors or members of senior management is related to other Directors or members of senior management.

Except as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

Our Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises Mr. Lee Chi Sum, Dr. Xie Chunxiao and Dr. Yi Zhihong, with Mr. Lee Chi Sum (being our independent non-executive Director with appropriate professional qualifications) as the chairperson.

Remuneration and Appraisal Committee

Our Board has established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration and Appraisal Committee comprises Dr. Xie Chunxiao, Mr. Ruan Jialin and Dr. Yi Zhihong, with Dr. Xie Chunxiao as the chairperson.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Board has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duty of the Nomination Committee is to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises Dr. Yi Zhihong, Mr. Luo Zhimin and Mr. Lee Chi Sum, with Dr. Yi Zhihong as the chairperson.

Strategy and ESG Committee

Our Board has established the Strategy and ESG Committee with written terms of reference. The primary duties of the Strategy and ESG Committee are to conduct research and provide recommendations on the company’s long-term development strategy, ESG and major investment decisions. The Strategy and ESG Committee comprises Mr. Du Jianghua, Mr. Zhou Houqiang and Dr. Yi Zhihong, with Mr. Du Jianghua as the chairperson.

Corporate Governance

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with all applicable provisions of the Corporate Governance Code upon [REDACTED].

Board Diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talents. In reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience.

Our Board consists of one female Director and six male Directors, ranging from 42 to 61 years old with a balanced mix of knowledge and skills, including, but not limited to, overall management and strategic development, accounting and corporate governance. They obtained degrees in various majors including business management, materials science and engineering, engineering, economics and accountancy. Taking into account our existing business model and specific needs, as well as the diverse background of our Directors, the composition of our Board satisfies the board diversity policy.

Our Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Company provides remuneration to our Directors and senior management in the form of salaries, allowances and other benefits, as well as discretionary bonuses and retirement scheme contributions.

For the years ended December 31, 2023, 2024, 2025 and the three months ended March 31, 2026, the total remuneration paid to Directors amounted to RMB4.7 million, RMB4.7 million, RMB3.3 million and RMB0.58 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The five highest-paid individuals of our Group for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026 included four, three, one and nil Directors respectively. For the years ended December 31, 2023, 2024, and 2025 and the three months ended March 31, 2026, the total remuneration paid to the five highest-paid individuals (including Directors) amounted to RMB5.9 million, RMB6.2 million, RMB5.7 million and RMB1.2 million, respectively.

The remuneration of our Directors and senior management is determined with reference to industry salary levels, the responsibilities and performance of their respective roles, as well as the annual operating results of our Company. Under the arrangements currently in effect, our Company estimates that the total pre-tax remuneration payable to our Directors (including share-based remuneration) for the year ending December 31, 2026 will be approximately RMB4.8 million.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest-paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or receivable by, any Director, former Director or any of the five highest-paid individuals for the loss of office as a director of any member of our Group or for the loss of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, no Director waived any remuneration. Save as disclosed above and Appendix I of this document, during the Track Record Period, no other amounts were paid or payable by our Group to any Director or any of the five highest-paid individuals.

For further information on our Directors’ remuneration during the Track Record Period and information on the five highest paid individuals, see Note 9 and 10 to the Accountants’ Report in Appendix I to this document.

COMPLIANCE ADVISOR

Our Company has appointed Yue Xiu Capital Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide guidance and advice to our Company on compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to our Company in the following circumstances (among others):

- (a) prior to the publication of any regulated announcement, circular or financial report;
- (b) where a transaction (which may be a notifiable transaction or a connected transaction) is contemplated, including the issuance of shares, the sale or transfer of treasury shares, and the repurchase of shares;
- (c) where our Company proposes to use the [REDACTED] from the [REDACTED] in a manner different from that detailed in this document, or where the business activities, developments or performances of our Group differ from any forecast, estimate or other information contained in this document; and
- (d) when the Stock Exchange makes an enquiry pursuant to Rule 13.10 of the Listing Rules regarding unusual movements in the price or [REDACTED] of our [REDACTED] securities or any other matters.

The term of appointment of the Compliance Advisor shall commence on the [REDACTED] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED].

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

For a detailed description of our future plans, see “Business — Our Strategies.”

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]).

We intend to use the [REDACTED] we will receive from the [REDACTED] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand and upgrade our AI chip inductor production capacity. This is in line with the strategy detailed in “Business — Our Strategies — Expand Market Share by Strengthening Capacity and Capturing Growth in Downstream Markets.” The [REDACTED] are expected to be used for the procurement and installation of advanced AI chip inductor production equipment and related engineering facilities, and to expand and upgrade the production capacity of our Huidong Production Base, in order to meet the rapidly growing demand for AI chip inductors in AI computing infrastructure applications. Specifically:

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for the procurement and installation of advanced AI chip inductor production equipment in our Huidong Production Base. These mainly include pressing equipment, inspection equipment, testing equipment, assembly equipment, paint stripping equipment, dispensing equipment, mounting equipment, annealing furnaces and atomization production lines.
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for the expansion and upgrade of our AI chip inductor production capacity at our Huidong Production Base, including the construction of additional production workshops, office buildings and other ancillary facilities.
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for the procurement and installation of production related engineering facilities, including power infrastructure for atomization production lines and general production facilities, exhaust gas treatment systems and environmental protection facilities.

Approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand and upgrade our alloy soft magnetic powder core production capacity. This is in line with the strategy detailed in “Business — Our Strategies — Expand Market Share by Strengthening Capacity and Capturing Growth in Downstream Markets.” The [REDACTED] are expected to be used for the automation upgrade, structural optimization and capacity expansion to enhance our supply capability in advanced alloy soft magnetic powder cores. Specifically:

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for smart manufacturing and digitalization upgrades of our alloy soft magnetic powder core production facilities, including the procurement and installation of atomization production lines, insulation equipment, pressing equipment, annealing furnaces, impregnation and baking equipment, chamfering equipment, coating equipment and automated integrated production lines.
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used for the expansion and upgrade of our alloy soft magnetic materials and components production capacity at our Huizhou and Heyuan Production Bases, including the construction of additional production workshops, office buildings and other ancillary facilities.

FUTURE PLANS AND USE OF [REDACTED]

Approximately [REDACTED]%, or HK\$[REDACTED], will be used for strategic partnerships, investments and acquisitions. This is in line with the strategy detailed in “Business — Our Strategies — Pursue Strategic Investments and Acquisitions to Complement Our Capabilities.”

We intend to selectively pursue opportunities that complement our existing business and development strategies. Potential targets may include companies in the PRC engaged in the R&D, production and sales of alloy soft magnetic materials, AI chip inductors and other magnetic components, as well as companies with complementary material technologies, forming technologies, precision production equipment technologies and other related upstream and downstream technologies and advanced manufacturing capabilities. When evaluating potential acquisition or investment targets, we expect to consider factors including (i) synergies with our existing business and technologies, (ii) technological capabilities, market position and customer resources of the target, (iii) financial condition and valuation attractiveness, and (iv) feasibility of integration and control. As of the Latest Practicable Date, we had not identified any specific acquisition or investment targets, entered into any agreement relating to any acquisition or investment, or engaged in any active negotiations with respect to any acquisition or investment.

Approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]). In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above purposes in the proportions stated above.

To the extent that our [REDACTED] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions) so long as it is deemed to be in the best interests of our Company. We will issue an appropriate announcement if there is any material change to the above proposed use of [REDACTED].

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[65], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 深圳市鉑科新材料股份有限公司 POCO HOLDING CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 深圳市鉑科新材料股份有限公司 POCO Holding Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-[65], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended December 31, 2023, 2024 and 2025 (the “Relevant Periods”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-[65] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at December 31, 2023, 2024 and 2025 and of the Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at March 31, 2026, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the three months ended March 31, 2025 and 2026 and other explanatory information (the “Interim Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to note 29(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

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APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in RMB)

	Note	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)
Revenue	4	1,158,520	1,662,941	1,802,237	383,308	489,593
Cost of sales		(699,641)	(986,192)	(1,045,698)	(238,881)	(307,953)
Gross profit		458,879	676,749	756,539	144,427	181,640
Other income, gain and losses	5	23,569	17,872	15,380	2,470	(3,389)
Selling and distribution expenses		(20,764)	(26,606)	(24,967)	(5,683)	(6,395)
Administrative expenses		(77,837)	(99,453)	(95,867)	(18,636)	(24,830)
Research and development expenses		(74,713)	(117,137)	(151,556)	(31,269)	(42,890)
Impairment losses on financial assets	6	(765)	(14,532)	(187)	129	1,219
Profit from operations		308,369	436,893	499,342	91,438	105,355
Finance costs	7(a)	(17,625)	(16,473)	(19,411)	(3,797)	(4,066)
Share of profit or loss of an associate		—	—	44	—	83
Profit before taxation		290,744	420,420	479,975	87,641	101,372
Income tax	8(a)	(35,148)	(46,642)	(53,851)	(14,214)	(12,853)
Profit for the year/period		<u>255,596</u>	<u>373,778</u>	<u>426,124</u>	<u>73,427</u>	<u>88,519</u>
Attributable to:						
Equity Shareholders of the Company		255,771	375,721	418,139	73,764	88,519
Non-controlling interests		(175)	(1,943)	7,985	(337)	—
Profit for the year/period		<u>255,596</u>	<u>373,778</u>	<u>426,124</u>	<u>73,427</u>	<u>88,519</u>
Earnings per share	11					
Basic (RMB)		0.66	0.96	1.04	0.19	0.22
Diluted (RMB)		0.65	0.95	1.03	0.19	0.22

The accompanying notes are integral part of the Historical Financial Information.

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APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Year ended December 31,			Three months ended March 31,	
	2023 RMB'000	2024 RMB'000	2025 RMB'000	2025 RMB'000 (unaudited)	2026 RMB'000 (unaudited)
Profit for the year/period	255,596	373,778	426,124	73,427	88,519
Other comprehensive income for the year/period					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	26	—	(624)
Total comprehensive income for the year/period	255,596	373,778	426,150	73,427	87,895
Attributable to:					
Equity shareholders of the Company	255,771	375,721	418,165	73,764	87,895
Non-controlling interests	(175)	(1,943)	7,985	(337)	—
Total comprehensive income for the year/period	255,596	373,778	426,150	73,427	87,895

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		As at December 31,			As at
	Note	2023	2024	2025	March 31,
		RMB'000	RMB'000	RMB'000	2026
					(unaudited)
Non-current assets					
Property, plant and equipment	12	857,460	1,098,686	1,465,055	1,527,442
Right-of-use assets	13	262,942	428,602	444,102	438,647
Investment property	14	6,981	6,479	5,978	5,678
Intangible assets		465	217	389	363
Interests in an associate	17	—	—	32,044	32,128
Prepayments	20	128,961	39,415	30,413	55,728
Deferred tax assets	26(b)	61,460	93,968	36,656	37,835
		<u>1,318,269</u>	<u>1,667,367</u>	<u>2,014,637</u>	<u>2,097,821</u>
Current assets					
Inventories	18	217,840	190,869	280,747	329,237
Trade and bills receivable	19	626,045	970,602	1,039,265	991,013
Prepayments, deposits and other receivables	20	112,986	60,124	74,054	89,649
Current tax assets	26(a)	2,512	5,308	7,138	9,216
Financial assets measured at fair value through profit or loss (“FVPL”)	15	53,019	41,433	120,456	110,618
Cash and cash equivalents	21	181,051	144,206	435,033	443,421
		<u>1,193,453</u>	<u>1,412,542</u>	<u>1,956,693</u>	<u>1,973,154</u>
Current liabilities					
Trade and other payables	22	199,955	214,704	314,184	329,344
Contract liabilities	23	432	240	926	1,709
Loans and borrowings	24	59,400	30,185	104,786	114,786
Lease liabilities	25	11,970	23,682	17,581	14,660
Current taxation	26(a)	6,098	2,221	4,445	7,431
		<u>277,855</u>	<u>271,032</u>	<u>441,922</u>	<u>467,930</u>
Net current assets		<u>915,598</u>	<u>1,141,510</u>	<u>1,514,771</u>	<u>1,505,224</u>
Total assets less current liabilities		<u>2,233,867</u>	<u>2,808,877</u>	<u>3,529,408</u>	<u>3,603,045</u>

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APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Note</i>	As at December 31,			As at March 31,
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Non-current liabilities					
Loans and borrowings	24	89,245	80,235	66,507	59,642
Lease liabilities	25	200,366	347,316	374,508	371,610
Deferred income	27	323	2,193	30,347	43,297
Deferred tax liabilities	26(b)	<u>36,559</u>	<u>58,607</u>	<u>—</u>	<u>—</u>
		<u>326,493</u>	<u>488,351</u>	<u>471,362</u>	<u>474,549</u>
NET ASSETS					
		<u>1,907,374</u>	<u>2,320,526</u>	<u>3,058,046</u>	<u>3,128,496</u>
CAPITAL AND RESERVES					
Share capital	29(c)	198,810	281,382	289,831	289,888
Reserves	29(d)	<u>1,702,526</u>	<u>2,028,933</u>	<u>2,741,905</u>	<u>2,838,608</u>
Total equity attributable to equity shareholders of the Company					
		1,901,336	2,310,315	3,031,736	3,128,496
Non-controlling interests					
		<u>6,038</u>	<u>10,211</u>	<u>26,310</u>	<u>—</u>
TOTAL EQUITY					
		<u>1,907,374</u>	<u>2,320,526</u>	<u>3,058,046</u>	<u>3,128,496</u>

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		As at December 31,			As at
	Note	2023	2024	2025	March 31,
		RMB'000	RMB'000	RMB'000	2026
					RMB'000
					(unaudited)
Non-current assets					
Property, plant and equipment	12	258,368	240,988	218,617	212,935
Right-of-use assets		707	831	402	300
Intangible assets		430	195	382	347
Investments in subsidiaries	16	447,369	530,603	586,576	607,581
Interests in an associate	17	—	—	32,044	32,128
Prepayments	20	5,267	4,677	2,523	4,670
Deferred tax assets	26(b)	9,463	11,853	9,169	9,169
		<u>721,604</u>	<u>789,147</u>	<u>849,713</u>	<u>867,130</u>
Current assets					
Inventories	18	180,419	131,374	168,073	186,587
Trade and bills receivable	19	712,500	1,107,955	1,174,162	1,105,679
Prepayments, deposits and other receivables	20	293,246	170,220	364,082	430,033
Current tax assets	26(a)	—	4,387	5,580	7,499
Financial assets measured at fair value through profit or loss (“FVPL”)	15	35,011	10,358	90,322	100,551
Cash and cash equivalents	21	152,174	117,516	375,034	350,724
		<u>1,373,350</u>	<u>1,541,810</u>	<u>2,177,253</u>	<u>2,181,073</u>
Current liabilities					
Trade and other payables	22	324,093	316,661	576,339	590,152
Contract liabilities	23	432	240	861	612
Loans and borrowings	24	39,400	30,185	69,786	79,786
Lease liabilities		393	432	251	211
Current taxation	26(a)	4,119	—	—	—
		<u>368,437</u>	<u>347,518</u>	<u>647,237</u>	<u>670,761</u>
Net current assets		<u>1,004,913</u>	<u>1,194,292</u>	<u>1,530,016</u>	<u>1,510,312</u>
Total assets less current liabilities		<u>1,726,517</u>	<u>1,983,439</u>	<u>2,379,729</u>	<u>2,377,442</u>

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APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Note</i>	As at December 31,			As at
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>March 31,</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<u>2026</u>
					<i>RMB'000</i>
					(unaudited)
Non-current liabilities					
Loans and borrowings	24	89,245	80,235	66,507	59,642
Lease liabilities		308	425	156	78
Deferred income	27	323	2,193	1,166	2,639
Deferred tax liabilities	26(b)	<u>2,562</u>	<u>2,239</u>	<u>—</u>	<u>—</u>
		<u>92,438</u>	<u>85,092</u>	<u>67,829</u>	<u>62,359</u>
NET ASSETS		<u>1,634,079</u>	<u>1,898,347</u>	<u>2,311,900</u>	<u>2,315,083</u>
CAPITAL AND RESERVES					
Share capital	29(c)	198,810	281,382	289,831	289,888
Reserves	29(d)	<u>1,435,269</u>	<u>1,616,965</u>	<u>2,022,069</u>	<u>2,025,195</u>
TOTAL EQUITY		<u>1,634,079</u>	<u>1,898,347</u>	<u>2,311,900</u>	<u>2,315,083</u>

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company						Non-		
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserves	Retained profits	controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 29(c))	(note 29(d))	(note 29(d))	(note 29(d))	(note 29(d))				
Balance at January 1, 2023	109,860	817,600	50,986	—	41,462	609,186	1,629,094	—	1,629,094
Changes in equity for 2023:									
Profit/(loss) for the year	—	—	—	—	—	255,771	255,771	(175)	255,596
Total comprehensive income	—	—	—	—	—	255,771	255,771	(175)	255,596
Shares issued under share-based employee incentive plans	600	21,371	—	—	(9,923)	—	12,048	—	12,048
Capitalisation issue	88,350	(88,350)	—	—	—	—	—	—	—
Share-based payment transaction costs	—	—	—	—	22,328	—	22,328	—	22,328
Deferred tax arising from share-based payment transactions	—	—	—	—	4,396	—	4,396	—	4,396
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	6,000	6,000
Appropriation to statutory reserve	—	—	26,835	—	—	(26,835)	—	—	—
Dividends declared	—	—	—	—	—	(22,088)	—	—	(22,088)
Others	—	—	—	—	(213)	—	(213)	213	—
Balance at December 31, 2023 and January 1, 2024	198,810	750,621	77,821	—	58,050	816,034	1,901,336	6,038	1,907,374
Changes in equity for 2024:									
Profit/(loss) for the year	—	—	—	—	—	375,721	375,721	(1,943)	373,778
Total comprehensive income	—	—	—	—	—	375,721	375,721	(1,943)	373,778
Shares issued under share-based employee incentive plans	2,502	70,050	—	—	(24,208)	—	48,344	—	48,344
Capitalisation issue	80,070	(80,070)	—	—	—	—	—	—	—
Share-based payment transaction costs	—	—	—	—	16,359	—	16,359	—	16,359
Deferred tax arising from share-based payment transactions	—	—	—	—	8,706	—	8,706	—	8,706
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	6,000	6,000
Appropriation to statutory reserve	—	—	37,448	—	—	(37,448)	—	—	—
Dividends declared	—	—	—	—	—	(40,035)	(40,035)	—	(40,035)
Others	—	—	—	—	(116)	—	(116)	116	—
Balance at December 31, 2024	281,382	740,601	115,269	—	58,791	1,114,272	2,310,315	10,211	2,320,526

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	Attributable to equity shareholders of the Company						Non-		
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserves	Retained profits	controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 29(c))	(note 29(d))	(note 29(d))	(note 29(d))	(note 29(d))				
Balance at January 1, 2025	281,382	740,601	115,269	—	58,791	1,114,272	2,310,315	10,211	2,320,526
Changes in equity for 2025:									
Profit for the year	—	—	—	—	—	418,139	418,139	7,985	426,124
Other comprehensive income	—	—	—	26	—	—	26	—	26
Total comprehensive income	—	—	—	26	—	418,139	418,165	7,985	426,150
Private placement of shares to specific investors	6,722	287,531	—	—	—	—	294,253	—	294,253
Shares issued under share-based employee incentive plans	1,727	64,934	—	—	(14,382)	—	52,279	—	52,279
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	8,000	8,000
Appropriation to statutory reserve	—	—	41,751	—	—	(41,751)	—	—	—
Share-based payment transaction costs	—	—	—	—	8,261	—	8,261	—	8,261
Deferred tax arising from share-based payment transactions	—	—	—	—	6,355	—	6,355	—	6,355
Dividends declared	—	—	—	—	—	(57,778)	(57,778)	—	(57,778)
Others	—	—	—	—	(114)	—	(114)	114	—
Balance at December 31, 2025	289,831	1,093,066	157,020	26	58,911	1,432,882	3,031,736	26,310	3,058,046

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	Attributable to equity shareholders of the Company						Non-		
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserves	Retained profits	Sub-total	controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 29(c))	(note 29(d))	(note 29(d))	(note 29(d))	(note 29(d))				
(Unaudited)									
Balance at January 1, 2026	289,831	1,093,066	157,020	26	58,911	1,432,882	3,031,736	26,310	3,058,046
Changes in equity for the three months ended March 31, 2026									
Profit for the period	—	—	—	—	—	88,519	88,519	—	88,519
Other comprehensive income	—	—	—	(624)	—	—	(624)	—	(624)
Total comprehensive income	—	—	—	(624)	—	88,519	87,895	—	87,895
Shares issued under share-based employee incentive plans	57	2,249	—	—	(282)	—	2,024	—	2,024
Share-based payment transaction costs	—	—	—	—	1,531	—	1,531	—	1,531
Appropriation to statutory reserve	—	—	—	—	—	—	—	—	—
Dividends paid to a non-controlling interest holder	—	—	—	—	—	—	—	(1,000)	(1,000)
Acquisition of non-controlling interests	—	—	—	—	5,310	—	5,310	(25,310)	(20,000)
Balance at March 31, 2026	289,888	1,095,315	157,020	(598)	65,470	1,521,401	3,128,496	—	3,128,496
(Unaudited)									
Balance at January 1, 2025	281,382	740,601	115,269	—	58,791	1,114,272	2,310,315	10,211	2,320,526
Changes in equity for the three months ended March 31, 2025									
Profit/(loss) for the period	—	—	—	—	—	73,764	73,764	(337)	73,427
Total comprehensive income	—	—	—	—	—	73,764	73,764	(337)	73,427
Private placement of shares to specific investors	6,722	287,531	—	—	—	—	294,253	—	294,253
Shares issued under share-based employee incentive plans	302	11,923	—	—	(1,432)	—	10,793	—	10,793
Share-based payment transaction costs	—	—	—	—	3,168	—	3,168	—	3,168
Balance at March 31, 2025	288,406	1,040,055	115,269	—	60,527	1,188,036	2,692,293	9,874	2,702,167

The accompanying notes are integral part of the Historical Financial Information.

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CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

		Year ended December 31,			Three months ended March 31,	
	Note	2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	(unaudited)
Operating activities						
Cash generated from operations	21(b)	188,329	163,159	387,141	142,629	106,448
Interest received		2,084	4,335	8,691	321	1,741
Income tax paid	26(a)	(29,067)	(55,069)	(48,397)	(24,520)	(13,124)
Net cash generated from operating activities		<u>161,346</u>	<u>112,425</u>	<u>347,435</u>	<u>118,430</u>	<u>95,065</u>
Investing activities						
Payment for purchase of property, plant and equipment and intangible assets		(177,652)	(179,492)	(264,693)	(86,565)	(66,246)
Proceeds from sale of property, plant and equipment		1,068	893	941	18	—
Investments in an associate		—	—	(32,000)	—	—
Payments for purchase of wealth management products		(228,000)	(55,000)	(826,295)	(260,000)	(20,000)
Proceeds from redemption of wealth management products		<u>364,842</u>	<u>68,275</u>	<u>750,927</u>	<u>41,528</u>	<u>30,322</u>
Net cash used in investing activities		<u>(39,742)</u>	<u>(165,324)</u>	<u>(371,120)</u>	<u>(305,019)</u>	<u>(55,924)</u>
Financing activities						
Proceeds from private placement of shares		—	—	297,500	297,500	—
Capital injection from non-controlling interests		6,000	6,000	8,000	—	—
Proceeds from issuance of shares under the share-based incentive schemes		12,048	48,344	52,015	11,280	2,194
Proceeds from loans and borrowings		75,478	90,615	160,666	10,876	20,889
Repayment of loans and borrowings		(104,994)	(109,290)	(101,175)	(13,145)	(17,864)
Payments for lease rentals		(20,075)	(27,934)	(33,857)	(7,878)	(9,091)
Dividends paid to equity shareholders of the Company		(22,088)	(40,035)	(57,778)	—	—
Dividends paid to non-controlling interests		—	—	—	—	(1,000)
Payments for acquisition of non-controlling interests		—	—	—	—	(20,000)
Interest paid		(4,847)	(4,083)	(2,139)	(718)	(521)
Payments for transaction costs on private placement of shares		—	—	(3,247)	(3,247)	—
Payments for pledged deposits for financing purpose		(20,000)	—	—	—	—
Release of pledged deposits for financing purpose		—	50,000	—	—	—
Other financing cashflows		<u>(408)</u>	<u>(234)</u>	<u>(757)</u>	<u>142</u>	<u>(17)</u>
Net cash (used in)/generated from financing activities		<u>(78,886)</u>	<u>13,383</u>	<u>319,228</u>	<u>294,810</u>	<u>(25,410)</u>

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	<i>Note</i>	Year ended December 31,			Three months ended	
		2023	2024	2025	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
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		<u>136,308</u>	<u>181,051</u>	<u>144,206</u>	<u>144,206</u>	<u>435,033</u>
Cash and cash equivalents at the end of the year/period	21(a)	<u><u>181,051</u></u>	<u><u>144,206</u></u>	<u><u>435,033</u></u>	<u><u>252,569</u></u>	<u><u>443,421</u></u>

The accompanying notes are integral part of the Historical Financial Information.

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

深圳市鉑科新材料股份有限公司 POCO Holding Co., Ltd., hereinafter referred to as the “Company”, was established in Shenzhen City, Guangdong Province, the People’s Republic of China (the “PRC”) on September 17, 2009 as a limited liability company under the PRC Company Law. In September 2015, the Company was converted into a joint stock limited liability company. On December 30, 2019, the Company’s A Shares were listed on Shenzhen Stock Exchange.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in development, manufacturing and sales of alloy soft magnetic powder cores, AI chip inductors and alloy soft magnetic powder.

The financial statements of the Company and its subsidiaries for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The Company’s statutory financial statements for the years ended December 31, 2023, 2024, and 2025 were audited by Zhongshen Zhonghuan Certified Public Accountants LLP 中審眾環會計師事務所(特殊普通合夥).

As at December 31, 2023, 2024 and 2025 and March 31, 2026, and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Effective interest held by the Group					Principal activities
						At the date of this report		
			As at December 31, 2023	2024	2025	As at March 31, 2026 (unaudited)		
Huizhou POCO Magnetic Materials Co., Ltd. (惠州鉑科磁材有限公司) (i)(ii)	Chinese Mainland September 27, 2010	RMB2,000,000	100%	100%	100%	100%	100%	Manufacturing of products
Huizhou POCO Industrial Co., Ltd. (惠州鉑科實業有限公司) (i)(ii)	Chinese Mainland February 21, 2008	RMB80,000,000	100%	100%	100%	100%	100%	Manufacturing of products
Chengdu POCO Science and Technology Co., Ltd. (成都市鉑科新材料技術有限責任公司) (i)(iii)	Chinese Mainland December 24, 2020	RMB5,000,000	100%	100%	100%	100%	100%	Development of products
Heyuan POCO Science and Technology New Materials Co., Ltd. (河源市鉑科新材料有限公司) (i)(ii)	Chinese Mainland February 9, 2021	RMB80,000,000	100%	100%	100%	100%	100%	Manufacturing of products
Huizhou POCO New Inductor Technology Co., Ltd. (惠州鉑科新感技術有限公司) (i)(ii)	Chinese Mainland June 30, 2023	RMB100,000,000	80%	80%	80%	100%	100%	Manufacturing of products
Shenzhen POCO New Materials Sales Co., Ltd. (深圳市鉑科新材料銷售有限公司) (i)(iv)	Chinese Mainland February 8, 2025	RMB10,000,000	N/A	N/A	100%	100%	100%	Sales of products
POCO Holding Limited (鉑科控股投資有限公司) (v)	Hong Kong July 9, 2024	HKD10,000	N/A	100%	100%	100%	100%	Investment holding
POCO International Limited (鉑科國際有限公司) (v)	Hong Kong July 18, 2024	HKD10,000	N/A	100%	100%	100%	100%	Investment holding
POCO New Material (Thailand) Co., Ltd. (鉑科新材(泰國)有限公司) (vi)	Thailand November 6, 2024	THB13,985,000	N/A	100%	100%	100%	100%	Manufacturing of products
Botai Investment Limited (鉑泰投資有限公司) (v)	Hong Kong March 27, 2025	HKD10,000	N/A	N/A	100%	100%	100%	Investment holding
International Tiancheng Trading Limited (國際天成貿易有限公司) (v)	Hong Kong March 27, 2025	HKD10,000	N/A	N/A	100%	100%	100%	Sales of products
Suzhou POCO New Inductor Materials Co., Ltd. (蘇州鉑科芯感新材料有限公司) (vii)	Chinese Mainland April 16, 2026	RMB5,000,000	N/A	N/A	N/A	N/A	100%	Manufacturing of products

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Notes:

- (i) The official names of these companies are in Chinese and the English translation of the company names is for reference only. These companies are all limited liability companies under the law of the PRC.
- (ii) The audited financial statements of these entities for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and were audited by Shenzhen Xinpeng Certified Public Accountants (General Partnership) (深圳鑫鵬會計師事務所(普通合夥)).
- (iii) No audited financial statements have been prepared for this entity for the years ended December 31, 2023, 2024 and 2025.
- (iv) The audited financial statements of this entity for the period from the date of incorporation to December 31, 2025 was prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and was audited by Shenzhen Xinpeng Certified Public Accountants (General Partnership) (深圳鑫鵬會計師事務所(普通合夥)).
- (v) The audited financial statements of these entities for the period from the date of incorporation to December 31, 2025 were prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities and were audited by AYC CPA LIMITED.
- (vi) The audited financial statements of this entity for the period from the date of incorporation to December 31, 2024 and for the year ended December 31, 2025 were prepared in accordance with the Thailand Financial Reporting Standards for Non-Publicly Accountable Entities and were audited by Mr. Tanawat Rangketvit, Certified Public Accountants.
- (vii) No audited financial statements have been prepared for this entity as of the date of this report.
- (viii) During the track record period and as at the date of this report, POCO International Limited (鉚科國際有限公司), POCO New Material (Thailand) Co., Ltd. (鉚科新材(泰國)有限公司), Botai Investment Limited (鉚泰投資有限公司) and International Tiancheng Trading Limited (國際天成貿易有限公司) are indirectly held by the Company and other subsidiaries are directly held by the Company.

All companies comprising the Group have adopted December 31 as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2026. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on January 1, 2026 are set out in note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Interim Financial Information are presented in Renminbi (“RMB”), rounded to the nearest thousand (“RMB’000”), unless otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— other investments (see note 2(e))

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group elects to measure the non-controlling interests (“NCI”) at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between NCI and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or jointly control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequently, the financial statements include the Group’s or the Company’s share of the profit or loss and other comprehensive income (“OCI”) of those investees, until the date on which significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group’s net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

(e) Other investments

The Group’s policies for investments, other than investments in subsidiaries and associates, are set out below.

Other investments are recognised/derecognised on the date the Group commits to purchase/sell the investments. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (“FVPL”) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses and interest income calculated using the effective interest method (see note 2(t)(ii)(b)) are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- fair value through other comprehensive income (“FVOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses and interest income (calculated using the effective interest method) are recognised in profit or loss and computed in

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the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognized in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2(t)(ii)(d)).

(f) **Investment property**

Investment property is initially measured at cost. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

- Buildings 20 years

The carrying amount of investment property measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Any gain or loss on disposal of investment property is recognised in profit or loss.

(g) **Property, plant and equipment**

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any impairment losses (see note 2(j)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimate useful lives are as follows:

- Buildings 10–30 years
- Machinery and equipment 3–10 years
- Vehicles 3–5 years
- Office equipment and others 3–5 years
- Decorations and factory improvements 3–20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress is stated at cost less impairment losses (see note 2(j)(ii)). Cost comprises direct costs of construction as well as interest expense capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(h) **Intangible assets**

Expenditure on research and development activities is recognised in profit or loss as incurred.

Intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(j)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line basis over their estimated useful lives, if any, and is generally recognised in profit or loss.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Software 2 years

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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identifiable asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(e)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the financial statements, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(ii)(a).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost, non-equity securities measured at FVOCI, contract assets and lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected live of the instrument is less than 12 months); and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivable and lease receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial assets in the statements of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

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Write-off policy

The gross carrying amount of a financial asset or lease receivables is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGU”s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(j)(i)).

(m) Cash and cash equivalents and restricted bank deposits

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Pledged bank deposits which are restricted to use are included in “Other receivables, deposits and prepayments” in the statements of financial position. Restricted bank deposits are excluded from cash and cash equivalents in the consolidated cash flow statements.

Cash and cash equivalents and restricted cash are assessed for ECLs in accordance with the policy set out in note 2(j)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(v).

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(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see note 2(j)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)(ii)(b)).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The equity amount is recognised in the capital reserve until either the equity award is exercised (when it is included in the amount recognised in share capital and share premium for the shares issued) or the equity award expired (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustments to the tax payable or receivable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are

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considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group’s assets under leases in the ordinary course of the Group’s business.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the customer takes possession of and receives the products for domestic sales, or when the products are delivered to the designated freight forwarder, or the bill of lading is obtained for export sales.

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(b) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(c) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

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(d) Dividends

Dividend income is recognised in profit or loss on the date on which the Group’s right to receive payment is established.

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

(a) A person, or a close member of that person’s family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group’s parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

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Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

According to the Group’s internal organisational structure, management requirements and internal reporting system, the nature, production process, sales methods of the Group’s products are similar. The Group’s operations and strategies operate as a whole. Therefore, the management believes that the Group has only one reportable segment and no segment analysis is presented.

3 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group’s accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

(a) Loss allowance for ECLs

The Group estimates the amount of loss allowance for ECLs on trade receivables based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset’s carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group’s net assets value. The Group reassesses these estimates at each reporting date. Management measures these estimates at each statement of financial position date.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are development, manufacturing and sales of alloy soft magnetic powder cores, AI chip inductors and alloy soft magnetic powder.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended December 31,			Three months ended	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	(unaudited)
Revenue from contracts with customers					
within the scope of IFRS15					
<i>Disaggregated by major types of products</i>					
Alloy soft magnetic powder cores	1,026,304	1,233,635	1,289,171	290,700	316,173
AI Chip inductors	77,538	366,194	439,453	73,904	159,223
Alloy soft magnetic powder	27,115	39,944	55,328	12,616	12,527
Others	25,901	21,506	17,234	5,676	1,457
	<u>1,156,858</u>	<u>1,661,279</u>	<u>1,801,186</u>	<u>382,896</u>	<u>489,380</u>
Revenue from other sources					
Rental income	<u>1,662</u>	<u>1,662</u>	<u>1,051</u>	<u>412</u>	<u>213</u>
	<u><u>1,158,520</u></u>	<u><u>1,662,941</u></u>	<u><u>1,802,237</u></u>	<u><u>383,308</u></u>	<u><u>489,593</u></u>

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Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	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)
Revenue from contracts with customers					
Point in time	1,156,858	1,661,279	1,801,186	382,896	489,380

(b) Information about major customers

Revenue from customers with whom transactions exceeded 10% of the Group’s total revenue during the year ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 is as follows:

	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)
Customer A	206,552	224,198	243,835	51,978	58,267
Customer B	165,361	177,304	N/A*	46,950	N/A*
Customer C	N/A*	N/A*	N/A*	51,462	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	86,987

* Revenue from the customer is less than 10% of the Group’s total revenue for the relevant year/period.

Details of concentrations of credit risk arising from these customers are set out in note 30(a).

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligations as the original expected duration of substantially all the contracts of the Group are within one year or less.

(c) Segment reporting

Operating segments are identified on the basis of internal reports that the Group’s most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group’s most senior executive management makes resources allocation decisions based on internal management functions and assess the Group’s business performance as one integrated business. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

(d) Geographic information

The geographical analysis of revenue is based on the location of the customers to whom the goods or services were delivered or provided. The location of non-current assets is based on the location of the operations in which the assets are held. Non-current assets exclude interests in an associate and deferred tax assets.

	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)
Revenue					
Chinese Mainland	1,051,586	1,434,791	1,476,134	319,184	382,109
Overseas					
— Asia-Pacific (excluding Chinese Mainland)	79,980	214,329	293,745	61,372	95,365
— Europe	26,941	13,645	28,444	2,738	11,278
— Others	13	176	3,914	14	841
	1,158,520	1,662,941	1,802,237	383,308	489,593

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	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Non-current assets				
Chinese Mainland	1,256,809	1,573,399	1,935,751	2,018,197
Thailand	—	—	10,186	9,661
	<u>1,256,809</u>	<u>1,573,399</u>	<u>1,945,937</u>	<u>2,027,858</u>

5 OTHER INCOME, GAIN AND LOSSES

	Year ended December 31,			Three months ended	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Interest income	2,084	4,335	8,691	321	1,741
Government grants (note (a))	10,721	3,510	6,040	135	1,139
Additional deduction for VAT (note (b))	7,691	8,301	3,857	695	641
Fair value gains on financial assets measured at FVPL	2,401	1,689	3,655	467	484
Net losses on disposal of property, plant and equipment and other long-term assets	(1,541)	(2,817)	(3,398)	(61)	(1,228)
Net foreign exchange gains/(losses)	2,025	2,670	(5,039)	160	(6,608)
Others	188	184	1,574	753	442
	<u>23,569</u>	<u>17,872</u>	<u>15,380</u>	<u>2,470</u>	<u>(3,389)</u>

(a) Government grants

Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

(b) Additional deduction for value-added tax (“VAT”)

Pursuant to the Notice on the VAT Credit Policy for Advanced Manufacturing Enterprises issued by the Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”), advanced manufacturing enterprises are eligible for a 5% additional deduction based on deductible input VAT during the period from January 1, 2023 to December 31, 2027. Certain subsidiaries of the Group are entitled to such deductions.

6 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended December 31,			Three months ended	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Impairment loss recognised/(reversed) on					
— trade and bills receivable	805	14,513	(75)	(123)	(1,209)
— other receivables	(40)	19	262	(6)	(10)
	<u>765</u>	<u>14,532</u>	<u>187</u>	<u>(129)</u>	<u>(1,219)</u>

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7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	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 expenses on					
— lease liabilities	10,699	11,898	15,284	2,545	3,272
— loans and borrowings	5,345	4,533	3,521	936	631
— discounted bills	1,581	42	606	316	163
	<u>17,625</u>	<u>16,473</u>	<u>19,411</u>	<u>3,797</u>	<u>4,066</u>

(b) Staff costs (including directors’ and supervisors’ emoluments)

	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)
Salaries, wages and other benefits	226,347	366,815	361,003	83,054	97,840
Contributions to defined contribution retirement plans	14,055	19,490	29,174	6,265	8,821
Equity-settled share-based payment expenses	22,328	16,359	8,261	3,168	1,531
Termination benefits	413	173	64	—	—
	<u>263,143</u>	<u>402,837</u>	<u>398,502</u>	<u>92,487</u>	<u>108,192</u>

The Group’s PRC entities participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the PRC municipal and provincial government authorities, whereby the PRC entities are required to make contribution at the rates required by different local government authorities and the contribution made would not be forfeited when the employees leave the Group. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group has no other material obligations for payments of pension benefits beyond the contributions above.

(c) Other items

	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)
Amortisation cost of intangible assets	47	248	462	87	26
Depreciation charge of					
— Property, plant and equipment	67,923	91,652	118,451	28,266	32,900
— Right-of-use assets	17,543	24,959	24,446	5,797	5,455
— Investment property	906	502	501	126	300
	<u>86,372</u>	<u>117,113</u>	<u>143,398</u>	<u>34,189</u>	<u>38,655</u>
Auditors’ remuneration	834	1,035	1,271	—	—
Cost of inventories (i)	709,043	998,873	1,071,017	246,439	319,793
Power and energy costs	99,963	113,905	115,449	26,538	29,683
Outsourced processing fees	13,006	51,202	54,002	9,559	21,362
Mold costs	8,190	17,412	38,457	7,330	14,123
Transportation costs	14,462	20,537	23,542	4,203	4,545

- (i) Cost of inventories includes RMB359,406,000, RMB539,939,000, RMB605,636,000, RMB137,895,000 (unaudited) and RMB180,224,000 (unaudited) for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively, related to staff costs, depreciation and amortisation expenses, power and energy costs, outsourced processing fees and mold costs, which are also included in the respective total amounts disclosed separately above or in note 7(b).

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8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	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)
Current tax					
PRC corporate income tax					
— Provision for the year/period	37,080	49,227	47,271	18,421	14,032
— (Over)/under-provision in prior years	(219)	(831)	1,520	—	—
	<u>36,861</u>	<u>48,396</u>	<u>48,791</u>	<u>18,421</u>	<u>14,032</u>
Deferred tax					
Origination and reversal of temporary differences	(1,713)	(1,754)	5,060	(4,207)	(1,179)
	<u>35,148</u>	<u>46,642</u>	<u>53,851</u>	<u>14,214</u>	<u>12,853</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	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)
Profit before taxation	<u>290,744</u>	<u>420,420</u>	<u>479,975</u>	<u>87,641</u>	<u>101,372</u>
Calculated at the tax rate applicable to respective group companies	44,269	63,168	74,720	14,214	18,032
Additional deduction for qualified research and development expenses	(10,392)	(16,733)	(23,296)	—	(5,179)
(Over)/under-provision in prior years	(219)	(831)	1,520	—	—
Effect of non-deductible expenses	2,382	1,002	431	—	—
Utilisation of tax losses not recognised in the prior period	(1,059)	—	—	—	—
Effect of deductible temporary differences and tax losses not recognised	6	36	476	—	—
Effect on deferred tax balances at January 1 resulting from a change in tax rate	<u>161</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Actual tax expense	<u>35,148</u>	<u>46,642</u>	<u>53,851</u>	<u>14,214</u>	<u>12,853</u>

Group’s income tax on profit before taxation is calculated at the tax rates applicable to the Company and its subsidiaries, taking into account preferential tax policies applicable to each of them.

In accordance with the Corporate Income Tax Law (the CIT Law) of the PRC, enterprises established in the PRC are subject to corporate income tax at the statutory rate of 25% except for the entities outlined below.

- Pursuant to the CIT Law of the PRC and relevant rules and regulations, the Company and some of its subsidiaries that are qualified as High and New Technology Enterprises are entitled to a preferential income tax rate of 15%;
- The Company’s subsidiary, Chengdu POCO New Material Technology Co., Ltd, fulfils the micro and small enterprises qualification under the PRC corporate income tax system. Therefore, its assessable profits are reduced to 25% and are subject to the preferential income tax rate of 20%.

Pursuant to relevant tax regulations of the PRC, for income tax purpose, the Group’s eligible research and development expenses qualify for an additional 100% deduction during the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026.

Overseas subsidiaries bear tax at the rates of taxation ruling in the countries or regions in which they operate.

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9 DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of directors’ and supervisors’ emoluments during the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026 are as follows:

For the year ended December 31, 2023

	Directors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors							
Mr. Du Jianghua (杜江華)	—	400	660	46	1,106	—	1,106
Mr. Zhou Houqiang (周後強) (i)	—	399	660	46	1,105	—	1,105
Mr. Ruan Jialin (阮佳林)	—	399	660	46	1,105	—	1,105
Mr. Luo Zhimin (羅志敏)	—	399	660	46	1,105	—	1,105
Independent non-executive directors							
Dr. Yi Zhihong (伊志宏)	80	—	—	—	80	—	80
Ms. Li Yin (李音)	80	—	—	—	80	—	80
Dr. Xie Chunxiao (謝春曉)	80	—	—	—	80	—	80
Supervisors							
Ms. Yao Hong (姚紅)	—	179	50	21	250	—	250
Mr. Yang Jianli (楊建立)	—	206	80	24	310	—	310
Ms. Sun Dandan (孫丹丹)	—	560	—	17	577	—	577
	<u>240</u>	<u>2,542</u>	<u>2,770</u>	<u>246</u>	<u>5,798</u>	<u>—</u>	<u>5,798</u>

For the year ended December 31, 2024

	Directors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors							
Mr. Du Jianghua (杜江華)	—	402	660	49	1,111	—	1,111
Mr. Zhou Houqiang (周後強) (i)	—	402	660	49	1,111	—	1,111
Mr. Ruan Jialin (阮佳林)	—	402	660	49	1,111	—	1,111
Mr. Luo Zhimin (羅志敏)	—	402	660	49	1,111	—	1,111
Independent non-executive directors							
Dr. Yi Zhihong (伊志宏)	87	—	—	—	87	—	87
Ms. Li Yin (李音)	87	—	—	—	87	—	87
Dr. Xie Chunxiao (謝春曉)	87	—	—	—	87	—	87
Supervisors							
Ms. Yao Hong (姚紅)	—	186	76	22	284	—	284
Mr. Yang Jianli (楊建立)	—	200	144	26	370	—	370
Ms. Zou Zhao (鄒昭) (ii)	—	48	31	13	92	—	92
Ms. Sun Dandan (孫丹丹) (iii)	—	533	—	19	552	—	552
	<u>261</u>	<u>2,575</u>	<u>2,891</u>	<u>276</u>	<u>6,003</u>	<u>—</u>	<u>6,003</u>

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For the year ended December 31, 2025

	Directors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors							
Mr. Du Jianghua (杜江華)	—	408	300	53	761	—	761
Mr. Zhou Houqiang (周後強)	—	409	300	53	762	—	762
Mr. Ruan Jialin (阮佳林)	—	408	300	53	761	—	761
Mr. Luo Zhimin (羅志敏)	—	408	300	53	761	—	761
Independent non-executive directors							
Dr. Yi Zhihong (伊志宏)	100	—	—	—	100	—	100
Ms. Li Yin (李音)	100	—	—	—	100	—	100
Dr. Xie Chunxiao (謝春曉)	100	—	—	—	100	—	100
Supervisors (iv)							
Ms. Yao Hong (姚紅)	—	160	—	18	178	—	178
Mr. Yang Jianli (楊建立)	—	158	—	22	180	—	180
Ms. Zou Zhao (鄒昭)	—	101	—	11	112	—	112
	300	2,052	1,200	263	3,815	—	3,815

For the three months ended March 31, 2025 (unaudited)

	Directors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors							
Mr. Du Jianghua (杜江華)	—	101	—	13	114	—	114
Mr. Zhou Houqiang (周後強)	—	101	—	13	114	—	114
Mr. Ruan Jialin (阮佳林)	—	101	—	13	114	—	114
Mr. Luo Zhimin (羅志敏)	—	101	—	13	114	—	114
Independent non-executive directors							
Dr. Yi Zhihong (伊志宏)	25	—	—	—	25	—	25
Ms. Li Yin (李音)	25	—	—	—	25	—	25
Dr. Xie Chunxiao (謝春曉)	25	—	—	—	25	—	25
Supervisors							
Ms. Yao Hong (姚紅)	—	44	—	6	50	—	50
Mr. Yang Jianli (楊建立)	—	34	—	7	41	—	41
Ms. Zou Zhao (鄒昭)	—	26	—	4	30	—	30
	75	508	—	69	652	—	652

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For the three months ended March 31, 2026 (unaudited)

	Directors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors							
Mr. Du Jianghua (杜江華)	—	135	—	13	148	—	148
Mr. Zhou Houqiang (周後強)	—	131	—	9	140	—	140
Mr. Ruan Jialin (阮佳林)	—	57	—	13	70	—	70
Mr. Luo Zhimin (羅志敏)	—	135	—	13	148	—	148
Independent non-executive directors							
Dr. Yi Zhihong (伊志宏)	25	—	—	—	25	—	25
Ms. Li Yin (李音) (v)	25	—	—	—	25	—	25
Dr. Xie Chunxiao (謝春曉)	25	—	—	—	25	—	25
	<u>75</u>	<u>458</u>	<u>—</u>	<u>48</u>	<u>581</u>	<u>—</u>	<u>581</u>

- (i) Mr. Zhou Houqiang (周後強) was formerly named Mr. Guo Xiongzi (郭雄志) before 2025.
- (ii) Ms. Zou Zhao (鄒昭) was appointed as the supervisor of the Company on July 31, 2024.
- (iii) Ms. Sun Dandan (孫丹丹) resigned as the supervisor of the Company on August 16, 2024.
- (iv) On September 12, 2025, following the relevant requirements of the revised Company Law, the Company’s shareholders’ meeting passed a resolution to amend the Company’s Articles of Association and abolished the board of supervisors.
- (v) Ms. Li Yin (李音) resigned as independent non-executive director on June 17, 2026.
- (vi) Mr. Lee Chi Sum (李志深) was appointed as independent non-executive director on June 17, 2026.

10 INDIVIDUALS WITH HIGHEST REMUNERATION

The number of directors and supervisors and other employees included in the five highest paid individuals during the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 are set forth below:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals (unaudited)
Directors and supervisors	4	3	1	—	—
Other employees	<u>1</u>	<u>2</u>	<u>4</u>	<u>5</u>	<u>5</u>
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

The emoluments of the directors and supervisors are disclosed in note 9. The remuneration in respect of the remaining individuals as follows:

	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)
Salaries and other emoluments	1,266	2,447	4,674	1,177	1,125
Discretionary bonuses	—	—	—	—	—
Retirement scheme contributions	46	91	85	24	18
Share-based payments	<u>152</u>	<u>299</u>	<u>138</u>	<u>71</u>	<u>35</u>
	<u>1,464</u>	<u>2,837</u>	<u>4,897</u>	<u>1,272</u>	<u>1,178</u>

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The remuneration of the five highest paid non-director/supervisor individual(s) are within the following bands:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals (unaudited)</i>	<i>Number of individuals (unaudited)</i>
HK\$nil–HK\$1,000,000	—	—	1	5	5
HK\$1,000,001–HK\$1,500,000	—	1	2	—	—
HK\$1,500,000–HK\$2,000,000	1	1	1	—	—

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 is based on the profit attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue.

As disclosed in notes 29(c) and 34(b), the Company distributed stock dividend of 8 ordinary shares for every 10 ordinary shares in June 2023, 4 ordinary shares for every 10 ordinary shares in June 2024 and 4 ordinary shares for every 10 ordinary shares in May 2026. Accordingly, the weighted average number of ordinary shares has been adjusted retrospectively from January 1, 2023, for such stock dividends.

(i) Profit attributable to equity shareholders of the Company in basic earnings per share calculation

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000 (unaudited)</i>	<i>RMB'000 (unaudited)</i>
Profit for the year/period attributable to the equity shareholders of the Company	<u>255,771</u>	<u>375,721</u>	<u>418,139</u>	<u>73,764</u>	<u>88,519</u>

(ii) Weighted-average number of ordinary shares

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000 (unaudited)</i>	<i>'000 (unaudited)</i>
Issued ordinary shares at the beginning of the year/period	109,860	198,810	281,382	281,382	289,831
Effect of private placement of shares (<i>note 29(c)</i>)	—	—	5,602	2,241	—
Effect of capitalisation issue (<i>notes 29(c) and 34(b)</i>)	278,328	191,452	115,149	113,490	115,953
Effect of shares issued under share-based employee incentive plans (<i>notes 28 and 29(c)</i>)	<u>626</u>	<u>1,488</u>	<u>888</u>	<u>101</u>	<u>52</u>
Weighted average number of ordinary shares at the end of the year/period	<u>388,814</u>	<u>391,750</u>	<u>403,021</u>	<u>397,214</u>	<u>405,836</u>

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(b) Diluted earnings per share

The calculation of the diluted earnings per share for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 is based on the above profit attributable to the equity shareholders of the Company and the weighted average number of ordinary shares, calculated as follows:

Weighted-average number of ordinary shares (diluted)

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	'000	'000	'000	'000	'000
				(unaudited)	(unaudited)
Weighted average number of ordinary shares at the end of the year/period	388,814	391,750	403,021	397,214	405,836
Effect of restricted shares	2,808	1,780	774	299	439
Effect of shares options	—	319	917	508	1,044
Weighted average number of ordinary shares (diluted) at the end of the year/period	<u>391,622</u>	<u>393,849</u>	<u>404,712</u>	<u>398,021</u>	<u>407,319</u>

12 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

The Group:

	Buildings	Machinery and equipment	Office equipment and others	Vehicles	Decorations and factory improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2023	305,554	337,121	16,019	2,266	27,358	130,577	818,895
Additions	2,349	83,306	8,448	318	10,247	138,210	242,878
Transfer from construction in progress	144,934	2,258	—	—	—	(147,192)	—
Disposals	(1,729)	(10,064)	(425)	(18)	—	—	(12,236)
As at December 31, 2023 and January 1, 2024	451,108	412,621	24,042	2,566	37,605	121,595	1,049,537
Additions	646	215,121	7,978	398	14,518	97,945	336,606
Transfer from construction in progress	41,154	81,577	47	—	—	(122,778)	—
Disposals	(135)	(8,088)	(1,182)	(88)	—	—	(9,493)
As at December 31, 2024 and January 1, 2025	492,773	701,231	30,885	2,876	52,123	96,762	1,376,650
Additions	44,825	119,582	8,786	202	12,970	303,524	489,889
Transfer from construction in progress	129,402	41,408	4,389	—	—	(175,199)	—
Disposals	(343)	(12,597)	(1,514)	(132)	—	—	(14,586)
Exchange adjustment	—	—	1	5	—	217	223
As at December 31, 2025 and January 1, 2026	666,657	849,624	42,547	2,951	65,093	225,304	1,852,176
Additions (unaudited)	—	26,857	2,279	—	808	71,952	101,896
Transfer from construction in progress (unaudited)	—	17,499	—	—	—	(17,499)	—
Disposals (unaudited)	—	(9,671)	(129)	—	—	—	(9,800)
Exchange adjustment (unaudited)	—	—	(2)	(12)	—	(522)	(536)
At March 31, 2026 (unaudited)	<u>666,657</u>	<u>884,309</u>	<u>44,695</u>	<u>2,939</u>	<u>65,901</u>	<u>279,235</u>	<u>1,943,736</u>

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	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office equipment and others <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Decorations and factory improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Accumulated depreciation:							
At January 1, 2023	33,065	81,934	6,676	991	6,933	—	129,599
Charge for the year	15,738	38,609	2,941	519	10,116	—	67,923
Write-off on disposals	(411)	(4,795)	(226)	(13)	—	—	(5,445)
As at December 31, 2023 and January 1, 2024	48,392	115,748	9,391	1,497	17,049	—	192,077
Charge for the year	21,743	52,015	4,849	457	12,588	—	91,652
Write-off on disposals	(78)	(4,854)	(745)	(88)	—	—	(5,765)
As at December 31, 2024 and January 1, 2025	70,057	162,909	13,495	1,866	29,637	—	277,964
Charge for the year	23,044	76,711	4,286	306	14,104	—	118,451
Write-off on disposals	(120)	(7,859)	(1,195)	(120)	—	—	(9,294)
As at December 31, 2025 and January 1, 2026	92,981	231,761	16,586	2,052	43,741	—	387,121
Charge for the year (unaudited)	6,745	22,408	829	58	2,860	—	32,900
Write-off on disposals (unaudited)	—	(3,710)	(17)	—	—	—	(3,727)
At March 31, 2026 (unaudited)	99,726	250,459	17,398	2,110	46,601	—	416,294
Net book value:							
At December 31, 2023	402,716	296,873	14,651	1,069	20,556	121,595	857,460
At December 31, 2024	422,716	538,322	17,390	1,010	22,486	96,762	1,098,686
At December 31, 2025	573,676	617,863	25,961	899	21,352	225,304	1,465,055
At March 31, 2026 (unaudited)	566,931	633,850	27,297	829	19,300	279,235	1,527,442

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The Company:

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office equipment and others <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Decorations and factory improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:							
At January 1, 2023	157,466	173,651	6,629	935	6,699	—	345,380
Additions	—	7,491	112	297	—	2,708	10,608
Disposals	—	(25,417)	(105)	—	—	—	(25,522)
As at December 31, 2023 and January 1, 2024	157,466	155,725	6,636	1,232	6,699	2,708	330,466
Additions	—	11,331	65	—	—	5,927	17,323
Transfer from construction in progress	—	2,708	—	—	—	(2,708)	—
Disposals	(7)	(19,674)	(7)	—	—	—	(19,688)
As at December 31, 2024 and January 1, 2025	157,459	150,090	6,694	1,232	6,699	5,927	328,101
Additions	—	11,004	91	—	—	3,849	14,944
Transfer from construction in progress	—	5,927	—	—	—	(5,927)	—
Disposals	—	(20,940)	(438)	—	—	—	(21,378)
As at December 31, 2025 and January 1, 2026	157,459	146,081	6,347	1,232	6,699	3,849	321,667
Additions (unaudited)	—	1,237	19	—	—	53	1,309
Transfer from construction in progress (unaudited)	—	718	—	—	—	(718)	—
Disposals (unaudited)	—	(3,060)	—	—	—	—	(3,060)
At March 31, 2026 (unaudited)	157,459	144,976	6,366	1,232	6,699	3,184	319,916
Accumulated depreciation:							
At January 1, 2023	3,741	47,074	2,709	537	211	—	54,272
Charge for the year	4,989	16,413	821	257	2,173	—	24,653
Write-off on disposals	—	(6,761)	(66)	—	—	—	(6,827)
As at December 31, 2023 and January 1, 2024	8,730	56,726	3,464	794	2,384	—	72,098
Charge for the year	4,986	14,583	604	200	2,173	—	22,546
Write-off on disposals	—	(7,525)	(6)	—	—	—	(7,531)
As at December 31, 2024 and January 1, 2025	13,716	63,784	4,062	994	4,557	—	87,113
Charge for the year	4,984	14,495	555	71	2,142	—	22,247
Write-off on disposals	—	(5,894)	(416)	—	—	—	(6,310)
As at December 31, 2025 and January 1, 2026	18,700	72,385	4,201	1,065	6,699	—	103,050
Charge for the period (unaudited)	1,246	3,544	21	18	—	—	4,829
Write-off on disposals (unaudited)	—	(898)	—	—	—	—	(898)
At March 31, 2026 (unaudited)	19,946	75,031	4,222	1,083	6,699	—	106,981
Net book value:							
At December 31, 2023	148,736	98,999	3,172	438	4,315	2,708	258,368
At December 31, 2024	143,743	86,306	2,632	238	2,142	5,927	240,988
At December 31, 2025	138,759	73,696	2,146	167	—	3,849	218,617
At March 31, 2026 (unaudited)	137,513	69,945	2,144	149	—	3,184	212,935

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As at December 31, 2023, 2024 and 2025 and March 31, 2026, the Group was in the process of applying for certificates of ownership for certain properties with carrying value of RMB199,826,000, RMB11,502,000, RMB88,769,000 and RMB10,758,000 (unaudited), respectively.

As at December 31, 2024 and 2025 and March 31, 2026, the Group’s buildings with carrying value of RMB143,743,000, RMB138,759,000 and RMB137,513,000 (unaudited) were used as collaterals for the Group’s long-term secured loans (note 24).

13 RIGHT-OF-USE ASSETS

Reconciliation of carrying amount

The Group:

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Land-use rights <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
At January 1, 2023	3,841	182,552	39,826	226,219
Additions	6,509	98,829	14,605	119,943
Derecognition	(3,057)	(61,651)	—	(64,708)
As at December 31, 2023 and January 1, 2024	7,293	219,730	54,431	281,454
Additions	2,898	171,797	15,924	190,619
Derecognition	(1,777)	—	—	(1,777)
As at December 31, 2024 and January 1, 2025	8,414	391,527	70,355	470,296
Additions	—	40,189	211	40,400
Derecognition	(3,385)	—	—	(3,385)
As at December 31, 2025 and March 31, 2026 (unaudited)	5,029	431,716	70,566	507,311
Accumulated depreciation:				
At January 1, 2023	3,172	16,542	7,152	26,866
Charge for the year	1,949	14,531	1,063	17,543
Derecognition	(2,953)	(22,944)	—	(25,897)
As at December 31, 2023 and January 1, 2024	2,168	8,129	8,215	18,512
Charge for the year	3,375	20,375	1,209	24,959
Derecognition	(1,777)	—	—	(1,777)
As at December 31, 2024 and January 1, 2025	3,766	28,504	9,424	41,694
Charge for the year	3,070	19,924	1,452	24,446
Derecognition	(2,931)	—	—	(2,931)
As at December 31, 2025 and January 1, 2026	3,905	48,428	10,876	63,209
Charge for the period (unaudited)	412	4,793	250	5,455
At March 31, 2026 (unaudited)	4,317	53,221	11,126	68,664
Net book value:				
At December 31, 2023	5,125	211,601	46,216	262,942
At December 31, 2024	4,648	363,023	60,931	428,602
At December 31, 2025	1,124	383,288	59,690	444,102
At March 31, 2026 (unaudited)	712	378,495	59,440	438,647

During the year ended December 31, 2023, the Group early terminated the lease for certain nitrogen generation equipment as the capacity of the equipment could not meet the Group’s increasing production demands.

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The Group’s land-use rights on leasehold land are located in the Chinese Mainland. Depreciation is recognised in profit or loss on a straight-line basis over the respective periods of the land-use rights, which are 50 years.

The Group leases nitrogen generation equipment and certain buildings in its normal course of business and lease periods range from 1 to 10 years.

The analysis of expense items in relation to leases recognised in the Group’s profit or loss is as follows:

	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)
Depreciation charge of right-of-use assets	17,543	24,959	24,446	5,797	5,455
Interest on lease liabilities	10,699	11,898	15,284	2,545	3,272
Expense relating to short-term leases	1,046	1,045	1,571	261	393
Expense relating to low-value leases	412	213	80	53	19

14 INVESTMENT PROPERTY

As at December 31, 2023, 2024 and 2025 and March 31, 2026, the fair value of the Group’s investment property is RMB18,341,000, RMB16,054,000, RMB15,546,000 and RMB15,546,000 (unaudited), respectively. The valuations were carried out by an independent valuer.

15 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Financial assets measured at FVPL				
Wealth management products	53,019	41,433	120,456	110,618

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Financial assets measured at FVPL				
Wealth management products	35,011	10,358	90,322	100,551

The Group invested in certain wealth management products issued by banks. The principal amount and expected returns of these wealth management products are not guaranteed, and the contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the wealth management products were classified as financial assets at FVPL.

16 INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Unlisted investments, at cost	447,369	530,603	586,576	607,581

The particulars of the principal subsidiaries of the Group are set out in note 1.

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17 INTERESTS IN AN ASSOCIATE

As at December 31, 2025 and March 31, 2026, the Group’s and the Company’s interests in an associate represented the investments in an unlisted fund, namely Jiaying Paipu Chunzhiyang Venture Capital Investment Partnership (Limited Partnership) (嘉興湃圃春之陽創業投資合夥企業(有限合夥)) (i), which is not individually material.

The investment in an associate is accounted for using the equity method in the consolidated financial statements and the Company’s separate financial statements.

- (i) The official name of the entity is in Chinese. The English translation of the name is for identification only.

18 INVENTORIES

- (a) Inventories in the statements of financial position comprises:

The Group:

	As at December 31,			As at 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
	217,840	190,869	282,237	330,727
Less: write-down of inventories	—	—	(1,490)	(1,490)
	217,840	190,869	280,747	329,237

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)
Raw materials	601	740	2,891	3,024
Work in progress	74,103	54,828	82,727	97,428
Finished goods	99,232	70,308	75,659	66,534
Goods in transit	6,483	5,498	6,796	19,601
	180,419	131,374	168,073	186,587

- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group:

	Year ended December 31,			Three months ended	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(unaudited)
Carrying amount of inventories recognised as cost or expenses	709,043	998,873	1,069,527	246,439	319,793
Write-down of inventories	—	—	1,490	—	—
	709,043	998,873	1,071,017	246,439	319,793

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19 TRADE AND BILLS RECEIVABLE

The Group:

	As at December 31,			As at 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)
	<u>626,045</u>	<u>970,602</u>	<u>1,039,265</u>	<u>991,013</u>

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Trade receivables				
— due from subsidiaries	117,745	200,946	278,823	371,257
— due from third parties	410,826	618,385	619,457	525,236
Bills receivable	211,247	329,714	315,064	241,777
Less: loss allowance	(27,318)	(41,090)	(39,182)	(32,591)
	<u>712,500</u>	<u>1,107,955</u>	<u>1,174,162</u>	<u>1,105,679</u>

Trade and bills receivable are expected to be recovered within one year.

As at December 31, 2023, 2024 and 2025 and March 31, 2026, the Group’s bills receivable of RMB87,180,000, RMB156,314,000, RMB226,573,000 and RMB214,134,000 (unaudited) and the Company’s bills receivable of RMB76,380,000, RMB126,523,000, RMB155,550,000 and RMB128,735,000 (unaudited), respectively, were managed in a business model whose objective is achieved by both collection and sale, and therefore measured at FVOCI.

As at December 31, 2023, 2024 and 2025 and March 31, 2026, the Company’s trade receivables due from subsidiaries of RMB10,000,000, RMB21,000,000, RMB36,000,000 and RMB36,000,000 (unaudited) were pledged to secure its short-term bank loans (note 24).

Ageing analysis

As of the end of each reporting period, the ageing analysis of the trade and bills receivable, based on the recognition date, is as follows:

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Within 1 year	654,143	1,011,809	1,079,255	1,029,304
Over 1 year but within 2 years	234	1,641	2,204	2,615
Over 2 years but within 3 years	57	32	581	137
Over 3 years	8	30	60	583
Less: loss allowance	(28,397)	(42,910)	(42,835)	(41,626)
	<u>626,045</u>	<u>970,602</u>	<u>1,039,265</u>	<u>991,013</u>

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The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Within 1 year	696,407	1,033,133	1,059,965	967,490
Over 1 year but within 2 years	26,495	72,738	78,628	170,145
Over 2 years but within 3 years	16,908	26,293	57,262	52
Over 3 years	8	16,881	17,489	583
Less: loss allowance	(27,318)	(41,090)	(39,182)	(32,591)
	<u>712,500</u>	<u>1,107,955</u>	<u>1,174,162</u>	<u>1,105,679</u>

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Current				
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)
	<u>112,986</u>	<u>60,124</u>	<u>74,054</u>	<u>89,649</u>
Non-current				
Prepayments for acquisition of long-term assets	<u>128,961</u>	<u>39,415</u>	<u>30,413</u>	<u>55,728</u>

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Current				
Prepayments for raw materials	370	225	304	—
Amounts due from subsidiaries	231,759	151,910	321,612	381,582
Rental and other deposits	178	206	181	181
Pledged bank deposits for financing purpose	50,000	—	—	—
VAT recoverable	10,565	17,156	41,279	47,946
Others	394	761	743	351
Less: loss allowance	(20)	(38)	(37)	(27)
	<u>293,246</u>	<u>170,220</u>	<u>364,082</u>	<u>430,033</u>
Non-current				
Prepayments for acquisition of long-term assets	<u>5,267</u>	<u>4,677</u>	<u>2,523</u>	<u>4,670</u>

Current portion of the prepayments and other receivables are expected to be recovered or recognised as expenses within one year.

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21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Cash at bank and on hand	181,051	144,206	435,033	443,421

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Cash at bank and on hand	152,174	117,516	375,034	350,724

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	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)
Profit before taxation		290,744	420,420	479,975	87,641	101,372
Adjustments for:						
Depreciation and amortisation		86,419	117,361	143,860	34,276	38,681
Provision for impairment losses		765	14,532	187	(129)	(1,219)
Write-down of inventories		—	—	1,490	—	—
Net losses on disposal of non-current assets		1,541	2,817	3,398	61	1,228
Fair value gains on financial assets measured at FVPL		(2,401)	(1,689)	(3,655)	(467)	(484)
Interest income		(2,084)	(4,335)	(8,691)	(321)	(1,741)
Finance costs		17,625	16,473	19,411	3,797	4,066
Net foreign exchange (losses)/gains		(2,025)	(2,670)	5,039	(160)	6,608
Share of profit of an associate		—	—	(44)	—	(83)
Equity-settled share-based payment transactions	7(b)	22,328	16,359	8,261	3,168	1,531
Changes in working capital:						
(Increase)/decrease in inventories		(73,615)	26,971	(91,368)	9,286	(48,490)
(Increase)/decrease in trade and bills receivable		(239,952)	(402,197)	(149,828)	52,470	21,187
Decrease/(increase) in prepayments, deposits and other receivables		24,421	2,843	(13,944)	(3,279)	(15,585)
Increase/(decrease) in trade and other payables		64,949	(45,404)	(35,790)	(44,270)	(14,356)
Increase/(decrease) in contract liabilities		194	(192)	686	589	783
(Increase)/decrease in deferred income		(580)	1,870	28,154	(33)	12,950
Cash generated from operations		188,329	163,159	387,141	142,629	106,448

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(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statements as cash flows from financing activities.

	Loans and borrowings	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(note 24)	(note 25)	
Balance at January 1, 2023	177,663	167,089	344,752
Changes from financing cash flows:			
Repayment of loans and borrowings	(104,994)	—	(104,994)
Proceeds from loans and borrowings	75,478	—	75,478
Interest paid	(4,847)	—	(4,847)
Lease payments	—	(20,075)	(20,075)
Total changes from financing cash flows	(34,363)	(20,075)	(54,438)
Other changes:			
Interest expenses incurred	5,345	10,699	16,044
New leases	—	97,045	97,045
Termination of leases	—	(42,422)	(42,422)
Total other changes	5,345	65,322	70,667
Balance at December 31, 2023	148,645	212,336	360,981
	Loans and borrowings	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(note 24)	(note 25)	
Balance at January 1, 2024	148,645	212,336	360,981
Changes from financing cash flows:			
Repayment of loans and borrowings	(109,290)	—	(109,290)
Proceeds from loans and borrowings	90,615	—	90,615
Interest paid	(4,083)	—	(4,083)
Lease payments	—	(27,934)	(27,934)
Total changes from financing cash flows	(22,758)	(27,934)	(50,692)
Other changes:			
Interest expenses incurred	4,533	11,898	16,431
New leases	—	174,698	174,698
Settlement of discounted bills	(20,000)	—	(20,000)
Total other changes	(15,467)	186,596	171,129
Balance at December 31, 2024	110,420	370,998	481,418

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	Loans and borrowings <i>RMB’000</i> (note 24)	Lease liabilities <i>RMB’000</i> (note 25)	Total <i>RMB’000</i>
Balance at January 1, 2025	110,420	370,998	481,418
Changes from financing cash flows:			
Repayment of loans and borrowing	(101,175)	—	(101,175)
Proceeds from loans and borrowings	160,666	—	160,666
Interest paid	(2,139)	—	(2,139)
Lease payments	—	(33,857)	(33,857)
Total changes from financing cash flows	57,352	(33,857)	23,495
Other changes:			
Interest expenses incurred	3,521	15,284	18,805
New leases	—	40,189	40,189
Termination of leases	—	(525)	(525)
Total other changes	3,521	54,948	58,469
Balance at December 31, 2025	171,293	392,089	563,382
	Loans and borrowings <i>RMB’000</i> (note 24)	Lease liabilities <i>RMB’000</i> (note 25)	Total <i>RMB’000</i>
(unaudited)			
Balance at January 1, 2026	171,293	392,089	563,382
Changes from financing cash flows:			
Repayment of loans and borrowings	(17,864)	—	(17,864)
Proceeds from loans and borrowings	20,889	—	20,889
Interest paid	(521)	—	(521)
Lease payments	—	(9,091)	(9,091)
Total changes from financing cash flows	2,504	(9,091)	(6,587)
Other changes:			
Interest expenses incurred	631	3,272	3,903
Total other changes	631	3,272	3,903
Balance at March 31, 2026	174,428	386,270	560,698

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	Loans and borrowings <i>RMB'000</i> (note 24)	Lease liabilities <i>RMB'000</i> (note 25)	Total <i>RMB'000</i>
(unaudited)			
Balance at January 1, 2025	110,420	370,998	481,418
Changes from financing cash flows:			
Repayment of loans and borrowings	(13,145)	—	(13,145)
Proceeds from loans and borrowings	10,876	—	10,876
Interest paid	(718)	—	(718)
Lease payments	—	(7,878)	(7,878)
Total changes from financing cash flows	(2,987)	(7,878)	(10,865)
Other changes:			
Interest expenses incurred	936	2,545	3,481
Termination of leases	—	(525)	(525)
Total other changes	936	2,020	2,956
Balance at March 31, 2025	108,369	365,140	473,509

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprises the following, which are related to lease rentals paid:

	Year ended December 31,			Three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	(unaudited)
Within operating cash flows	(1,458)	(1,258)	(1,651)	(314)	(412)
Within financing cash flows	(20,075)	(27,934)	(33,857)	(7,878)	(9,091)
	<u>(21,533)</u>	<u>(29,192)</u>	<u>(35,508)</u>	<u>(8,192)</u>	<u>(9,503)</u>

22 TRADE AND OTHER PAYABLES

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(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
	<u>199,955</u>	<u>214,704</u>	<u>314,184</u>	<u>329,344</u>

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The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Trade payable				
— due to subsidiaries	259,897	270,008	507,616	523,789
— due to third parties	3,845	4,135	4,897	6,749
Bills payable	20,000	—	35,000	35,000
Payables for construction and acquisition of long-term assets	6,764	4,532	4,607	5,121
Accrued payroll and benefits	10,513	15,468	9,091	9,634
VAT payable	9,788	12,718	10,330	2,865
Other taxes payables	7,160	2,737	3,501	2,371
Other payables and accruals				
— due to subsidiaries	5,004	5,004	—	—
— due to third parties	1,122	2,059	1,297	4,623
	<u>324,093</u>	<u>316,661</u>	<u>576,339</u>	<u>590,152</u>

As of the end of each reporting period, the ageing analysis of trade payables based on the recognition date, is as follows:

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Within 1 year	64,884	67,742	130,090	163,599
1 to 2 years	873	8,614	3,420	4,534
2 to 3 years	—	153	525	394
More than 3 years	452	151	151	151
	<u>66,209</u>	<u>76,660</u>	<u>134,186</u>	<u>168,678</u>

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Within 1 year	263,322	274,023	510,826	528,690
1 to 2 years	—	—	1,567	1,728
More than 3 years	420	120	120	120
	<u>263,742</u>	<u>274,143</u>	<u>512,513</u>	<u>530,538</u>

23 CONTRACT LIABILITIES

The Group’s contract liabilities represent the receipts in advance from sales contracts. The Group may request new customers of relatively small size to pay a portion of the contract amount as down payments. Majority of the contract liabilities are expected to be transferred to revenue within one year.

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24 LOANS AND BORROWINGS

(a) Loans and borrowings comprised:

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Current				
Short-term unsecured and unguaranteed bank loans	25,022	108	—	10,005
Short-term secured and unguaranteed bank loans (i)	10,000	21,000	36,000	36,000
Discounted bills and letters of credit	20,000	—	55,000	55,000
Current portion of long-term secured and guaranteed bank loans (ii)	4,378	9,077	13,786	13,781
	<u>59,400</u>	<u>30,185</u>	<u>104,786</u>	<u>114,786</u>
Non-current				
Long-term secured and guaranteed bank loans (ii)	<u>89,245</u>	<u>80,235</u>	<u>66,507</u>	<u>59,642</u>

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Current				
Short-term unsecured and unguaranteed bank loans	25,022	108	—	10,005
Short-term secured and unguaranteed bank loans (i)	10,000	21,000	36,000	36,000
Discounted bills and letters of credit	—	—	20,000	20,000
Current portion of long-term secured and guaranteed bank loans (ii)	4,378	9,077	13,786	13,781
	<u>39,400</u>	<u>30,185</u>	<u>69,786</u>	<u>79,786</u>
Non-current				
Long-term secured and guaranteed bank loans (ii)	<u>89,245</u>	<u>80,235</u>	<u>66,507</u>	<u>59,642</u>

Notes:

- (i) As at December 31, 2023, 2024, 2025 and March 31, 2026, the Company’s short-term loans of RMB10,000,000, 21,000,000, RMB36,000,000 and RMB36,000,000 (unaudited) were secured by the trade receivables due from subsidiaries (note 19).
- (ii) As at December 31, 2023, 2024 and 2025 and March 31, 2026, the long-term loans of RMB93,623,000, RMB89,312,000, RMB80,293,000 and RMB73,423,000 (unaudited) respectively were guaranteed by the subsidiaries.

As at December 31, 2024 and 2025 and March 31, 2026, the long-term loans of RMB89,312,000, RMB80,293,000 and RMB73,423,000 (unaudited) respectively were secured by the buildings held by the Company.

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(b) The analysis of the repayment schedule of loans and borrowings is as follows:

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year or on demand	59,400	30,185	104,786	114,786
After 1 year but within 2 years	9,009	13,729	13,729	13,729
After 2 years but within 5 years	41,186	41,186	43,550	36,685
Over 5 years	39,050	25,320	9,228	9,228
	89,245	80,235	66,507	59,642
	148,645	110,420	171,293	174,428

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year or on demand	39,400	30,185	69,786	79,786
After 1 year but within 2 years	9,009	13,729	13,729	13,729
After 2 years but within 5 years	41,186	41,186	43,550	36,685
Over 5 years	39,050	25,320	9,228	9,228
	89,245	80,235	66,507	59,642
	128,645	110,420	136,293	139,428

25 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	11,970	23,682	17,581	14,660
After 1 year but within 2 years	10,104	16,994	17,690	17,676
After 2 years but within 5 years	28,185	49,454	56,660	57,202
Over 5 years	162,077	280,868	300,158	296,732
	200,366	347,316	374,508	371,610
	212,336	370,998	392,089	386,270

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26 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

The Group:

	Years ended December 31,			Three months ended March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At the beginning of the year/period	(4,208)	3,586	(3,087)	(2,693)
Provision for current year/period (note 8(a))	36,861	48,396	48,791	14,032
Income tax paid	(29,067)	(55,069)	(48,397)	(13,124)
At the end of the year/period	<u>3,586</u>	<u>(3,087)</u>	<u>(2,693)</u>	<u>(1,785)</u>
Reconciliation to the statement of financial position				
Current tax assets	(2,512)	(5,308)	(7,138)	(9,216)
Current taxation	<u>6,098</u>	<u>2,221</u>	<u>4,445</u>	<u>7,431</u>
	<u>3,586</u>	<u>(3,087)</u>	<u>(2,693)</u>	<u>(1,785)</u>

The Company:

	Years ended December 31,			Three months ended March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At the beginning of the year/period	(8,314)	4,119	(4,387)	(5,580)
Provision for current year/period	22,227	30,965	7,799	—
Income tax paid	(9,794)	(39,471)	(8,992)	(1,919)
At the end of the year/period	<u>4,119</u>	<u>(4,387)</u>	<u>(5,580)</u>	<u>(7,499)</u>
Reconciliation to the statement of financial position				
Current tax assets	—	(4,387)	(5,580)	(7,499)
Current taxation	<u>4,119</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>4,119</u>	<u>(4,387)</u>	<u>(5,580)</u>	<u>(7,499)</u>

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(b) Deferred tax assets and liabilities recognised:

(i) *Movement of each component of deferred tax assets and liabilities*

The components of deferred tax assets and liabilities recognised in the statements of financial position and the movements during the year/period are as follows:

The Group:

	Right-of-use assets <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Loss allowance and provision <i>RMB'000</i>	Share-based payments and accrued benefits <i>RMB'000</i>	Unrealised profits <i>RMB'000</i>	Tax losses, deferred income and others <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at January 1, 2023	(25,063)	25,002	4,203	16,226	3,731	(5,307)	18,792
(Credited)/charged to profit or loss	(7,821)	7,224	61	(5,032)	2,858	4,423	1,713
Charged directly to equity	—	—	—	4,396	—	—	4,396
Balance at December 31, 2023 and January 1, 2024	(32,884)	32,226	4,264	15,590	6,589	(884)	24,901
(Credited)/charged to profit or loss	(22,567)	23,716	2,178	(6,710)	(1,660)	6,797	1,754
Charged directly to equity	—	—	—	8,706	—	—	8,706
Balance at December 31, 2024 and January 1, 2025	(55,451)	55,942	6,442	17,586	4,929	5,913	35,361
(Credited)/charged to profit or loss	(2,283)	2,920	437	(9,704)	1,721	1,849	(5,060)
Charged directly to equity	—	—	—	6,355	—	—	6,355
Balance at December 31, 2025 and January 1, 2026	(57,734)	58,862	6,879	14,237	6,650	7,762	36,656
Charged to profit or loss (unaudited)	—	—	—	—	1,179	—	1,179
Balance at March 31, 2026 (unaudited)	(57,734)	58,862	6,879	14,237	7,829	7,762	37,835

The Company:

	Loss allowance and provision <i>RMB'000</i>	Share-based payments and accrued benefits <i>RMB'000</i>	Deferred income, leases and others <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at January 1, 2023	4,040	6,547	(3,851)	6,736
Charged/(credited) to profit or loss	58	(2,869)	1,442	(1,369)
Credited directly to equity	—	1,534	—	1,534
Balance at December 31, 2023 and January 1, 2024	4,098	5,212	(2,409)	6,901
Charged/(credited) to profit or loss	2,072	(2,732)	627	(33)
Credited directly to equity	—	2,746	—	2,746
Balance at December 31, 2024 and January 1, 2025	6,170	5,226	(1,782)	9,614
(Credited)/charged to profit or loss	(286)	(2,601)	386	(2,501)
Charged directly to equity	—	2,056	—	2,056
Balance at December 31, 2025 and March 31, 2026 (unaudited)	5,884	4,681	(1,396)	9,169

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(ii) Reconciliation to the statements of financial position

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Net deferred tax assets recognised in the consolidated statements of financial position	61,460	93,968	36,656	37,835
Net deferred tax liabilities recognised in the consolidated statements of financial position	(36,559)	(58,607)	—	—
	<u>24,901</u>	<u>35,361</u>	<u>36,656</u>	<u>37,835</u>

(iii) Deferred tax assets not recognised

Deferred tax assets were not recognised on certain unused tax losses and deductible temporary differences in accordance with the accounting policy set out in note 2(r).

As at December 31, 2023, 2024 and 2025 and March 31, 2026, the tax losses and deductible temporary differences unrecognized as deferred tax assets amounted to RMB1,611,000 RMB2,335,000 RMB5,534,000 and RMB5,534,000 (unaudited), respectively.

27 DEFERRED INCOME

The Group:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
At the beginning of the year/period	903	323	2,193	30,347
Additions	140	2,000	29,651	13,779
Credited to profit or loss	(720)	(130)	(1,497)	(829)
At the end of the year/period	<u>323</u>	<u>2,193</u>	<u>30,347</u>	<u>43,297</u>

The Company:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
At the beginning of the year/period	483	323	2,193	1,166
Additions	—	2,000	—	1,500
Credited to profit or loss	(160)	(130)	(1,027)	(27)
At the end of the year/period	<u>323</u>	<u>2,193</u>	<u>1,166</u>	<u>2,639</u>

Deferred income represented grants received from governments mainly for construction of property, plant and equipment. Government grants relating to compensation of assets are recognised as other income on a straight-line basis over the expected useful life of the relevant assets.

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28 EQUITY SETTLED SHARE-BASE PAYMENTS

The Company has adopted several share-based incentive schemes, and the participants of these schemes include the Company’s directors, senior management personnel, core management and technical personnel. The share-based payment expenses recognised in consolidated statement of profit or loss are as follows:

	Years 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)
Restricted shares	16,334	10,154	4,810	1,909	889
Share options	5,994	6,205	3,451	1,259	642
	<u>22,328</u>	<u>16,359</u>	<u>8,261</u>	<u>3,168</u>	<u>1,531</u>

On March 5, 2021, the Company’s Board of Directors approved the adoption of the restricted share incentive scheme. On the same day, 1,052,100 type II restricted shares were granted to 187 eligible participants at the price of RMB37.02 per share. The shares involved in this scheme are the ordinary A shares to be issued by the Company to the eligible participants. Type II restricted share is a hybrid equity instrument that combines features of both restricted shares and share options, participants are only required to pay the pre-determined grant price to purchase the shares on the vesting date.

On April 17, 2023, the Company’s Board of Directors approved the adoption of the restricted share and share option incentive scheme. On the same day, 593,000 type II restricted shares were granted to 233 eligible participants at the price of RMB45.70 per share, and 1,387,000 units of share options were granted to 222 eligible participants at the exercise price of RMB90.49 per unit. The shares involved in this scheme are the ordinary A shares to be issued by the Company to the eligible participants.

Subject to satisfaction of vesting conditions, 30%, 30% and 40% of the type II restricted shares and options shall be vested/exercised after corresponding vesting periods of 12 months, 24 months and 36 months from the grant date. The contractual life of these shares and options is vesting period plus 12 months. Upon the satisfaction of the vesting conditions, which include both the Company’s performance targets and individual performance assessments, the participants may purchase the shares or exercise the options at the grant price/exercise price within the applicable vesting periods. If the vesting conditions are not met, the corresponding shares and options will be forfeited.

In accordance with these scheme terms, the number of the type II restricted shares and options granted as well as the grant price and exercise price will be adjusted for the effect of changes in the number of shares issued, if any, including capitalisation of capital reserve, distribution of stock dividends and stock splits etc. The grant price and exercise price will also be adjusted for the effect of distribution of cash dividend, if any.

(a) The number and weighted average exercise prices of share options

	For the Year ended December 31,						Three months ended March 31,	
	2023		2024		2025		2026	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	RMB		RMB		RMB		RMB	
							(unaudited)	(unaudited)
Outstanding at the beginning of the year/period	—	—	50.17	2,453,760	35.70	2,663,625	35.50	1,389,494
Granted during the year/period	90.49	1,387,000	—	—	—	—	—	—
Adjusted during the year/period (i)	50.17	1,109,600	35.70	981,504	35.50	—	—	—
Exercised during the year/period	—	—	35.70	(709,647)	35.55	(1,244,673)	35.50	(57,018)
Forfeited during the year/period	50.17	(42,840)	35.70	(61,992)	35.50	(29,458)	35.50	(2,520)
Outstanding at the end of the year/period	<u>50.17</u>	<u>2,453,760</u>	<u>35.70</u>	<u>2,663,625</u>	<u>35.50</u>	<u>1,389,494</u>	<u>35.50</u>	<u>1,329,956</u>
Exercisable at the end of the year/period	<u>—</u>	<u>—</u>	<u>35.70</u>	<u>302,335</u>	<u>35.50</u>	<u>57,018</u>	<u>—</u>	<u>—</u>

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Notes:

- (i) The number of options was adjusted in the years ended December 31, 2023 and 2024 for the effect of the capitalisation issue during the relevant years, and the exercise price was also adjusted in the years ended December 31, 2023, 2024 and 2025 for the effect of the capitalisation issue and distribution of cash dividend during the relevant years.
- (ii) The share options outstanding as at December 31, 2023, 2024 and 2025 and March 31, 2026 had a weighted average remaining contractual life of 3.30 years, 2.29 years, 1.29 years and 1.05 years (unaudited), respectively.
- (iii) The weighted average share prices at the date of exercise for share options exercised during the years ended December 31, 2024 and 2025 and the three months ended March 31, 2026 are RMB44.94, RMB58.65 and RMB77.88 (unaudited) respectively.

(b) The number and weighted average grant price of restricted shares

	For the Year ended December 31,						Unaudited As at March 31,	
	2023		2024		2025		2026	
	Weighted average grant price	Number of restricted shares	Weighted average grant price	Number of restricted shares	Weighted average grant price	Number of restricted shares	Weighted average grant price	Number of restricted shares
	RMB		RMB		RMB		RMB	
							(unaudited)	(unaudited)
Outstanding at the beginning of the year/period	20.42	1,402,794	17.21	2,509,535	17.12	1,087,804	17.92	561,556
Granted during the year/period	45.70	593,000	—	—	—	—	—	—
Adjusted during the year/period (i)	17.22	1,113,357	16.95	472,484	16.46	—	—	—
Vested during the year/period	20.09	(599,616)	12.84	(1,792,119)	16.64	(482,858)	—	—
Forfeited during the year	—	—	15.46	(102,096)	12.09	(43,390)	17.92	(11,572)
Outstanding at the end of the year/period	17.21	2,509,535	17.12	1,087,804	17.92	561,556	17.92	549,984

Notes:

- (i) The number of type II restricted shares was adjusted in the years ended December 31, 2023 and 2024 for the effect of the capitalisation issue during the relevant years, and the grant price was also adjusted in the years ended December 31, 2023, 2024 and 2025 for the effect of the capitalisation issue and distribution of cash dividend during the relevant years.
- (ii) The restricted shares outstanding as at December 31, 2023, 2024 and 2025 and March 31, 2026 had a weighted average remaining contractual life of 3.30 years, 2.29 years, 1.29 years and 1.05 years (unaudited), respectively.

(c) Fair value of granted restricted shares and share options and assumptions

The fair value of services received in return for type II restricted shares and share options granted is measured by reference to the fair value of the restricted shares and share options granted. The estimate of the fair value of the restricted shares and share options granted is measured using the Black-Scholes option pricing model. The particulars of the restricted shares and share options and significant inputs into the model are as follow:

	Fair value of granted shares and options and assumptions		
	Restricted shares granted before the Relevant Periods	Restricted shares granted on April 17, 2023	Share options granted on April 17, 2023
Fair value at grant date (RMB per option)	29.22–83.69	48.23–56.48	22.68–38.40
Grant/exercise price at grant date (RMB per option)	37.02	45.70	90.49
Share/option life (years)	1–4 years	1–4 years	1–4 years
Expected time to vest (years)	1–3 years	1–3 years	1–3 years
Expected dividends	0.00%	0.00%	0.00%
Expected volatility	48%–61%	54%–58%	54%–58%
Risk-free rate	2.30%–2.95%	2.27%–2.53%	2.27%–2.53%

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29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity are set out below:

	Share capital <i>RMB’000</i> (note 29(c))	Share premium <i>RMB’000</i> (note 29(d))	Statutory reserve <i>RMB’000</i> (note 29(d))	Other reserves <i>RMB’000</i> (note 29(d))	Retained profits <i>RMB’000</i>	Total equity <i>RMB’000</i>
Balance at January 1, 2023	109,860	817,600	48,610	31,533	450,154	1,457,757
Changes in equity for 2023:						
Profit and total comprehensive income for the year	—	—	—	—	162,500	162,500
Shares issued under share-based employee incentive plans	600	21,371	—	(9,923)	—	12,048
Capitalisation issue	88,350	(88,350)	—	—	—	—
Share-based payment transactions	—	—	—	22,328	—	22,328
Deferred tax arising from share-based payment transactions	—	—	—	1,534	—	1,534
Appropriation to statutory reserve	—	—	16,250	—	(16,250)	—
Dividends declared	—	—	—	—	(22,088)	(22,088)
Balance at December 31, 2023 and January 1, 2024	198,810	750,621	64,860	45,472	574,316	1,634,079
Changes in equity for 2024:						
Profit and total comprehensive income for the year	—	—	—	—	236,854	236,854
Shares issued under share-based employee incentive plans	2,502	70,050	—	(24,208)	—	48,344
Capitalisation issue	80,070	(80,070)	—	—	—	—
Share-based payment transactions	—	—	—	16,359	—	16,359
Deferred tax arising from share-based payment transactions	—	—	—	2,746	—	2,746
Appropriation to statutory reserve	—	—	23,685	—	(23,685)	—
Dividends declared	—	—	—	—	(40,035)	(40,035)
Balance at December 31, 2024 and January 1, 2025	281,382	740,601	88,545	40,369	747,450	1,898,347
Changes in equity for 2025:						
Profit and total comprehensive income for the year	—	—	—	—	114,482	114,482
Private placement of shares to specific investors	6,722	287,531	—	—	—	294,253
Shares issued under share-based employee incentive plans	1,727	64,934	—	(14,382)	—	52,279
Appropriation to statutory reserve	—	—	11,448	—	(11,448)	—
Share-based payment transactions	—	—	—	8,261	—	8,261
Deferred tax arising from share-based payment transactions	—	—	—	2,056	—	2,056
Dividends declared	—	—	—	—	(57,778)	(57,778)
Balance at December 31, 2025	<u>289,831</u>	<u>1,093,066</u>	<u>99,993</u>	<u>36,304</u>	<u>792,706</u>	<u>2,311,900</u>

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	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
(Unaudited)						
Balance at January 1, 2026	289,831	1,093,066	99,993	36,304	792,706	2,311,900
Changes in equity for the three months ended March 31, 2026						
Profit and total comprehensive income for the period	—	—	—	—	(372)	(372)
Shares issued under share-based employee incentive plans	57	2,249	—	(282)	—	2,024
Share-based payment transactions	—	—	—	1,531	—	1,531
Balance at March 31, 2026	<u>289,888</u>	<u>1,095,315</u>	<u>99,993</u>	<u>37,553</u>	<u>792,334</u>	<u>2,315,083</u>
(Unaudited)						
Balance at January 1, 2025	281,382	740,601	88,545	40,369	747,450	1,898,347
Changes in equity for the three months ended March 31, 2025						
Profit and total comprehensive income for the period	—	—	—	—	26,403	26,403
Private placement of shares to specific investors	6,722	287,531	—	—	—	294,253
Shares issued under share-based employee incentive plans	302	11,923	—	(1,432)	—	10,793
Share-based payment transactions	—	—	—	3,168	—	3,168
Balance at March 31, 2025	<u>288,406</u>	<u>1,040,055</u>	<u>88,545</u>	<u>42,105</u>	<u>773,853</u>	<u>2,232,964</u>
(b) Dividends						
	Year ended December 31,			Three months ended		
	2023	2024	2025	2025	2026	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Ordinary A shares						
Final dividends declared and paid during the year/period (tax inclusive)	<u>22,088</u>	<u>40,035</u>	<u>57,778</u>	<u>—</u>	<u>—</u>	

During the years ended December 31 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, final dividends of RMB0.20, RMB0.20, RMB0.20, nil (unaudited) and nil (unaudited) per share (tax inclusive) in respective of the previous year were declared and paid respectively.

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(c) Share capital

	Number of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:		
At January 1, 2023	109,860	109,860
Shares issued under share-based employee incentive plans	600	600
Capitalisation issue (i)	88,350	88,350
At December 31, 2023 and January 1, 2024	198,810	198,810
Shares issued under share-based employee incentive plans	2,502	2,502
Capitalisation issue (ii)	80,070	80,070
At December 31, 2024 and January 1, 2025	281,382	281,382
Private placement of shares to specific investors (iii)	6,722	6,722
Shares issued under share-based employee incentive plans	1,727	1,727
At December 31, 2025 and January 1, 2026	289,831	289,831
Shares issued under share-based employee incentive plans	57	57
At March 31, 2026 (unaudited)	289,888	289,888

Notes:

- (i) On June 16, 2023, the Company distributed stock dividend of 8 ordinary shares for every 10 ordinary shares, and total 88,350,000 shares were issued.
- (ii) On June 12, 2024, the Company distributed stock dividend of 4 ordinary shares for every 10 ordinary shares, and 80,070,000 shares were issued.
- (iii) On February 12, 2025, the Company issued 6,722,000 shares to specific investors at a net consideration totalling RMB294,253,000. The share capital was increased by RMB6,722,000 and the remaining amount of RMB287,531,000 was recorded as share premium.

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of RMB1 of the shares issued and consideration paid-up.

(ii) Statutory reserve

According to the PRC laws, the Company and its PRC subsidiaries are required to set up statutory reserve fund. Statutory reserve fund was set up by appropriating at least 10% of the entity’s annual profit after taxation, as determined under PRC regulations, until the balance of the fund equals to 50% of the entity’s registered capital. This fund can be used to make up previous years’ losses or to convert into paid-in capital.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB.

(iv) Other reserves

The other reserves comprises:

- the difference between the consideration transferred and the carrying value of non-controlling interests acquired; and
- the amount of estimated future tax deduction that exceeds the amount of the related cumulative share-based payment expense.
- portion of the grant date fair value of unexercised share options and restricted shares granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(ii).

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(e) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

30 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and bills receivable. The Group’s exposure to credit risk arising from cash and cash equivalents and restricted bank deposits are limited because the counterparties are banks with sound credit ratings, for which the Group considers having low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade and bills receivable

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2023, 2024, 2025 and March 31, 2026, 19.9%, 15.4%, 15.6% and 17.0% (unaudited) of the total trade receivables was due from the Group’s largest customer respectively, and 47.7%, 52.1%, 49.8% and 49.3% (unaudited) of the total trade receivables was due from the Group’s the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Expected loss rates are determined based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

The loss rates remained constant for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026 because the Group considers that there has been no significant change in the Group’s customer base, the historical loss experience or the ageing pattern of these receivables.

The expected credit loss was determined as follows for trade and bills receivable:

As at December 31, 2023			
	Expected loss rates	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Trade receivables			
On a collective basis:			
Within 1 year	5%	423,665	21,184
Over 1 year but within 2 years	10%	234	23
Over 2 years but within 3 years	30%	57	17
Over 3 years	100%	8	8
		<u>423,964</u>	<u>21,232</u>
Bills receivable			
Bank acceptance:	0%	87,180	—
Commercial acceptance:			
Within 1 year	5%	143,298	7,165
		<u>230,478</u>	<u>7,165</u>
		<u>654,442</u>	<u>28,397</u>

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As at December 31, 2024			
	Expected loss rates	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Trade receivables			
On a collective basis:			
Within 1 year	5%	640,058	32,002
Over 1 year but within 2 years	10%	1,641	164
Over 2 years but within 3 years	30%	32	10
Over 3 years	100%	30	30
		641,761	32,206
Bills receivable			
Bank acceptance:	0%	156,314	—
Commercial acceptance:			
Within 1 year	5%	215,437	10,704
		371,751	10,704
		1,013,512	42,910
As at December 31, 2025			
	Expected loss rates	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Trade receivables			
On a collective basis:			
Within 1 year	5%	681,490	34,075
Over 1 year but within 2 years	10%	2,204	220
Over 2 years but within 3 years	30%	581	174
Over 3 years	100%	60	60
		684,335	34,529
Bills receivable			
Bank acceptance:	0%	226,573	—
Commercial acceptance:			
Within 1 year	5%	171,192	8,306
		397,765	8,306
		1,082,100	42,835
As at March 31, 2026			
	Expected loss rates	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
(unaudited)			
Trade receivables			
On a collective basis:			
Within 1 year	5%	696,803	34,839
Over 1 year but within 2 years	10%	2,615	262
Over 2 years but within 3 years	30%	137	41
Over 3 years	100%	583	583
		700,138	35,725
Bills receivable			
Bank acceptance:	0%	214,134	—
Commercial acceptance:			
Within 1 year	5%	118,367	5,901
		332,501	5,901
		1,032,639	41,626

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Movement in the loss allowance account in respect of trade and bills receivable during the December 31 2023, 2024 and 2025 and three months ended March 31, 2025 and 2026 is as follows:

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
At beginning of the year/period	27,592	28,397	42,910	42,835
Loss allowance recognised/(reversed)	805	14,513	(75)	(1,209)
At the end of the year/period	28,397	42,910	42,835	41,626

Other receivables

The directors of the Company consider the Group’s exposure to credit risk arising from other receivables is not significant as the balances of other receivables are mainly pledged deposits and other miscellaneous operating receivables and no significant actual losses were experienced historically by the Group.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The following table details the remaining contractual maturities as at the end of the reporting periods of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group can be required to pay:

	As at December 31, 2023				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Over 5 years	Total contractual undiscounted cash flow
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable	66,209	—	—	—	66,209
Other payables	66,591	—	—	—	66,591
Loans and borrowings	62,249	11,762	46,921	40,757	161,689
Lease liabilities	20,788	20,731	54,512	221,369	317,400
	215,837	32,493	101,433	262,126	611,889
	493,781				
	As at December 31, 2024				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Over 5 years	Total contractual undiscounted cash flow
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable	76,660	—	—	—	76,660
Other payables	36,424	—	—	—	36,424
Loans and borrowings	32,870	16,079	45,602	25,998	120,549
Lease liabilities	44,157	29,904	87,323	352,824	514,208
	190,111	45,983	132,925	378,822	747,841
	594,502				

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	As at December 31, 2025					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable	134,186	—	—	—	134,186	134,186
Other payables	103,297	—	—	—	103,297	103,297
Loans and borrowings	107,079	15,639	44,277	11,684	178,679	171,293
Lease liabilities	33,572	32,485	96,871	384,628	547,556	392,089
	<u>378,134</u>	<u>48,124</u>	<u>141,148</u>	<u>396,312</u>	<u>963,718</u>	<u>800,865</u>
	As at March 31, 2026					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(unaudited) Trade payable	168,678	—	—	—	168,678	168,678
Other payables	93,865	—	—	—	93,865	93,865
Loans and borrowings	116,970	15,535	48,675	—	181,180	174,428
Lease liabilities	32,984	32,440	96,840	376,572	538,836	386,270
	<u>412,497</u>	<u>47,975</u>	<u>145,515</u>	<u>376,572</u>	<u>982,559</u>	<u>823,241</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest rate risk arises primarily from bank loans. Bank loans issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The directors of the Company consider that the exposure to interest rate risk is insignificant because the current market interest rates are relatively low and stable.

The following table, as reported to the management of the Group, details the interest risk profile of the Group’s bank loans at the end of the reporting periods.

	As at December 31, 2023		As at December 31, 2024		As at December 31, 2025		As at March 31, 2026	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
							(unaudited)	(unaudited)
Fixed rate instruments:								
Short-term bank loans	2.55%–3.05%	35,022	2.54%–2.6%	21,108	2.2%–2.4%	36,000	2.2%–2.4%	46,005
Variable rate instruments:								
Long-term bank loans	3.06%	93,623	2.46%	89,312	2.36%	80,293	2.36%	73,423

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(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through export sales which give rise to cash balances and receivables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars (“USD”) and Euros (“EUR”). The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group’s exposure at the end of the reporting periods to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the period end date.

		As at December 31, 2023	
		USD	EUR
		<i>RMB’000</i>	<i>RMB’000</i>
Financial assets			
Cash and cash equivalents		39,611	—
Trade receivables		32,025	6
		<u>71,636</u>	<u>6</u>
		As at December 31, 2024	
		USD	EUR
		<i>RMB’000</i>	<i>RMB’000</i>
Financial assets			
Cash and cash equivalents		40,943	2,204
Trade receivables		66,278	3,564
		<u>107,221</u>	<u>5,768</u>
Financial liabilities			
Trade payables		—	72
		As at December 31, 2025	
		USD	EUR
		<i>RMB’000</i>	<i>RMB’000</i>
Financial assets			
Cash and cash equivalents		230,423	22,279
Trade receivables		103,671	2,531
		<u>334,094</u>	<u>24,810</u>
		As at March 31, 2026	
		USD	EUR
		<i>RMB’000</i>	<i>RMB’000</i>
(unaudited) Financial assets			
Cash and cash equivalents		223,672	23,626
Trade receivables		71,878	245
		<u>295,550</u>	<u>23,871</u>

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(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group’s profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31, 2023		As at December 31, 2024		As at December 31, 2025		As at March 31, 2026	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits <i>RMB’000</i>	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits <i>RMB’000</i>	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits <i>RMB’000</i>	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits <i>RMB’000</i> (unaudited)
USD	5% (5%)	3,038 (3,038)	5% (5%)	4,557 (4,557)	5% (5%)	14,187 (14,187)	5% (5%)	12,561 (12,561)
EUR	5% (5%)	— —	5% (5%)	245 (245)	5% (5%)	1,054 (1,054)	5% (5%)	1,015 (1,015)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities’ profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2026.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of financial instruments as at December 31, 2023, 2024 and 2025 and March 31, 2026 are as follows:

	Fair value at December 31, 2023 <i>RMB’000</i>	Fair value measurements at December 31, 2023 categorised into	
		Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>
Recurring fair value measurements			
<i>Financial assets:</i>			
Bills receivable at FVOCI	87,180	—	87,180
Wealth management products at FVPL	53,019	53,019	—
	140,199	53,019	87,180

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	Fair value at December 31, 2024 RMB'000	Fair value measurements at December 31, 2024 categorised into	
		Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement			
<i>Financial assets:</i>			
Bills receivable at FVOCI	156,314	—	156,314
Wealth management products at FVPL	41,433	41,433	—
	<u>197,747</u>	<u>41,433</u>	<u>156,314</u>
	Fair value at December 31, 2025 RMB'000	Fair value measurements at December 31, 2025 categorised into	
		Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement			
<i>Financial assets:</i>			
Bills receivable at FVOCI	226,573	—	226,573
Wealth management products at FVPL	120,456	120,456	—
	<u>347,029</u>	<u>120,456</u>	<u>226,573</u>
	Fair value at March 31, 2026 RMB'000	Fair value measurements at March 31, 2026 categorised into	
		Level 2 RMB'000	Level 3 RMB'000
(unaudited) Recurring fair value measurement			
<i>Financial assets:</i>			
Bills receivable at FVOCI	214,134	—	214,134
Wealth management products at FVPL	110,618	110,618	—
	<u>324,752</u>	<u>110,618</u>	<u>214,134</u>

During the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

The fair values of bills receivable measured at FVOCI are calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities. The significant unobservable input is the expected discount rate.

(ii) Fair value of financial assets and liabilities carried at amortised cost

The carrying amounts of the Group’s financial instruments carried at amortised cost are not materially different from their fair values as at December 31, 2023, 2024 and 2025 and March 31, 2026.

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31 COMMITMENTS

Capital commitments outstanding at the end of the reporting periods not provided for in the consolidated financial statements were as follows:

	As at December 31,			As at March 31,
	2023 RMB'000	2024 RMB'000	2025 RMB'000	2026 RMB'000 (unaudited)
Contracted for purchase for property, plant and equipment	46,436	97,234	86,133	71,409
Investments	—	—	48,000	48,000
	<u>46,436</u>	<u>97,234</u>	<u>134,133</u>	<u>119,409</u>

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors and supervisors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	Year ended December 31,			Three months ended March 31,	
	2023 RMB'000	2024 RMB'000	2025 RMB'000	2025 RMB'000	2026 RMB'000
Salaries and other emoluments	3,113	3,161	2,699	665	626
Discretionary bonuses	2,943	3,035	1,344	—	—
Retirement scheme contributions	287	315	321	80	60
Share-based payments	<u>302</u>	<u>297</u>	<u>145</u>	<u>55</u>	<u>27</u>
	<u>6,645</u>	<u>6,808</u>	<u>4,509</u>	<u>800</u>	<u>713</u>

Total remuneration is included in “staff costs” (see note 7(b)).

(b) Name and relationship with related party

The Group entered into material transaction with following related party:

Name of related party	Relationship with the Group
Huizhou Xingan Tiancheng Venture Capital Partnership (Limited Partnership) (惠州新感天成創業投資合夥企業(有限合伙))(i)	An enterprise controlled by a director of the Company

(i) The official name of the above entity is in Chinese. The English translation of the name is for identification only.

(c) Transaction with related party

Acquisition of equity interests

In January 2026, the Company acquired 20% equity interest in its subsidiary Huizhou POCO New Inductor Technology Co., Ltd. from Huizhou Xingan Tiancheng Venture Capital Partnership (Limited Partnership) at a cash consideration of RMB20,000,000, which is determined with reference to the investment cost.

APPENDIX I

ACCOUNTANTS’ REPORT

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2026

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on January 1, 2026 and which have not been adopted in the Historical Financial Information.

	<u>Effective for accounting periods beginning on or after</u>
IFRS 18, <i>Presentation and disclosure in financial statements</i>	January 1, 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	January 1, 2027
IFRS 20, <i>Regulatory assets and regulatory liabilities</i>	January 1, 2027
Amendments to IAS 21, <i>Translation to a hyperinflationary presentation currency</i>	January 1, 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information except for the following.

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity’s financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the consolidated statements of profit or loss and other comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

34 SIGNIFICANT NON-ADJUSTING EVENTS

- (a) On May 15, 2026, the Company declared a dividend of RMB2 for every 10 ordinary shares, totalling RMB57,978,000, and the dividends were paid on May 27, 2026.
- (b) On May 27, 2026, the Company distributed stock dividend of 4 ordinary shares for every 10 ordinary shares, and total 115,955,000 shares were issued.
- (c) On April 21, 2026, the Company’s Board of Directors approved the adoption of the restricted share incentive scheme. On May 15, 2026, 5,880,136 type II restricted shares were granted to 393 eligible participants at the price of RMB43.72 per share. The shares involved in this scheme are the ordinary A shares to be issued by the Company to the eligible participants.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to [March 31, 2026].

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

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APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

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APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix mainly provides [REDACTED] with an overview of the Articles of Association of the Company (“the Articles of Association”). As the following information is in summary form, it does not contain all the information that may be important to [REDACTED].

ISSUANCE OF SHARES

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank *pari passu* with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Subscribers shall pay the same price for each share subscribed for.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase of Shares

According to the operation and development needs of the Company, subject to the laws and regulations, the Company may increase the share capital by the following ways upon approval of resolutions at the Shareholders’ meetings:

- (i) issuing shares to unspecified parties;
- (ii) issuing shares to specific parties;
- (iii) distribution of bonus shares to existing shareholders;
- (iv) converting the reserve funds into share capital;
- (v) other means approved by the laws, administrative regulations or other securities regulatory bodies in the places where the shares of the company are listed.

The Company may decrease the registered share capital and shall comply with the procedures stipulated in Company Law of the PRC, the regulatory rules where the Company’s shares are listed, the Articles of Association and other regulations.

Repurchase of Shares

The Company shall not repurchase its own shares, unless otherwise under the circumstances:

- (i) reducing the Company’s registered share capital;
- (ii) merging with other companies which hold our shares;
- (iii) using the shares as an employee stock ownership plan or equity incentive plan;
- (iv) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders’ meeting upon their request;
- (v) use of shares for conversion of convertible corporate bonds issued by the Company;
- (vi) necessary for the Company to maintain its value and protect the interests of the Shareholders;
- (vii) other circumstances permitted by laws, administrative regulations and the securities regulatory rules where the Company’s shares are listed.

If the share repurchase is made under the circumstances stipulated in (iii), (v) or (vi) above, it shall be conducted by way of open centralized trading.

A resolution shall be passed at the Shareholders’ meeting when the Company is to repurchase its own shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company’s Board shall be passed by more

APPENDIX III

SUMMARY OF THE ARTICLES OF ASSOCIATION

than two-thirds of the Directors attending the Board meeting in accordance with the applicable securities regulatory rules of the place where the Company’s shares are listed, the provisions of the Articles of Association or the authorization granted by the shareholders’ general meeting.

After the Company purchasing its own shares pursuant to the Articles 25 of Association under the premise of following the securities regulatory rules where the Company’s shares are listed, the shares so repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (i) above), or shall be transferred or canceled within six months (under the circumstances set out in (ii) and (iv) above). If the Company repurchases its shares under the circumstances set out in (iii), (v) and (vi) above, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

Transfer of Shares

Shares of the Company shall be transferred in accordance with the laws.

The Directors and senior management of the Company shall notify the Company of their holdings of shares (including preference shares) in the Company and the changes therein. The shares transferrable by them during each year of their tenures shall not exceed 25% of their total holdings of shares in the Company. The shares in the Company held by them shall not be transferred within one year from the date on which the Company’s shares are listed for trading. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. Where the laws, regulations and the listing rules of the place where the Company’s shares are listed provide otherwise in respect of the restrictions on the transfer, such rules shall prevail.

Any gains from sale of Company’s shares or other securities with the equity nature by the Directors and senior management members or shareholders holding 5% or more of the Company’s shares within six months after their purchase of the same, and any gains from the purchase of the shares or other securities with the equity nature by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company. However, there is an exception for securities companies that hold more than 5% of the shares due to the purchase of surplus shares after the package sale, and other circumstances stipulated by CSRC or the securities regulatory rules of the place where the Company’s shares are listed.

Shares or other securities with the nature of equity held by Directors, senior executives and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people’s accounts.

If the Board of Directors of the Company fails to comply with the above paragraph of this Article, the Shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People’s Court in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth in this Article, the responsible Directors shall bear joint and several liability in accordance with law.

SHAREHOLDERS AND SHAREHOLDERS’ MEETINGS

Shareholders

The Company shall establish a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company’s Shares.

The original register of Shareholders of H-shares is kept in Hong Kong and is available for inspection by Shareholders, but the Company may suspend the registration of Shareholders in accordance with applicable laws and regulations equivalent to Section 632 of the Companies

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Ordinance (Chapter 622 of the Laws of Hong Kong), and the securities regulatory rules of the place where the Company’s Shares are listed. Any person who is a shareholder registered on the register of shareholders of H-shares or who requests his/her/its name be entered in the register of shareholders of H-shares may, if his/her/its share certificate relating to the shares is lost, apply to the Company for a replacement share certificate in respect of such H-shares.

If an H-shares holder loses his/her/its share certificates, and applies for a replacement, such replacement shall be dealt with in accordance with the law of the place where the original register of shareholders of H-shares is maintained, the securities regulatory rules of the place where the Company’s shares are listed or other relevant provisions.

The rights of our shareholders are as follows:

- (i) to receive dividends and other forms of interest distribution according to the number of shares held;
- (ii) to legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the Shareholders’ meeting and exercise corresponding voting rights;
- (iii) to supervise operational activities of the Company, provide suggestions or submit queries;
- (iv) to transfer, grant and pledge the Company’s shares held according to the provisions of the laws, administrative regulations, the regulatory rules where the Company’s shares are listed and the Articles of Association;
- (v) to read and copy the Articles of Association, the register of shareholders, Shareholders’ meeting minutes, resolutions of meetings of the Board of Directors and financial and accounting reports; qualified shareholders may inspect the Company’s accounting books and accounting vouchers;
- (vi) to participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;
- (vii) to require the Company to acquire the shares from Shareholders voting against any resolutions adopted at the Shareholders’ meeting concerning the merger and division of the Company;
- (viii) other rights conferred by laws, administrative regulations, departmental rules, securities regulatory rules where the Company’s shares are listed, or the Articles of Association.

In the event that any resolution of the Shareholders’ meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People’s Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders’ meeting or the Board meeting violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People’s Court to overturn the resolution within 60 days upon the resolution was adopted, except where the procedures for convening a Shareholders’ meeting or the Board meeting or the voting method only has some minor defects, which do not substantially affect the relevant resolution.

The obligations of Shareholders are as follows:

- (i) to abide by laws, administrative regulations and the Articles of Association;
- (ii) to provide Share capital according to the Shares subscribed for and Share participation methods;

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

- (iii) not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;
- (iv) not to abuse Shareholders’ rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company’s status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company’s creditors;
- (v) other obligations conferred by laws, administrative regulations, securities regulatory rules where the Company’s shares are listed, or the Articles of Association.

General Provisions for Shareholders’ meetings

The Shareholders’ meeting is the organ of authority of the Company, which exercises its powers in accordance with applicable laws and regulations:

- (i) to elect or remove the Directors other than employee representatives, and to decide on matters relating to the remuneration of Directors;
- (ii) to examine and approve reports of the Board of Directors;
- (iii) to examine and approve the Company’s proposals for profit distribution plans and loss recovery plans;
- (iv) to decide on any increase or decrease of the Company’s registered capital;
- (v) to decide on the issue of corporate bonds by the Company;
- (vi) to decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;
- (vii) to amend the Articles of Association;
- (viii) resolution on appointment and dismissal of an accounting firm by the Company;
- (ix) to examine and approve the provision of guarantees stipulated in Article 47;
- (x) to examine matters relating to the purchases and disposals of the Company’s material assets within one year, which exceed 30% of the Company’s latest audited total assets;
- (xi) to examine and approve matters relating to changes in the use of proceeds;
- (xii) to examine and approve the equity incentive plans and employee stock ownership plans;
- (xiii) to consider and approve the matters concerning the repurchase by the Company of its own shares under the circumstances set out in Item (1) and Item (2) of Article 25 of the Articles of Association;
- (xiv) the annual Shareholders’ meeting may authorize the Board of Directors to decide on issuance of shares to specific targets, with the total financing amount not exceeding RMB300 million and not exceeding 20% of the net assets as at the end of the latest fiscal year, and such authorization shall expire on the date of the next annual Shareholders’ meeting;
- (xv) to examine other matters as required by the laws, administrative regulations, departmental rules, the Articles of Association of the Company or the securities regulatory rules of the place where the Company’s shares are listed, which shall be decided by the Shareholders’ meeting.

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The following acts of external guarantee of the Company shall be submitted to the Shareholders’ meeting for deliberation and approval after being reviewed and approved by the Board of Directors:

- (i) any the single guarantee for an amount more than 10% of the Company’s net assets audited in the latest period;
- (ii) any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has at least or exceeded 50% of the Company’s net assets as audited in the latest period;
- (iii) any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has at least or exceeded 30% of the Company’s total assets as audited in the latest period;
- (iv) any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;
- (v) basis of the cumulative guarantee amount within twelve consecutive months, the total amount of external guarantees provided by the Company has exceeded 30% of the Company’s total assets audited in the latest period;
- (vi) guarantees provided within twelve consecutive months where the aggregate guarantee amount exceeds 50% of the Company’s latest audited net assets and the absolute amount exceeds RMB50 million;
- (vii) the guarantee to be provided to a Shareholder, or to an ultimate controller or related party thereof;
- (viii) other guarantees that shall be approved by the Shareholders’ meeting as required by laws, administrative regulations, departmental rules and the securities regulatory rules where the shares of the Company are listed.

When the Board of Directors reviews on guarantee matters, such matters must be approved by more than two-thirds of the directors present at the meeting of the Board of Directors. When the Shareholders’ meeting reviews the guarantee matters mentioned in item (iii) of the preceding paragraph, approval must be obtained from more than two-thirds of the voting rights held by the shareholders present at the meeting.

Where transactions entered into by the Company (excluding the provision of guarantees and financial assistance) that meet any of the following criteria shall be submitted to the shareholders’ meeting for review:

- (i) the total assets involved in the transaction account for more than 50% of the Company’s latest audited total assets, where the total assets involved in the transaction have both book value and appraisal value, the higher one will be used as the calculation data;
- (ii) the operating revenue related to the subject of the transaction (e.g. equity interest) in the latest accounting year accounts for more than 50% of the audited operating revenue of the Company in the latest accounting year and exceeds RMB50 million in absolute amount;
- (iii) the net profit related to the subject of the transaction (e.g. equity interest) in the latest accounting year accounts for more than 50% of the audited net profit of the Company in the latest accounting year and exceeds RMB5 million in absolute amount;
- (iv) The concluded transaction amount (including liabilities and expenses incurred) accounts for more than 50% of the latest audited net assets of the Company and exceeds RMB50 million in absolute amount;

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- (v) the profit generated from the transaction accounts for more than 50% of the audited net profit of the Company in the latest accounting year and exceeds RMB5 million in absolute amount.

If the data involved in the calculation of the above indicators is negative, the absolute value shall be taken for calculation.

The Shareholders’ meetings are divided into annual Shareholders’ meetings and extraordinary Shareholders’ meetings. The annual Shareholders’ meeting shall be convened once a year and be held within six months after the end of the previous fiscal year.

The Company shall convene an extraordinary Shareholders’ meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) the number of Directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (ii) the uncovered losses of our Company reach one-third of its total paid-in share capital;
- (iii) the Shareholders with 10% or more shares (including preference shares with restored voting rights, etc.) of the Company separately or jointly request;
- (iv) the Board of Directors considers it necessary;
- (v) the Audit Committee proposes that such a meeting shall be held;
- (vi) upon proposal by independent directors and approved by more than half of all independent directors;
- (vii) other circumstances conferred by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

In the event that an extraordinary Shareholders’ meeting is convened at the request of the securities regulatory rules of the place where the shares of the Company are listed, the actual convening date of the extraordinary Shareholders’ meeting may be adjusted in accordance with such securities regulatory rules.

Convening of Shareholders’ meetings

The Shareholders’ meeting shall be convened by the Board of Directors, which shall convene the Shareholders’ meeting within the time limit specified in the Company’s Articles of Association.

After obtaining the consent of a majority of all independent directors, an independent director has the right to propose to the Board of Directors to convene an extraordinary Shareholders’ meeting. Upon receiving such a proposal, the Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the regulatory rules where the Company’s shares are listed and the Company’s Articles of Association, provide a written response within 10 days of receipt, indicating whether it agrees or disagrees to convene an extraordinary Shareholders’ meeting.

If the Board of Directors agrees to convene an extraordinary Shareholders’ meeting, it shall issue a notice of the Shareholders’ meeting within 5 days after making the board resolution. If the Board of Directors disagrees to convene an extraordinary Shareholders’ meeting, it shall state the reasons and make an announcement.

The Audit Committee has the right to propose to the Board of Directors to convene an extraordinary Shareholders’ meeting and shall submit such proposal in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative

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regulations, the regulatory rules where the Company’s shares are listed and the Articles of Association, provide a written response within 10 days of receipt, indicating whether it agrees or disagrees to convene an extraordinary Shareholders’ meeting.

If the Board of Directors agrees to convene an extraordinary Shareholders’ meeting, it shall issue a notice of the Shareholders’ meeting within 5 days after making the board resolution. Any changes to the original proposal in the notice shall be subject to the consent of the Audit Committee. If the Board of Directors disagrees to convene an extraordinary Shareholders’ meeting, or fails to provide feedback within 10 days of receipt, it shall be deemed that the Board of Directors is unable or fails to perform its duty to convene the Shareholders’ meeting. In such cases, the Audit Committee may convene and preside over the meeting on its own.

Shareholders who individually or collectively hold more than 10% of the Company’s shares (including preference shares with restored voting rights, etc.) have the right to request the Board of Directors to convene an extraordinary Shareholders’ meeting and shall submit such request in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the regulatory rules where the Company’s shares are listed and the Company’s Articles of Association, provide a written response within 10 days of receipt, indicating whether it agrees or disagrees to convene an extraordinary Shareholders’ meeting.

If the Board of Directors agrees to convene an extraordinary Shareholders’ meeting, it shall issue a notice of the Shareholders’ meeting within 5 days after making the board resolution. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Board of Directors disagrees to convene an extraordinary Shareholders’ meeting, or fails to provide feedback within 10 days of receipt, shareholders who individually or collectively hold more than 10% of the Company’s shares (including preference shares with restored voting rights, etc.) have the right to propose to the Audit Committee to convene an extraordinary Shareholders’ meeting and shall submit such request in writing to the Audit Committee.

If the Audit Committee agrees to convene an extraordinary Shareholders’ meeting, it shall issue a notice of the Shareholders’ meeting within 5 days after receiving the request. Any changes to the original proposal in the notice shall be subject to the consent of the relevant shareholders.

If the Audit Committee fails to issue a notice of the Shareholders’ meeting within the prescribed period, it shall be deemed that the Audit Committee does not convene and preside over the Shareholders’ meeting. In such cases, shareholders who individually or collectively hold more than 10% of the company’s shares (including preference shares with restored voting rights, etc.) for a continuous period of 90 days or more may convene and preside over the meeting on their own.

Proposals and Notice of Shareholders’ meeting

The Company may convene a Shareholders’ meeting, and the Board of Directors, the Audit Committee, as well as shareholders who individually or collectively hold more than 1% of the Company’s shares (including preference shares with restored voting rights, etc.), have the right to submit proposals to the Company.

Subject to the relevant provisions of the securities regulatory rules of the place where the Company’s shares are listed, shareholders who individually or collectively hold more than 1% of the Company’s shares (including preference shares with restored voting rights, etc.) may submit a temporary proposal in writing to the convener 10 days prior to the Shareholders’ meeting. The convener shall issue a supplementary notice of the Shareholders’ meeting within 2 days after receiving the proposal, announcing the content of the temporary proposal and submit such interim proposal to the shareholders’ meeting for deliberation. However, this does not apply if the

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

temporary proposal violates the provisions of laws, administrative regulations, the relevant provisions of the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association, or if it is not within the scope of the Shareholders’ meeting’s authority.

Except for the circumstances specified in the preceding paragraph or cases complying with the requirements of the securities regulatory rules of the place where the Company’s shares are listed, after the convener has issued the notice of the Shareholders’ meeting, it shall not modify the proposals already listed in the notice or add new proposals.

The Shareholders’ meeting shall not vote on or make resolutions regarding proposals that are not listed in the notice of the Shareholders’ meeting or that do not comply with the provisions of the Articles of Association.

The convener shall notify each Shareholder by announcement at least 21 days before the annual Shareholders’ meeting, and at least 15 days before the extraordinary Shareholders’ meeting.

The notice of a Shareholders’ meeting includes the following:

- (i) the time, place and duration of the meeting;
- (ii) the matters and proposals to be discussed at the meeting;
- (iii) in clear statement that all ordinary shareholders (including preference shareholders with restored voting rights), shareholders holding shares with special voting rights and other shareholders are entitled to attend the shareholders’ meeting, and may appoint a proxy in writing to attend the meeting and vote; such proxy need not be a shareholder of the Company;
- (iv) the shareholding registration date of the Shareholders entitled to attend the meeting;
- (v) name and telephone number of the permanent contact person for conference affairs;
- (vi) timing and Procedures of Voting by Internet and otherwise;
- (vii) time and place for delivery of the proxy form for voting at the meeting;
- (viii) other requirements stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association.

After the Shareholders’ meeting notice has been issued, the meeting should not be postponed or canceled without a valid reason, and the proposals listed in the notice should not be canceled. In the event of a postponement or cancelation, the convener shall announce and explain the reasons at least two trading days before the originally scheduled date. If the securities regulatory rules of the place where the Company’s shares are listed have special provisions regarding the procedures for postponing or canceling a Shareholders’ meeting, these provisions shall be followed, provided that they do not violate the regulatory requirements of the domestic jurisdiction.

Convening of Shareholders’ meeting

All ordinary Shareholders (including preferred shareholders with restored voting rights), shareholders holding shares with special voting rights or their proxies registered on the record date for equity registration shall be entitled to attend the Shareholders’ meeting. They shall have the right to speak and exercise voting rights at the meeting in accordance with relevant laws, regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association (save that certain shareholders shall abstain from voting on specific matters as required by the securities regulatory rules of the place where the Company’s shares are listed).

Shareholders may attend the Shareholders’ meeting in person or appoint a proxy to attend and vote on their behalf.

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The Shareholders’ meeting shall be presided over by the Chairman of the Board. If the Chairman is unable or fails to perform his duties, one director shall be elected by a majority of the directors to preside over the meeting.

If the Shareholders’ meeting is convened by the Audit Committee, it shall be presided over by the Chairman of the Audit Committee. If the Chairman of the Audit Committee, is unable or fails to perform his duties, one Audit Committee member shall be elected by a majority of the Audit Committee, to preside over the meeting. If the Shareholders’ meeting is convened by the Shareholders themselves, the convener or a representative shall be elected by the conveners to preside over the meeting. If the presiding officer of the meeting violates the rules of procedure and prevents the meeting from proceeding, upon the agreement of more than half of the shareholders present and entitled to vote, the Shareholders’ meeting may elect one person to serve as the presiding officer to continue the meeting.

The Company shall establish rules of procedure for the Shareholders’ meeting, which shall detail the procedures for convening and voting at the Shareholders’ meeting, including notification, registration, review of proposals, voting, counting of votes, announcement of voting results, formation of resolutions, record-keeping and signing, and announcement. The rules shall also specify the principles and specific content of the authorization granted by the Shareholders’ meeting to the Board of Directors. The rules of procedure for the Shareholders’ meeting shall be an appendix to the Company’s Articles of Association, drafted by the Board of Directors, and approved by the Shareholders’ meeting.

Voting at the Shareholders’ meeting

The resolutions of the Shareholders’ meeting includes ordinary resolutions and special resolutions. An ordinary resolution at a shareholders’ meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders’ meeting. A special resolution at a shareholders’ meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders’ meeting.

The following matters shall be approved by the Shareholders’ meeting through ordinary resolutions:

- (i) work report of the Board of Directors;
- (ii) plans of earnings distribution and loss offset plans drafted by the Board of Directors;
- (iii) appointment or dismissal of the members of the Board of Directors, and their remuneration and payment methods;
- (iv) other matters other than those approved by special resolution stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the Shareholders’ meeting:

- (i) the increase or reduction of the registered capital of the Company;
- (ii) the division, spin-off, merger, dissolution and liquidation of the Company or change of company form;
- (iii) any amendment to the Articles of Association and its annexes (including the Rules of Procedure for Shareholders’ Meetings and the Rules of Procedure for Board Meetings);
- (iv) purchase or sale of significant assets within a year which exceeds 30% of the Company’s audited total assets for the latest period;
- (v) share option incentive plan;

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- (vi) other matters as required by the laws, administrative regulations, other securities regulatory rules of the place where the Company’s Shares are listed and the Articles of Association, and matters approved by ordinary resolution of the Shareholders’ meeting which are believed could materially affect our Company and need to be approved by special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors’ term of office shall be three years. Upon expiration of the term, the Director may be re-elected.

Directors may concurrently serve as senior management personnel, provided that the total number of directors who hold concurrent senior management positions and directors elected by employee representatives shall not exceed one half of the total number of directors of the Company.

The directors shall abide by laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, and owe fiduciary duties to the Company. They shall take measures to avoid conflicts of interest between themselves and the Company, and shall not exploit their positions to seek improper benefits.

Directors bear the following fiduciary duties towards the Company:

- (i) shall not abuse their authority to accept bribes or other illegal income;
- (ii) shall not misappropriate the properties or the funds of the Company;
- (iii) the assets of the Company shall not be deposited in any personal account;
- (iv) shall not conclude any contract or engage in any transaction with the Company without reporting to the Board or the Shareholders’ meeting and obtaining the approval of Shareholders’ meeting or the Board of Directors according to the Articles of Association;
- (v) shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company either for their own account or for the account of any other person without reporting to the Board or the Shareholders’ meeting and obtaining the approval of Shareholders’ meeting, or where the Company cannot use such business opportunities in accordance with the law, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association;
- (vi) shall not engage in the same business as the Company either for their own account or for the account of any other person without reporting to the Board or the Shareholders’ meeting and obtaining the approval of Shareholders’ meeting;
- (vii) shall not accept commissions paid by others for transactions conducted with the Company as their own;
- (viii) shall not disclose any confidential information of the Company without authorization;
- (ix) shall not abuse their connected relationships to damage the Company’s interests;
- (x) other fiduciary duties stipulated in laws, administrative regulations, departmental rules, other securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

The income obtained by the director in violation of above article shall belong to the Company. If losses are caused to the Company, such Director shall be liable for compensation.

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Directors shall abide by laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, and have the following duties of diligence to the Company:

- (i) shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and government economic policies, and that the Company’s commercial activities do not go beyond the scope of the business activities stipulated in the Company’s business license;
- (ii) shall treat all Shareholders fairly;
- (iii) shall maintain a timely awareness of the operation and management of the Company;
- (iv) shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;
- (v) shall faithfully furnish relevant information and materials to the Audit Committee without impeding its functions;
- (vi) other obligations of diligence stipulated in the laws, administrative regulations, departmental rules, other securities regulatory rules of the place where the Company’s shares are listed, and Articles of Association.

Board of Directors

The Board of Directors consists of seven (7) Directors, among whom there shall be three (3) independent directors and shall constitute no less than one-third of the total number of directors. Among them, at least one independent director must possess appropriate professional qualifications as required by the securities regulatory rules of the place where the Company’s shares are listed or have expertise in accounting or related financial management. At least one independent director shall ordinarily reside in Hong Kong.

The Board of Directors shall have one Chairman, who shall be elected by a majority of all Directors.

The Board of Directors exercises the following powers:

- (i) to convene the general Shareholders’ meeting and report on work to the Shareholder’s meeting;
- (ii) to implement the resolutions of the Shareholder’s meeting;
- (iii) to determine the business plans and investment schemes of the Company;
- (iv) to formulate the profit distribution and loss offset plans of the Company;
- (v) to formulate the plans for increasing or decreasing the Company’s registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of the Company;
- (vi) to draft plans for major acquisitions, buy-back of shares, corporate merger, separation, dissolution and changing the form of the Company;
- (vii) to determine such matters as the Company’s external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external donation within the scope authorized by the Shareholders’ meeting;

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- (viii) to decide on the setup of our Company’s internal management organization;
- (ix) to decide on matters such as appointment or dismissal of the Company’s general manager, secretary to the Board of Directors and other senior officers and on their compensation and incentives/disincentives; to decide on matters such as appointment or dismissal of the Company’s vice general manager, chief financial officer and other senior management and on their compensation and incentives/disincentives based on the nominations by the general manager;
- (x) to set the basic management systems of the Company;
- (xi) to make the modification plan to the Articles of Association;
- (xii) to manage the disclosure of company information;
- (xiii) to propose to the shareholders’ meeting the appointment or replacement of the accounting firm engaged to audit the Company;
- (xiv) to establish special committees including Strategy and ESG Committee, Audit Committee, Nomination Committee, Remuneration and Appraisal Committee in accordance with resolutions of the shareholders’ meeting, and formulate corresponding working rules therefor;
- (xv) to attend to the work report of our Company’s general manager and review the work of the general manager;
- (xvi) other powers and duties authorized by the laws, administrative regulations, departmental rules, the Articles of Association and the shareholders’ meeting.

Unless otherwise prescribed by laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed, transactions entered into by the Company (excluding the provision of guarantees and financial assistance) that meet any of the following criteria shall be submitted to the Board of Directors for deliberation:

- (i) The total assets involved in the transaction account for more than 10% of the Company’s latest audited total assets; if both book value and appraised value exist for the assets involved, the higher one shall be used as the calculation data;
- (ii) The turnover related to the subject of the transaction (e.g., equity) in the most recently accounting year accounts for more than 10% of the Company’s audited turnover in the most recently accounting year, with an absolute amount exceeding RMB10 million;
- (iii) The net profit related to the subject of the transaction (e.g., equity) in the most recently accounting year accounts for more than 10% of the Company’s audited net profit in the most recently accounting year, with an absolute amount exceeding RMB1 million;
- (iv) The transaction amount (including assumed liabilities and expenses) accounts for more than 10% of the Company’s most recently audited net assets, with an absolute amount exceeding RMB10 million;
- (v) The profit generated from the transaction accounts for more than 10% of the Company’s audited net profit in the most recently accounting year, with an absolute amount exceeding RMB1 million;

If a number involved in the above indicators is negative, its absolute value shall be taken for the purpose of calculation.

Unless otherwise prescribed, the term transactions referred to above include the following types of activities: asset purchases or sales; external investments (including entrusted wealth management, investments in subsidiaries, etc., excluding the establishment of or capital increase to wholly-owned

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subsidiaries); provision of financial assistance (including entrusted loans); provision of guarantees (including guarantees for controlled subsidiaries); asset leasing in or out; contracts for management services (including entrusted operation, entrusted management, etc.); donation or acceptance of donated assets, debt or liability restructuring; transfer of R&D projects; licensing agreements; waiver of rights (including pre-emptive rights, priority subscription rights, etc.); and other transactions recognized by the stock exchange.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors before the Board of Directors meeting can be convened. Resolutions of the Board of Directors must be passed by a majority of all directors. Voting on resolutions of the Board of Directors shall be conducted on a one person, one vote basis.

If a director has connection with the enterprise or individual involved in the resolution made at a Board meeting, such director shall submit a written report to the Board of Directors in a timely manner. The said director shall not exercise the voting right on such resolution, nor shall such director act on behalf of other directors in exercising the voting right. A meeting of the Board of Directors may be held if more than half of the directors without associated relationships are present, and resolutions made at the meeting of the Board of Directors must be passed by a majority of the directors without associated relationships. If the number of directors without associated relationships attending the Board of Directors is less than three, the matter shall be submitted to the Shareholders’ meeting for review. If laws, regulations, or the regulatory rules where the Company’s shares are listed impose additional restrictions on directors’ participation in Board of Directors meetings and voting, such provisions shall prevail.

Independent Directors

The Company establishes a mechanism for special meeting attended solely by independent directors. Related party transactions should be pre-approved by the special meeting of independent directors before being submitted to the Board of Directors for consideration.

The Company shall hold special meetings of independent directors. Matters listed in items (1) to (3) of the paragraph 1 of Article 135 and Article 136 of the Articles of Association shall be considered at a special meeting of independent directors.

The special meetings of independent directors shall be convened and presided over by an independent director jointly elected by a majority of the independent directors; in the event that the convener fails to or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting on their own.

Special Committees under the Board

The Board of Directors shall establish an audit committee to exercise the powers of the Board of Supervisors stipulated by the PRC Company Law.

The Audit Committee shall consist of 3 non-executive directors, including 2 independent directors. At least one member shall be an independent director with appropriate professional qualifications or relevant accounting and financial management expertise as required by the securities regulatory rules of the place where the Company’s shares are listed, and such accounting professional independent director shall act as the convener of the Audit Committee.

The Board of Directors shall establish special committees such as Strategy and ESG Committee, Nomination Committee, Remuneration and Appraisal Committee, etc. The special committees shall perform duties pursuant to laws and regulations, the securities regulatory rules of the place where the Company’s shares are listed, the Articles of Association and the authorization of the Board of Directors, and submit motions to the Board of Directors for deliberation and decision.

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General Manager and Other Senior Management Members

The Company shall have one General Manager, who shall be appointed or dismissed by the Board of Directors. The Company may have deputy general managers, who shall also be appointed or dismissed by the Board of Directors.

The provisions in the Articles of Association regarding the fiduciary duties and duties of diligence of directors shall also apply to senior management personnel.

The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

- (i) to be in charge of the Company’s production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;
- (ii) to organize and implement the Company’s annual business plan and investment proposals;
- (iii) to draft plans for the establishment of the Company’s internal management organizations;
- (iv) to draft the fundamental management system of the Company;
- (v) to formulate specific rules and regulations for the Company;
- (vi) to propose to the Board of Directors on the appointment or dismissal of deputy general manager, financial officer;
- (vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (viii) other functions and powers conferred by the Articles of Association or the Board of Directors.

The General Manager shall attend the meetings of the Board of Directors.

FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC.

The Company shall submit and disclose its annual reports to the CSRC’s local office and the stock exchange within four months from the end of each fiscal year, and its interim reports to the relevant local office of the CSRC and the stock exchange within two months from the end of the first half of each fiscal year.

The above annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations and requirements of the CSRC and the securities regulatory rules of the place where the Company’s shares are listed.

The Company will not establish account books other than the statutory account books. The fund of the Company shall not be deposited in any account opened in the name of any individual.

The Company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year’s after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

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Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph. Subject to a resolution of the Shareholders’ meeting, after allocation has been made to the Company’s statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund.

After the Company makes up for losses and allocates statutory reserves, the remaining after-tax profits shall be distributed in proportion to the shareholdings of the shareholders, unless otherwise provided in these Articles of Association for distribution not in proportion to shareholdings.

If the Shareholders’ meeting violates the provisions of the PRC Company Law, the profits distributed in violation of the provisions must be returned by such Shareholders to the Company. The Shareholders, responsible directors and senior management members shall be liable for compensation if the Company suffers losses as a result thereof.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The Company shall appoint one or more collection agents for H-shareholders in Hong Kong. The collection agents shall collect on behalf of the relevant H-shareholders the dividends distributed and other funds payable by the Company in respect of the H-shareholders, and hold such monies in their custody pending payment to the H-shareholders concerned. The collection agents appointed by the Company shall meet the requirements of the laws, regulations and the securities regulatory rules of the place where the Company’s shares are listed.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or conversion into its capital. When the statutory reserve funds are converted into capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

After the Shareholder’s meeting of our Company make a resolution on profit distribution plan, or the Board of Directors formulates a specific plan based on the interim dividend conditions and caps approved at the annual Shareholders’ meeting, the Board of Directors shall complete the distribution of the dividend or stock within 2 months.

Internal Audit

The Company has implemented an internal audit system which explicitly defines the leadership structure, authorities and responsibilities, staffing requirements, fund guarantee, application of audit results, and accountability mechanism in respect of the internal audit activities, etc. The internal audit system of the Company shall be implemented upon approval by the Board and publicly disclosed.

Appointment of an Accounting Firm

The Company shall appoint such accounting firm which has complied with the Securities Law, and the securities regulatory rules of the place where the shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of Shareholders’ meetings. The Board shall not appoint accounting firm before the approval of the Shareholders’ meeting.

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The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm or the method of determining audit fee shall be determined by the Shareholders’ meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 30 days in advance; when the shareholders’ meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation.

An accounting firm proposing to resign shall state its opinions in the Shareholders’ meeting whether the Company has committed any improper act.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company. In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

Where the price paid for the merger of the Company less than 10% of its net assets, a resolution of the Shareholders’ meeting may be dispensed with, unless otherwise provided in the Articles of Association.

Where the merger of a company pursuant to the provisions of the preceding paragraph does not require a resolution of the Shareholders’ meeting, a resolution of the Board of Directors shall be passed.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall publish an announcement in the newspapers complying with relevant provisions or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the securities regulatory rules of the place where the Company’s shares are listed provide otherwise, such rules shall prevail.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly.

Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall publish an announcement in newspapers complying with relevant provisions or the National Enterprise Credit Information Publicity System within 30 days as of the date of such resolution. Where the securities regulatory rules of the place where the Company’s shares are listed provide otherwise, such rules shall prevail.

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Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement in newspapers complying with relevant provisions or the National Enterprise Credit Information Publicity System within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she/it fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts.

When reducing its registered capital, the Company shall reduce the amount of capital contribution or shares held by the Shareholders in proportion to their respective shareholdings, unless otherwise provided for by law or the Articles of Association.

In the event of a merger or division of a company, if there is a change in the registration items, the Company shall go through the change registration with the company registration authority in accordance with the law; if the Company is dissolved, it shall go through the deregistration of the procedures company in accordance with the law; if a new company is established, the company establishment registration shall be completed in accordance with the law. If the Company increases or decreases its registered capital, it shall go through the change registration with the company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

- (i) expiry of term of business stipulated in the Articles of Association or occurrence of any other trigger for dissolution stipulated in the Articles of Association;
- (ii) the Shareholders’ meeting adopts a resolution to dissolve our Company;
- (iii) our Company needs to be dissolved for the purpose of merger or division;
- (iv) the business license is revoked, or our Company is ordered to close or be eliminated according to applicable law;
- (v) where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of all voting rights of the Company’s shareholders may request the People’s Court to dissolve the Company.

If the Company is in the situation as described in Item (i) and (ii) of the preceding paragraph and has not yet distributed its properties to shareholders, it can continue to exist by amending the Articles of Association or through a resolution of the Shareholders’ meeting. The amendment of the Articles of Association or the resolution of the Shareholders’ meeting as per the preceding paragraph must be passed by more than two-thirds of the voting rights held by the shareholders attending the Shareholders’ meeting.

The Company shall undergo liquidation when dissolved under the requirements of Article 193(i), (ii), (iv), or (v) of the Articles of Association. The directors shall serve as the liquidation obligors and shall form a liquidation committee to carry out liquidation within 15 days after the dissolution event occurs. The liquidation committee shall consist of directors unless otherwise stipulated in the Articles of Association or resolved by the Shareholders’ Meeting. Liquidation obligors who fail to perform their duties promptly and thereby cause losses to the Company or creditors shall be liable for compensation.

APPENDIX III**SUMMARY OF THE ARTICLES OF ASSOCIATION**

The liquidation group shall notify the creditors within 10 days from the date of its establishment and announce it in newspapers complying with relevant provisions or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation group within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if they have not received the notice. When declaring claims, creditors shall specify the relevant matters of the claims and provide supporting documents. The liquidation group shall register the claims.

During the period for declaring claims, the liquidation group shall not make repayments to the creditors.

After the liquidation group has sorted out the company’s assets, prepared the balance sheet and inventory of assets, it shall formulate a liquidation plan and submit it to the Shareholders’ meeting or the court for confirmation. The Company’s assets shall be used to pay the liquidation expenses, employees’ wages, social insurance fees, and statutory compensation, to pay the taxes owed, and to repay the company’s debts. The remaining assets shall be distributed among the shareholders in proportion to their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not engage in any business activities unrelated to the liquidation. The Company’s assets shall not be distributed to the shareholders before the aforementioned provisions have been complied with.

After sorting out the Company’s assets and preparing the balance sheet and inventory of assets, the liquidation group finds that the Company’s assets are insufficient to repay the debts, it shall apply to the court for bankruptcy liquidation in accordance with the law. After the court accepts the bankruptcy application, the liquidation group shall transfer the liquidation affairs to the bankruptcy administrator appointed by the court.

If the Company is declared bankrupt in accordance with the law, the bankruptcy liquidation shall be carried out in accordance with the relevant laws on enterprise bankruptcy.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following circumstances:

- (i) upon amendments to the PRC Company Law, relevant laws, administrative regulations or the securities regulatory rules of the place where the Company’s shares are listed, any provision of the Articles of Association conflicts with such revised requirements;
- (ii) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;
- (iii) the Shareholders’ meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the Shareholders’ meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved changes shall be registered in accordance with the laws.

The Board shall amend the Articles of Association in accordance with the resolution of the Shareholders’ meetings on amendment to the Articles of Association and the examination and approval opinions from relevant authorities.

Any amendment to the Articles of Association that is required to be disclosed in accordance with laws, regulations and the securities regulatory rules of the place where the Company’s shares are listed, shall be announced in accordance with provisions thereof.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established under the laws of the PRC with limited liability on September 17, 2009, and converted into a joint stock company with limited liability on September 6, 2015. Our Company completed the listing of A Shares on ChiNext Board of the Shenzhen Stock Exchange (stock code: 300811.SZ) on December 30, 2019.

We have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•], 2026 and have established a principal place of business in Hong Kong at Room 1919, 19/F, Lee Garden One, 33 Hysan Road, Causeway Bay, Hong Kong. Ms. Zhao Na (趙娜) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of our Articles of Association and relevant aspects of PRC law is set out in “Regulatory Overview” and “Appendix III — Summary of Articles of Association” in this document.

2. Changes in the Share Capital of Our Company

The following sets out the changes in our Company’s share capital within the two years immediately preceding the issue of this document:

- (i) from July 2024 to April 2025, a total of 1,011,982 share options were exercised during the first exercise period pursuant to the 2023 Share Incentive Plan, resulting in the allotment and issuance of an aggregate of 1,011,982 new A Shares; and, in February 2025, our Company completed a private placement of A shares pursuant to which 6,721,935 new A Shares were allotted and issued. As a result, the total issued share capital of our Company increased from RMB280,672,069 to RMB288,405,986;
- (ii) in May 2025, following the vesting of the third tranche of restricted Shares under the 2021 share incentive plan, our Company allotted and issued an aggregate of 61,690 restricted Share. As a result, the total issued share capital of our Company increased from RMB288,405,986 to RMB288,467,676;
- (iii) in June 2025, following the vesting of the second tranche of restricted Shares under the 2023 Share Incentive Plan, our Company allotted and issued an aggregate of 421,168 restricted Shares. As a result, the total issued share capital of our Company increased from RMB288,467,676 to RMB288,888,844;
- (iv) from July 2025 to April 2026, pursuant to the 2023 Share Incentive Plan, a total of 999,356 share options were exercised during the second exercise period, resulting in the allotment and issuance of an aggregate of 999,356 new A Shares. As a result, the total issued share capital of our Company increased from RMB288,888,844 to RMB289,888,200;
- (v) in May 2026, our Company implemented the 2025 annual equity distribution plan. By way of capitalization of our capital reserve on the basis of four new shares for every ten existing shares held, an aggregate of 115,955,280 new A Shares were allotted and issued. As a result, the total issued share capital of our Company increased from RMB289,888,200 to RMB405,843,480; and

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- (vi) in June 2026, following the vesting of the third tranche of restricted Shares under the 2023 Share Incentive Plan, our Company allotted and issued an aggregate of 771,221 restricted Shares. As a result, the total issued share capital of our Company increased from RMB405,843,480 to RMB406,614,701.

Save as disclosed above, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants’ Report in Appendix I to this document.

The following subsidiaries were established within the two years immediately preceding the date of this document:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>
POCO New Materials Sales	PRC	February 8, 2025
Botai Investment Limited (鉑泰投資有限公司)	Hong Kong	March 27, 2025
International Tiancheng Trading Limited (國際天成貿易有限公司)	Hong Kong	March 27, 2025
POCO Suzhou	PRC	April 16, 2026

The following sets out the changes in the share capital of our subsidiary during the two years immediately preceding the date of this document:

On July 9, 2025, the share capital of POCO Thailand increased from THB5,000,000 to THB50,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

4. Resolutions of Our Shareholders

On June 17, 2026, resolutions of our Shareholders were passed pursuant to which, among other things:

- (a) the [REDACTED] of H Shares with a nominal value of RMB1.00 each by our Company and such H Shares be [REDACTED] on the Stock Exchange;
- (b) the number of H Shares to be [REDACTED] pursuant to the [REDACTED] before the exercise of the [REDACTED] shall not exceed [REDACTED]% of the enlarged share capital of our Company upon completion of the [REDACTED], and the [REDACTED] shall not exceed [REDACTED]% of the above number of H Shares to be [REDACTED];
- (c) subject to the completion of the [REDACTED], the Articles of Association to become effective on the [REDACTED] shall be conditionally adopted, and the Board and its authorized person have been authorized to amend the Articles of Association in accordance with any comments from the relevant regulatory authorities; and
- (d) to authorize the Board and its authorized person to handle the matters relating to, among others, the [REDACTED], the [REDACTED] and [REDACTED] of the H Shares.

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STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

Our Group has entered into the following contracts (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

- (a) [•]; and
- (b) [REDACTED].

2. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material in relation to our business:

No.	Trademark	Class	Registrant	Place of registration	Registration number	Expiry date
1		40	Our Company	PRC	68775633	October 6, 2035
2		6	Our Company	PRC	65039592	March 27, 2034
3		40	Our Company	PRC	28040111	January 27, 2029
4		6	Our Company	PRC	28032677	January 27, 2029
5		6	POCO New Inductor Technology	PRC	72725487	March 20, 2034

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent name	Patent category	Patentee	Place of registration	Patent number	Expiry date
1	A ferrous-based amorphous soft magnetic material and its preparation method (一種鐵基非晶軟磁材料及其製備方法)	Invention	Our Company, POCO Industrial, POCO Magnetic Materials, POCO Chengdu, POCO Heyuan	PRC	ZL202310018500.7	January 2, 2043
2	A method, apparatus, device, and dielectric for calculating DC bias characteristics (一種直流偏置特性的計算方法、裝置、設備及介質)	Invention	Our Company, POCO Chengdu, POCO Magnetic Materials, POCO Industrial, POCO Heyuan	PRC	ZL202110395635.6	April 12, 2043

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No.	Patent name	Patent category	Patentee	Place of registration	Patent number	Expiry date
3	A fiber-reinforced LTCC substrate, its preparation method and application (一種纖維增強型LTCC基板及其製備方法與應用)	Invention	Our Company, POCO Industrial, POCO Magnetic Materials, POCO Chengdu, POCO Heyuan	PRC	ZL202310314208.X	March 27, 2043
4	A multilayer inductor, its fabrication method and application (一種疊層電感及其製備方法與應用)	Invention	Our Company, POCO Magnetic Materials, POCO Heyuan, POCO Industrial, POCO Chengdu	PRC	ZL202210258149.4	March 15, 2043
5	A film for enhancing inductor inductance, its preparation method, and its application. (一種用於提升電感器感量的膠片及其製備方法和應用)	Invention	Our Company, POCO Magnetic Materials, POCO Industrial, POCO Chengdu, POCO Heyuan	PRC	ZL202110923657.5	August 11, 2041
6	A three-dimensional structure of a magnetic composite material, its processing method and applications (一種磁性複合材料三維結構、其加工方法和用途)	Invention	Our Company, POCO Magnetic Materials, POCO Industrial, POCO Chengdu, POCO Heyuan	PRC	ZL202110710192.5	June 24, 2041
7	A method for preparing a high-temperature heat-resistant soft magnetic powder core (一種耐高溫熱處理的金屬軟磁粉芯的製備方法)	Invention	Our Company	PRC	ZL201710681279.8	August 9, 2037
8	A high-power toroidal reactor and its manufacturing method (一種大功率圓環形電抗器及其製造方法)	Invention	Our Company, POCO Magnetic Materials, POCO Industrial	PRC	ZL201510288201.0	May 28, 2035
9	Method and apparatus for manufacturing toroidal magnetic cores for vertically wound inductors (立繞電感器的環形磁芯的製造方法及製造裝置)	Invention	Our Company, POCO Magnetic Materials, POCO Industrial	PRC	ZL201410092933.8	March 12, 2034
10	A novel method for manufacturing high-density integrally molded inductors (一種新型高密度一體成型電感的製造方法)	Invention	Our Company, POCO Magnetic Materials, POCO Industrial	PRC	ZL201510288368.7	May 28, 2035
11	A novel high-density magnetic composite material for inductors (一種電感用高密度新型磁性複合材料)	Invention	POCO Heyuan	PRC	ZL201510289775.X	May 28, 2035
12	An inorganic coated insulated copper wire and its preparation method (一種無機包覆絕緣銅線及其製備方法)	Invention	POCO New Inductor Technology	PRC	ZL202011278701.3	November 15, 2040
13	Method for manufacturing high-density integrally-molded inductor	Invention	Our Company	United States	10,283,250 B2	June 3, 2035
14	Method for manufacturing high-density integrally-molded inductor	Invention	Our Company	European Union	3306629	June 3, 2035

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No.	Patent name	Patent category	Patentee	Place of registration	Patent number	Expiry date
15	VERFAHREN ZUR HERSTELLUNG EINES HOCHDICHTEN EINSTÜCKIG GEFORMTEN INDUKTORS	Invention	Our Company	Germany	2016192095	June 3, 2035
16	A surface mount inductor and its production line (一種貼片電感)	Utility Model	Our Company, POCO Industrial, POCO Heyuan	Taiwan	M653552	November 9, 2033
17	Magnetic powder-winding co-fired inductor and its preparation method (磁粉-繞組共燒式電感元件及其製備方法)	Invention	Our Company, POCO New Inductor Technology, POCO Industrial, POCO Heyuan	Taiwan	I915699	November 16, 2043
18	A type of molded inductor (一種一體成型電感)	Invention	Our Company, POCO New Inductor Technology, POCO Industrial, POCO Heyuan	Taiwan	I913595	October 19, 2043
19	A type of molded inductor (一種一體成型電感)	Invention	Our Company, POCO New Inductor Technology, POCO Industrial, POCO Heyuan	Taiwan	I913618	December 4, 2043
20	A type of integrally molded coupled inductor (一種一體成型耦合電感)	Utility Model	Our Company, POCO New Inductor Technology, POCO Industrial, POCO Heyuan	Taiwan	M653576	November 16, 2033

(c) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material in relation to our business:

No.	Domain name	Registrant	Expiry date
1	pocomagnetic.com	Our Company	March 28, 2030
2	poconit.com	Our Company	September 17, 2030

Save as aforesaid, as of the Latest Practicable Date, there were no other trademarks, patents or other intellectual property rights which we consider to be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors and chief executive

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), the interests and/or short positions of our Directors and chief executive in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

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interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are [REDACTED], are set out below:

(i) Interest in our Company

Name of Shareholder	Nature of interest	Number of Shares held or interested	Description of Shares	Shareholding as of the Latest Practicable Date in total issued share capital of our Company	Shareholding upon completion of the [REDACTED]	
					in A Shares ⁽¹⁾	in total issued share capital of our Company ⁽¹⁾
Mr. Du ⁽²⁾	Beneficial owner	8,308,510 (L)	A Shares	2.04%	2.04%	[REDACTED]%
	Interest in controlled corporation	91,261,463 (L)	A Shares	22.44%	22.44%	[REDACTED]%
Mr. Zhou	Beneficial owner	43,833,615 (L)	A Shares	10.78%	10.78%	[REDACTED]%
Mr. Luo Zhimin	Beneficial owner	22,888,578 (L)	A Shares	5.63%	5.63%	[REDACTED]%
Mr. Ruan Jialin	Beneficial owner	22,182,978 (L)	A Shares	5.46%	5.46%	[REDACTED]%

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares, consisting of 406,614,701 A Shares and [REDACTED] H Shares in [REDACTED] immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]).
- (2) As of the Latest Practicable Date, Moma Investment was owned as to 54.0% by Mr. Du. By virtue of SFO, Mr. Du is deemed to be interested in the 91,261,463 Shares held by Moma Investment.
- (3) The letter “L” denotes the person’s long position in our Shares.

(ii) Interest in our associated corporations

So far as our Directors are aware, immediately following the completion of the [REDACTED], no Directors or the chief executive will, directly or indirectly, be interested in the shares or underlying shares of the associated corporations of our Company.

(b) Interests of our substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this document, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), have an interest or short position in the shares or underlying shares of any member of our Group which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

2. Directors’ Service Contracts

Each of our Directors [has entered] into a service contract with our Company. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts are for a term of three years and may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

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Save as disclosed above, none of our Directors have entered, or have proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ Remuneration

For details of our Directors’ emoluments during the Track Record Period, see “Directors and Senior Management — Remuneration of our Directors and Senior Management”, and note 9 to the Accountants’ Report in Appendix I to this document.

D. SHARE INCENTIVE PLANS

1. 2023 Share Incentive Plan

The following is a summary of the principal terms of the 2023 Share Incentive Plan. The 2023 Share Incentive Plan includes the grant of restricted Shares and share options (“**Share Options**”). Given that no further restricted Shares or Share Options will be granted under the 2023 Share Incentive Plan after the [REDACTED], the terms of the 2023 Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2023 Share Incentive Plan is to further improve and strengthen our Company’s long-term incentive mechanism, fully mobilize the enthusiasm and initiative of the core team, attract and retain outstanding talent, and effectively align the interests of our Company, its Shareholders, and its core team members. The 2023 Share Incentive Plan is designed to support the achievement of our Company’s development strategies and business objectives while ensuring that rewards are commensurate with contributions and that Shareholders’ interests are fully safeguarded.

(b) Administration

The 2023 Share Incentive Plan is subject to the approval of the Shareholders’ meeting, administration by our Board and supervision by the board of supervisors and the independent Directors of our Company.

(c) Participants

The eligible participants of the 2023 Share Incentive Plan include senior management and key personnels of our Group, and exclude independent Directors, supervisors, Shareholders or actual controllers who individually or collectively hold 5% or more of our Shares, and their respective spouses, parents, and children.

(d) Source and maximum number of shares

The underlying Shares under the 2023 Share Incentive Plan shall be A Shares to be issued by our Company to the grantees. The maximum number of underlying Shares that can be granted under the 2023 Share Incentive Plan shall not exceed 1,980,000 Shares, comprising up to (i) 593,000 restricted Shares and (ii) 1,387,000 Share Options.

(e) Date of grant and duration

The date of grant shall be determined by the Board after the 2023 Share Incentive Plan has been reviewed and approved by the general meeting. The date of grant must be a trading day. The 2023 Share Incentive Plan shall be valid from the date of grant of the restricted Shares and Share Options is completed until the date on which all restricted Shares granted to the grantees have been vested or lapsed and all Share Options have been exercised or canceled. The maximum duration of the 2023 Share Incentive Plan shall not exceed 60 months.

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(f) Conditions to the grant of restricted Shares and Share Options

The restricted Shares and Share Options under the 2023 Share Incentive Plan will only be granted to selected participants if the following conditions are met:

- (i) with respect to our Company, none of the following circumstances having occurred:
 - (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by a reporting accountant with respect to our Company’s financial and accounting report for the most recent fiscal year;
 - (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by a reporting accountant on the internal control of our Company for the most recent fiscal year;
 - (3) our Company has failed to conduct profit distribution in accordance with applicable laws and regulations or its the Articles of Association within the last 36 months after listing;
 - (4) applicable laws and regulations prohibit the implementing of any share incentive scheme; or
 - (5) any other circumstances as determined by the CSRC.
- (ii) with respect to a grantee, none of the following circumstance having occurred:
 - (1) the grantee has been identified as an inappropriate person by the Shenzhen Stock Exchange within the last 12 months;
 - (2) the grantee has been identified as an inappropriate person by the CSRC or its local office within the last 12 months;
 - (3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office due to material non-compliance with laws and regulations within the last 12 months;
 - (4) the grantee is not qualified to serve as a director or senior management of a company under the PRC Company Law;
 - (5) the grantee is prohibited from participating in any share incentive plans of listed companies by applicable laws and regulations; or
 - (6) any other circumstances as determined by the CSRC.

(g) Vesting of restricted Shares and exercise of Share Options

The restricted Shares and Share Options granted under the 2023 Share Incentive Plan may be vested or become exercisable in accordance with the following schedule if (i) the conditions set out under paragraph (f) above are still satisfied during the relevant vesting or exercise period; and (ii) the Company-level and individual-level performance targets as set out in the 2023 Share Incentive Plan are achieved.

The grantee shall satisfy a minimum service period of 12 months with respect to each tranche of restricted Shares prior to vesting, or each tranche of options to exercise.

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In respect of the restricted Shares, the restricted Shares will vest in tranches of 30%, 30% and 40% in accordance with the vesting schedule set out in the 2023 Share Incentive Plan as follows:

- (i) 30% will vest during the first vesting period that occurs from the first trading day after 12 months from the date of grant to the last trading day within 24 months from the date of grant;
- (ii) 30% will vest during the second vesting period that occurs from the first trading day after 24 months from the date of grant to the last trading day within 36 months from the date of grant; and
- (iii) 40% will vest during the third vesting period that occurs from the first trading day after 36 months from the date of grant to the last trading day within 48 months from the date of grant.

In respect of the Share Options, the Share Options will be exercisable in tranches of 30%, 30% and 40% in accordance with the exercise schedule set out in the 2023 Share Incentive Plan as follows:

- (i) 30% will become exercisable during the first exercise period that occurs from the first trading day after 12 months from the date of grant to the last trading day within 24 months from the date of grant;
- (ii) 30% will become exercisable during the second exercise period that occurs from the first trading day after 24 months from the date of grant to the last trading day within 36 months from the date of grant; and
- (iii) 40% will become exercisable during the third vesting period that occurs from the first trading day after 36 months from the date of grant to the last trading day within 48 months from the date of grant.

The grantees must exercise their options within the exercise period of the respective options. Upon the expiry of the exercise period, options granted but not exercised will cease to be exercisable and shall be canceled by our Company.

(h) Grant price of restricted Shares and exercise price of Share Options

The initial grant price shall be RMB45.70 per restricted Share. A grantee who satisfies the vesting conditions may purchase the relevant restricted Shares issued by our Company at the applicable grant price.

The initial exercise price shall be RMB90.49 per Share Option. A grantee who satisfies the exercise conditions may exercise the Share Options to subscribe for the relevant Shares of our Company at the applicable exercise price during the designated exercise period.

(i) Adjustment

In the event of any capitalization of capital reserves, bonus issue, share subdivision, share consolidation, or rights issue of our Company prior to the vesting of the restricted Shares or the exercise of the Share Options, the grant price or the exercise price (as applicable) and the number of underlying Shares shall be adjusted by the Board accordingly in accordance with the formulas set out in the 2023 Share Incentive Plan.

(j) Outstanding restricted Shares and Share Options

As of the Latest Practicable Date, all the restricted Shares granted under the 2023 Share Incentive Plan have been fully vested.

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As of the Latest Practicable Date, the number of A Shares underlying the outstanding options granted under the 2023 Share Incentive Plan was 1,840,905 A Shares, representing approximately [REDACTED]% of the total issued Shares immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]). As of the Latest Practicable Date, the outstanding options were held by 204 grantees. Assuming full exercise of all outstanding options granted under the 2023 Share Incentive Plan and the [REDACTED] is not exercised, the issued and outstanding shareholding of our Shareholders immediately following completion of the [REDACTED] will be diluted by approximately [REDACTED]%. The dilution effect on our earnings per Share would be approximately [REDACTED]%.

The table below sets forth the details of outstanding Share Options granted to Directors, members of senior management or connected persons of our Company under 2023 Share Incentive Plan as of the Latest Practicable Date:

Name	Position in our Company	Address	Date of grant	Exercise period (from the date of grant)	Exercise price ⁽²⁾ (RMB)	Number of A Shares underlying the outstanding Share Options	Approximate percentage of A Shares underlying the options granted over the issued share capital upon completion of [REDACTED] ⁽¹⁾
<i>Members of senior management of our Company</i>							
Mr. You Xin	Financial director	No. 10, Gaoxin South Fourth Road, Nanshan District, Shenzhen, Guangdong, PRC	April 17, 2023	36–48 months	25.21	31,046	[REDACTED]%
<i>Connected persons</i>							
Mr. Guo Jianjun ⁽³⁾	Manager of POCO Industrial	No. 19, Shangping, Liuyuan Village, Xiazao Town, Wan'an County, Ji'an, Jiangxi, PRC	April 17, 2023	36–48 months	25.21	40,642	[REDACTED]%
Mr. Wei Lanqiang ⁽³⁾	Manager of POCO Heyuan	No. 34–1, Menxia Ertun, Jiafu Village, Beigeng Township, Xincheng County, Guangxi, PRC	April 17, 2023	36–48 months	25.21	38,102	[REDACTED]%
Mr. Zhang Jinbo ⁽³⁾	Manager of POCO Magnetic Materials	Caoping Group, Heping Village, Dalu Township, Songtao Miao Autonomous County, Guizhou, PRC	April 17, 2023	36–48 months	25.21	19,191	[REDACTED]%
Ms. Yi Xiyan ⁽⁴⁾	Procurement manager	Room 2002, Unit 1, Building 29, Phase II, Taiyuan No. 1 Garden, Taiyuan Third Road, Jiaotian Community, Pingshan Street, Huidong County, Guangdong, PRC	April 17, 2023	36–48 months	25.21	18,063	[REDACTED]%
Mr. Xu Kaiyong ⁽⁵⁾	Project management engineer	No. 1, Group 7, Lanjingba Village, Dafo Township, Yuechi County, Sichuan, PRC	April 17, 2023	36–48 months	25.21	3,528	[REDACTED]%
Ms. Ruan Haiying ⁽⁵⁾	Quality engineer	Group 6, Lijiaba Village, Tianping Town, Yuechi County, Sichuan, PRC	April 17, 2023	36–48 months	25.21	3,528	[REDACTED]%
Mr. Zuo Guotao ⁽⁶⁾	Senior engineer	No. 46, Shuyuan Street, Beicheng Subdistrict, Zaoyang, Hubei, PRC	April 17, 2023	36–48 months	25.21	3,528	[REDACTED]%
Mr. Zhang Xiaojun ⁽⁷⁾	Production supervisor	Caoping Group, Heping Village, Dalu Township, Songtao Miao Autonomous County, Guizhou, PRC	April 17, 2023	36–48 months	25.21	3,528	[REDACTED]%

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Notes:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (2) Adjusted from the initial exercise price due to several rounds of conversion of capital reverses into share capital.
- (3) Each of Mr. Guo Jianjun, Mr. Wei Lanqiang, Mr. Zhang Jinbo is the chief executive of our major subsidiary, thus a connected person of our Company.
- (4) Ms. Yi Xiyan is the spouse of Mr. Guo Jianjun, who is the chief executive of our major subsidiary, POCO Industrial. Accordingly, Ms. Yi Xiyan is an associate of Mr. Guo Jianjun and therefore constitutes a connected person of our Company.
- (5) Ms. Ruan Haiying is the sister of Mr. Ruan Jialin, our executive Director, and Mr. Xu Kaiyong is her husband and thus the brother-in-law of Mr. Ruan Jialin. Accordingly, each of Ms. Ruan Haiying and Mr. Xu Kaiyong is an associate of Mr. Ruan Jialin and therefore constitutes a connected person of our Company.
- (6) Mr. Zuo Guotao is the brother of Mr. Zuo Guohui, the chief executive of our major subsidiary, POCO New Inductor Technology. Accordingly, Mr. Zuo Guotao is an associate of Mr. Zuo Guohui and therefore constitutes a connected person of our Company.
- (7) Mr. Zhang Xiaojun is the brother of Mr. Zhang Jinbo, the chief executive of our major subsidiary, POCO Magnetic Materials. Accordingly, Mr. Zhang Xiaojun is an associate of Mr. Zhang Jinbo and therefore constitutes a connected person of our Company.

The table below sets forth the details of outstanding options granted to other grantees (excluding the abovementioned members of senior management or connected persons of our Company) under the 2023 Share Incentive Plan, categorized by the number of underlying shares, as of the Latest Practicable Date:

Category by number of underlying A Shares	Number of grantees	Date of grant	Exercise period (from the date of grant)	Exercise price ⁽²⁾ (RMB)	Number of A Shares underlying the outstanding Share Options	Approximate percentage of A Shares underlying the options granted over the issued share capital upon completion of [REDACTED] ⁽¹⁾
1–9,999	144	April 17, 2023	36–48 months	25.21	644,062	[REDACTED]%
10,000–19,999	33	April 17, 2023	36–48 months	25.21	467,953	[REDACTED]%
over 20,000	18	April 17, 2023	36–48 months	25.21	567,734	[REDACTED]%

Notes:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (2) Adjusted from the initial exercise price due to the conversion of capital reverses into share capital.

2. 2026 Restricted Share Incentive Plan

The following is a summary of the principal terms of the 2026 Restricted Share Incentive Plan. Given that no further restricted Shares will be granted under the 2026 Restricted Share Incentive Plan after the [REDACTED], the terms of the 2026 Restricted Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2026 Restricted Share Incentive Plan is to further improve and strengthen our Company’s long-term incentive mechanism, fully mobilize the enthusiasm and initiative of the core team, attract and retain outstanding talent, and effectively align

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the interests of our Company, its Shareholders, and its core team members. The 2026 Restricted Share Incentive Plan is designed to support the achievement of our Company’s development strategies and business objectives while ensuring that rewards are commensurate with contributions and that Shareholders’ interests are fully safeguarded.

(b) Administration

The 2026 Restricted Share Incentive Plan is subject to the approval of the Shareholders’ meeting, administration by our Board and supervision by the Remuneration and Appraisal Committee of our Company.

(c) Participants

The eligible participants of the 2026 Restricted Share Incentive Plan include senior management and key personnels of our Group, and exclude independent Directors, foreign employees, Shareholders or actual controllers who individually or collectively hold 5% or more of our Shares, and their respective spouses, parents, and children.

(d) Source and maximum number of shares

The underlying Shares under the 2026 Restricted Share Incentive Plan shall be A Shares to be issued by our Company to the grantees. The maximum number of underlying Shares that can be granted under the 2026 Restricted Share Incentive Plan shall not exceed 5,880,136 Shares.

(e) Date of grant and duration

The date of grant shall be determined by the Board after the 2026 Restricted Share Incentive Plan has been reviewed and approved by the general meeting. The date of grant must be a trading day. The 2026 Restricted Share Incentive Plan shall be valid from the date when the grant of the restricted Shares is completed until the date on which all restricted Shares granted to the grantees have been vested or lapsed. The maximum duration of the 2026 Restricted Share Incentive Plan shall not exceed 84 months.

(f) Conditions of the grant

The Shares under the 2026 Restricted Share Incentive Plan will only be granted to selected participants if the following conditions are met:

- (i) with respect to our Company, none of the following circumstances having occurred:
 - (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by a reporting accountant with respect to our Company’s financial and accounting report for the most recent fiscal year;
 - (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by a reporting accountant on the internal control of our Company for the most recent fiscal year;
 - (3) our Company has failed to conduct profit distribution in accordance with applicable laws and regulations or its the Articles of Association within the last 36 months;
 - (4) applicable laws and regulations prohibit the implementing of any share incentive scheme; or
 - (5) any other circumstances as determined by the CSRC.

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- (ii) with respect to a grantee, none of the following circumstance having occurred:
 - (1) the grantee has been identified as an inappropriate person by the Shenzhen Stock Exchange within the last 12 months;
 - (2) the grantee has been identified as an inappropriate person by the CSRC or its local office within the last 12 months;
 - (3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office due to material non-compliance with laws and regulations within the last 12 months;
 - (4) the grantee is not qualified to serve as a director or senior management of a company under the PRC Company Law;
 - (5) the grantee is prohibited from participating in any share incentive plans of listed companies by applicable laws and regulations; or
 - (6) any other circumstances as determined by the CSRC.

(g) Vesting of restricted Shares

The restricted Shares granted under the 2026 Restricted Share Incentive Plan shall may be vested in accordance with the following schedule if (i) the conditions set out under paragraph (f) above are still satisfied during the relevant vesting or exercise period; and (ii) the Company-level and individual-level performance targets as set out in the 2026 Restricted Share Incentive Plan are achieved.

The grantee shall satisfy a minimum service period of 12 months with respect to each tranche of restricted Shares prior to vesting.

The restricted Shares will vest in tranches of 20%, 20%, 20%, 20% and 20% in accordance with the vesting schedule set out in the 2026 Restricted Share Incentive Plan as follows:

- (i) 20% will vest during the first vesting period that occurs from the first trading day after 12 months from the date of grant to the last trading day within 24 months from the date of grant;
- (ii) 20% will vest during the second vesting period that occurs from the first trading day after 24 months from the date of grant to the last trading day within 36 months from the date of grant;
- (iii) 20% will vest during the third vesting period that occurs from the first trading day after 36 months from the date of grant to the last trading day within 48 months from the date of grant;
- (iv) 20% will vest during the fourth vesting period that occurs from the first trading day after 48 months from the date of grant to the last trading day within 60 months from the date of grant; and
- (v) 20% will vest during the fifth vesting period that occurs from the first trading day after 60 months from the date of grant to the last trading day within 72 months from the date of grant.

(h) Grant price of restricted Shares

The initial grant price shall be RMB43.72 per Share. A grantee who satisfies the vesting conditions may purchase the relevant restricted Shares issued by our Company at the applicable grant price.

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(i) Adjustment

In the event of any capitalization of capital reserves, bonus issue, share subdivision, share consolidation, or rights issue of our Company prior to the vesting of the restricted Shares, the grant price and the number of underlying Shares shall be adjusted by the Board accordingly in accordance with the formulas set out in the 2026 Restricted Share Incentive Plan.

(j) Outstanding restricted Shares

As of the Latest Practicable Date, the number of outstanding restricted Shares granted under the 2026 Restricted Share Incentive Plan was 8,232,190, representing approximately [REDACTED]% of the total issued Shares immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]). As of the Latest Practicable Date, the outstanding restricted Shares were held by 393 grantees. The table below sets forth the details of restricted Shares granted to members of senior management or connected persons of our Company under the 2026 Restricted Share Incentive Plan as of the Latest Practicable Date:

Name	Position in our Company	Date of grant	Number of outstanding restricted Shares	Initial grant price (RMB)	Approximate percentage of issued share capital upon completion of [REDACTED] ⁽¹⁾
<i>Members of senior management of our Company</i>					
Mr. You Xin	Financial director	May 15, 2026	159,090	43.72	[REDACTED]%
<i>Connected persons</i>					
Mr. Zuo Guohui ⁽²⁾	Manager of POCO New Inductor Technology	May 15, 2026	324,545	43.72	[REDACTED]%
Mr. Guo Jianjun ⁽²⁾	Manager of POCO Industrial	May 15, 2026	190,909	43.72	[REDACTED]%
Mr. Wei Lanqiang ⁽²⁾	Manager of POCO Heyuan	May 15, 2026	159,090	43.72	[REDACTED]%
Mr. Zhang Jinbo ⁽²⁾	Manager of POCO Magnetic Materials	May 15, 2026	95,454	43.72	[REDACTED]%
Ms. Yi Xiyan ⁽³⁾	Procurement manager	May 15, 2026	95,454	43.72	[REDACTED]%
Mr. Zuo Guotao ⁽⁴⁾	Senior engineer	May 15, 2026	54,090	43.72	[REDACTED]%
Mr. Xu Kaiyong ⁽⁵⁾	Project management engineer	May 15, 2026	10,182	43.72	[REDACTED]%
Ms. Ruan Haiying ⁽⁵⁾	Quality engineer	May 15, 2026	9,545	43.72	[REDACTED]%
Mr. Zhang Xiaojun ⁽⁶⁾	Production supervisor	May 15, 2026	6,363	43.72	[REDACTED]%

Notes:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (2) Each of Mr. Zuo Guohui, Mr. Guo Jianjun, Mr. Wei Lanqiang, Mr. Zhang Jinbo is the chief executive of our major subsidiary, thus a connected person of our Company.
- (3) Ms. Yi Xiyan is the spouse of Mr. Guo Jianjun, who is the chief executive of our major subsidiary, POCO Industrial. Accordingly, Ms. Yi Xiyan is an associate of Mr. Guo Jianjun and therefore constitutes a connected person of our Company.

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- (4) Mr. Zuo Guotao is the brother of Mr. Zuo Guohui, the chief executive of our major subsidiary, POCO New Inductor Technology. Accordingly, Mr. Zuo Guotao is an associate of Mr. Zuo Guohui and therefore constitutes a connected person of our Company.
- (5) Ms. Ruan Haiying is the sister of Mr. Ruan Jialin, our executive Director, and Mr. Xu Kaiyong is her husband and thus the brother-in-law of Mr. Ruan Jialin. Accordingly, Ms. Ruan Haiying and Mr. Xu Kaiyong is an associate of Mr. Ruan Jialin and therefore constitutes a connected person of our Company.
- (6) Mr. Zhang Xiaojun is the brother of Mr. Zhang Jinbo, the chief executive of our major subsidiary, POCO Magnetic Materials. Accordingly, Mr. Zhang Xiaojun is an associate of Mr. Zhang Jinbo and therefore constitutes a connected person of our Company.

The table below sets forth the details of outstanding Shares granted to other grantees (excluding Directors, members of senior management or connected persons of our Company) under the 2026 Restricted Share Incentive Plan as of the Latest Practicable Date:

Number of grantees	Date of grant	Initial grant price (RMB)	Number of A Shares underlying the outstanding restricted Shares	Lock-up or vesting period	Approximate percentage of issued share capital upon completion of [REDACTED] ⁽¹⁾
383	May 15, 2026	43.72	7,127,468	12–72 months	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Litigation

As of the Latest Practicable Date, so far as our Directors are aware, there is no litigation or claims of material importance pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an [REDACTED] on our behalf to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED], the H Shares in [REDACTED] and to be [REDACTED] pursuant to the [REDACTED] (including any additional H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED]).

As of the Latest Practicable Date, the sponsor group (as defined under the Listing Rules) held less than 1% of the issued share capital of our Company. Accordingly, the Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive an aggregate fee of USD1,000,000 in total for acting as the sponsor for the [REDACTED].

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4. No Material Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since March 31, 2026, being the end of the period reported on in the Accountants’ Report in Appendix I to this document, and up to the date of this document.

5. Qualification and Consent of Experts

This document contains statements made by the following experts:

<u>Name</u>	<u>Qualification</u>
CITIC Securities (Hong Kong) Limited	A corporation licensed to conduct Types 4 (Advising on Securities) and 6 (Advising on Corporate Finance) of the regulated activities under the SFO
Beijing Tian Yuan Law Firm	Qualified PRC lawyers
KPMG	Certified Public Accountants Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance
China Insights Industry Consultancy Limited	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save in connection with the [REDACTED] and the [REDACTED] and otherwise disclosed in the section headed “Appendix IV — Statutory and General Information — E. Other Information” in this document.

The experts named above have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case maybe) and references to their names included in the form and context in which they are respectively included.

6. Promoters

Our promoters at the time of our Company’s conversion into a joint stock company are Moma Investment, Mr. Zhou, Mr. Luo Zhimin, Mr. Ruan Jialin, Mr. Chen Chongxian and Mr. Du. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities, or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] and the related transactions described in this document.

7. Compliance Advisor

Our Company has appointed Yue Xiu Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

8. Preliminary Expenses

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

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STATUTORY AND GENERAL INFORMATION

9. Binding Effect

This document shall have the effect, where an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in “— E. Other Information — 5. Qualification and Consent of Experts” in this section have received any such payment or benefit;
 - (ii) no capital of any member of our Group has been issued or is proposed to be issued for cash or issued as fully or partly paid up otherwise than in cash;
 - (iii) none of our Directors or the experts named in “— E. Other Information — 5. Qualification and Consent of Experts” in this section have any interest, direct or indirect, in the promotion of, or in any assets which have been, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and
 - (iv) no [REDACTED] (but not including [REDACTED] to [REDACTED]) have been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or debentures of our Company.
- (b) Save as disclosed in this document:
 - (i) there is no arrangement under which future dividends are waived or agreed to be waived;
 - (ii) our Company has no outstanding convertible debt securities or debentures;
 - (iii) there are no founder, management or deferred shares in our Company or any of our subsidiaries;
 - (iv) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;
 - (v) there has not been any interruption in the business of our Group which may have or have had a significant effect on our financial position in the 12 months immediately preceding the date of this document;

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- (vi) to the best knowledge of our Directors, none of our Directors or their close associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group in each year during the Track Record Period; and
- (vii) none of the Directors or any of the experts referred to in “— E. Other Information — 5. Qualification and Consent of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this document; and
- (b) the written consents referred to in “Statutory and General Information — E. Other Information — 5. Qualification and Consent of Experts” in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.pocomagnetic.com for a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the audited consolidated financial statements of our Group for the years ended December 31, 2023, 2024, 2025 and three months ended March 31, 2026;
- (c) the Accountants’ Report from KPMG on the historical financial information of our Group for the years ended December 31, 2023, 2024, 2025 and three months ended March 31, 2026, the text of which is set out in Appendix I to this document;
- (d) the report from KPMG on the unaudited [REDACTED] financial information of our Group, the text of which is set out in Appendix II to this document;
- (e) the legal opinion issued by Beijing Tian Yuan Law Firm, our PRC Legal Advisor, in respect of certain matters of our Group in the PRC;
- (f) the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in “Industry Overview” in this document;
- (g) the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this document;
- (h) the service contracts referred to in “Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts” in Appendix IV to this document;
- (i) the written consents referred to in “Statutory and General Information — E. Other Information — 5. Qualification and Consent of Experts” in Appendix IV to this document;
- (j) a copy of each of the PRC Company Law, the PRC Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof; and
- (k) the terms of the 2023 Share Incentive Plan and the 2026 Restricted Share Incentive Plan.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX V**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of all the option grantees under the 2023 Share Incentive Plan will be made available for public inspection at our Company’s Hong Kong legal advisor’s office in Hong Kong at 22/F, Bank of China Tower, 1 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.