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You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants’ Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards. You should read the entire Accountant’s 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 are a provider of power semiconductor devices with an established market presence in China, focusing on the research and development, design and sales of high-performance power semiconductor devices. Our mixed business model strategically combines the flexibility of outsourcing standardized manufacturing with the control of proprietary in-house manufacturing capabilities, allowing us to maintain supply chain flexibility and achieve effective cost and quality control.

For the years ended December 31, 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, our revenue amounted to RMB575.5 million, RMB624.3 million, RMB814.1 million, RMB347.2 million and RMB353.3 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand from downstream market and our customer relationship

Our business performance is affected by the downstream market size and customer demand for more efficient power semiconductor devices. The overall growth of China’s power semiconductor device market is mainly driven by the growing demand from downstream applications, technological advancements such as AI that are reshaping downstream applications, process innovations and yield improvements and favorable government policies. According to CIC, the China’s power semiconductor device market increased from RMB80.7 billion in 2021 to RMB109.0 billion in 2025, with a CAGR of 7.8%. The market is expected to further reach RMB180.4 billion in 2030, with a CAGR of 10.4% from 2026 to 2030. Downstream market demand could be affected by number of factors including macroeconomic conditions, technological advancements, and the evolving needs of end customers across various sectors. Furthermore, the power semiconductor device industry is experiencing trends such as increasing domestic substitution, higher integration level and development towards more advanced packaging processing techniques.

We have established long-term and stable relationships with key customers, including leading consumer electronics and industrial device manufacturers. Our customer development strategy focuses on early-stage design-in and collaborative development to secure long-term orders. Our financial performance relies on our ability to innovate and develop products that align with the latest technological trends and customer preferences. We believe that our diverse and comprehensive product portfolio, proven track record of business growth, and our ability

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to constantly innovate and adapt to evolving technological advancements, combined with our strong R&D capabilities in power semiconductor device design well position us to capture the market opportunities in global and China’s growing power semiconductor device industry.

Our ability to continue to innovate and enrich our product and solution offerings

Our ability to offer our comprehensive portfolio of power semiconductor devices is one of the primary factors influencing our financial conditions and results of operations. During the Track Record Period, our primary product categories included (i) medium-and-low-voltage power semiconductor devices, which can be further divided, in terms of packaging methods, into (a) WLCSP products and (b) non-WLCSP products, and (ii) high-voltage power semiconductor devices based on voltage rating of 600V as a general threshold. Our products are well recognized for their strong performance and stable quality. For the years ended December 31, 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, we achieved an aggregate sales volume of 862.2 million units, 1,049.5 million units, 1,463.4 million units, 573.3 million units and 717.4 million units for our medium-to-low-voltage and high-voltage power semiconductor devices, respectively. Our future success depends on our ability to anticipate industry trends and develop products with high-performance and differentiated design that meet the evolving demand of downstream customers in various application fields.

During the Track Record Period, we primarily derived our revenue from the sales of medium-and-low-voltage power semiconductor devices, and, to a lesser extent, high-voltage power semiconductor devices. We price each product based on a variety of factors, including gross margin and market conditions. For the years ended December 31, 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, our gross profit margin was 15.2%, 17.4%, 23.6%, 22.4% and 17.9%, respectively. Our gross profit margin improved in 2025, primarily because of the increase in both the proportion and the gross profit margin of our WLCSP products, as a result of economies of scale driven by the ramp-up of our Zhuhai factory and cost optimization measures including technical upgrade and more favorable terms from suppliers. In particular, our gross profit margin decreased from 22.4% in the five months ended May 31, 2025 to 17.9% in the five months ended May 31, 2026, primarily due to market-driven pricing adjustments. In addition, our product mix changed during the relevant periods, with WLCSP products accounting for a relatively lower proportion of sales as a result of decreased demand from downstream industries. Our product mix may also fluctuate in response to the technological changes in the industries and markets to which our products are sold. If there are any significant changes in our product mix, our gross profit margin will be affected by the changes in gross profit margin attributable to each type of product.

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 and leveraging technological innovation, we are committed to sustain our financial performance and drive long-term growth. However, fluctuations in product demand, shifts in market dynamics, and evolving competitive pressures may impact our financial performance.

Upstream supply and production capacity

Our ability to maintain stable business relationship with our suppliers to obtain quality and price-competitive raw materials and services on a timely basis is crucial for our business and results of operations. We believe our efficient supply chain management enables us to quickly launch and upgrade products in response to customer demand. We also seek to enhance our bargaining power in supply purchases by leveraging our growing procurement scale.

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We typically engage reputable suppliers to ensure the quality of our products. We consider a comprehensive set of factors when selecting suppliers, which mainly include technological expertise, product quality, responsiveness and delivery speed. We also conduct periodic supplier review, annually, or at key project milestones, to assess their performance. However, the quality of our products or services provided by our suppliers is beyond our control, which in turn would lead to reduced or canceled orders. Please see “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to fully maintain quality control over our products” for more details. During the Track Record Period, we were not subject to shortages in the supply of raw materials or services from our suppliers. We do not anticipate any supply chain constraints that would materially and adversely affect our business and results of operations.

Continued investment in R&D, technology and product development

Our ability to continue R&D activities, develop new technologies, design new products and enhance existing products is critical to our operating results. We have historically dedicated significant resources towards R&D. For the years ended December 31, 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, we recorded R&D expenses of RMB37.9 million, RMB47.2 million, RMB59.7 million, RMB20.3 million and RMB28.8 million, representing 6.6%, 7.6%, 7.3%, 5.9% and 8.2%, respectively, of our total revenue during the same periods. Specifically, the progress of our technology and product development depends largely on our R&D talents. As of May 31, 2026, our R&D team consisted of 93 dedicated members, approximately 25.4% of whom held a master’s degree or above. These resources allow us to address increasingly complex customer specifications, improve product performance, and enter strategic growth areas such as WLCSP. As we believe our market success and financial performance will significantly depend on our ability to maintain our technological advantage, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our peers.

Our ability to maintain and improve operating efficiency

Our profitability depends in part on our ability to manage costs and optimize our operating efficiency. For the years ended December 31, 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, we incurred selling and distribution expenses of RMB21.3 million, RMB24.0 million, RMB33.9 million, RMB13.6 million and RMB14.9 million, representing 3.7%, 3.8%, 4.2%, 3.9% and 4.2% of our total revenue during the same periods, respectively, and our administrative expenses amounted to RMB21.7 million, RMB29.0 million, RMB50.4 million, RMB14.1 million and RMB29.7 million, representing 3.8%, 4.6%, 6.2%, 4.1% and 8.4% of our total revenue during the same periods, respectively. We managed to improve operational efficiency by maintaining a streamlined operational workforce and implementing rigorous cost management practices. Simultaneously, we have sought to enhance the management of our operating expenses through detailed budget management and performance monitoring, enabling us to manage overhead costs effectively.

While we expect the absolute amounts of our research and development expenses, selling and distribution expenses, and administrative expenses will continue to increase along with our business growth in the future, we are committed to further enhancing our operational efficiency through economies of scale, optimized resource allocation, and continuous investment in employee training and development.

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Seasonality

Our results of operations are affected by seasonal fluctuations in demand for our products to be used in consumer electronics, as impacted by market trends of the consumer electronics industry. In particular, due to the stocking and sales cycles of customers before or around the public holidays such as the Spring Festival and promotional sales period, we typically experience higher sales in the second half of the year. These seasonal fluctuations may render our results of operations in certain given periods not indicative of our results of operations for the full year.

BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards, which comprise all standards and interpretation approved by the International Accounting Standards Board (the “IASB”). All IFRS Accounting Standards effective for the accounting period commencing on or before January 1, 2026 have been adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the periods during the Track Record Period, as explained in the accounting policies set out in Note 2 to the Accountants’ Report in Appendix I to this document which conform with IFRS Accounting Standards.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. 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 to these estimates and assumptions in the foreseeable future. When reviewing our financial information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions.

We believe that the (i) material accounting policy information in relation to the recognition of revenue, inventories, cash and cash equivalents, property, plant and equipment and depreciation, as detailed in Note 2.3 of the Accountants’ Report in Appendix I to this document and (ii) accounting judgments and estimates including research and development expenses, deferred tax assets, net realizable value of inventories and provision for expected credit losses on trade receivables, as set forth in details in Note 3 to the Accountants’ Report in Appendix I to this document are critical and/or involve the most important estimates and judgments we used in preparing our financial statements.

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REVIEW OF HISTORICAL RESULTS OF OPERATIONS

The table below sets forth a summary of our results of operations in absolute amount and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,					
	2023		2024		2025		2025		2026			
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	(unaudited)	
Revenue	575,477	100.0	624,259	100.0	814,135	100.0	347,187	100.0	353,267	100.0		
Cost of sales	(488,075)	(84.8)	(515,370)	(82.6)	(621,974)	(76.4)	(269,310)	(77.6)	(290,036)	(82.1)		
Gross profit	87,402	15.2	108,889	17.4	192,161	23.6	77,877	22.4	63,231	17.9		
Other income and gains	6,806	1.2	9,620	1.5	5,595	0.7	1,407	0.4	5,677	1.6		
Selling and distribution expenses	(21,321)	(3.7)	(24,007)	(3.8)	(33,934)	(4.2)	(13,630)	(3.9)	(14,941)	(4.2)		
Administrative expenses	(21,690)	(3.8)	(28,958)	(4.6)	(50,353)	(6.2)	(14,118)	(4.1)	(29,654)	(8.4)		
Research and development costs	(37,903)	(6.6)	(47,173)	(7.6)	(59,659)	(7.3)	(20,334)	(5.9)	(28,808)	(8.2)		
(Reversal of impairment)/impairment losses on financial assets, net	(2,256)	(0.4)	(2,667)	(0.4)	1,515	0.2	(612)	(0.2)	(210)	(0.1)		
Other expenses	(76)	(0.0)	(6)	(0.0)	(912)	(0.2)	(381)	(0.1)	(1,301)	(0.3)		
Finance costs	(2,173)	(0.4)	(2,965)	(0.5)	(2,822)	(0.3)	(1,617)	(0.4)	(1,700)	(0.5)		
Profit/(Loss) before tax	8,789	1.5	12,733	2.0	51,591	6.3	28,592	8.2	(7,706)	(2.2)		
Income tax credit/(expense)	5,188	0.9	6,620	1.1	(1,075)	(0.1)	(2,063)	(0.6)	7,196	2.1		
Profit/(Loss) for the year/periods	13,977	2.4	19,353	3.1	50,516	6.2	26,529	7.6	(510)	(0.1)		
Other comprehensive loss for the year/period, net of tax	(124)	(0.0)	(36)	(0.0)	(88)	(0.0)	(58)	(0.0)	(11)	(0.0)		
Total comprehensive income for the year/period	<u>13,853</u>	<u>2.4</u>	<u>19,317</u>	<u>3.1</u>	<u>50,428</u>	<u>6.2</u>	<u>26,471</u>	<u>7.6</u>	<u>(521)</u>	<u>(0.1)</u>		

NON-IFRS FINANCIAL MEASURE

To supplement our consolidated financial statements presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) as additional financial measures. These measures are not required by, nor presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance across periods and among companies by eliminating the potential impact of certain items. They provide useful information to [REDACTED] and other stakeholders in understanding and evaluating our consolidated results of operations in a manner consistent with how they assist our management. Nevertheless, our presentation of adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit (non-IFRS measure) as profit for the year/period adjusted for share-based payments and [REDACTED].

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The following table sets forth a reconciliation of our profit/(loss) for the year/period to adjusted net profit (non-IFRS measure) for the years/periods indicated.

	For the year ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net profit/(loss) for the year/period	13,977	19,353	50,516	26,529	(510)
Add:					
Share-based payment expenses ⁽¹⁾	(2,395)	298	5,357	1,506	3,966
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit for the year/period (non-IFRS measure) . .	11,582	19,651	67,066	28,035	9,812

Note:

- (1) We recognized a reversal of share-based payment expense of RMB2.4 million in 2023, primarily due to the departure of core management personnel.

Revenue

During the Track Record Period, our revenue was primarily derived from sales of power semiconductor devices, which can be further classified, based on a voltage rating of 600V as a general threshold, into medium-and-low-voltage power semiconductor devices and high-voltage power semiconductor devices. In terms of packaging methods, our medium-and-low-voltage power semiconductor devices can be further divided into WLCSP and non-WLCSP products. In terms of power semiconductor device structure, our medium-and-low-voltage power semiconductor devices mainly include SGT MOSFETs and Trench MOSFETs; and our high-voltage power semiconductor devices mainly include SJ MOSFETs, Planar MOSFETs, SiC MOSFETs and IGBTs.

Revenue by Product

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,						Five months ended May 31,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Medium-and-low-voltage power semiconductor devices	536,089	93.1	561,565	90.0	765,658	94.0	321,967	92.7	342,815	97.0
WLCSP products	161,345	28.0	243,872	39.1	321,037	39.4	160,672	46.3	96,686	27.4
– Trench MOSFET	161,345	28.0	243,872	39.1	321,037	39.4	160,672	46.3	96,686	27.4
Non-WLCSP products	374,744	65.1	317,693	50.9	444,621	54.6	161,295	46.4	246,129	69.6
– SGT MOSFET	243,036	42.2	160,371	25.7	284,858	35.0	105,274	30.3	168,264	47.6
– Trench MOSFET	131,708	22.9	157,322	25.2	159,763	19.6	56,021	16.1	77,865	22.0

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	Year ended December 31,						Five months ended May 31,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
High-voltage power semiconductor devices	6,801	1.2	10,076	1.6	13,113	1.7	6,605	1.9	4,264	1.2
– SJ MOSFET	5,614	0.9	8,045	1.2	10,431	1.3	4,883	1.5	3,554	1.0
– Planar MOSFET	290	0.1	316	0.1	567	0.1	166	0.0	203	0.1
– SiC MOSFET	5	0.0	12	0.0	3	0.0	3	0.0	15	0.0
– IGBT	892	0.2	1,703	0.3	2,112	0.3	1,553	0.4	492	0.1
Others ⁽¹⁾	32,587	5.7	52,618	8.4	35,359	4.3	18,615	5.4	6,188	1.8
Total	575,477	100.0	624,259	100.0	814,135	100.0	347,187	100.0	353,267	100.0

Note:

- (1) Others primarily included our revenue from sales of wafers and provision of processing services and reliability testing services.

Revenue by Downstream Application Sector

The following table sets forth our revenue generated during the Track Record Period in terms of the downstream application sectors:

	Year ended December 31,						Five months ended May 31,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Consumer electronics	417,920	72.5	407,574	65.3	491,467	60.4	218,954	63.1	218,530	61.9
Automotive electronics	55,563	9.7	66,986	10.7	49,085	6.0	23,096	6.7	17,034	4.8
Industrial applications	69,407	12.1	97,081	15.6	238,224	29.3	86,522	24.8	111,531	31.6
Others ⁽¹⁾	32,587	5.7	52,618	8.4	35,359	4.3	18,615	5.4	6,172	1.7
Total	575,477	100.0	624,259	100.0	814,135	100.0	347,187	100.0	353,267	100.0

Note:

- (1) Others primarily include sales of wafers and provision of processing services and reliability testing services.

During the Track Record Period, we primarily generated revenue from the sales of products, including sales of medium-and-low-voltage power semiconductor devices and high-voltage power semiconductor devices. The overall growth in our revenue during the Track Record Period were primarily attributable to a combination of factors, including: (i) the continuous and significant growth in sales of our WLCSP products, driven by strong demand from customers; (ii) our successful expansion in several application scenarios, such as industrial applications, automotive electronics, industrial drones, new energy and energy storage, following the commercialization of new high-performance products; and (iii) a structural shift in product mix, where demand from certain customers for our products in wafer form for their own module integration contributed to fluctuations in our other revenue while concurrently affecting revenue from certain traditionally packaged products. For example, the increased demand for wafer-form products in 2024 results from our customers’ tendency to

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conduct packaging and module integration in-house instead of purchasing fully packaged discrete components. This is driven by the push toward miniaturization and higher power density in end applications, which requires higher levels of integration, improved space efficiency, and optimized performance. By sourcing products in wafer form, customers gain greater design flexibility, cost control and supply chain efficiency, while differentiating their solutions. As wafer-level integration becomes more prevalent, demand for certain traditionally packaged products accordingly decreased. To address this shift, we optimized our product mix and expanded our offerings into wafer-form products and other application areas with the expectation that growth in these segments will offset the revenue pressure from traditionally packaged products. Please see below for detailed reasons for our revenue changes during the Track Record Period:

Comparison between the five months ended May 31, 2025 and the five months ended May 31, 2026: Our revenue increased by 1.8% from RMB347.2 million in the five months ended May 31, 2025 to RMB353.3 million in same period in 2026, primarily driven by the increase in revenue from our non-WLCSP products, partially offset by the decrease in revenue from our WLCSP products, high-voltage power semiconductor devices and other products, as detailed below.

- *Medium-and-low-voltage power semiconductor devices:* Our revenue from sales of medium-and-low-voltage power semiconductor devices increased by 6.5% from RMB322.0 million in the five months ended May 31, 2025 to RMB342.8 million in the same period in 2026, primarily due to:
 - *WLCSP product:* Our revenue from WLCSP products, which primarily consisted of Trench MOSFETs, decreased by 39.8% from RMB160.7 million in the five months ended May 31, 2025 to RMB96.7 million in the corresponding period in 2026. This decrease was primarily attributable to a 30.2% decline in WLCSP product sales volume from 289.7 million units in the five months ended May 31, 2025 to 202.1 million units in the corresponding period in 2026. Our WLCSP products are primarily used in consumer electronics, particularly smartphones, and our downstream customers include major domestic smartphone brands. During the period, continuous and significant increases in memory chip prices raised component costs across the smartphone supply chain, while the recovery in downstream consumer demand remained slower than expected amid weak market sentiment. As a result, smartphone manufacturers adopted more conservative production and procurement plans, leading to lower shipment volumes of our major customers and a corresponding decrease in their procurement of our WLCSP products. According to CIC, such decrease was primarily attributable to end-market conditions in the consumer electronics sector and was generally consistent with the prevailing market trend.
 - *Non-WLCSP products:* Our revenue from non-WLCSP products increased by 52.6% from RMB161.3 million in the five months ended May 31, 2025 to RMB246.1 million in the same period in 2026. This increase was primarily attributable to an 82.8% increase in sales volume from 280.4 million units in the five months ended May 31, 2025 to 512.6 million units in the corresponding period in 2026. The increase in revenue was primarily driven by the growth of our SGT MOSFET products. Our revenue from SGT MOSFET products increased by 59.8% from RMB105.3 million in the five months ended May 31, 2025 to RMB168.3 million in the corresponding period in 2026. This increase was primarily driven by growing demand from two high-growth

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application markets. First, benefiting from the rapid expansion of the UAV market, our products were adopted into the supply chain of a leading UAV brand, resulting in increases in both sales volume and average selling price. Second, benefiting from the continued growth of the global energy storage market, our products entered the supply chain of a leading domestic energy storage inverter manufacturer, also leading to increases in both sales volume and average selling price. In addition, revenue from our Trench MOSFET products increased by 39.0% from RMB56.0 million to RMB77.9 million, primarily due to increased procurement by an existing customer for consumer-grade UAV applications.

- *High-voltage power semiconductor devices:* Our revenue from sales of high-voltage power semiconductor devices decreased by 35.4% from RMB6.6 million in the five months ended May 31, 2025 to RMB4.3 million in the same period in 2026. The decrease in revenue from high-voltage power semiconductor devices was primarily attributable to our continued optimization of our product portfolio and sales mix, as well as the fact that the sales scale of our high-voltage power semiconductor devices had not yet fully recovered during the period, resulting in a decrease in both the sales volume and the average selling price. We had increased sales of SJ MOSFET products, which were principally used in power conversion and power management applications across the renewable energy, energy storage, electric vehicle charging and data center sectors. Such products were of relatively lower selling price.
- *Others.* Our other revenue decreased by 66.8% from RMB18.6 million in the five months ended May 31, 2025 to RMB6.2 million in the same period in 2026, primarily due to the decrease in sales of wafers. This was primarily due to (i) lower procurement by certain key customers as they were undergoing their own product transitions, coupled with a slower-than-expected recovery in end-market demand for consumer electronics, which resulted in a slower pace of customer procurement of our wafers; and (ii) reduced external wafer procurement by certain customers as they increased the proportion of wafers produced in-house as part of their supply chain strategy. Please see “Business — Our Products — Others” for details.

On a downstream application basis, the change in revenue in the five months ended May 31, 2026 was primarily attributable to (i) an increase in revenue from sales to the industrial applications sector by 28.9% from RMB86.5 million in the five months ended May 31, 2025 to RMB111.5 million in the same period in 2026, primarily due to the increase in sales of our SGT MOSFET products for industrial UAV and energy storage applications; partially offset by (i) a decrease in revenue from sales to the automotive electronics sector by 26.2% from RMB23.1 million to RMB17.0 million, primarily due to certain customer projects entering different stages of their life cycle, resulting in changes in product demand and product mix, combined with our strategic improvements to product mix and pricing. As automotive electronics projects typically involve long qualification and commercialization cycles, newly secured customer projects had not yet made a significant revenue contribution during the period, resulting in a temporary timing mismatch between the wind-down of existing projects and the ramp-up of new projects; and (ii) a decrease in revenue from sales to other sectors by 66.8% from RMB18.6 million to RMB6.2 million, primarily due to the decrease in sales of wafers. Revenue from sales to the consumer electronics sector remained relatively stable at RMB219.0 million in the five months ended May 31, 2025 and RMB218.5 million in the same period in 2026, as the decrease in sales of our WLCSP products for smartphones was largely offset by the increase in sales of our products for consumer-grade UAVs.

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Comparison between 2024 and 2025: Our revenue increased by 30.4% from RMB624.3 million in 2024 to RMB814.1 million in 2025, primarily driven by the significant increase in sales volume of medium-and-low-voltage power semiconductor devices and high-voltage power semiconductor devices, as detailed below.

- *Medium-and-low-voltage power semiconductor devices:* Our revenue from sales of medium-and-low-voltage power semiconductor devices increased by 36.3% from RMB561.6 million in 2024 to RMB765.7 million in 2025, primarily due to:
 - *WLCSP product:* Our revenue from WLCSP products, which primarily consisted of Trench MOSFETs, increased by 31.6% from RMB243.9 million in 2024 to RMB321.0 million in 2025, primarily due to a 42.9% increase in WLCSP product sales volume from 423.3 million units in 2024 to 604.9 million units in 2025 driven by continued growth in demand for our WLCSP products from both existing and new customers in consumer electronics, primarily leading smartphone manufacturers, particularly for use in the battery management systems. Such growth in demand was primarily driven by stronger consumer spending, supported by government incentives for electronic purchases, as well as robust sales of high-end and foldable smartphones. Anticipation of potential price increases further encouraged consumers to upgrade their devices. We capitalized on these favorable market dynamics by intensifying our marketing initiatives, strengthening technical support for our customers, and tailoring our solutions to meet the evolving requirements of the smartphone industry. As a result, adoption of our WLCSP products increased among leading smartphone manufacturers. Our WLCSP products, which feature key performance characteristics such as low on-resistance and integrated ESD protection, are designed to meet the stringent demands for efficiency, reliability, and miniaturization in devices such as smartphones, tablets and other portable electronics. Our continuous product iterations and technological upgrades have allowed us to become key suppliers to several major smartphone manufacturers, leading to an increase in sales volume. We retain and acquire customers by delivering value to clients, including through ensuring stable production capacity through Zhuhai factory, maintaining product quality with a low outgoing defect rate, and closely collaborating with customers to adapt our products to new technologies and applications.
 - *Non-WLCSP products:* Our revenue from non-WLCSP products increased by 40.0% from RMB317.7 million in 2024 to RMB444.6 million in 2025, primarily due to a 36.9% increase in sales volume from 623.1 million units in 2024 to 852.8 million units in 2025, mainly due to an increase in revenue from our SGT MOSFET products, primarily attributable to the continued ramp-up of orders from key industrial application customers, primarily a leading UAV brand and a leading new energy technology company, who demanded traditionally packaged medium- and low-voltage power semiconductor devices for application scenarios including industrial UAV, and energy storage systems, following our successful demand creation and customer validation efforts in previous years. See “— Comparison between 2024 and 2023.” At the same time, the medium-voltage SGT MOSFET products command higher average selling prices than the low-voltage SGT MOSFET products serving consumer and industrial applications that predominantly comprised our SGT MOSFET sales in 2024, further contributing to the increase in revenue from SGT MOSFET products.

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- *High-voltage power semiconductor devices:* Our revenue from sales of high-voltage power semiconductor devices increased by 30.1% from RMB10.1 million in 2024 to RMB13.1 million in 2025, primarily due to a 82.3% increase in sales volume from 3.2 million units in 2024 to 5.8 million units in 2025, mainly driven by the commercialization and sales ramp-up of new products used in certain drones and energy applications. For instance, our high-voltage products, including SJ MOSFET and IGBT products, were successfully used on our end customer’s energy storage systems for drones as they helped with enhancing electricity conversion efficiency and reduce system temperature. Also, a SJ MOSFET product was successfully used on our end customer’s power factor correction systems, which could help our end customers build efficient and low-loss power management systems by improving power factor and reducing harmonic interference, thereby enabling them to meet stringent power quality standards.
- *Others.* Our other revenue decreased by 32.8% from RMB52.6 million in 2024 to RMB35.4 million in 2025, primarily due to the decrease in sales of wafers, as a result of a reduction in customer procurement volumes caused by industry demand adjustments, as well as a structural shift in certain customers’ supply strategies away from externally sourced wafer designs towards in-house developed designs. Please see “Business — Our Products — Others” for details.

On a downstream application basis, the increase in revenue in 2025 was primarily due to (i) an increase in revenue from sales to the industrial applications sector by 145.4% from RMB97.1 million in 2024 to RMB238.2 million in 2025, primarily attributable to the sales of SGT MOSFET products for industrial applications; and (ii) an increase in revenue from sales to the consumer electronics sector by 20.6% from RMB407.6 million in 2024 to RMB491.5 million in 2025, primarily due to an increase in the sales of WLCSP MOSFET products for consumer electronics sector; offset by (i) a decrease revenue from sales to the automotive electronics sector by 26.7% from RMB67.0 million in 2024 to RMB49.1 million in 2025, primarily due to a combination of pricing adjustments we made in the context of the prevailing competitive landscape and automotive OEM’s phased changes in procurement demand driven by fluctuations in downstream end-market conditions; and (ii) a decrease in revenue from sales to other sectors by 32.8% from RMB52.6 million in 2024 to RMB35.4 million in 2025, primarily due to the decrease in sales of wafers.

Comparison between 2024 and 2023: Our revenue increased by 8.5% from RMB575.5 million in 2023 to RMB624.3 million in 2024, primarily driven by the continued growth in sales volume of WLCSP products and high-voltage power semiconductor devices.

- *Medium-and-low-voltage power semiconductor devices:* Our revenue from sales of medium-and-low-voltage power semiconductor devices increased by 4.8% from RMB536.1 million in 2023 to RMB561.6 million in 2024, primarily due to:
 - *WLCSP product:* Our revenue from WLCSP products, which primarily consisted of Trench MOSFETs, increased by 51.1% from RMB161.3 million in 2023 to RMB243.9 million in 2024, primarily due to a 65.5% increase in WLCSP product sales volume from 255.9 million units in 2023 to 423.3 million units in 2024, driven by continued growth in demand for our WLCSP products from customers in consumer electronics, particularly for use within the battery management systems in end products such as smartphones, tablets and other portable electronics. The increase in revenue was primarily attributable to our enhanced market competitiveness, driven by continuous improvements in product performance, reliability and parameter consistency,

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as well as strengthened technical support and customer service capabilities. Our WLCSP products, which feature key performance characteristics such as low on-resistance and integrated ESD protection, are designed to meet the stringent demands for efficiency, reliability, and miniaturization in devices. In addition, our continued product iteration and technology upgrades in line with customer requirements further strengthened customer relationships and facilitated broader customer adoption of our products. Leveraging our cooperation with key end customers in the smartphone industry, which created positive demonstration and validation effects, we further increased our market share in the relevant market.

- *Non-WLCSP products:* Our revenue from non-WLCSP products decreased by 15.2% from RMB374.7 million in 2023 to RMB317.7 million in 2024, primarily due to a decrease in revenue from SGT MOSFET products, as (i) there was a reduce in demand from the consumer electronics market, for certain traditionally packaged SGT MOSFET product models, particularly those applied in chargers below 30W. The decrease in demand was primarily driven by technological advancements in the charger market, where integrated packaging solutions combining power semiconductor dies with protocol ICs gradually became the mainstream technology route, reducing customers’ demand for our packaged products. On the flip side, for the same reason, customers increasingly procured our power semiconductor wafers for integration with self-developed protocol ICs in their production of chargers. As such, while the technological advancement resulted in a decrease in demand for our SGT MOSFET products, it contributed to the increased demand for our wafer products and accordingly growth in our other revenue. (ii) we adopted the strategy of offering competitive pricing to secure design wins with key industrial anchor customers with a view to leveraging their market presence to generate broader customer acquisition opportunities over the longer term. Such decrease was offset by an increase in revenue from Trench MOSFET, primarily due to the commencement of mass production for leading automotive customers.
- *High-voltage power semiconductor devices:* Our revenue from sales of high-voltage power semiconductor devices increased by 48.2% from RMB6.8 million in 2023 to RMB10.1 million in 2024, primarily due to (i) successful mass production of new SJ MOSFET products designed for leading industrial application customers in the industrial power supply and energy storage sectors and (ii) we experienced an inventory destocking phase to accelerate the clearance of the inventory of certain high-voltage products, including SJ MOSFET and IGBT products. See “Gross Profit and Gross Profit Margin — Gross Profit and Gross Profit Margin by Products.”
- *Others.* Our other revenue increased by 61.5% from RMB32.6 million in 2023 to RMB52.6 million in 2024, primarily due to increased sales of wafers as a result of increasing demand for power semiconductor wafers for module integration applications. Please see “Business — Our Products — Others” for details.

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On a downstream application basis, the increase in revenue in 2024 was primarily attributable to:

- (i) an increase in revenue generated from the industrial applications sector by 39.9% from RMB69.4 million in 2023 to RMB97.1 million in 2024, primarily driven by the ramp-up of mass production for certain relatively higher-priced products, mainly SGT MOSFET products applied in industrial UAVs and battery management system (“BMS”) for energy storage systems. Specifically,
 - the sales growth from SGT MOSFET products applied in industrial and agricultural UAV applications was primarily attributable to the deepening of our cooperation with a leading UAV brand, which expanded the adoption of our traditionally packaged SGT MOSFET products from consumer-grade UAVs in the previous years to industrial and agricultural UAVs. During the previous years, we primarily supplied lower-voltage 30V SGT MOSFET products for such customer’s consumer-grade UAV applications. Recognizing the high parameter consistency, stable quality and reliable performance of our products, together with our responsive customer support capabilities, the customer continued to complete product validation for industrial UAV applications with us, following which the customer commenced procurement of our higher unit-priced 80-100V products for industrial-grade and agricultural UAV applications in 2024, driving the revenue in the industrial applications sector.
 - the sales growth from SGT MOSFET products applied in BMS applications for energy storage systems was primarily attributable to the commencement of large-scale mass production of medium- and low-voltage SGT MOSFET products for a leading new energy technology company in 2024, for which design-in had been completed in previous years. Demand for such products was primarily driven by the growing downstream demand for energy storage products in overseas markets, particularly in Europe, Western Asia and Africa.
- (ii) an increase in revenue from sales to the automotive electronics sector by 20.6% from RMB55.6 million in 2023 to RMB67.0 million in 2024, primarily due to the commencement of mass production of products following the completion of customer design-in processes; and
- (iii) an increase in revenue from sales to the other sectors by 61.5% from RMB32.6 million in 2023 to RMB52.6 million in 2024, primarily due to increased sales of wafers.

Such increase was partially offset by a decrease in revenue from sales to consumer electronics sector by 2.5% from RMB417.9 million in 2023 to RMB407.6 million in 2024, which was primarily due to a decrease in sales of traditionally packaged SGT MOSFET product models to be applied in chargers, attributable to technological advancements in the charger market, which reduced requirements for our packaged products. See “— Non-WLCSP products” above. Such decrease was offset by an increase in revenue from Trench MOSFETs applied in the battery management systems in end products such as smartphones, tablets and other portable electronics. See “— WLCSP product” above.

Especially, our revenue growth from 2023 to 2025 exceeded the overall growth rates of China’s medium- and low-voltage power semiconductor device industry and China’s WLCSP MOSFET industry during the same period. This outperformance was driven by (i) our capacity expansion. With our Zhuhai factory entering mass production by the end of 2024, we

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effectively removed prior production bottlenecks and gained the ability to fulfill a larger demand of WLCSP products. As a result, our WLCSP product sales volume increased by 65.5% in 2024 compared to 2023, continued to increase by 42.9% in 2025 compared to 2024; (ii) our targeting faster-growing application segments. For example, in the consumer electronics segment, our WLCSP products, which feature low on-resistance and integrated ESD protection, are well aligned with the miniaturization and high-performance requirements of battery management systems in smart devices, allowing us to capture opportunities in higher-growth sub-segments within the broad WLCSP market. Furthermore, we expanded into emerging application scenarios such as industrial drones with our non-WLCSP products, achieving incremental growth through product substitution and new scenario penetration; and (iii) enhanced customer penetration backed by our technological competitiveness and key account strategy. Through continuous product iteration and performance enhancement, we were capable of meeting the stringent technical requirements of leading customers and reinforced our role as a core supplier. At the same time, by deepening cooperation with major customers, we not only secured increased order volumes but also captured a greater proportion of their total orders, further accelerating revenue growth beyond overall industry levels. In the five months ended May 31, 2026, our revenue increased by 1.8% as compared to the same period in 2025, while sales volume of our WLCSP products decreased by 30.2%, primarily due to weaker consumer electronics demand and adjustments in customer inventory levels and procurement schedules.

Cost of Sales

Our cost of sales primarily includes (i) material costs, (ii) processing costs, (iii) labor costs, (iv) others, and (v) write-down of inventories. The following table sets forth a breakdown of our cost of sales by nature, in absolute and as a percentage of our total cost of sales, for the year indicated:

	Year ended December 31,						Five months ended May 31,					
	2023		2024		2025		2025		2026			
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)		
Cost of sales												
Material costs	318,158	65.3	335,092	65.1	447,644	72.0	194,963	72.4	200,553	69.2		
Processing costs ⁽¹⁾	128,997	26.4	142,444	27.6	140,087	22.5	59,147	22.0	67,832	23.4		
Labor costs	–	–	86	–	5,152	0.8	1,542	0.6	3,552	1.2		
Others ⁽²⁾	9,940	2.0	15,541	3.0	27,817	4.5	11,431	4.2	15,225	5.2		
Subtotal	457,095	93.7	493,163	95.7	620,700	99.8	267,083	99.2	287,162	99.0		
Write-down of inventories	30,980	6.3	22,207	4.3	1,274	0.2	2,227	0.8	2,874	1.0		
Total	488,075	100.0	515,370	100.0	621,974	100.0	269,310	100.0	290,036	100.0		

Note:

- (1) Processing costs primarily comprised costs incurred for outsourced manufacturing processes, including wafer fabrication and packaging and testing.
- (2) Others primarily included depreciation and amortization, logistics costs and other manufacturing overhead allocations.

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For 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, our cost of sales amounted to RMB488.1 million, RMB515.4 million, RMB622.0 million, RMB269.3 million and RMB290.0 million, respectively. Material costs are the largest component of our cost of sales, accounting for 65.3%, 65.1%, 72.0%, 72.4% and 69.2% of our cost of sales for the same periods.

During the Track Record Period, our cost of sales increased (i) by 20.7% from RMB515.4 million in 2024 to RMB622.0 million in 2025, (ii) by 5.6% from RMB488.1 million in 2023 to RMB515.4 million in 2024 which is in line with the revenue growth trend, and (iii) by 7.7% from RMB269.3 million in the five months ended May 31, 2025 to RMB290.0 million in the five months ended May 31, 2026.

During the Track Record Period, we recorded write-down of inventories primarily based on their net realizable value in accordance with the relevant accounting policies and estimates. Our write-down of inventories during the Track Record Period was made for inventories that were (i) slow-moving or obsolete. For example, we individually assessed and fully provided for certain high-voltage products which became less competitive in the market; (ii) impacted by changes in customer demand. For example, materials initially prepared for specific customer requirements were reassessed after customer demand changes, and those determined to have limited or no foreseeable market demand were provided for accordingly; (iii) subject to quality issues; or (iv) held for more than two years. We conducted a prudent assessment of recoverability of such inventory which aligns with market and product trends to ensure that inventory is stated at the lower of cost and net realizable value.

The decrease in our write-down of inventories from 2023 to 2025 was primarily attributable to our proactive inventory management, which aims to address historical slow-moving or long-aged inventory and improve the control of future inventory. For historical inventory, we have established a dedicated task force to develop and implement clearance plans, introduced sales incentives to accelerate turnover, and applied discounted sales for items that were obsolete, over-aged, or had quality defects. For future inventory, we have further strengthened our inventory management to reduce the risk of inventory destocking, by aligning inventory more closely with actual demand and addressing slow-moving inventory at an early stage. We adhere to an order-driven production model, under which most of our products are manufactured based on confirmed customer orders rather than anticipated demand, which reduces the risk of inventory build-up. We strengthen our demand forecasting through regular rolling assessments and closer coordination among our sales, production and procurement teams and with end customers, which enables us to detect changes in market demand earlier and adjust production accordingly. We enhance our product life cycle management and prepare exit plans in advance for products facing declining demand or technological replacement, so that we can phase out such products before significant inventory accumulates. We also monitor inventory turnover days and age structure and designate personnel to follow up on at-risk inventory, which allows us to take timely action, such as sales promotion or controlling production input, before any large-scale clearance becomes necessary. In addition, we enforce strict quality control processes to minimize the risk of defective inventory. We believe that our inventory management and prudent impairment provisions help maintain optimal inventory levels and age structure, preserve recoverable value and support stable and efficient operations. The increase in inventory write-down in the five months ended May 31, 2026 was primarily due to the increase in inventory.

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.

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Gross Profit and Gross Profit Margin by Products

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,						Five months ended May 31,			
	2023		2024		2025		2025		2026	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
<i>(unaudited)</i>										
Sales of products										
Medium-and-low-voltage power semiconductor devices	113,011	21.1	122,460	21.8	188,840	24.7	76,518	23.8	63,943	18.7
WLCSP products	32,855	20.4	45,243	18.6	101,660	31.7	46,263	28.8	23,097	23.9
Non-WLCSP products	80,156	21.4	77,217	24.3	87,180	19.6	30,255	18.8	40,846	16.6
High-voltage power semiconductor devices	538	7.9	(2,354)	(23.4)	(5,586)	(42.6)	(1,890)	(28.6)	633	14.8
Others ⁽¹⁾	4,833	14.8	10,990	20.9	10,181	28.8	5,476	29.4	1,529	24.7
Subtotal	118,382	20.6	131,096	21.0	193,435	23.8	80,104	23.1	66,105	18.7
Write-down of inventories	30,980		22,207		1,274		2,227		2,874	
Total	<u>87,402</u>	<u>15.2</u>	<u>108,889</u>	<u>17.4</u>	<u>192,161</u>	<u>23.6</u>	<u>77,877</u>	<u>22.4</u>	<u>63,231</u>	<u>17.9</u>

Note:

(1) Others primarily included sales of wafers and provision of processing services and reliability testing services.

As a result of the foregoing, our gross profit increased by 24.6% from RMB87.4 million in 2023 to RMB108.9 million in 2024. Our gross profit increased by 76.5% from RMB108.9 million in 2024 to RMB192.2 million in 2025. Our gross profit decreased by 18.8% from RMB77.9 million in the five months ended May 31, 2025 to RMB63.2 million in the five months ended May 31, 2026. Our gross profit margin before write-down of inventories increased from 20.6% in 2023 to 21.0% in 2024, to 23.8% in 2025, while decreased from 23.1% in the five months ended May 31, 2025 to 18.7% in the five months ended May 31, 2026. Please see below detailed reasons for the changes of gross profit margins:

Comparison between the five months ended May 31, 2025 and the five months ended May 31, 2026: Our gross profit margin decreased from 22.4% in the five months ended May 31, 2025 to 17.9% in the five months ended May 31, 2026, primarily due to the decrease in the gross profit margin of our WLCSP products and other products, together with a higher proportion of revenue contributed by non-WLCSP products, which carry a lower gross profit margin than our WLCSP products, partially offset by an improvement in the gross profit margin of our high-voltage power semiconductor devices.

- *Medium-and-low-voltage power semiconductor devices:* Our gross profit margin of sales of medium-and-low-voltage power semiconductor devices decreased from 23.8% in the five months ended May 31, 2025 to 18.7% in the same period in 2026.
- *WLCSP product:* Our gross profit margin of WLCSP products decreased from 28.8% in the five months ended May 31, 2025 to 23.9% in the same period in 2026, primarily due to a decline in average selling price, which was as a result of the combined effect of fluctuations in end-market demand, adjustments in

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customer inventory levels and procurement schedules, and intensified industry price competition, as well as the impact of weaker consumer electronics demand and slower-than-expected market recovery. The decrease in sales volume also contributed to lower revenue, further amplifying the decline in gross profit.

- *Non-WLCSP products:* Our gross profit margin of non-WLCSP products decreased from 18.8% in the five months ended May 31, 2025 to 16.6% in the same period in 2026, primarily due to the decline in the gross profit margin of our Trench MOSFET products, as the proportion of revenue from our lower-margin consumer-grade products increased and the costs on the wafer raw materials increased, partially offset by an improvement in the gross profit margin of our SGT MOSFET products, which was driven by an increase in sales volume and higher average selling prices for energy storage applications.
- *High-voltage power semiconductor devices:* Our gross profit margin of sales of high-voltage power semiconductor devices improved from a negative margin of 28.6% in the five months ended May 31, 2025 to a positive margin of 14.8% in the same period in 2026, primarily due to the normalization of sales following the inventory destocking phase in 2025, resulting in a lower proportion of loss-making discounted sales.
- *Others.* Our gross profit margin of other products decreased from 29.4% in the five months ended May 31, 2025 to 24.7% in the same period in 2026, primarily due to the decrease in revenue from certain higher-margin wafer products, as certain key customers were temporarily undergoing their own product transitions phase and certain customers increased their in-house wafer production.

Comparison between 2024 and 2025: Our gross profit margin increased from 17.4% in 2024 to 23.6% in 2025, primarily due to the increase in gross profit margin for our WLCSP products, partially offset by the decline in gross profit margin of our non-WLCSP products as well as the negative gross margin contribution from high-voltage power semiconductor devices.

- *Medium-and-low-voltage power semiconductor devices:* Our gross profit margin of sales of medium-and-low-voltage power semiconductor devices increased from 21.8% in 2024 to 24.7% in 2025.
- *WLCSP product:* Our gross profit margin of WLCSP products increased from 18.6% in 2024 to 31.7% in 2025, primarily as a result of the decrease in raw material costs, which was primarily attributable to (i) the ramp-up of our Zhuhai factory, which enabled us to shift a greater portion of production in-house. Increased internal production reduced our reliance on external contractors and lowered outsourcing fees. As production capacity expanded, we benefited from economies of scale, with fixed costs such as depreciation and administrative expenses spread across a larger production volume, thereby reducing per-unit cost of our WLCSP products by approximately 25.6% from 2024 to 2025. The increased capacity also enhanced our cost competitiveness and pricing flexibility, while enabling more reliable supply for large customer orders, faster response times, and shorter lead times compared with outsourced production, which in turn supported higher transaction volumes and strengthened customer relationships; and (ii) cost optimization measures realized by technical upgrades and more favorable terms from suppliers. In addition, as our sales increase and our market position strengthens, we are able to leverage enhanced bargaining power with suppliers, further driving down raw material costs.

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- *Non-WLCSP products*: Our gross profit margin of non-WLCSP products decreased from 24.3% in 2024 to 19.6% in 2025, primarily due to our pricing strategy to offer more competitive prices to secure orders and projects from certain leading customers.
- *High-voltage power semiconductor devices*: Our gross profit margin of sales of high-voltage power semiconductor devices decreased from a negative margin of 23.4% in 2024 to a negative margin of 42.6% in 2025, primarily because we experienced an inventory destocking phase to accelerate the clearance of certain high-voltage product inventories. Certain downstream application segments, such as new energy vehicles and industrial control, experienced a relatively sharp demand correction in 2024. This led to industry-wide excess capacity, intensified price competition and a rapid decline in market prices. Against this backdrop, and in conjunction with evolving customer requirements, certain of our legacy high-voltage product specifications primarily of SJ MOSFET and IGBT products, experienced reduced competitiveness, resulting in slower sales and inventory turnover under prevailing market pricing conditions. Given the inherent risks of technological iteration, inventory obsolescence and price erosion associated with power semiconductor products, we adopted a prudent and proactive approach to inventory management by accelerating the disposal of such inventories at adjusted prices, with a view to enhancing inventory turnover, improving cash flow and optimizing our product mix. Sales of such products amounted to RMB5.7 million in 2025, and, as of December 31, 2025, inventories with a carrying amount of RMB0.5 million remained subject to ongoing destocking.

To improve the performance of our high-voltage power semiconductor devices, we have adopted initiatives designed to enhance cost efficiency and product innovation to strengthen our competitive position and support sustainable business growth. Specifically, (i) we continue to optimize the supply chain for high-voltage power devices, particularly for core products such as SJ MOSFET and IGBT. Our strategy includes deepening collaborations with leading domestic wafer manufacturers to secure a stable supply while capitalizing on the cost advantages and improved delivery efficiency of domestic wafer production, which are expected to help us further reduce unit costs. Further, we continuously invest in ongoing technology upgrades to enhance power density and overall performance, positioning our products to better meet market demands and increase competitiveness; (ii) we accelerate the development of modular solutions with the aim to enhance product integration, increase value and shift our product mix toward higher-margin solutions, supporting long-term revenue growth and strengthening our market position; and (iii) we strengthen team stability and internal management to enhance market responsiveness and execution efficiency.

Based on the cyclical and product-specific nature of the factors underlying the decrease in gross profit margin, which have moderated, as well as the effectiveness of the measures we have implemented to address such factors as described above, our Directors are of the view that the adverse impact on the gross profit margin of our high-voltage products is transitional in nature and not indicative of a recurring trend. Through this experience, we have further strengthened our awareness of evolving market trends and enhanced our ability to respond to changes in customer demand and industry developments in a timely manner. Accordingly, our Directors believe that such adverse impact is not expected to persist to a material extent going forward.

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- *Others.* Our gross profit margin of other products increased from 20.9% in 2024 to 28.8% in 2025, primarily due to the increase in gross margin of wafer sales as we undertook measures to reduce wafer costs.

Comparison between 2024 and 2023: Our gross profit margin increased from 15.2% in 2023 to 17.4% in 2024, primarily due to relatively lower inventory write-down in 2024.

- *Medium-and-low-voltage power semiconductor devices:* Our gross profit margin of sales of medium-and-low-voltage power semiconductor devices remained relatively stable at 21.1% in 2023 and 21.8% in 2024.
 - *WLCSP product:* Our gross profit margin of WLCSP products decreased from 20.4% in 2023 to 18.6% in 2024, primarily as a result of our pricing strategy to offer more competitive prices to maintain our market share amid intense market competition.
 - *Non-WLCSP products:* Our gross profit margin of non-WLCSP products increased from 21.4% in 2023 to 24.3% in 2024, primarily due to the improvement in gross margin of MOSFET products attributable to our enlarged market share at automobile electronics. In addition, our sales model with respect to certain end customer changed from distributorship to direct sales model, which also contributed to the increase in the gross profit margin.
- *High-voltage power semiconductor devices:* Our gross profit margin of sales of high-voltage power semiconductor devices decreased from 7.9% in 2023 to a negative of 23.4% in 2024, primarily because (i) we adopted a proactive low-pricing strategy to clear slow-moving inventory, particularly certain SJ MOSFET and IGBT devices, which became less competitive in the market. This decision was made to expedite inventory turnover, despite the resulting margin impact; and (ii) we faced an unexpected decline in market demand for the intended end applications of our high-voltage power semiconductor products, such as new energy vehicles and industrial control, after an inventory buildup during the industry upcycle from 2022 to 2023. To mitigate excess inventory and improve cash flow, we executed a inventory clearance strategy, selling at prices below cost to accelerate inventory turnover. See above “ — Comparison between 2024 and 2025 — High-voltage power semiconductor devices.” As the aforementioned adverse factors were primarily industry-wide and only emerged subsequent to 2023, our high-voltage power semiconductor products recorded a gross profit in 2023.
- *Others.* Our gross profit margin of other products increased from 14.8% in 2023 to 20.9% in 2024, primarily due to the increase in gross margin of wafer sales driven by increased sales of wafers as a result of increasing demand for power semiconductor wafers for module integration applications. Please see “Business — Our Products — Others” for details.

Other Income and Gains

Our other income and gains primarily consist of (i) bank interest income, (ii) investment income from financial assets at fair value through profit or loss, (iii) value-added tax additional deduction, (iv) government grants, (v) net foreign exchange gains, (vi) sales of scraped materials, and (vii) others. For 2023, 2024 and 2025 and the five months ended May 31, 2025 and 2026, other income and gains amounted to RMB6.8 million, RMB9.6 million, RMB5.6 million, RMB1.4 million and RMB5.7 million, representing 1.2%, 1.5%, 0.7%, 0.4% and 1.6%, respectively, of our total revenue.

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The following table sets forth a breakdown of our other income, both in absolute amounts and as percentages of our total other income and gains for the periods indicated:

	Year ended December 31,						Five months ended May 31,					
	2023		2024		2025		2025		2026			
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	(unaudited)	
Other income												
Bank interest income	2,740	40.2	2,622	27.4	1,326	23.7	771	54.8	211	3.7		
Investment income from financial assets												
at fair value through profit or loss ⁽¹⁾	1,427	21.0	348	3.6	–	–	–	–	–	–		
Value-added tax additional deduction	258	3.8	3,657	38.0	–	–	–	–	–	–		
Government grants	2,326	34.2	2,851	29.6	1,142	20.4	262	18.6	1,358	23.9		
Gains												
Foreign exchange gains, net	–	–	128	1.3	–	–	–	–	–	–		
Sales of scraped materials	–	–	–	–	3,004	53.7	289	20.5	3,990	70.3		
Others	55	0.8	14	0.1	123	2.2	85	6.0	118	2.1		
Total	6,806	100.0	9,620	100.0	5,595	100.0	1,407	100.0	5,677	100.0		

Note:

- (1) We invest idle funds in low-risk and principal-protected wealth management products, primarily structured deposits issued by reputable banks, to enhance the efficiency of cash utilization and increase investment returns without affecting our working capital requirements and business operations. In order to monitor and control the investment risks associated with our portfolio of low-risk wealth management products, we have adopted a comprehensive set of internal policies and guidelines to manage our investments. The maximum investment amount and types of permitted financial products are approved at shareholders' meetings, with investments limited to financial products characterized by relatively high capital security and liquidity, such as structured bank deposits issued by large, reputable commercial banks and other established financial institutions. Our Finance Department is responsible for identifying, analyzing and evaluating potential investments in such financial products. Our Finance Department, has extensive experience in overseeing the financial operations of the Group. Before making any material investment in wealth management products, the Finance Department's proposal must be reviewed and approved by the Chairman of the Board, who is authorized by the shareholders' meeting to exercise decision-making authority over investment activities.

Comparison between the five months ended May 31, 2025 and the five months ended May 31, 2026: Our other income and gains increased by 303.5% from RMB1.4 million in the five months ended May 31, 2025 to RMB5.7 million in the five months ended May 31, 2026, primarily due to the significant increase in sales of scraped materials from RMB0.3 million to RMB4.0 million as our Zhuhai factory further expanded its production scale, and an increase in government grants from RMB0.3 million to RMB1.4 million.

Comparison between 2024 and 2025: Our other income and gains decreased by 41.8% from RMB9.6 million in 2024 to RMB5.6 million in 2025, primarily due to the decrease in value-added tax additional deduction as a result of change in policies, whereby we ceased to qualify for certain VAT additional deduction benefit starting June 2024, partially offset by the increase in sales of scraped materials as a result of the expansion of production scale in Zhuhai, which led to an increase in scrap materials.

Comparison between 2024 and 2023: Our other income and gains increased by 41.3% from RMB6.8 million in 2023 to RMB9.6 million in 2024, primarily due to the increase in VAT additional deduction recognized under the preferential tax policy for advanced manufacturing enterprises taking effective in January 2023. A large amount of our VAT additional deduction was applied for by us in late 2023 and approved by the relevant authority in early 2024, and the amount was therefore recognized in 2024.

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Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee compensation, which primarily include salaries, bonus and welfare paid to our sales and marketing staff, (ii) business entertainment fees, (iii) share-based payments, (iv) promotion and advertising expenses, (v) traveling expenses, (vi) depreciation and amortization and (vii) others. For 2023, 2024, and 2025 and the five months ended May 31, 2025 and 2026, our selling and distribution expenses amounted to RMB21.3 million, RMB24.0 million, RMB33.9 million, RMB13.6 million and RMB14.9 million, representing 3.7%, 3.8%, 4.2%, 3.9% and 4.2% 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,						Five months ended May 31,					
	2023		2024		2025		2025		2026			
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)		
Selling and distribution Expenses												
Employee compensation	15,703	73.7	18,001	74.9	24,691	72.8	10,350	75.9	10,760	72.0		
Business entertainment fees ⁽¹⁾	1,879	8.8	2,433	10.1	3,539	10.4	1,367	10.0	1,651	11.1		
Share-based payments	295	1.4	497	2.1	2,583	7.6	736	5.4	1,319	8.8		
Promotion and advertising expenses	943	4.4	666	2.8	612	1.8	256	1.9	161	1.1		
Travelling expenses	788	3.7	1,048	4.4	1,151	3.4	380	2.8	421	2.8		
Depreciation and amortization	1,085	5.1	675	2.8	705	2.1	288	2.1	356	2.4		
Others ⁽²⁾	628	2.9	687	2.9	653	1.9	253	1.9	273	1.8		
Total	21,321	100.0	24,007	100.0	33,934	100.0	13,630	100.0	14,941	100.0		

Notes:

- (1) Business entertainment fees primarily included expenses directly related to sales activities incurred by the sales department in connection with business negotiations and external communications. Such fees are in line with industry norm.
- (2) Others primarily included office expenses.

Comparison between the five months ended May 31, 2025 and the five months ended May 31, 2026: Our selling and distribution expenses increased by 9.6% from RMB13.6 million in the five months ended May 31, 2025 to RMB14.9 million in the same period in 2026, primarily due to (i) an increase in share-based payments in connection with the equity incentives granted to certain sales personnel, (ii) the continuous expansion of our marketing and sales team and the corresponding increase in employee compensation, as well as increased business entertainment activities to support our sales growth.

Comparison between 2024 and 2025: Our selling and distribution expenses increased by 41.4% from RMB24.0 million in 2024 to RMB33.9 million in 2025, primarily due to (i) the increase in employee compensation as a result of the increase in the number of sales personnel and average compensation and increase in bonus payment in line with our increased sales in 2025 as compared to 2024, (ii) the increase in business entertainment fees, as a result of increased sales activities in line with the sales growth, and (iii) the increase in share-based payments primarily due to the implementation of incentive scheme for selected sales personnel.

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Comparison between 2024 and 2023: Our selling and distribution expenses increased by 12.6% from RMB21.3 million in 2023 to RMB24.0 million in 2024, primarily due to (i) the increase in employee compensation as a result of the expansion of the sales team in 2024, particularly in our Shanghai and Shenzhen offices and increase in bonus payment in line with our increased sales; and (ii) the increase in business entertainment fees and travelling expenses as a result of increased sales activities in line with the sales growth.

Administrative Expenses

Our administrative expenses mainly consist of (i) employee compensation, which primarily include the salaries, bonus and welfare paid to our administrative staff, (ii) professional service fees, (iii) share-based payments, (iv) traveling expenses, (v) business entertainment fees, (vi) office expenses, (vii) depreciation and amortization, (viii) tax and surcharges and (ix) others. For 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, our administrative expenses amounted to RMB21.7 million, RMB29.0 million, RMB50.4 million, RMB14.1 million and RMB29.7 million, representing 3.8%, 4.6%, 6.2%, 4.1% and 8.4%, 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,						Five months ended May 31,					
	2023		2024		2025		2025		2026			
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)		
Administrative Expenses												
Employee compensation	15,140	69.9	17,243	59.6	19,272	38.3	7,781	55.1	12,053	40.6		
Professional service fees	2,972	13.7	2,301	7.9	14,445	28.7	647	4.6	8,230	27.8		
Share-based payments	(2,856)	(13.2)	(465)	(1.6)	2,585	5.1	736	5.2	2,427	8.2		
Travelling expenses	628	2.9	700	2.4	734	1.5	239	1.7	362	1.2		
Business entertainment fees ⁽¹⁾	1,144	5.3	1,702	5.9	4,350	8.6	863	6.1	2,474	8.3		
Office expenses	1,757	8.1	1,502	5.2	1,689	3.4	531	3.8	1,079	3.6		
Depreciation and amortization	1,442	6.6	2,145	7.4	2,852	5.7	1,013	7.2	1,134	3.8		
Tax and surcharges	444	2.0	3,012	10.4	3,497	6.9	1,838	13.0	1,229	4.1		
Others ⁽²⁾	1,019	4.7	818	2.8	929	1.8	470	3.3	666	2.4		
Total	21,690	100.0	28,958	100.0	50,353	100.0	14,118	100.0	29,654	100.0		

Notes:

- (1) Business entertainment fees primarily included expenses directly related to management and administrative activities incurred by administrative departments in the ordinary course of operations, such as guest reception and meetings with external parties. Such fees are in line with industry norm.
- (2) Others primarily included rent and utilities and bank charges.

Comparison between the five months ended May 31, 2025 and the five months ended May 31, 2026: Our administrative expenses increased by 110.0% from RMB14.1 million in the five months ended May 31, 2025 to RMB29.7 million in the five months ended May 31, 2026, primarily due to (i) an increase in third-party professional service fees and legal expenses incurred in preparation for the [REDACTED], (ii) an increase in administrative employee compensation and office utilities to support our upgraded multi-site corporate operations, (iii) an increase in share-based payments in connection with our employee equity incentive plan, and (iv) an increase in business entertainment fees in line with our increased administrative activities.

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Comparison between 2024 and 2025: Our administrative expenses increased by 73.9% from RMB29.0 million in 2024 to RMB50.4 million in 2025, primarily due to (i) the increase in professional services fees associated with the [REDACTED] in 2025; (ii) increase in share based payments in relation to our employee equity incentive plan; (iii) increase in business entertainment fees in line with our increased administrative activities; (iv) increase in employee compensation attributable to the increased administrative personnel; and (v) increase in tax and surcharges in line with our increased sales.

Comparison between 2024 and 2023: Our administrative expenses increased by 33.5% from RMB21.7 million in 2023 to RMB29.0 million in 2024, primarily due to (i) the increase in employee compensation attributable to the expansion of administrative personnel in 2024 in our Zhuhai, Shanghai and Hong Kong offices, (ii) the increase in depreciation and amortization related to our administrative-use assets such as office buildings and non-production equipment in 2024, and (iii) the increase in taxes and surcharges, mainly due to higher surcharges on value-added tax in 2024 as compared to 2023.

Research and Development Expenses

Our research and development expenses consist of (i) employee compensation, which primarily include the salaries, bonus and welfare paid to our R&D staff, (ii) materials and consumables expenses, which primarily include cost of R&D materials and consumables expenses, (iii) share-based payments, (iv) testing and verification expenses related to our R&D activities, (v) depreciation and amortization related to our R&D infrastructure, (vi) others. For 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, our research and development expenses amounted to RMB37.9 million, RMB47.2 million, RMB59.7 million, RMB20.3 million and RMB28.8 million, representing 6.6%, 7.6%, 7.3%, 5.9% and 8.2%, respectively, of our total revenue.

The following table sets out 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,						Five months ended May 31,			
	2023		2024		2025		2025		2026	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Research and Development Expenses										
Employee compensation	16,584	43.8	19,011	40.3	29,906	50.1	11,363	55.9	16,129	56.0
Materials and consumables expenses . .	12,258	32.3	14,972	31.7	16,237	27.2	4,191	20.6	6,567	22.8
Share-based payments	165	0.4	265	0.6	187	0.3	34	0.2	219	0.8
Testing and verification fees.	2,919	7.7	3,879	8.2	2,936	4.9	1,016	5.0	1,118	3.9
Depreciation and amortization	4,080	10.8	6,421	13.6	7,321	12.3	2,509	12.3	2,930	10.2
Others ⁽¹⁾	1,897	5.0	2,625	5.6	3,072	5.2	1,221	6.0	1,845	6.3
Total	37,903	100.0	47,173	100.0	59,659	100.0	20,334	100.0	28,808	100.0

Note:

(1) Others primarily included expenses related to travel, business entertainment and consulting fees.

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Comparison between the five months ended May 31, 2025 and the five months ended May 31, 2026: Our research and development expenses increased by 41.7% from RMB20.3 million in the five months ended May 31, 2025 to RMB28.8 million in the five months ended May 31, 2026, primarily due to the continuous expansion of our R&D personnel and the corresponding increase in employee compensation, as well as an increase in materials, consumables, and testing expenses consumed in our ongoing R&D projects.

Comparison between 2024 and 2025: Our research and development expenses increased by 26.5% from RMB47.2 million in 2024 to RMB59.7 million in 2025, primarily due to the increase in employee compensation as a result of the increased number of R&D personnel in 2025 as compared to 2024, as well as an increase in materials and consumables expenses, as a result of our R&D activities.

Comparison between 2024 and 2023: Our research and development expenses increased by 24.5% from RMB37.9 million in 2023 to RMB47.2 million in 2024, primarily due to (i) the increases in employee compensation driven by the continued expansion of our R&D team in 2024 to support increased R&D activities, (ii) increases in materials and consumables expenses due to increased R&D activities, (iii) the increase in testing and verification expenses due to our strategic focus on development of automotive-grade products and advanced applications, which required higher qualification and longer testing cycles, and (iv) the increase in depreciation and amortization due to increase in R&D infrastructure.

Finance Costs

Our finance costs mainly consist of (i) interest-bearing bank and other borrowings, (ii) interest expenses on lease liabilities, (iii) finance cost on letter of credit, and (iv) other finance cost. The table below sets forth details of our finance costs, both in absolute amounts and as percentages of our total finance costs, for the periods indicated:

	Year ended December 31,						Five months ended May 31,					
	2023		2024		2025		2025		2026			
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	(unaudited)	
Finance Costs												
Interest-bearing bank and other borrowings	1,409	64.8	2,656	89.6	2,679	94.9	1,526	94.4	1,628	95.8		
Interest expenses on lease liabilities . . .	62	2.9	101	3.4	84	3.0	35	2.2	72	4.2		
Finance cost on letter of credit	836	38.5	208	7.0	56	2.0	56	3.5	–	–		
Other finance cost	–	–	–	–	3	0.1	–	–	–	–		
Less: Interest capitalised	(134)	(6.2)	–	–	–	–	–	–	–	–		
Total	2,173	100.0	2,965	100.0	2,822	100.0	1,617	100.0	1,700	100.0		

Comparison between the five months ended May 31, 2025 and the five months ended May 31, 2026: Our finance costs remained relatively stable at RMB1.6 million in the five months ended May 31, 2025 and RMB1.7 million in the five months ended May 31, 2026.

Comparison between 2024 and 2025: Our finance costs remained relatively stable at RMB3.0 million in 2024 and RMB2.8 million in 2025.

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Comparison between 2024 and 2023: Our finance costs increased by 36.4% from RMB2.2 million in 2023 to RMB3.0 million in 2024, primarily due to the increase in interest-bearing bank and other borrowings as we progressively drew down loans to finance our infrastructure construction and equipment purchases for our Zhuhai factory.

Income Tax Expense/(Credit)

Our income tax expense/(credit) primarily consists of income tax payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction in which we operate or are domiciled. The table below sets forth a breakdown of our income tax expense/(credit) for the periods indicated:

	Year ended December 31,						Five months ended May 31,					
	2023		2024		2025		2025		2026			
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	(unaudited)	
Income Tax												
Current tax expense	186	3.6	-	-	-	-	-	-	-	-		
Deferred tax (credit)/charge expense . .	(5,374)	(103.6)	(6,620)	(100.0)	1,075	100.0	2,063	100.0	(7,196)	(100.0)		
Total tax (credit)/charge for the year .	(5,188)	(100.0)	(6,620)	(100.0)	1,075	100.0	2,063	100.0	(7,196)	(100.0)		

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate. We and some of our subsidiaries may also be subject to preferential tax treatments. See Note 11 to the Accountants’ Report in Appendix I to this document for more details. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with the relevant tax authorities.

During the Track Record Period, our current tax expense was immaterial, primarily because of tax deductions we enjoyed, despite profit before tax since 2023.

During the Track Record Period, our total tax credit or charge was mainly resulted from deferred tax credit or charge, which was in turn primarily affected by fluctuations in impairment of inventories and losses available for offsetting against future taxable profits. Please see Note 28 to the Accountants’ Report in Appendix I to this document.

Profit/(Loss) for the Year/Period

As a result of the foregoing, we recorded profit of RMB14.0 million, RMB19.4 million, RMB50.5 million, RMB26.5 million and loss of RMB0.5 million in 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, respectively. We recorded net loss in the five months ended May 31, 2026, primarily due to the decrease in gross profit, and the significant increase in operating expenses.

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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, investing activities and financing activities. As of May 31, 2026, we had RMB117.8 million of available cash and cash equivalents. Our available cash and cash equivalents comprise cash and bank balance. Please see Note 22 to the Accountants’ Report in Appendix I to this document for more details.

Going forward, we believe that our liquidity requirements will be satisfied with a combination of our internal resources, cash flows generated from our operating activities and net [REDACTED] from the [REDACTED].

For discussions of our working capitals, please see “— Selected Balance Sheet Items”.

Working Capital Sufficiency

Taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including cash and cash equivalents and cash flows from operating activities, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months following the date of this document.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities . . .	31,165	58,154	89,062	(21,647)	(54,127)
Net cash used in investing activities . . .	(50,323)	(150,579)	(97,186)	(40,807)	(64,407)
Net cash generated from/(used in) financing activities . . .	29,975	52,639	23,700	(142)	49,022
Net increase/(decrease) in cash and cash equivalents	10,817	(39,786)	15,576	(62,596)	(69,512)
Cash and cash equivalents at the beginning of the year .	201,548	212,170	172,476	172,476	187,496
Effect of foreign exchange rate changes, net	(195)	92	(556)	(308)	(177)
Cash and cash equivalents at the end of the year	212,170	172,476	187,496	109,572	117,807

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Operating Activities

Our cash flows (used in)/from operating activities reflect: our profit/(loss) before taxation adjusted for (i) bank interest income, finance costs, investment income from financial assets at fair value through profit or loss, loss on disposal of items of property, plant and equipment, loss on disposal of items of right-of-use assets, depreciation of items of property and equipment, amortisation of intangible assets, depreciation of right-of-use assets, impairment/(reversal of impairment) of trade and bills receivables, impairment on other receivables, write-down of inventories to net realisable value and equity-settled share option expense, (ii) the effects of movement in working capital such as inventories, trade and bills receivables, financial assets at fair value through other comprehensive income, prepayments, deposits and other receivables, trade and bills payables, other payables and accruals, contract liabilities, and deferred income, and (iii) cash (used in)/generated from operations, interest received, and income tax paid. Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from customers and the timing of payment of trade payables to suppliers or other counterparties during the ordinary course of our business, which also primarily accounted for the difference in the net cash flows generated from operating activities among the periods during the Track Record Period.

Our net cash flow used in operating activities in the five months ended 31 May 2026 was RMB54.1 million, primarily attributable to loss before tax of RMB7.7 million, as adjusted for (i) non-cash and non-operating items such as depreciation of items of property, plant and equipment of RMB11.6 million, share-based payments of RMB4.0 million, and write-down of inventories to net realizable value of RMB2.9 million, (ii) the effects of movement in working capital such as increase in inventories of RMB21.2 million, decrease in trade payables of RMB19.4 million, increase in financial assets at fair value through other comprehensive income of RMB19.1 million, and increase in trade and bills receivables of RMB13.8 million, and (iii) interest received of RMB0.2 million. For detailed discussions on our recording net loss in the five months ended May 31, 2026, see “— Review of Historical Results of Operations.”

Our net cash flow generated from operating activities in 2025 was RMB89.1 million, primarily attributable to profit before tax of RMB51.6 million, as adjusted for (i) non-cash and non-operating items such as depreciation of items of property and equipment of RMB22.5 million, (ii) the effects of movement in working capital such as increase in trade payables of RMB37.7 million and decrease in trade and bills receivables of RMB18.0 million, and (iii) interest received of RMB1.3 million and income tax paid of RMB1.8 million.

Our net cash flow generated from operating activities in 2024 was RMB58.2 million, primarily attributable to profit before tax of RMB12.7 million, as adjusted for (i) non-cash and non-operating items such as write-down of inventories to net realisable value of RMB22.2 million and depreciation of items of property and equipment of RMB13.9 million, (ii) decrease in prepayments, deposits and other receivables of RMB20.7 million, (iii) the effects of movement in working capital such as the decrease in inventories of RMB16.9 million and (iv) interest received of RMB2.6 million and income tax paid of RMB1.7 million.

Our net cash flow generated from operating activities in 2023 was RMB31.2 million, primarily attributable to profit before tax of RMB8.8 million, as adjusted for (i) decrease in prepayments, deposits and other receivables of RMB36.2 million, (ii) non-cash and non-operating items such as write-down of inventories to net realizable value of RMB31.0 million and depreciation of items of property and equipment of RMB5.8 million, (iii) the effects of movement in working capital such as the decrease in inventories of RMB31.1 million and (iv) interest received of RMB2.7 million and income tax paid of RMB1.9 million.

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Investing Activities

In the five months ended 31 May 2026, our net cash used in investing activities amounted to RMB64.4 million, which primarily resulted from purchases of items of property, plant and equipment of RMB50.3 million and prepayment for purchase of leasehold land of RMB13.4 million.

In 2025, our net cash used in investing activities amounted to RMB97.2 million, which primarily resulted from purchases of items of property, plant and equipment of RMB69.3 million used for the construction of infrastructure and purchase of equipment for our Zhuhai factory.

In 2024, our net cash used in investing activities amounted to RMB150.6 million, which primarily resulted from purchases of items of property, plant and equipment of RMB151.0 million for the construction of infrastructure and purchase of equipment for our Zhuhai factory and purchase of financial asset at fair value through profit or loss of RMB80.0 million, which mainly consisted of low-risk wealth management products partially offset by the proceeds from redemption of financial assets at fair value through profit or loss of RMB80.0 million.

In 2023, our net cash used in investing activities amounted to RMB50.3 million, which primarily resulted from purchases of items of property, plant and equipment of RMB51.0 million for the construction of infrastructure and purchase of equipment for our Zhuhai factory and purchase of financial asset at fair value through profit or loss of RMB280.0 million, which mainly consisted of low-risk wealth management products partially offset by the proceeds from redemption of financial assets at fair value through profit or loss of RMB280.0 million.

Financing Activities

In the five months ended 31 May 2026, our net cash generated from financing activities amounted to RMB49.0 million, which primarily resulted from new bank borrowings of RMB63.2 million, partially offset by repayment of bank loans of RMB8.9 million and payment for deferred [REDACTED] of RMB3.3 million.

In 2025, our net cash generated from financing activities amounted to RMB23.7 million, which primarily resulted from new bank borrowings of RMB60.7 million, partially offset by repayment of bank loans of RMB30.5 million.

In 2024, our net cash generated from financing activities amounted to RMB52.6 million, which primarily resulted from new bank borrowings of RMB77.1 million, partially offset by repayment of bank loans of RMB20.0 million and interest paid of RMB2.8 million.

In 2023, our net cash generated from financing activities amounted to RMB30.0 million, which primarily resulted from new bank borrowings of RMB48.9 million, partially offset by repayment of bank loans of RMB15.0 million and payments of leases liabilities of RMB2.0 million.

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SELECTED BALANCE SHEET ITEMS

Net Current Assets

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

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Current assets				
Inventories	173,493	134,373	188,188	206,481
Trade and bills receivables	79,490	134,710	117,829	130,622
Prepayments, deposits and other receivables	40,514	60,883	79,327	79,263
Financial assets at fair value through other comprehensive income	36,496	24,500	18,289	37,408
Cash and cash equivalents	212,170	172,476	187,496	117,807
Total current assets	542,163	526,942	591,129	571,581
Current liabilities				
Trade payables	23,320	32,322	69,994	50,600
Contract liabilities	3,858	6,743	4,688	2,517
Other payables and accruals	65,553	43,128	47,729	64,888
Interest-bearing bank and other borrowings	20,062	27,681	73,467	74,289
Lease liabilities	1,139	1,204	1,508	40,941
Total current liabilities	113,932	111,078	197,386	233,235
NET CURRENT ASSETS	428,231	415,864	393,743	338,346

Our net current assets decreased from RMB428.2 million as of December 31, 2023 to RMB415.9 million as of December 31, 2024, primarily due to the decrease in inventories of RMB39.1 million and the decrease in cash and cash equivalents of RMB39.7 million, partially offset by the increase in current prepayments, deposits and other receivables of RMB20.4 million and the increase in trade and bills receivables of RMB55.2 million and decrease in other payables and accruals of RMB22.4 million.

Our net current assets decreased from RMB415.9 million as of December 31, 2024 to RMB393.7 million as of December 31, 2025, primarily due to the increase in interest-bearing bank and other borrowings of RMB45.8 million and the increase in trade payables of RMB37.7 million, partially offset by the increase in Inventories of RMB53.8 million.

Our net current assets decreased from RMB393.7 million as of December 31, 2025 to RMB338.3 million as of May 31, 2026, primarily due to the decrease in cash and cash equivalents of RMB69.7 million, the increase in lease liabilities of RMB39.4 million in connection with the leasehold land in Zhoushan and the increase in other payables and accruals of RMB17.2 million, partially offset by the decrease in trade payables of RMB19.4 million, the increase in financial assets at fair value through other comprehensive income of RMB19.1 million, the increase in inventories of RMB18.3 million and the increase in trade and bills receivables of RMB12.8 million.

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Inventories

Our inventories comprise of (i) raw materials, mainly representing wafers, (ii) finished goods, (iii) dispatched goods, (iv) outsourced processing materials, (v) goods in transit, and (vi) work in progress. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Raw materials	65,697	48,997	40,453	58,224
Finished goods	80,460	57,084	77,327	61,004
Dispatched goods	1,460	1,804	1,045	805
Outsourced processing materials	25,253	21,036	42,021	46,551
Goods in transit	623	2,211	3,231	7,496
Work in progress	–	3,241	24,111	32,401
Total	173,493	134,373	188,188	206,481

Our inventories decreased by 22.5% from RMB173.5 million as of December 31, 2023 to RMB134.4 million as of December 31, 2024, primarily due to the decrease in finished goods and raw materials as a result of the robust growth of our product sales and our continued efforts in optimization of inventory level. Our inventories increased by 40.0% from RMB134.4 million as of December 31, 2024 to RMB188.2 million as of December 31, 2025, primarily due to the increase in outsourced processing materials as a result of increased outsourced orders in anticipation of sales growth, and the increase in work in progress as a result of expanding production volume in our Zhuhai factory. Our inventories increased by 9.7% from RMB188.2 million as of December 31, 2025 to RMB206.5 million as of May 31, 2026, primarily due to: (i) an increase in raw materials from RMB40.5 million as of December 31, 2025 to RMB58.2 million as of May 31, 2026 as we proactively built up our raw material inventories to support our anticipated production schedule and ensure a stable supply of raw materials; and (ii) an increase in work in progress from RMB24.1 million as of December 31, 2025 to RMB32.4 million as of May 31, 2026, which was as a result of our increased production in anticipation of sales to the industrial UAV and energy storage application markets; which was partially offset by a decrease in finished goods from RMB77.3 million as of December 31, 2025 to RMB61.0 million as of May 31, 2026, primarily due to sales and our proactive management of inventory level.

The following table sets forth the aging analysis of our inventories:

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Within six months	112,023	97,155	168,829	182,041
Six months to one year	37,702	16,631	11,218	17,310
One to two years	22,488	18,951	6,987	6,625
Above two years	1,280	1,636	1,154	505
Total	173,493	134,373	188,188	206,481

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

	For the year ended December 31,			As of
	2023	2024	2025	May 31,
				2026
Inventory turnover days ⁽¹⁾ . .	151	108	93	102

Note:

- (1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year divided by the cost of sales for that corresponding year and multiplied by 360 days for a year.

Our inventory turnover days decreased from 151 days in 2023 to 108 days in 2024, further to 93 days in 2025, primarily due to our increased sales and enhanced inventory management. Our inventory turnover days increased to 102 days in the five months ended May 31, 2026, primarily due to an increase in inventories.

Our Directors are of the view that there are no material impairment issues with our inventories. We have a comprehensive and adequate system in place for identifying and accounting for inventory risks and impairment provisions. We conduct regular reviews to detect items with low sales or usage value for which impairment provisions are made. Inventories are measured at the lower of cost and net realizable value. For inventories with impairment indicators, we have recognized adequate provisions in accordance with our accounting policies, and such provisions have been audited by our reporting accountants to ensure adequacy and compliance. We believe our inventory turnover remained at a reasonable level, with approximately 78.4% of inventories as of 31 December 2025 utilized or sold within the first five months of 2026. In addition, we actively manage inventory risks through both targeted actions on existing inventories and ongoing improvements to our inventory management practices. We take steps to facilitate the timely utilization or disposal of slow-moving inventories, such as implementing inventory clearance plans and appropriate pricing strategies. At the same time, we continuously enhance our inventory planning, procurement discipline and coordination with customers, such as adopting prepayment arrangements for certain materials and maintaining close communication with customers to align inventory levels with demand, in order to reduce the risk of obsolescence.

As of June 30, 2026, RMB64.2 million, or 34.1% of our inventory as of May 31, 2026 had been utilized or sold.

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Trade and Bills Receivables

The balance of our trade and bills receivables mainly represented receivables from customers for sales of our products. We generally grant credit terms of 30 to 90 days to our customers. The table below sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Trade receivables from third parties	82,478	140,303	122,038	136,008
Less: Impairment of trade receivables	(3,233)	(5,851)	(4,967)	(5,386)
Trade receivables, net	79,245	134,452	117,071	130,622
Bill receivable	245	258	758	–
Total	79,490	134,710	117,829	130,622

Our balance of trade and bills receivables increased from RMB79.5 million as of December 31, 2023 to RMB134.7 million as of December 31, 2024, primarily due to our business expansion and sales growth. Our balance of trade and bills receivables decreased from RMB134.7 million as of December 31, 2024 to RMB117.8 million as of December 31, 2025, primarily attributable to our proactive management of our trade receivables. Our balance of trade and bills receivables increased from RMB117.8 million as of December 31, 2025 to RMB130.6 million as of May 31, 2026, primarily attributable to an extension of payment terms granted to certain customers in line with the commercial arrangements during the period.

The following table sets forth an aging analysis of the trade receivables, based on the the billing date and net of allowance for expected credited losses, as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Within one year	79,245	134,452	117,071	130,622

The following table sets forth our trade and bills receivables turnover days during the periods indicated:

	Year ended December 31,			Five months ended
	2023	2024	2025	May 31,
				2026
Trade and bills receivables turnover days ⁽¹⁾	36	62	56	53

Note:

- (1) Trade and bills receivables turnover days were calculated based on the average of opening and closing balance of trade and bills receivables (less allowance for impairment) for the relevant year, divided by the revenue for the same year and multiplied by 360 days for the year.

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Our trade and bills receivables turnover days increased from 36 days in 2023 to 62 days in 2024, primarily due to the extended settlement cycle of certain end customer as a result of change of sales model. Our trade and bills receivables turnover days decreased from 62 days in 2024 to 56 days in 2025, primarily attributable to our proactive management of trade receivables. Our trade and bills receivables turnover days decreased from 56 days in 2025 to 53 days in the five months ended May 31, 2026 which remained relatively stable.

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

As of June 30, 2026, RMB57.5 million, or 42.3% of our total trade and bills receivables as of May 31, 2026, had been settled.

Prepayments, Deposits and Other Receivables

Our current prepayments, deposits and other receivables primarily include (i) prepayments related to our procurement, (ii) deposits and other receivable, mainly representing production capacity deposits refundable when our purchase volume reaches the agreed procurement target, (iii) VAT recoverable, (iv) prepaid tax and (v) deferred [REDACTED].

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

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Prepayments	21,717	19,131	42,896	49,392
Deposits and other				
receivables ⁽¹⁾	12,409	37,510	16,061	5,154
VAT recoverable	3,750	2,613	13,070	16,079
Prepaid tax	2,889	2,371	4,182	3,178
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less: Impairment of deposits				
and other receivables	(251)	(742)	(310)	(100)
Total	40,514	60,883	79,327	79,263

Note:

(1) Deposits and other receivables are unsecured, non-interest-bearing and repayable on demand.

Our current prepayments, deposits and other receivables increased by 50.3% from RMB40.5 million as of December 31, 2023 to RMB60.9 million as of December 31, 2024, primarily due to the increase in deposits and other receivables as certain non-current deposits and other receivables became recoverable within one year. Our current prepayments, deposits and other receivables further increased by 30.3% to RMB79.3 million as of December 31, 2025, and remained relatively stable at approximately RMB79.3 million as of December 31, 2025 and May 31, 2026, mainly due to the increase in prepayments related to wafers and WLCSP raw materials procurement in anticipation of growing demand and production volume.

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As of June 30, 2026, RMB18.7 million, or 37.8% of our prepayments as of May 31, 2026, had been settled. As of the same date, RMB0.7 million, or 13.5% of our deposits and other receivables as of May 31, 2026, had been settled.

Financial Assets at Fair Value through Other Comprehensive Income

Our financial assets at fair value through other comprehensive income consist of bill receivables, primarily representing bank acceptance notes received from our customers.

Our financial assets at fair value through other comprehensive income decreased by 32.9% from RMB36.5 million as of December 31, 2023 to RMB24.5 million as of December 31, 2024, further decreased by 25.4% to RMB18.3 million as of December 31, 2025, and increased by 104.5% to RMB37.4 million as of May 31, 2026, primarily due to changes in customer payment methods and settlement as of the end of each year. See Note 21 to the Accountants’ Report set out in Appendix I to this document for more details.

Cash and Cash Equivalents

Our cash and cash equivalents decreased from RMB212.2 million as of December 31, 2023 to RMB172.5 million as of December 31, 2024, primarily due to increased capital expenditures relating to our factory construction and production line investments in 2024. Our cash and cash equivalents increased from RMB172.5 million as of December 31, 2024 to RMB187.5 million as of December 31, 2025, primarily due to proceeds from short-term borrowings. Our cash and cash equivalents decreased from RMB187.5 million as of December 31, 2025 to RMB117.8 million as of May 31, 2026, primarily due to net cash used in operating activities and capital expenditures for land, construction and equipment, partially offset by proceeds from new borrowings.

A significant portion of our cash and cash equivalents was denominated in RMB, amounting to RMB177.6 million, RMB167.4 million, RMB185.9 million and RMB114.7 million as of December 31, 2023, 2024, 2025 and May 31, 2026, representing approximately 83.7%, 97.0%, 99.1% and 97.3% of our total cash and cash equivalents, respectively. Our cash and cash equivalents denominated in USD amounted to RMB34.5 million, RMB5.1 million, RMB1.6 million and RMB3.1 million, representing approximately 16.3%, 3.0%, 0.9% and 2.7% of our total cash and cash equivalents, respectively. See Note 22 to the Accountants’ Report in Appendix I to this document for more details.

Trade Payables

Our trade payables primarily consist of payments due to our suppliers for chip packaging and testing services and procurement of raw materials. Our trade payables are non-interest-bearing.

Our trade payables during the Track Record Period were primarily payables related to packaging and testing. Our trade payables increased from RMB23.3 million as of December 31, 2023 to RMB32.3 million as of December 31, 2024, further to RMB70.0 million as of December 31, 2025, which was in line with the growth of our business. Our trade payables decreased to RMB50.6 million as of May 31, 2026, which was primarily as a result of the timing of settlements with suppliers and developments in procurement arrangements.

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The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Within one year	23,320	31,391	69,994	50,600
One to two years	—	931	—	—
Total	23,320	32,322	69,994	50,600

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

	Year ended December 31,			As of
	2023	2024	2025	May 31,
Trade payables turnover days ⁽¹⁾	15	19	30	31

Note:

- (1) The trade payables turnover days were the average of the opening and closing trade payables divided by our total cost of sales for that year and multiplied by 360 days for the year.

Our trade payables turnover days were 15 days, 19 days, 30 days and 31 days in 2023, 2024, 2025 and the five months ended May 31, 2026, respectively, in line with the growth of our business.

Our Directors confirm that we did not have any material defaults in payment of trade payables during the Track Record Period and up to the Latest Practicable Date.

As of June 30, 2026, approximately RMB27.5 million, or 54.4% of total trade payables as of May 31, 2026, were paid.

Contract Liabilities

Our contract liabilities include advances from customers, primarily from distributors that are required to make prepayments prior to the delivery of products.

Our contract liabilities increased from RMB3.9 million as of December 31, 2023 to RMB6.7 million as of December 31, 2024, primarily attributable to the expansion of our sales scale. Our contract liabilities decreased from RMB6.7 million as of December 31, 2024 to RMB4.7 million as of December 31, 2025, primarily because the amount of prepayment by distributors decreased, as we granted certain long-term strategic distributors credit terms. Our contract liabilities decreased from RMB4.7 million as of December 31, 2025 to RMB2.5 million as of May 31, 2026, primarily because we accelerated product deliveries and fulfilled our performance obligations.

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As of June 30, 2026, RMB2.1 million, or 82.5% of our contract liabilities as of May 31, 2026, had been recognized as revenue.

Other Payables and Accruals

Our other payables and accruals primarily consist of deposits payable, payroll payables, accruals and other payables, payables for purchase of property, plant and equipment and other tax payables.

The table below sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Deposits payable	4,750	200	—	—
Payroll payables	11,992	14,946	21,131	27,173
Accruals	667	693	2,570	1,258
Other payables	726	152	192	—
Payables for purchase of property plant, and equipment	44,640	22,143	20,694	33,156
Output value-added tax to be transferred	189	728	575	284
Other tax payables	2,589	4,266	2,567	3,017
Total	65,553	43,128	47,729	64,888

Our other payables and accruals decreased by 34.2% from RMB65.6 million as of December 31, 2023 to RMB43.1 million as of December 31, 2024, primarily due to the decrease in payables for non-current assets the progressive settlement of such payables following the substantial completion of the Zhuhai factory in early 2024. Our other payables and accruals increased by 10.7% from RMB43.1 million as of December 31, 2024 to RMB47.7 million as of December 31, 2025, primarily due to (i) an increase in payroll payables, mainly due to a higher number of employees and increased bonus provisions reflecting the growth of our operations; and (ii) an increase in accruals, primarily related to professional fees and other costs in connection with the [REDACTED]. Our other payables and accruals increased by 36.0% from RMB47.7 million as of December 31, 2025 to RMB64.9 million as of May 31, 2026 primarily due to (i) an increase in payables for purchase of property, plant and equipment; and (ii) an increase in payroll payables mainly due to a higher number of employees and increased bonus provisions reflecting the growth of our operations.

As of June 30, 2026, RMB25.7 million, or 39.6% of our other payables and accruals as of May 31, 2026, had been settled.

Interest-bearing Bank and Other Borrowings

Our current interest-bearing bank and other borrowings increased from RMB20.1 million as of December 31, 2023 to RMB27.7 million as of December 31, 2024, primarily due to increased drawdown of bank facilities for production lines construction and business operations. Our current interest-bearing bank and other borrowings further increased from RMB27.7 million as of December 31, 2024 to RMB73.5 million as of December 31, 2025, primarily due to additional short-term borrowings obtained towards the end of 2025. Our

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current interest-bearing bank and other borrowings further increased from RMB73.5 million as of December 31, 2025 to RMB74.3 million as of May 31, 2026, primarily due to the reclassification of the current portion of long-term bank loans and an increase in the current portion of long-term bank loans.

Please see Note 26 to the Accountants’ Report set out in Appendix I to this document for the range of the effective interest rate of our current interest-bearing bank and other borrowings.

Lease Liabilities

Our current lease liabilities remained relatively stable at RMB1.1 million, RMB1.2 million, RMB1.5 million as of December 31, 2023, 2024 and 2025 and increased to RMB40.9 million as of May 31, 2026, primarily due to the recognition of the current lease liability of RMB39.2 million for the Zhoushan leasehold land.

Non-current Assets/Liabilities

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

	As of December 31,			As of
	2023	2024	2025	May 31,
	RMB’000	RMB’000	RMB’000	2026
				RMB’000
NON-CURRENT ASSETS				
Property, plant and equipment	120,718	237,946	287,147	337,176
Right-of-use assets	8,273	7,559	9,715	87,050
Intangible assets	2,287	2,013	3,971	3,770
Deferred tax assets	10,031	16,651	15,576	22,773
Prepayments, deposits and other receivables	61,990	20,009	31,747	8,659
Total non-current assets . . .	203,299	284,178	348,156	459,428
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	28,908	78,478	62,821	115,822
Lease liabilities	1,214	564	2,218	1,662
Deferred income	682	659	734	719
Total non-current liabilities .	30,804	79,701	65,773	118,203
Net assets	600,726	620,341	676,126	679,571

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Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, machinery, electronic devices and others, motor vehicles, leasehold improvements and 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 May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	90,647	108,154	106,329	108,311
Machinery	22,540	77,808	137,244	136,714
Electronic devices and others	1,538	1,426	3,042	4,112
Motor vehicles	708	612	723	782
Leasehold improvements	—	—	—	—
Construction in process	5,285	49,946	39,809	87,257
Total	120,718	237,946	287,147	337,176

Our property, plant and equipment increased from RMB120.7 million as of December 31, 2023 to RMB237.9 million as of December 31, 2024, primarily due to the increase in buildings, machinery and construction in progress due to our continued investment in our production lines, technical upgrades and R&D laboratories in our Zhuhai factory. Our property, plant and equipment increased from RMB237.9 million as of December 31, 2024 to RMB287.1 million as of December 31, 2025, primarily due to the increase in machinery in relation to production. Our property, plant and equipment increased from RMB287.1 million as of December 31, 2025 to RMB337.2 million as of May 31, 2026, primarily due to additions to construction in progress mainly in connection with our production facilities.

Right-of-Use Assets

Our right-of-use assets decreased from RMB8.3 million as of December 31, 2023 to RMB7.6 million as of December 31, 2024, mainly due to the expiration and non-renewal of certain leases by the end of 2023 and in early 2024, following the completion and operational commencement of our Zhuhai factory. Our right-of-use assets increased from RMB7.6 million as of December 31, 2024 to RMB9.7 million as of December 31, 2025, mainly due to the renewal of leases, and the increase of leased properties used as our office. Our right-of-use assets increased from RMB9.7 million as of December 31, 2025 to RMB87.1 million as of May 31, 2026, mainly due to additions to leasehold land in Zhoushan.

Intangible assets

Our other intangible assets primarily consist of software.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Software	2,287	2,013	3,971	3,770
Total	2,287	2,013	3,971	3,770

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Our intangible assets decreased from RMB2.3 million as of December 31, 2023 to RMB2.0 million as of December 31, 2024, mainly due to amortization. Our intangible assets increased from RMB2.0 million as of December 31, 2024 to RMB4.0 million as of December 31, 2025, mainly due to addition of intelligent manufacturing execution system software and enterprise resource planning software. Our intangible assets decreased from RMB4.0 million as of December 31, 2025 to RMB3.8 million as of May 31, 2026, mainly due to amortisation provided during the period.

Deferred tax assets

We recorded deferred tax assets of RMB10.0 million, RMB16.7 million, RMB15.6 million and RMB22.8 million as of December 31, 2023, 2024, 2025 and May 31, 2026, respectively. For details, please see Note 28 to the Accountants’ Report set out in Appendix I to this document.

Prepayments, Deposits and Other Receivables

Our non-current prepayments, deposits and other receivables primarily consist of prepayment for purchase of property, plant and equipment, prepayment for purchase of intangible assets, VAT recoverable and deposits and other receivables. The following table sets forth the breakdown of our non-current prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for purchase of property, plant and equipment	21,315	6,283	2,271	3,376
Prepayment for purchase of leasehold land	—	—	25,870	—
Prepayment for purchase of intangible assets	—	1,478	1,154	1,871
Value-added tax recoverable	7,325	—	—	961
Deposits and other receivables ⁽¹⁾	34,039	12,495	2,500	2,500
Less: Impairment of deposits and other receivables	(689)	(247)	(48)	(49)
Total	61,990	20,009	31,747	8,659

Note:

- (1) Deposits and other receivables are unsecured and non-interest-bearing.

Our non-current prepayments, deposits and other receivables decreased from RMB62.0 million as of December 31, 2023 to RMB20.0 million as of December 31, 2024, primarily due to the decrease in prepayments for purchase of property, plant and equipment as a result of transfer of prepayments for equipment to construction in progress upon delivery, and the decrease in deposits and other receivables due to the refund and deduction of production capacity deposits paid to our suppliers. Our non-current prepayments, deposits and other receivables increased from RMB20.0 million as of December 31, 2024 to RMB31.7 million as

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of December 31, 2025, primarily due to increased prepayment for equipment used at our Zhuhai factory. Our non-current prepayments, deposits and other receivables decreased from RMB31.7 million as of December 31, 2025 to RMB8.7 million as of May 31, 2026, primarily due to the transfer of the prepayment for purchase of leasehold land of RMB25.9 million to right-of-use assets.

Interest-bearing Bank and Other Borrowings

Our non-current interest-bearing bank and other borrowings increased from RMB28.9 million as of December 31, 2023 to RMB78.5 million as of December 31, 2024, primarily due to increased drawdown of bank facilities for production lines construction and business operations. Our non-current interest-bearing bank and other borrowings decreased from RMB78.5 million as of December 31, 2024 to RMB62.8 million as of December 31, 2025, primarily because of the repayment of borrowings. Our non-current interest-bearing bank and other borrowings increased from RMB62.8 million as of December 31, 2025 to RMB115.8 million as of May 31, 2026, primarily due to a new unsecured bank loan, which was partially offset by the reclassification of the current portion of long-term bank loans to current liabilities and settlement of the loans.

Please see Note 26 to the Accountants’ Report set out in Appendix I to this document for the range of the effective interest rate of our non-current interest-bearing bank and other borrowings.

Lease Liabilities

Our non-current lease liabilities decreased from RMB1.2 million as of December 31, 2023 to RMB0.6 million as of December 31, 2024, primarily due to the expiration and non-renewal of certain leases by the end of 2023 and in early 2024, following the completion and operational commencement of our Zhuhai factory. Our non-current lease liabilities increased from RMB0.6 million as of December 31, 2024 to RMB2.2 million as of December 31, 2025, primarily due to the renewal of office leases. Our non-current lease liabilities decreased from RMB2.2 million as of December 31, 2025 to RMB1.7 million as of May 31, 2026, primarily due to lease payments made during the period.

Deferred Income

Our deferred income consists of government grants that we received in support of our business operations and capital expenditures.

We had deferred income of RMB0.7 million, RMB0.7 million, RMB0.7 million and RMB0.7 million as of each of December 31, 2023, 2024, 2025 and May 31, 2026, which were mainly related to our capital expenditure in Zhuhai factory.

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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
	2023	2024	2025	May 31,
	RMB'000	RMB'000	RMB'000	2026
Current				
Interest-bearing bank and other borrowings	20,062	27,681	73,467	74,289
Lease liabilities	1,139	1,204	1,508	40,941
Non-current				
Interest-bearing bank and other borrowings	28,908	78,478	62,821	115,822
Lease liabilities	1,214	564	2,218	1,662
Total	51,323	107,927	140,014	232,714

Interest-bearing borrowings

As of December 31, 2023, 2024, 2025 and May 31, 2026, we had outstanding aggregate unpaid interest-bearing bank and other borrowings of RMB49.0 million, RMB106.2 million, RMB136.3 million and RMB190.1 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any difficulties in obtaining bank loans or other borrowings, nor have we defaulted on the repayment of any such borrowings or breached any related covenants. Please see “— Selected Balance Sheet Items — Net Current Assets — Interest-bearing Bank and Other Borrowings” and “— Selected Balance Sheet Items — Non-current Assets/Liabilities— Interest-bearing Bank and Other Borrowings.”

As of May 31, 2026, our total facilities for bank borrowings amounted to RMB196.0 million, which were fully utilized.

Lease Liabilities

As of December 31, 2023, 2024, 2025 and May 31, 2026, we have outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB2.4 million, RMB1.8 million, RMB3.7 million and RMB42.6 million, respectively, in relation to the corresponding lease liabilities. See “— Selected Balance Sheet Items — Net Current Assets — Lease Liabilities” and “— Selected Balance Sheet Items — Non-current Assets/Liabilities — Lease Liabilities.”

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

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CONTINGENT LIABILITIES

As of December 31, 2023, 2024, 2025 and May 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 EXPENDITURE

During the Track Record Period, we incurred capital expenditures of RMB51.8 million, RMB151.0 million, RMB97.2 million, RMB40.8 million and RMB64.4 million in 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, respectively, mainly consisted of purchases of items of property, plant and equipment and intangible assets.

The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	For the year ended December 31,			For the Five months ended May 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>
Purchases of items of property, plant and equipment	51,036	150,981	69,257	39,850	50,309
Purchases of items of intangible assets . . .	714	–	2,059	957	724
Prepayment for purchase of leasehold land	–	–	25,870	–	13,374
Total	<u>51,750</u>	<u>150,981</u>	<u>97,186</u>	<u>40,807</u>	<u>64,407</u>

We expect to fund our future capital expenditures with our operating cash flows. 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

We had the following capital commitments mainly related to equipment and building construction as of the date indicated.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:				
Equipments	37,986	10,960	5,574	9,108
Building construction	14,274	1,720	29,957	67,011
Total	<u>52,260</u>	<u>12,680</u>	<u>35,531</u>	<u>76,119</u>

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into certain related party transactions from time to time, primarily related to the compensation of our key management personnel. Please see Note 36 to the Accountants’ Report in Appendix I to this document for more details. Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary and usual course of business and on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

DIVIDENDS

Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, as appropriate. No dividends have been paid or declared by our Company during the Track Record Period. As of the Latest Practicable Date, we did not have a formal dividend policy or pre-determined dividend payout ratio.

After completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval of our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividend, will depend upon a number of factors, including our earnings and financial condition, operating requirements, capital requirements, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, and any other factors that our Directors may consider important.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees (such as the discretionary incentive fee) incurred in connection with the [REDACTED]. We estimate that our [REDACTED] will be approximately RMB[REDACTED] (or HK\$[REDACTED], representing [REDACTED]% of the gross [REDACTED] from the [REDACTED]) (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]) and no exercise of the [REDACTED]), of which (i) approximately RMB[REDACTED], directly attributable to the issue of our [REDACTED], will be subsequently charged to equity upon completion of the proposed [REDACTED], (ii) RMB[REDACTED] and RMB[REDACTED] have been expensed in our consolidated statements of profit or loss for the year ended December 31, 2025 and the five months ended May 31, 2026, respectively, and (iii) approximately RMB[REDACTED] is expected to be expensed in our consolidated statements of profit or loss after May 31, 2026. Among such estimated total [REDACTED], we expect to pay [REDACTED]-related expenses of RMB[REDACTED], professional fees for our legal advisors and reporting accountants of RMB[REDACTED] and other fees and expenses of RMB[REDACTED].

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

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

	As of or for the year ended December 31,			As of or for the five months ended May 31,
	2023	2024	2025	2026
Gross profit margin	15.2%	17.4%	23.6%	17.9%
Net profit margin	2.4%	3.1%	6.2%	(0.1)%
Return on equity ⁽¹⁾	2.3%	3.2%	7.8%	(0.1)%
Return on total assets ⁽²⁾ . .	2.0%	2.5%	5.8%	(0.1)%
Current ratio ⁽³⁾	4.8	4.7	3.0	2.5
Gearing ratio ⁽⁴⁾	24.1%	30.8%	38.9%	51.7%

Notes:

- (1) Return on equity was calculated based on net profit of the respective year/period, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (2) Return on total assets was calculated based on net profit of the respective year/period, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (3) Current ratio was calculated dividing current assets by current liabilities as of the dates indicated.
- (4) Gearing ratio is calculated by total liability divided by total equity as at the end of the respective dates and multiplied by 100%.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Please see Note 39 to the Accountants’ Report set out in Appendix I to this document for more details.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations. We regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

For the maturity profile of our financial liabilities as of December 31, 2023, 2024, 2025, and May 31, 2026, please see Note 39 to the Accountants’ Report set forth in Appendix I to this document.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies. For a sensitivity analysis of a reasonably possible change in the USD exchange rates, with all other variables held constant, of our profit before tax for each period of the Track Record Period, please see Note 39 to the Accountants’ Report set forth in Appendix I to this document.

FINANCIAL INFORMATION

UNAUDITED [REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

Please see Appendix II to this 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 May 31, 2026, being the latest balance sheet date of our consolidated financial statements 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.