

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, included in the Accountants’ Report (including the notes thereto) in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the global leader and pioneer in mica-based composite materials for new energy applications, distinguished by our technological innovation and industry expertise. Leveraging our robust technological innovation capabilities, customer-centric collaborative R&D and globally integrated lean manufacturing capabilities, we have established ourselves as a leading provider of high-performance mica-based composite materials and related products for the new energy sector. Leveraging our cross-sector expertise in precision processing technologies and our close alignment with customer requirements, we have successfully expanded our business from mica products into key precision structural components for robotics. See “Business — Overview”.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users of the Historical Financial Information. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance. The Historical Financial Information has been prepared on a going concern basis. See Note 2 to Appendix I to this Document.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position have been, and are expected to be, continuously and materially affected by a number of factors, including the following:

Specific Factors

In addition to the above-mentioned general factors, we recognize that the following specific factors, although offering significant opportunities for our business, present challenges that we must effectively address to sustain our growth and improve our results of operations:

Our Ability to Innovate and Sustain Our Technology Leadership

Our advanced technologies are fundamental to our results of operations, enabling us to deliver high-performance, reliable and customized products that meet stringent industry standards and support ongoing business growth. Our revenue growth is influenced by our ability to continuously enhance our R&D capabilities, which drive ongoing advancements in our technology and manufacturing processes. These developments enable us to deliver products that meet the evolving needs of our customers and the broader market. Backed by cutting-edge products powered by proprietary technologies, our revenue increased by 41.8% from RMB800.3 million in 2023 to RMB1,134.8 million in 2024, and then increased by 21.2% to RMB1,375.8 million in 2025. Our revenue increased by 56.9% from RMB572.5 million in the six months ended June 30, 2025 to RMB898.4 million in the six months ended June 30, 2026.

We have made substantial investments in talent, technology and R&D to improve gross margins and further enhance our competitive edge. During the Track Record Period, our research and development expenses amounted to RMB45.1 million, RMB61.3 million, RMB65.5 million, RMB26.4 million and RMB47.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 39.4%, 44.1%, 37.3%, 35.6% and 38.8% of our total operating expenditure, which included selling and marketing expenses, administrative expenses and research and development expenses for the respective periods. We expect to continue to make substantial R&D investments to keep us at the forefront of the technological trends, which enhances the competitiveness of our products.

Additionally, we believe that the ability to attract and retain a strong R&D team with relevant expertise and commercial acumen is fundamental to our long-term competitiveness. The expertise of our dedicated R&D team and our structured innovation process ensures consistent delivery of high-quality, industry-leading products that drive business growth. As of June 30, 2026, our R&D team consisted of 187 personnel, some of whom have extensive domestic or overseas working experience in reputable technology companies.

Our Ability to Maintain and Engage Customers

Our business growth is driven by our ability to expand our customer base and maintain our relationships with existing customers. We collaborate closely with our corporate customers from the early stages of product development, using an interactive co-development process to deliver highly customized mica-based insulation and fire-protection products that meet complex technical and regulatory requirements. Long-term framework agreements and integrated project management ensure our products are precisely tailored, reliable and adaptable.

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Our customers primarily comprise leading NEV manufacturers and battery manufacturers. In 2023, 2024, 2025 and the six months ended June 30, 2026, our revenue from the five largest customers in each year/period during the Track Record Period was RMB333.9 million, RMB480.7 million, RMB585.1 million and RMB428.5 million, respectively, accounting for 41.7%, 42.3%, 42.5% and 47.7% of our total revenue, respectively.

Given the significant proportion of our revenue attributable to a concentrated group of major customers, the stability and strength of these customer relationships are crucial to our results of operations and future growth.

Our Ability to Expand, Commercialize and Optimize Our Product and Service Portfolio

The breadth, quality, and ongoing innovation of our product and service portfolio are fundamental to our operational performance and competitiveness. We had revenue of RMB800.3 million, RMB1,134.8 million, RMB1,375.8 million, RMB572.5 million and RMB898.4 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. Our revenue growth during the Track Record Period is mainly attributable to (i) the rapid growth of the new energy sector, which drove the overall performance growth of our customers and in turn resulted in stronger demand for our products; and (ii) our strong technological capabilities and product competitiveness, which led to continued improvement in customer satisfaction, deeper cooperation with key customers and a steadily expanding market share, and an increasing number of customers as well as customer contracts entered into by us.

By providing a comprehensive range of high-performance products, we address the evolving needs of customers across sectors such as NEVs, energy storage battery, home appliances, speciality cables, industrial equipment and robotics. Our ability to develop and commercialize tailored products strengthens customer relationships and enables us to capture opportunities in both established and emerging markets.

Our diverse and technologically advanced product portfolio underpins our ability to deliver consistent value to customers, drive revenue growth, and maintain a leading position in our core markets. Looking ahead, continued investment in product development, portfolio optimization, and customer collaboration will remain central to sustaining our operational success and supporting our long-term strategic objectives.

Our Ability to Manage Costs and Improve Operational Efficiency

While we value and encourage spending on innovation, our future profitability depends in part on our ability to control costs and improve operational efficiency. Our cost of sales primarily consists of (i) material costs, mainly representing costs for purchasing adhesive tapes and foams, mica ore, chemical raw materials; (ii) staff costs; and (iii) manufacturing costs. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our cost of sales amounted to RMB518.0 million, RMB771.4 million, RMB920.4 million, RMB382.2 million and RMB592.9 million, respectively, representing 64.7%, 68.0%, 66.9%, 66.8% and 66.0% of our total revenue for the respective years/periods. We focus on deepening our collaboration with suppliers to further enhance the stability and affordability of our supply. We intend to further strengthen our integrated manufacturing capabilities by optimizing our network of self-owned production bases, enabling us to ensure stable supply, enhance production efficiency and maintain rigorous quality control while supporting the diverse and evolving needs of our customers. Our ability to effectively control our cost of sales as we scale up has affected and will continue to affect our results of operations and financial conditions.

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In addition, as a result of our early efforts to develop and commercialize our products, we incurred substantial costs in R&D, sales activities and internal management. Our operating expenditure, which consists of selling and marketing expenses, administrative expenses and R&D expenses, amounted to RMB114.5 million, RMB139.0 million, RMB175.7 million, RMB74.1 million and RMB122.9 million, in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 14.3%, 12.2%, 12.8%, 12.9% and 13.7% of our total revenue for the respective years/periods. These expenses reflect our ongoing investment in business development and operational management, while the overall decreasing trend in terms of their percentages to our total revenue during the Track Record Period reflects our improved operational efficiency. We focus on enhancing cost efficiency across these areas by streamlining processes and leveraging economies of scale, with the goal of supporting long-term profitability and sustainable growth.

Our Ability to Optimize Supply Chain and Inventory Management

A stable and resilient supply chain is fundamental to our operational success. During the Track Record Period, our systematic approach to procurement, supplier management and inventory control ensured the reliable and timely supply of key materials and components, supporting our business growth and operational continuity. As our business expands and customer demand increases, we anticipate a corresponding rise in procurement volumes and supply chain complexity. To address this, we have established a standardized procurement process and maintain multiple qualified suppliers for critical materials, enabling us to mitigate supply risks and avoid overreliance on any single source. We regularly assess supplier performance based on technical capability, quality, cost competitiveness, and delivery efficiency, and enter into long-term supply agreements where appropriate.

Meanwhile, we have developed a comprehensive warehouse management system across our production sites. Integration of procurement and inventory management with our ERP systems enables automated planning, real-time tracking and efficient coordination across the supply chain. Centralized warehouse management, safety stock policies and regular inventory reviews help us optimize stock levels, minimize obsolete inventory and reduce the risk of production delays or shortages. As of December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, our inventories were RMB171.0 million, RMB251.1 million, RMB378.4 million and RMB443.0 million, respectively. During the Track Record Period, we did not experience any material shortages, obsolescence or losses due to inventory damage, loss or theft, nor any material claims arising from such events.

In addition, we monitor inventory movements under the third-party warehouse arrangements on a continuous basis. Third-party warehouse operators provide us with daily reports on real-time inventory levels and movements of our products, including inbound and outbound transactions. We carry out periodic reconciliation procedures with our customers. Our sales administrative staff log into the supplier systems provided by our customers on an ad hoc basis (at least once per month) to verify information such as inbound quantities, transaction amounts (where available), and the dates of receipt. Upon completion of such reconciliation procedures and confirmation of consistency, we proceed with financial settlement. In the event of any discrepancies identified during the reconciliation process, we will communicate with the warehouse operator and the relevant customer to ascertain the reasons for such discrepancies and resolve them in a timely manner.

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General Factors

Our business and results of operations are impacted by general factors affecting the development of our industry, which include:

- Macroeconomic conditions in China and globally;
- Growth and competition environment of the new energy sector;
- Relevant laws and regulations, governmental policies and initiatives affecting the new energy sector; and
- Occurrence of force majeure events, outbreak of pandemics or epidemics, acts of war, social and economic chaos and natural disasters.

Unfavorable changes and any challenges in any of these general industry conditions could affect the demand for our services and hence our results of operations.

MATERIAL ACCOUNTING POLICIES INFORMATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards and applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgment in the process of applying the accounting policies. In particular, different revenue recognition models have varying impacts on inventory turnover days. Under the consumption and reconciliation model, products delivered to customers remain as our Group’s inventory until they are consumed and reconciled, which prolongs the inventory holding period and results in higher inventory turnover days. In contrast, under the sign-off model, revenue is recognized upon customer acceptance and the corresponding inventory is derecognized at that point, leading to shorter holding periods and lower inventory turnover days. For details on such estimates and judgments, see Note 5 to the Accountants’ Report included in Appendix I to this Document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	800,255	1,134,764	1,375,754	572,484	898,376
Cost of sales	(517,996)	(771,356)	(920,421)	(382,240)	(592,922)
Gross profit	282,259	363,408	455,333	190,244	305,454
Other income, gains and losses . . .	33,016	41,143	49,809	26,907	(9)
Selling and marketing expenses . . .	(20,738)	(26,845)	(34,595)	(14,793)	(24,988)
Administrative expenses	(48,640)	(50,806)	(75,620)	(32,923)	(50,266)
Research and development expenses .	(45,106)	(61,311)	(65,471)	(26,398)	(47,614)
Impairment losses on financial assets, net	(202)	(3,571)	(5,121)	434	(3,004)

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	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other expenses	(565)	(945)	(567)	(444)	(1,320)
Share of profits of an associate	–	–	4,895	–	6,033
Finance costs	(4,693)	(1,227)	(8,402)	(2,026)	(6,628)
Profit before tax	195,331	259,846	320,261	141,001	177,658
Income tax expenses	(23,529)	(29,596)	(37,654)	(17,261)	(21,374)
Profit for the year/period	171,802	230,250	282,607	123,740	156,284
Other comprehensive income/(loss):					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations . .	123	(283)	356	(181)	(13,312)
Total comprehensive income for the year/period	171,925	229,967	282,963	123,559	142,972

Revenue

During the Track Record Period, we delivered revenue primarily from providing (i) mica-based composite materials and related products; and (ii) key precision structural components and related products for robots and advanced automation applications. We had revenue of RMB800.3 million, RMB1,134.8 million, RMB1,375.8 million, RMB572.5 million and RMB898.4 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Revenue by Product Category

The following table sets forth a breakdown of our revenue by segment in absolute amounts and as a percentage of our total revenue for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>(Unaudited)</i>										
Mica-based composite materials and related products	782,847	97.8	1,118,737	98.6	1,274,410	92.6	556,005	97.1	799,043	88.9
Products for NEV applications	574,627	71.8	897,803	79.1	1,063,840	77.3	458,638	80.1	697,741	77.7
Thermal runaway protection insulation component product	574,333	71.8	882,540	77.8	1,046,024	76.0	457,109	79.8	609,854	67.9
Lightweight structural component	294	0.0	15,263	1.3	17,816	1.3	1,529	0.3	87,887	9.8
Products for non-NEV applications	208,220	26.0	220,934	19.5	210,570	15.3	97,367	17.0	101,302	11.3
Home appliances	112,142	14.0	120,243	10.6	105,907	7.7	47,847	8.4	50,807	5.7
Cable	52,194	6.5	57,991	5.1	60,260	4.4	31,166	5.4	26,379	2.9
Other products ⁽¹⁾	43,884	5.5	42,700	3.8	44,403	3.2	18,354	3.2	24,116	2.7
Key precision structural components and related products	–	–	–	–	89,675	6.5	10,182	1.8	96,061	10.7
Motor	–	–	–	–	571	0.0	117	0.0	634	0.1
Linear actuators	–	–	–	–	41,291	3.0	3,140	0.5	45,955	5.1

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	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Transmission components	-	-	-	-	35,952	2.6	5,664	1.0	36,384	4.0
Gearboxes	-	-	-	-	2,071	0.2	72	0.0	2,134	0.2
Auxiliary components	-	-	-	-	9,790	0.7	1,189	0.2	10,954	1.2
Others ⁽²⁾	17,408	2.2	16,027	1.4	11,669	0.9	6,297	1.1	3,272	0.4
Total	800,255	100.0	1,134,764	100.0	1,375,754	100.0	572,484	100.0	898,376	100.0

Note:

- (1) Other products primarily comprised revenue from mica-based products for industrial, rail transit, 3C electronics, general machinery, and other industrial applications.
- (2) Others primarily comprised revenue from primary mica products and scrap sales.

Mica-based Composite Materials and Related Products

Our mica-based composite materials and related products for NEV applications primarily include thermal runaway protection insulation components and lightweight structural components. Our revenue generated from the sale of such products increased by 56.2% from RMB574.6 million in 2023 to RMB897.8 million in 2024, and increased by 18.5% to RMB1,063.8 million in 2025. Our revenue generated from the sale of such products further increased by 52.1% from RMB458.6 million in the six months ended June 30, 2025 to RMB697.7 million in the six months ended June 30, 2026.

Our mica-based composite materials and related products for non-NEV applications primarily include mica heaters, mica boards, mica rolls, and precision-machined mica components for home appliances, and mica rolls for cable. Our revenue from the sale of such products increased by 6.1% from RMB208.2 million in 2023 to RMB220.9 million in 2024, and decreased by 4.7% to RMB210.6 million in 2025. Our revenue generated from the sale of such products further increased by 4.0% from RMB97.4 million in the six months ended June 30, 2025 to RMB101.3 million in the six months ended June 30, 2026.

Key Precision Structural Components and Related Products

Our key precision structural components and related products primarily include motors, linear actuators, transmission components, gearboxes and auxiliary components. As we completed the acquisition of Dizi Precision in June 2025, and Dizi Precision is primarily engaged in the business of key precision structural components and related products, we had recorded revenue of RMB89.7 million from the sale of key precision structural components and related products in 2025. Our revenue generated from the sale of key precision structural components and related products increased significantly from RMB10.2 million in the six months ended June 30, 2025 to RMB96.1 million in the six months ended June 30, 2026, representing an increase of approximately 843.4%.

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Revenue by Geographical Region

The following table sets forth a breakdown of our revenue by geographical region in absolute amounts and as a percentage of our total revenue for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Chinese mainland	475,666	59.4	562,242	49.5	735,339	53.4	298,609	52.2	473,940	52.8
Europe	183,731	23.0	327,443	28.9	440,166	32.0	187,658	32.8	319,075	35.5
Americas	97,942	12.2	139,007	12.2	144,402	10.5	64,122	11.2	69,026	7.7
Asia Pacific (excluding Chinese mainland)	36,660	4.6	97,190	8.6	41,284	3.0	18,983	3.3	29,444	3.3
Others ⁽¹⁾	6,256	0.8	8,882	0.8	14,563	1.1	3,112	0.5	6,891	0.8
Total	800,255	100.0	1,134,764	100.0	1,375,754	100.0	572,484	100.0	898,376	100.0

Note:

(1) Others mainly include Middle East and Africa.

Our revenue generated from Chinese mainland and Europe increased during the Track Record Period, primarily driven by increased customer demand amid industry expansion and enhanced customer satisfaction, supported by our strong R&D capabilities and close collaboration with customers at an early stage of product development.

Our revenue generated from the Americas and Asia Pacific (excluding China) increased in 2024, mainly due to an increase in sales volume of certain key customers in these regions. However, as our key customers completed their bulk stocking for mass production in 2025, the demand for our products decreased in that period, resulting in a decrease in revenue as compared with the corresponding period in 2024.

Cost of Sales

Our cost of sales primarily consists of (i) material costs, mainly representing costs for purchasing adhesive tapes and foams, mica ore, chemical raw materials; (ii) manufacturing costs; and (iii) staff costs. Our cost of sales amounted to RMB518.0 million, RMB771.4 million, RMB920.4 million, RMB382.2 million and RMB592.9 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. The following table sets forth a breakdown of our costs of sales by nature in absolute amounts and as a percentage of our total cost of sales for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Material cost	236,405	45.6	419,216	54.3	483,497	52.5	189,180	49.5	334,334	56.4
Manufacturing cost	144,427	27.9	185,264	24.0	234,620	25.5	102,985	26.9	136,350	23.0
Staff cost	122,762	23.7	138,267	17.9	178,087	19.3	76,046	19.9	99,179	16.7
Others	14,402	2.8	28,609	3.7	24,217	2.6	14,029	3.7	23,059	3.9
Total	517,996	100.0	771,356	100.0	920,421	100.0	382,240	100.0	592,922	100.0

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Gross Profit

Our gross profit amounted to RMB282.3 million, RMB363.4 million, RMB455.3 million, RMB190.2 million and RMB305.5 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. Our gross profit margin was 35.3%, 32.0%, 33.1%, 33.2% and 34.0% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Gross Profit and Gross Profit Margin by Product Category

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross Profit/Loss	Gross Margin	Gross Profit/Loss	Gross Margin	Gross Profit/Loss	Gross Margin	Gross Profit/Loss	Gross Margin	Gross Profit/Loss	Gross Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>(Unaudited)</i>										
Mica-based composite materials and related products	279,450	35.7	358,656	32.1	412,844	32.4	184,592	33.2	262,114	32.8
Products for NEV applications	249,357	43.4	338,664	37.7	377,414	35.5	168,319	36.7	245,887	35.2
Thermal runaway protection insulation component product	249,148	43.4	331,627	37.6	373,515	35.7	167,362	36.6	230,292	37.8
Lightweight structural component	209	70.9	7,036	46.1	3,899	21.9	957	62.6	15,595	17.7
Products for non-NEV applications	30,093	14.5	19,992	9.1	35,430	16.8	16,273	16.7	16,227	16.0
Home appliances	13,742	12.3	10,354	8.6	16,949	16.0	7,504	15.7	7,953	15.7
Cable	3,860	7.4	1,878	3.2	6,756	11.2	3,592	11.5	3,233	12.3
Other products ⁽¹⁾	12,491	28.5	7,760	18.2	11,726	26.4	5,177	28.2	5,041	20.9
Key precision structural components and related products	–	–	–	–	40,080	44.7	4,734	46.5	42,664	44.4
Motor	–	–	–	–	167	29.3	52	44.4	243	38.3
Linear actuators	–	–	–	–	18,385	44.5	1,141	36.3	20,614	44.9
Transmission Components	–	–	–	–	17,033	47.4	3,064	54.1	17,242	47.4
Gearboxes	–	–	–	–	592	28.6	39	54.2	744	34.9
Auxiliary Components	–	–	–	–	3,902	39.9	438	36.8	3,821	34.9
Others⁽²⁾	2,810	16.1	4,752	29.7	2,409	20.6	918	14.6	676	20.7
Total	282,259	35.30	363,408	32.0	455,333	33.1	190,244	33.2	305,454	34.0

Notes:

- (1) Other products primarily comprised revenue from mica-based products for industrial, rail transit, 3C electronics, general machinery, and other industrial applications.
- (2) Others primarily comprised revenue from primary mica products and scrap sales.

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded a gross profit of RMB249.4 million, RMB338.7 million, RMB377.4 million, RMB168.3 million and RMB245.9 million, respectively, for selling mica-based composite materials and related products for NEV applications, with a gross profit margin of 43.4%, 37.7%, 35.5%, 36.7% and 35.2% for the same periods.

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded a gross profit of RMB30.1 million, RMB20.0 million, RMB35.4 million, RMB16.3 million and RMB16.2 million, respectively, for selling mica-based composite materials and related products for non-NEV applications, with a gross profit margin of 14.5%, 9.1%, 16.8%, 16.7% and 16.0% for the same periods.

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As we completed the acquisition of Dizi Precision in June 2025, and Shanghai Dizi is primarily engaged in the business of key precision structural components and related products, we recorded a gross profit of RMB455.3 million with a gross profit margin of 33.1% for 2025.

Other Income, Gains and Losses

Our other income, gains and losses primarily consisted of our (i) other income, comprising of (a) government grants and (b) bank interest income; and our (ii) gains/losses comprising of (a) fair value (losses)/gains on financial assets at fair value through profit or loss, net, (b) additional deduction for value-added tax, (c) gains on disposal of subsidiaries, (d) foreign exchange gains, net and (e) losses on disposal of items of property, plant and equipment. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded other income, gains of RMB33.0 million, RMB41.1 million, RMB49.8 million, RMB26.9 million and other income, losses of RMB9 thousand, respectively. The following table sets forth a breakdown of our other income, gains and losses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2023		2024		2025		2025		2026			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(Unaudited)	
Other income												
Government grants ⁽¹⁾	15,236	46.1	12,946	31.5	17,984	36.1	10,165	[37.8]	5,021	(55,788.9)		
Bank interest income	9,013	27.3	17,403	42.3	15,821	31.8	3,552	[13.2]	8,432	(93,688.9)		
Others	4,941	15.0	918	2.2	336	0.7	228	[0.8]	258	(2,866.7)		
Total other income	29,190	88.4	31,267	76.0	34,141	68.5	13,945	[51.8]	13,711	(152,344.4)		
Gains/(Losses)												
Fair value (losses)/gains on financial assets at fair value through profit or loss, net	(492)	(1.5)	6,625	16.1	9,550	19.2	4,902	[18.2]	3,059	(33,988.9)		
Additional deduction for value-added tax	209	0.6	770	1.9	7,092	14.2	5,804	[21.6]	519	(5,766.7)		
Gains on disposal of subsidiaries	-	-	-	-	1,574	3.2	-	-	-	-		
Gain on lease termination	-	-	-	-	1,300	2.6	-	-	-	-		
Foreign exchange gains/(losses), net	4,402	13.3	3,317	8.1	(3,660)	(7.3)	2,316	8.6	(15,908)	176,755.6		
Losses on disposal of items of property, plant and equipment	(329)	(1.0)	(899)	(2.2)	(303)	(0.6)	(172)	(0.6)	(1,603)	17,811.1		
Others	36	0.1	63	0.2	115	0.2	112	0.4	213	(2,366.7)		
Total gains, net	3,826	11.6	9,876	24.0	15,668	31.5	12,962	48.2	(13,720)	152,444.4		
Total other income, gains and losses	33,016	100.0	41,143	100.0	49,809	100.0	26,907	100.0	(9)	100.0		

Note:

- (1) The government grants mainly represent incentives awarded by the local governments to support our operation. There were no unfulfilled conditions or contingencies attached to these government grants.

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Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) employee benefit costs; (ii) marketing and promotion expenses; and (iii) office and travel expenses. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded selling and marketing expenses of RMB20.7 million, RMB26.8 million, RMB34.6 million, RMB14.8 million and RMB25.0 million, respectively. The following table sets forth a breakdown of our selling and marketing expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Employee benefit costs	10,507	50.7	12,682	47.2	17,973	52.0	7,061	47.7	9,141	36.6
Marketing and promotion expenses	7,463	36.0	12,467	46.4	11,912	34.4	6,816	46.1	11,052	44.2
Office and travel expenses	1,974	9.5	1,421	5.3	3,007	8.7	689	4.7	1,591	6.4
Others	794	3.8	275	1.0	1,703	4.9	228	1.5	3,204	12.8
Total	20,738	100.0	26,845	100.0	34,595	100.0	14,793	100.0	24,988	100.0

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefit costs; (ii) business development, office and traveling expenses; (iii) consulting service fees in relation to our business operations and corporate compliance; (iv) depreciation and amortization mainly for buildings and office premises; (v) taxes and surcharges, mainly representing corresponding taxes resulting from our general administrative operation; and (vi) share-based payments. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded administrative expenses of RMB48.6 million, RMB50.8 million, RMB75.6 million, RMB32.9 million and RMB50.3 million, respectively. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Employee benefit costs	18,195	37.4	24,496	48.2	36,476	48.2	14,245	43.3	21,623	43.0
Business development, office and traveling expenses	8,365	17.2	7,993	15.7	16,349	21.6	7,619	23.1	10,459	20.8
Consulting services	9,757	20.1	5,853	11.5	8,215	10.9	5,055	15.4	6,553	13.0
Depreciation and amortization	4,746	9.8	4,254	8.4	6,421	8.5	2,481	7.5	4,564	9.1
Taxes and surcharges	4,454	9.2	5,255	10.3	5,509	7.3	2,600	7.9	2,994	6.0
Share-based payments	1,086	2.2	1,086	2.1	1,188	1.6	543	1.6	3,238	6.4
Others	2,037	4.2	1,869	3.7	1,462	1.9	380	1.2	835	1.7
Total	48,640	100.0	50,806	100.0	75,620	100.0	32,923	100.0	50,266	100.0

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Research and Development Expenses

Our research and development expenses primarily consisted of (i) employee benefit costs; (ii) depreciation and amortization for our plants and R&D equipment; and (iii) material costs, mainly representing mica materials and chemical raw materials for our R&D activities. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded research and development expenses of RMB45.1 million, RMB61.3 million, RMB65.5 million, RMB26.4 million and RMB47.6 million, respectively. The following table sets forth a breakdown of our research and development expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2023		2024		2025		2025		2026			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(Unaudited)	
Material costs	31,748	70.4	45,625	74.4	44,155	67.4	17,736	67.2	33,355	70.1		
Employee benefit costs	9,923	22.0	12,337	20.1	15,587	23.8	6,697	25.4	11,518	24.2		
Depreciation and amortization	1,377	3.1	1,260	2.1	2,658	4.1	673	2.5	1,259	2.6		
Others ⁽¹⁾	2,058	4.6	2,089	3.4	3,071	4.7	1,292	4.9	1,482	3.1		
Total	45,106	100.0	61,311	100.0	65,471	100.0	26,398	100.0	47,614	100.0		

Note:

(1) Others primarily include fuel and energy costs, testing fees, patent application fees and traveling expenses.

(Impairment losses)/reversal of impairment loss on financial assets, net

Our net impairment losses on financial assets are primarily related to the provision of impairment losses on trade receivables. We had net impairment losses on financial assets of RMB0.2 million in 2023 and RMB3.6 million in 2024. We had net impairment losses on financial assets of RMB5.1 million in 2025. We had reversal of impairment loss on financial assets, net of RMB0.4 million and net impairment losses on financial assets of RMB3.0 million in the six months ended June 30, 2025 and 2026, respectively.

Other Expenses

Our other expenses primarily consisted of external donations. We had other expenses of RMB0.6 million, RMB0.9 million, RMB0.6 million, RMB0.4 million and RMB1.3 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Share of Profits of an Associate

We acquired equity interests in Kingly Gear in 2025. As of June 30, 2026, we held approximately 15% of its issued shares. As a result, we recorded share of profits of an associate of RMB6.0 million in the six months ended June 30, 2026.

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Finance Costs

Our finance costs primarily consisted of (i) interest on bank and other borrowings; (ii) interest on lease liabilities; and (iii) interest on discount on notes receivables. We had finance costs of RMB4.7 million, RMB1.2 million, RMB8.4 million, RMB2.0 million and RMB6.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Interest on bank and other borrowings . . .	3,647	77.7	266	21.7	6,644	79.1	1,358	67.0	5,857	88.4
Interest on lease liabilities	987	21.0	961	78.3	1,758	20.9	668	33.0	771	11.6
Interest on discount on notes receivables .	59	1.3	—	—	—	—	—	—	—	—
Total	4,693	100.0	1,227	100.0	8,402	100.0	2,026	100.0	6,628	100.0

Income Tax Expenses

Our effective tax rate amounted to 12.0%, 11.4%, 11.8%, 12.2% and 12.0% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. We had income tax expenses of RMB23.5 million, RMB29.6 million, RMB37.7 million, RMB17.3 million and RMB21.4 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. See “— Critical Accounting Policies, Judgments and Estimates — Taxation.”

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

Six Months ended June 30, 2026 Compared with Six Months ended June 30, 2025

Revenue

Our total revenue increased by 56.9% from RMB572.5 million in the six months ended June 30, 2025 to RMB898.4 million in the six months ended June 30, 2026, primarily due to revenue growth from products for NEV applications and key precision structural components and related products.

Revenue by Product Category

Our revenue from the sale of products for NEV applications increased by 52.1% from RMB458.6 million in the six months ended June 30, 2025 to RMB697.7 million in the six months ended June 30, 2026, primarily due to (i) the continued rapid growth of the new energy sector, which drove the overall performance growth of our customers and in turn resulted in stronger demand for our products; in particular, (a) the sales volume of thermal runaway protection insulation components increased to approximately 10.0 thousand tons in the six months ended June 30, 2026, while the average selling price remained relatively stable; and (b) the sales volume of lightweight structural components increased significantly as the product category continued to ramp up in mass production, while the average selling price declined as production scaled up; and (ii) our strong technological capabilities and product competitiveness, including our involvement in the early stages of customers’ product

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development, which supported higher customer satisfaction and increased sales volumes. Revenue growth was recorded across major markets, including Chinese mainland and Europe, reflecting increased revenue from key customers.

Our revenue from the sale of products for non-NEV applications increased by 4.0% from RMB97.4 million in the six months ended June 30, 2025 to RMB101.3 million in the six months ended June 30, 2026, primarily due to generally stable demand from customers in traditional application sectors such as home appliances and cables. The growth remained modest as we continued to prioritise production resources to meet demand from new energy industry customers.

Our revenue from the sale of key precision structural components and related products increased significantly from RMB10.2 million in the six months ended June 30, 2025 to RMB96.1 million in the six months ended June 30, 2026, primarily due to the consolidation and continued ramp-up of Dizi Precision following our acquisition in June 2025, which enabled us to expand our presence in robotics-related and other precision transmission applications. As revenue from this segment was recognized only for a limited period in the six months ended June 30, 2025 after the completion of the acquisition, the period-to-period comparison reflects both a full half-year contribution in 2026 and growth in customer demand as the business scaled up.

Cost of Sales

Our cost of sales increased by 55.1% from RMB382.2 million in the six months ended June 30, 2025 to RMB592.9 million in the six months ended June 30, 2026, primarily due to the increase in our material costs, manufacturing costs and staff costs, which was generally in line with the growth of our revenue. In particular, material costs increased at a faster pace and accounted for a higher proportion of our cost of sales, primarily because a higher proportion of adhesive tapes and foams was used in customer product designs. Manufacturing costs and staff costs also increased as production volume expanded, although the increase was moderated by our continued investment in automation and production efficiency improvement.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 60.6% from RMB190.2 million in the six months ended June 30, 2025 to RMB305.5 million in the six months ended June 30, 2026. Our gross profit margin increased from 33.2% in the six months ended June 30, 2025 to 34.0% in the six months ended June 30, 2026. In particular, for products for NEV applications, the gross profit margin decreased from 36.7% in the six months ended June 30, 2025 to 35.2% in the six months ended June 30, 2026, primarily due to higher material costs associated with a higher proportion of adhesive tapes and foams used in the relevant products, as well as labor costs incurred in related processing, and, to a lesser extent, the dilution effect from the ramp-up of lightweight structural components as production scaled up and average selling prices decreased. For products for non-NEV applications, the gross profit margin remained relatively stable at 16.7% in the six months ended June 30, 2025 and 16.0% in the six months ended June 30, 2026. For key precision structural components and related products, the gross profit margin decreased from 46.5% in the six months ended June 30, 2025 to 44.4% in the six months ended June 30, 2026, primarily because revenue from such products was recognized only from June 2025 onward in the six months ended June 30, 2025. Accordingly, the gross profit margin for that period may not be directly comparable to the corresponding period in 2026.

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Other Income, Gains and Losses

Our other income and gains decreased significantly from other income and gains of RMB26.9 million in the six months ended June 30, 2025 to other income and losses of RMB9 thousand in the six months ended June 30, 2026, primarily due to (i) a decrease in government grants recognized from RMB10.2 million for the six months ended June 30, 2025 to RMB5.0 million for the six months ended June 30, 2026, and (ii) a turnaround from other gains, net of RMB13.0 million to other losses, net of RMB13.7 million, mainly attributable to foreign exchange losses of RMB15.9 million as a result of exchange rate fluctuations, partially offset by (iii) an increase in bank interest income from RMB3.6 million for the six months ended June 30, 2025 to RMB8.4 million for the six months ended June 30, 2026.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 68.9% from RMB14.8 million for the six months ended June 30, 2025 to RMB25.0 million for the six months ended June 30, 2026, primarily due to (i) an increase in employee benefit expenses and marketing and promotion expenses in line with the expansion of our business scale and increase in revenue; and (ii) an increase in other selling and marketing expenses, mainly attributable to the recognition of share-based payment expenses for the six months ended June 30, 2026.

Administrative Expenses

Our administrative expenses increased by 52.7% from RMB32.9 million in the six months ended June 30, 2025 to RMB50.3 million in the six months ended June 30, 2026, primarily due to (i) an increase in employee benefit expenses in connection with our business expansion and the enlarged management scale following the acquisition of Dizi Precision; (ii) an increase in depreciation and amortization expenses mainly as a result of the increase in relevant assets; and (iii) an increase in share-based payment expenses due to newly granted incentives.

Research and Development Expenses

Our research and development expenses increased by 80.4% from RMB26.4 million in the six months ended June 30, 2025 to RMB47.6 million in the six months ended June 30, 2026, primarily due to an increase in direct materials consumed in R&D activities and employee benefit expenses as we expanded our R&D workforce and project activities alongside the growth of our business.

Impairment Losses on Financial Assets, Net

Our reversal of impairment loss on financial assets, net changed from RMB0.4 million in the six months ended June 30, 2025 to impairment losses on financial assets, net of RMB3.0 million in the six months ended June 30, 2026, primarily due to changes in the ageing profile of our financial assets and an increase in expected credit loss allowances for trade receivables and other receivables as our business scale and receivables balance increased.

Other expenses

Other expenses increased by 197.3% from RMB0.4 million in the six months ended June 30, 2025 to RMB1.3 million in the six months ended June 30, 2026, primarily due to an increase in donations and other incidental expenses.

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Finance Costs

Our finance costs increased significantly from RMB2.0 million in the six months ended June 30, 2025 to RMB6.6 million in the six months ended June 30, 2026, primarily due to an increase in interest on bank and other borrowings as a result of the expansion of our borrowing scale during the period.

Income Tax Expense

Our income tax expense increased by 23.8% from RMB17.3 million in the six months ended June 30, 2025 to RMB21.4 million in the six months ended June 30, 2026, primarily due to the increase in our profit before tax during the period.

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our total revenue increased by 21.2% from RMB1,134.8 million in 2024 to RMB1,375.8 million in 2025, primarily due to revenue growth from products for NEV applications and key precision structural components and related products.

Revenue by Product Category

Our revenue from the sale of products for NEV applications increased by 18.5% from RMB897.8 million in 2024 to RMB1,063.8 million in 2025, primarily due to (i) the rapid growth of the new energy sector, which drove the overall performance growth of our customers and in turn resulted in stronger demand for our products; in particular, (a) the sales volume of thermal runaway protection insulation components increased from 14.5 thousand tons in 2024 to 17.3 thousand tons in 2025, reflecting sustained demand from the new energy vehicle and energy storage end-markets, while the average selling price remained relatively stable; and (b) the sales volume of lightweight structural components continued to grow as this relatively new product category gained broader customer acceptance, with the average selling price declining as production scaled up and per-unit development and tooling costs decreased; and (ii) our strong technological capabilities and product competitiveness, which led to continued improvement in customer satisfaction, deeper cooperation with key customers, a steadily expanding market share and an increasing number of customers as well as customer contracts entered into by us. We were involved in the early stages of the customers’ product development process, such as product design, specific development and feedback and review, which leads to higher customer satisfaction as well as increased sales volumes. Correspondingly, our sales volume of products for NEV applications increased from 14,630 tons in 2024 to 17,467 tons in 2025.

Our revenue from the sale of products for non-NEV applications decreased slightly from RMB220.9 million in 2024 to RMB210.6 million in 2025, mainly due to capacity constraints and the prioritisation of production resources to meet demand from new energy industry customers, resulting in a modest decrease in sales volume of products for non-NEV applications. The prioritization of our production capacity to higher-margin products for NEV applications resulted in relatively less production capacity available for products for non-NEV applications. The sales volume and average selling price of our home appliance and cable products experienced mild fluctuations during the Track Record Period, primarily due to the mature and highly competitive nature of these markets and the high price sensitivity of a fragmented customer base.

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Our revenue from the sale of key precision structural components and related products increased from nil in 2024 to RMB89.7 million in 2025, primarily attributable to our strategic acquisition of Dizi Precision, which enabled us to make an early entry into the robotics sector and establish a new growth driver.

Cost of Sales

Our cost of sales increased by 19.3% from RMB771.4 million in 2024 to RMB920.4 million in 2025, in line with increased costs of raw materials that we procured to manufacture our products and corresponding increase in staff costs and manufacturing costs in response to rising market demands.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 25.3% from RMB363.4 million in 2024 to RMB455.3 million in 2025. Our gross profit margin remained relatively stable at 32.0% in 2024 and 33.1% in 2025. In particular, for products for NEV applications, the gross profit margin remained relatively stable at 37.7% in 2024 and 35.5% in 2025 primarily due to an increase in costs mainly attributable to a higher proportion of tape and foam materials resulting in higher material costs, as well as increased labor costs incurred during the manufacturing process. For products for non-NEV applications, the gross profit margin increased from 9.1% in 2024 to 16.8% in 2025 primarily due to an increase in the average selling price in 2025, which was in line with overall market trends. As a partial offset, we recorded an increase in the gross profit margin for key precision structural components and related products from nil in 2024 to 44.7% in 2025, as we completed the acquisition of Dizi Precision in June 2025.

Other Income and Gains

Our other income and gains increased by 21.2% from RMB41.1 million in 2024 to RMB49.8 million in 2025, primarily due to (i) an increase in government grants, mainly comprising subsidies for R&D projects and incentives related to equipment upgrades; and (ii) an increase in additional deductions for value-added tax, mainly comprising tax incentives related to advanced manufacturing industries; partially offset by (i) a decrease in bank interest income as a result of a reduction in bank deposits; and (ii) a decrease in foreign exchange gains in line with the fluctuation of the exchange rate.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 28.9% from RMB26.8 million in 2024 to RMB34.6 million in 2025, primarily as a result of the increase in employee benefit costs in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 48.8% from RMB50.8 million in 2024 to RMB75.6 million in 2025, primarily due to the increase in employee benefit costs and business development, office and travelling expenses, in line with our business expansion.

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Research and Development Expenses

Our research and development expenses increased by 6.8% from RMB61.3 million in 2024 to RMB65.5 million in 2025 primarily as a result of the increase in employee benefit costs in line with our business expansion.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased by 43.4% from RMB3.6 million in 2024 to RMB5.1 million in 2025, primarily due to (i) our revenue growth, which led to an increase in trade receivables and corresponding impairment provisions and (ii) additional trade receivables from the acquisition of Dizi.

Other expenses

Other expenses remained stable at RMB0.9 million in 2024 and RMB0.6 million in 2025.

Finance Costs

Our finance costs increased significantly from RMB1.2 million in 2024 to RMB8.4 million in 2025, primarily due to (i) an increase in bank borrowings which in turn led to higher interest expenses on bank loans in line with our increased funding requirements as our business continued to expand; and (ii) an increase in interest on lease liabilities, driven by the site rental expenses related to Dizi Precision and newly leased warehouses in Zhejiang.

Income Tax Expense

Our income tax expense increased by 27.2% from RMB29.6 million in 2024 to RMB37.7 million in 2025, primarily due to the growth of our profit.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our total revenue increased by 41.8% from RMB800.3 million in 2023 to RMB1,134.8 million in 2024, primarily due to the revenue growth from our products for NEV applications and products for non-NEV applications in line with our business expansion.

Revenue by Product Category

Our revenue from the sale of products for NEV applications increased by 56.2% from RMB574.6 million in 2023 to RMB897.8 million in 2024, primarily due to (i) the rapid growth of the new energy sector, which drove the overall performance growth of our customers and in turn resulted in stronger demand for our products; in particular, (a) the sales volume of thermal runaway protection insulation components increased from 9.8 thousand tons in 2023 to 14.5 thousand tons in 2024, reflecting rapid growth in the new energy vehicle and energy storage end-markets, while the average selling price increased as a result of a higher proportion of three-dimensional integrated molding products with greater production complexity and higher unit prices, as well as increased customer demand for tape and foam materials; and (b) the sales volume of lightweight structural components increased significantly as this new product category gained initial customer acceptance following product launch in 2023, with the average selling price declining as production scaled up and per-unit development and tooling costs decreased; and (ii) our strong technological capabilities and product competitiveness,

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which led to continued improvement in customer satisfaction, deeper cooperation with key customers and a steadily expanding market share. We have adopted the approach of involving customers in the early stages of the product development process, such as product design, specific development and feedback and review, which leads to higher customer satisfaction as well as increased sales volumes. Correspondingly, our sales volume of products for NEV applications increased from 9,846 tons in 2023 to 14,630 tons in 2024.

Our revenue from the sale of products for non-NEV applications increased by 6.1% from RMB208.2 million in 2023 to RMB220.9 million in 2024, primarily due to (i) greater customer demand for our products as the home appliances and wire and cable industries expand; (ii) our strong technological capabilities and product competitiveness, which led to continued improvement in customer satisfaction, deeper cooperation with key customers and a steadily expanding market share; and (iii) an increasing number of customers as well as customer contracts entered into by us. Correspondingly, our sales volume of products for non-NEV applications increased from 9,315 tons in 2023 to 11,019 tons in 2024. The sales volume of our home appliance products increased from 5.7 thousand tons in 2023 to 6.4 thousand tons in 2024, while the average selling price experienced mild fluctuations, primarily due to the mature and highly competitive nature of these markets.

Cost of Sales

Our cost of sales increased by 48.9% from RMB518.0 million in 2023 to RMB771.4 million in 2024, due to the increased cost of raw materials that we procured to manufacture our products and the corresponding increase in staff costs and manufacturing costs, in line with our business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 28.7% from RMB282.3 million in 2023 to RMB363.4 million in 2024.

Our gross profit margin decreased from 35.3% in 2023 to 32.0% in 2024. For products for NEV applications, the gross profit margin decreased from 43.4% in 2023 to 37.7% in 2024, and for products for non-NEV applications, the gross profit margin decreased from 14.5% in 2023 to 9.1% in 2024.

The decline in the gross profit margin of our products for NEV applications was primarily attributable to significant changes in our product mix. As the product designs increasingly incorporated materials such as adhesive tapes and foams, the proportion of such materials used in our products increased substantially. As a result, the cost proportion of these materials increased, while their value-added contribution remained relatively low, leading to a higher increase in costs than revenue and thereby constraining the growth of the gross profit margin of our products for NEV applications.

The decline in the gross profit margin of products for non-NEV applications was primarily attributable to a reduction in selling prices, as we adopted more competitive pricing to respond to intensified competition in the market for home appliances and wire and cable products.

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Other Income, Gains and Losses

Our other income, gains and losses increased by 24.6% from RMB33.0 million in 2023 to RMB41.1 million in 2024, primarily due to (i) an increase in bank interest income; and (ii) an increase in net fair value (losses)/gains on financial assets at fair value through profit or loss, as we raised funds from our A-share listing in 2023, resulting in higher bank deposits and financial assets.

Selling and Marketing Expenses

Our sales and marketing expenses increased by 29.4% from RMB20.7 million in 2023 to RMB26.8 million in 2024, primarily due to the increase in employee benefit costs and marketing and promotion expenses in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 4.5% from RMB48.6 million in 2023 to RMB50.8 million in 2024, primarily due to the increase in employee benefit costs, in line with our business expansion.

Research and Development Expenses

Our research and development expenses increased by 35.9% from RMB45.1 million in 2023 to RMB61.3 million in 2024, primarily due to the increase in employee benefit costs and material costs for research and development, in line with our business expansion.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets increased significantly from RMB0.2 million in 2023 to RMB3.6 million in 2024, primarily due to the substantial expansion of our business operations and revenue scale, which led to an increase in the balance of trade receivables and, consequently, a higher loss allowance for impairment of trade receivables.

Other Expenses

Our other expenses remained relatively stable at RMB0.6 million in 2023 and RMB0.9 million in 2024.

Finance Costs

Our finance costs decreased by 73.9% from RMB4.7 million in 2023 to RMB1.2 million in 2024, primarily due to a reduction in interest on bank and other borrowings, as we raised funds through our A-share listing in 2023, which enabled us to repay and reduce bank and other borrowings in 2024.

Income Tax Expenses

Our income tax expenses increased by 25.8% from RMB23.5 million in 2023 to RMB29.6 million in 2024, which is in line with the growth of our revenue.

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DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statement of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	404,464	473,536	615,682	709,877
Right-of-use assets	79,021	88,366	104,939	98,730
Other intangible assets	1,435	462	15,243	13,290
Interests in an associate	–	–	304,891	307,928
Goodwill	–	–	149,742	149,742
Deferred tax assets	8,128	14,580	16,596	20,003
Other non-current assets	8,680	215,032	290,121	319,902
Total non-current assets	501,728	791,976	1,497,214	1,619,472
Current assets				
Inventories	170,952	251,110	378,374	442,957
Trade and notes receivables	226,877	277,334	364,317	394,686
Prepayments and other receivables	9,387	73,169	52,847	207,799
Financial assets at fair value through profit or loss	–	220,191	434,981	378,825
Financial assets at fair value through other comprehensive income	23,255	15,402	46,232	31,361
Bank and cash balances	1,022,671	583,826	474,103	367,538
Total current assets	1,453,142	1,421,032	1,750,854	1,823,166
Liabilities				
Current liabilities				
Trade and notes payables	183,415	271,252	317,124	449,691
Amount due to a related company	–	63	–	367
Other payables and accruals	31,609	28,579	139,538	131,627
Contract liabilities	10,098	18,120	46,744	50,997
Interest-bearing bank and other borrowings	19,800	–	534,198	532,392
Lease liabilities	2,077	4,009	8,080	9,344
Derivative financial instruments	–	–	–	330
Income tax payable	7,418	5,962	11,431	9,452
Total current liabilities	254,417	327,985	1,057,115	1,184,200
Net current assets	1,198,725	1,093,047	693,739	638,966
Total assets less current liabilities	1,700,453	1,885,023	2,190,953	2,258,438

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	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities				
Other payables and accruals	–	–	151	128
Lease liabilities	19,599	21,063	24,273	21,154
Deferred income	19,406	33,036	31,427	34,646
Deferred tax liabilities	6	29	2,741	1,978
Total non-current liabilities	39,011	54,128	58,592	57,906
Net assets	1,661,442	1,830,895	2,132,361	2,200,532
Capital and reserves				
Share capital	280,000	363,742	363,742	472,860
Reserves	1,381,442	1,467,153	1,673,469	1,626,476
Equity attributable to owners of the company	1,661,442	1,830,895	2,037,211	2,099,336
Non-controlling interests	–	–	95,150	101,196
Total equity	1,661,442	1,830,895	2,132,361	2,200,532

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) buildings; (ii) machinery and equipment; (iii) construction in progress; (iv) electronic devices and other equipment; (v) motor vehicles; and (vi) leasehold improvements. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	234,594	225,616	259,335	305,409
Machinery and equipment	137,435	159,500	231,392	255,100
Construction in progress	8,037	59,180	88,421	63,389
Electronic devices and other equipment	14,221	17,399	20,990	18,753
Motor vehicles	8,893	10,682	10,425	8,978
Leasehold improvements	1,284	1,159	5,119	5,013
Freehold land	–	–	–	53,235
Total	404,464	473,536	615,682	709,877

Our property, plant and equipment increased by 17.1% from RMB404.5 million in 2023 to RMB473.5 million in 2024, primarily due to (i) the increase in machinery and equipment including newly installed production lines and tools; (ii) the construction of our new manufacturing facility in Hunan in line with our business expansion; and (iii) the increase in electronic devices for R&D and manufacturing purposes. Our property, plant and equipment increased by 30.0% from RMB473.5 million in 2024 to RMB615.7 million in 2025, primarily due to (i) the construction of our new manufacturing facility in Thailand as part of our business expansion; (ii) the addition of machinery, equipment and the improvements of leasehold arising from the acquisition of Dizi Precision; and (iii) the completion and capitalisation of certain

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factory buildings of Hunan Rongtai in 2025. Our property, plant and equipment increased by 15.3% from RMB615.7 million to RMB709.9 million as of June 30, 2026, primarily due to the increase in buildings and machinery and equipment, partially offset by depreciation charged during the period.

Right-of-Use Assets

Our right-of-use assets consisted of (i) office premises; and (ii) leasehold land. Our right-of-use assets increased by 11.8% from RMB79.0 million in 2023 to RMB88.4 million in 2024, primarily due to the increase in buildings for our office premises and of leasehold land in our Jiaxing plant and Yueyang plant. Our right-of-use assets further increased by 18.8% from RMB88.4 million in 2024 to RMB104.9 million in 2025, primarily due to the increase in buildings for our office premises and of leasehold land in our Jiaxing and Yueyang plants, as well as the acquisition of Dizi Precision, which is in line with our business expansion. Our right-of-use assets decreased by 5.9% from RMB104.9 million in 2025 to RMB98.7 million as of June 30, 2026, primarily due to depreciation of right-of-use assets during the period.

Other Intangible Assets

Our other intangible assets consisted of (i) patents; and (ii) software. Our other intangible assets decreased by 67.8% from RMB1.4 million in 2023 to RMB0.5 million in 2024, primarily due to the corresponding depreciation and amortization. Our other intangible assets increased from RMB0.5 million in 2024 to RMB15.2 million in 2025, primarily due to the increase of patent value arising from our acquisition of Dizi Precision. Our other intangible assets decreased by 12.8% from RMB15.2 million in 2025 to RMB13.3 million as of June 30, 2026, primarily due to the corresponding depreciation and amortization.

Interests in an Associate

Our interests in an associate were primarily in relation to (i) cost of investment, unlisted; and (ii) share of results. The following table sets forth a breakdown of our interests in an associate as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	–	–	299,996	297,000
Share of results	–	–	4,895	10,928
Total	–	–	304,891	307,928
	=	=	=	=

We acquired equity interests in Kingly Gear in 2025. As of June 30, 2026, we held approximately 15.0% of its issued shares. We have appointed a director (total five directors) to Kingly Gear to exercise significant influence over the operation and management of Kingly Gear. As a result, we recorded interest in an associate of nil, nil, RMB304.9 million and RMB307.9 million in 2023, 2024, 2025 and June 30, 2026.

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Goodwill

We recorded goodwill of nil, nil, RMB149.7 million and RMB149.7 million in 2023, 2024, 2025 and June 30, 2026, respectively. Our goodwill was primarily in relation to our acquisition of Dizi Precision in 2025. The following table sets forth a breakdown of our goodwill as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year	–	–	–	149,742
Business combination	–	–	149,742	–
At the end of year	–	–	<u>149,742</u>	<u>149,742</u>

Impairment assessment of goodwill

The carrying amount of goodwill allocated to the group of cash-generating unit (“CGU”) is as follow:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Dizi Precision Machinery Co., Ltd. and its consolidated subsidiaries (“Dizi Precision Group”)	<u>N/A</u>	<u>N/A</u>	<u>149,742</u>	<u>149,742</u>

Goodwill arising from the acquisition of Dizi Precision Group has been allocated to the key precision structural components CGU. Management performed an impairment assessment on the goodwill as of December 31, 2025 and June 30, 2026. The recoverable amount of the subsidiaries is determined based on the value in use calculations based on five-year financial budgets. The following table sets forth each key assumption of the CGU on which management has based its cash flow projections to undertake impairment testing of goodwill:

Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Approach used to determine values
Revenue annual growth rate						
– As of December 31, 2025 . .	65.6%	21.7%	20.3%	17.7%	3.1%	Revenue annual growth rate is estimated based on past performance and management’s expectations of market development.
– As of June 30, 2026	65.1%	22.4%	19.8%	17.1%	3.4%	

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Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Approach used to determine values
Net margin						
– As of December 31, 2025 .	14.6%	15.6%	18.7%	21.4%	21.2%	Based on past performance and management’s expectations for the future.
– As of June 30, 2026	9.5%	17.4%	18.5%	20.2%	20.8%	
Pre-tax discount rate						
– As of December 31, 2025 .			12.9%			The pre-tax discount rate was determined using a risk premium approach, based on the risk-free rate aligned with the cash flow projection period and adjusted for company-specific risk.
– As of June 30, 2026			13.4%			

Based on management’s assessment on the recoverable amount of the CGU, no impairment provision was considered necessary as of December 31, 2025 and June 30, 2026.

Impact of possible changes in key assumption

Based on management’s assessment on the recoverable amounts, the headroom of Dizi Precision Group as of June 30, 2026 was as follows:

	2023	2024	2025	June 30, 2026
	RMB’000	RMB’000	RMB’000	RMB’000
Dizi Precision Group	N/A	N/A	25,664	22,133

For the sensitivity analysis of Dizi Precision Group conducted during the impairment review, had there been reasonably possible changes involving reduction of the revenue annual growth rate of each year during the forecast period by 1%, or a reduction of net margin rate of each year/period during the forecast period by 1%, or an increase in pre-tax discount rate by 1%, it would cause the reduction of the recoverable amount of Dizi Precision Group as follows, if one of the key assumptions was to change while other variable held constant: as of June 30, 2026, the recoverable amount would decrease by RMB700,000, RMB6,050,000 and RMB6,640,000, respectively.

Based on the above, management has considered and assessed reasonably possible changes for the key assumptions and has not identified any instances that would cause the carrying amounts of the CGU to exceed their recoverable amounts as of June 30, 2026.

Other Non-Current Assets

Our other non-current assets mainly consisted of (i) prepayment for acquisition of property, plant and equipment; and (ii) large certificates of bank deposits. Our other non-current assets increased significantly from RMB8.7 million in 2023 to RMB215.0 million in 2024, primarily due to our purchase of large certificates of bank deposits. Our other non-current assets increased from RMB215.0 million in 2024 to RMB290.1 million in 2025.

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Our other non-current assets increased from RMB290.1 million in 2025 to RMB319.9 million as of June 30, 2026, primarily due to the prepayment for investment in relation to a proposed acquisition of equity interests in a target company, partially offset by the decrease in prepayments for long-term assets as certain projects were transferred to property, plant and equipment upon completion.

Inventories

Our inventories consisted of (i) finished goods; (ii) raw materials; (iii) goods in transit; and (iv) work in progress. The following table sets forth a breakdown of inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	106,504	161,017	228,385	276,855
Raw materials	64,209	90,778	125,161	141,837
Goods in transit	10,299	21,501	28,230	32,310
Work in progress	1,995	6,970	26,784	30,716
	183,007	280,266	408,560	481,718
Less: provision for impairment	(12,055)	(29,156)	(30,186)	(38,761)
Total	170,952	251,110	378,374	442,957

Our inventories increased by 46.9% from RMB171.0 million in 2023 to RMB251.1 million in 2024, primarily due to the expansion of our business operations, which resulted in increased inventory reserves across all categories. Our inventories increased by 50.7% from RMB251.1 million in 2024 to RMB378.4 million in 2025, primarily due to (i) the expansion of business operations, resulting in increased inventory reserves; and (ii) our acquisition of Dizi Precision, through which we absorbed the inventories of Dizi Precision which mainly includes key precision structural components and related products. Our inventories increased by 17.1% from RMB378.4 million in 2025 to RMB443.0 million as of June 30, 2026, primarily due to increases in finished goods and raw materials to support business expansion and sales growth.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	170,588	254,903	341,080	418,320
One to two years	10,050	21,040	50,160	37,345
Over two years	2,369	4,323	17,320	26,053
Total	183,007	280,266	408,560	481,718

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At the end of each period of the Track Record Period, we reviewed whether individual inventory items were obsolete or stagnant and whether their net realizable value was lower than their cost. The impairment of inventory is based on the assessment of the inventory’s merchantability and its net realizable value. We made proper inventory provision in the Track Record Period and fully considered the subsequent sales.

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)	(days)	(days)	(days)
Inventory turnover days ⁽¹⁾	118	100	125	125

Note:

- (1) Inventory turnover days for each year/period equal the average of the beginning and ending balances of inventory (net of impairment) for that year/period divided by cost of sales for that year/period and multiplied by the number of days during such periods, being 365 for a year/180 days for the period.

Our inventory turnover days decreased from 118 days in 2023 to 100 days in 2024, primarily attributable to improved inventory turnover efficiency driven by the rapid growth in our revenue, as well as the implementation of improved inventory management measures and enhanced fulfillment efficiency. Our inventory turnover days increased from 100 days in 2024 to 125 days in 2025, primarily due to (i) an increase in inventory levels to support our revenue growth and (ii) our acquisition of Dizi Precision, whose inventory turnover cycle is relatively longer, mainly as a result of its business model and operating characteristics. Dizi Precision operates a make-to-order model, with production scheduled based on customer orders and safety stock levels, and products that are typically highly customised to meet diversified customer and industry needs. As a result, we generally undertake small-batch, high-frequency and high-complexity production and delivery, which lengthens production and delivery cycles and, together with inventory build-up arising from increased revenue, contributed to the longer inventory turnover days in 2025. Our inventory turnover days remained stable at 125 days in the six months ended June 30, 2026.

As of July 31, 2026, approximately 31.3%, of our inventories as of June 30, 2026 had been sold or utilized.

Our inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. At the end of each reporting period, we review individual inventory items for obsolescence, slow movement and decline in net realizable value below cost, and make provision accordingly. We recorded impairment losses on inventories of RMB10.3 million, RMB23.8 million, RMB15.5 million and RMB17.5 million in 2023, 2024, 2025 and June 30, 2026, respectively, which we consider adequate based on our assessment. During the period from June 30, 2026 to July 31, 2026, we had not identified any indicators requiring additional impairment.

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Trade and Notes Receivables

Our trade and notes receivables consisted of trade receivables and notes receivables. The following table sets forth a breakdown of our trade and note receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	238,988	290,050	382,598	415,640
Notes receivables	932	3,686	2,057	1,661
	239,920	293,736	384,655	417,301
Less: provision for impairment	(13,043)	(16,402)	(20,338)	(22,615)
Net carrying amount	226,877	277,334	364,317	394,686

Our trade and notes receivables increased by 22.2% from RMB226.9 million in 2023 to RMB277.3 million in 2024, increased by 31.4% from RMB277.3 million in 2024 to RMB364.3 million in 2025, and further increased by 8.3% to RMB394.7 million as of June 30, 2026 primarily due to the expansion of our business scale and the increase in sales, which resulted in higher receivables.

The following table sets forth the aging analysis of our trade receivables, as of the end of each of the Track Record Period, based on the transaction date:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	234,738	283,779	373,036	404,886
One to two years	2,526	4,519	5,246	4,196
Two to three years	1,061	279	1,864	3,760
Over three years	663	1,473	2,452	2,798
Total	238,988	290,050	382,598	415,640

During the Track Record Period, most of our trade and notes receivables were outstanding for less than one year. The following table sets forth the turnover days of our trade and notes receivables for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)	(days)	(days)	(days)
Trade and notes receivables turnover days ⁽¹⁾	103	81	85	76

Note:

- (1) Trade and notes receivables turnover days equal the average of the opening and closing balances of trade and notes receivables (net of impairment) divided by total revenue for the same year/period and multiplied by the number of days during such periods, being 365 days for a year/180 days for the period.

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Our trade and notes receivables turnover days decreased from 103 days in 2023 to 81 days in 2024, primarily due to the strong creditworthiness of our customers and our ongoing efforts to strengthen receivables management. Our trade and notes receivables turnover days increased from 81 days in 2024 to 85 days in 2025, and decreased to 76 days in the six months ended June 30, 2026, as the turnover days were generally in line with the credit terms agreed with our customers. Our trade and notes receivables turnover days are generally in line with the industry average.

As of July 31, 2026, RMB147.7 million, or approximately 35.2%, of our trade and notes receivables as of June 30, 2026 had been settled.

Prepayments and Other Receivables

Our prepayments and other receivables consisted of (i) prepayments, mainly representing prepaid electricity charges, advances to suppliers for goods, and prepaid freight expenses; (ii) deposits and other receivables, mainly related to deposits and guarantees arising from leases and normal business transactions; (iii) large certificates of bank deposits; and (iv) deductible input value-added tax (“VAT”). The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	3,643	3,107	5,260	5,895
Deposits and other receivables	4,222	4,319	4,412	5,221
Large certificates of bank deposits	–	50,000	7,906	144,740
Deductible input value-added tax (“VAT”)	1,941	16,379	28,154	33,616
Capitalisation of [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid corporate income tax	–	–	25	55
	9,806	73,805	54,600	210,206
Less: provision for impairment	(419)	(636)	(1,753)	(2,407)
Net carrying amount	9,387	73,169	52,847	207,799

Our prepayments and other receivables increased significantly from RMB9.4 million in 2023 to RMB73.2 million in 2024, primarily due to (i) our purchase of large certificates of bank deposits; and (ii) the increase in deductible input VAT arising from the growth in construction in progress. Our prepayments and other receivables decreased by 27.8% from RMB73.2 million in 2024 to RMB52.8 million in 2025, primarily due to the maturity of our large certificates of deposit. Our prepayments and other receivables increased significantly from RMB52.8 million in 2025 to RMB207.8 million as of June 30, 2026, primarily due to (i) purchases of large certificates of bank deposit; (ii) an increase in deductible input VAT arising from construction of the Thailand production base; and (iii) an increase in capitalised [REDACTED] in connection with the [REDACTED].

As of July 31, 2026, RMB8.5 million, or approximately 4.1%, of our prepayments and other receivables as of June 30, 2026 had been settled.

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Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss mainly consisted of commercial bank’s financing products, mainly including structured deposits and large-denomination negotiable certificates of deposit. Our financial assets at fair value through profit or loss increased from nil in 2023 to RMB220.2 million in 2024, and then increased from RMB220.2 million in 2024 to RMB435.0 million in 2025, as a result of the adjustments in our cash management policy with an increase in short-term, low-risk and highly liquid wealth management products. Our financial assets at fair value through profit or loss decreased by 12.9% from RMB435.0 million in 2025 to RMB378.8 million as of June 30, 2026, primarily due to a decrease in structured deposits and other low-risk wealth management products held for cash management purposes. We have implemented internal policies on purchase and management of wealth management products. Our finance department monitors daily cash balances and initiates investment proposals when excess funds are identified. The investment decisions are made on a case-by-case basis after careful consideration of a number of factors, such as general market conditions, credit of the commercial banks, our cash flow performance and the expected profit or potential loss of the investments. Each investment must be approved by both our General Manager and Finance Director before execution who has robust experience in corporate governance and investment. See “Directors and Senior Management — Senior Management.” To the extent that any such investment constitutes a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements thereunder, including the applicable announcement, reporting and/or shareholders’ approval requirements.

Financial Assets at Fair Value Through Other Comprehensive Income

Our financial assets at fair value through other comprehensive income consisted of notes receivables, carried at fair value through other comprehensive income. Our financial assets at fair value through other comprehensive income decreased from RMB23.3 million in 2023 to RMB15.4 million in 2024, primarily due to the collection of payments upon the maturity of notes receivables carried at FVTOCI; our financial assets at fair value through other comprehensive income increased from RMB15.4 million in 2024 to RMB46.2 million in 2025, primarily due to the increase of related notes receivables carried at FVTOCI in line with our business expansion. Our financial assets at fair value through other comprehensive income decreased by 32.2% from RMB46.2 million in 2025 to RMB31.4 million as of June 30, 2026, primarily due to the collection of payments upon the maturity of notes receivables carried at FVTOCI.

Bank and Cash Balances

Our bank and cash balances amounted to RMB1,022.7 million, RMB583.8 million, RMB474.1 million and RMB367.5 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively, primarily due to adjustments in cash management policies, including the purchase of low-risk and highly liquid wealth management products, as well as the acquisitions of Dizi Precision and Kingly Gear. See “— Liquidity and Capital Resources — Cash Flow.”

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Trade and Notes Payables

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	156,834	245,756	282,422	382,954
Notes payables	26,581	25,496	34,702	66,737
Total	183,415	271,252	317,124	449,691

Our trade and notes payables increased by 47.9% from RMB183.4 million in 2023 to RMB271.3 million in 2024, primarily due to the increase in trade payables to our suppliers for the raw materials related to mica-based composite materials in line with our business expansion. Our trade and notes payables increased from RMB271.3 million in 2024 to RMB317.1 million in 2025 primarily due to the increase in trade payables to our suppliers for raw materials related to precision components and mica-based composite materials in line with our business expansion. Our trade and notes payables increased by 41.8% from RMB317.1 million in 2025 to RMB449.7 million as of June 30, 2026, primarily due to higher trade and notes payables as material procurement increased with business expansion.

An aging analysis of the trade and notes payables as of the end of the Track Record Period, based on recognition date, is as follows:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	168,566	250,397	296,920	429,531
One to two years	14,542	6,481	2,307	1,374
Two to three years	247	14,236	4,429	1,218
Over three years	60	138	13,468	17,568
Total	183,415	271,252	317,124	449,691

The following table sets forth the turnover days of our trade and notes payables for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)	(days)	(days)	(days)
Trade and notes payables turnover days ⁽¹⁾	138	108	117	116

Note:

- (1) Trade and notes payables turnover days equal the average of the opening and closing balances of trade and notes payables divided by total cost of sales for the same year/period and multiplied by the number of days during such periods, being 365 days for a year/180 days for the period.

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Our trade and notes payables turnover days decreased from 138 days in 2023 to 108 days in 2024, primarily due to the successful A-share listing in 2023, which enhanced our overall liquidity position and optimized our payment cycle with suppliers. Our trade and notes payables turnover days increased from 108 days in 2024 to 117 days in 2025, as the turnover days remained consistent with the credit terms agreed with our suppliers. Our trade and notes payables turnover days remained generally stable at 116 days in the six months ended June 30, 2026.

As of July 31, 2026, RMB114.2 million, or approximately 25.5%, of our trade and notes payables as of June 30, 2026 had been settled.

Other Payables and Accruals

During the Track Record Period, our other payables and accruals represented (i) consideration payables for acquisition; (ii) payroll and welfare payables; (iii) other tax payables; (iv) other payables; and (v) interest payables. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Liability for share repurchase under employee share scheme	–	–	55,140	54,951
Consideration payables for acquisition	–	–	36,212	24,142
Payroll and welfare payables	19,707	23,448	33,126	26,347
Other tax payables	6,477	4,501	8,290	15,724
Other payables	5,407	630	6,477	9,853
Interest payables	18	–	293	610
Total	31,609	28,579	139,538	131,627

Our other payables and accruals decreased by 9.6% from RMB31.6 million in 2023 to RMB28.6 million in 2024, primarily due to a decrease in other payables as certain government grants previously received in advance had met the relevant conditions for revenue recognition during the year. These grants helped us reduce corresponding liabilities, leading to a decrease in other payables and accruals. Our other payables and accruals increased by 388.3% from RMB28.6 million in 2024 to RMB139.5 million in 2025, primarily due to the outstanding payment arising from our acquisitions of Dizi Precision. Our other payables and accruals decreased by 5.7% from RMB139.5 million in 2025 to RMB131.6 million as of June 30, 2026, primarily due to the decrease in consideration payables for Dizi Precision following payment of the instalment, partially offset by increases in other tax payables and other payables.

As of July 31, 2026, RMB37.3 million, or approximately 28.3%, of our other payables and accruals as of June 30, 2026 had been settled.

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Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Our contract liabilities increased by 79.4% from RMB10.1 million in 2023 to RMB18.1 million in 2024, increased by 158.0% from RMB18.1 million in 2024 to RMB46.7 million in 2025, and then increased by 9.1% from RMB46.7 million in 2025 to RMB51.0 million as of June 30, 2026, primarily due to a higher level of advance payments received from customers in line with our business expansion.

As of July 31, 2026, RMB9.2 million, or approximately 18.0%, of our contract liabilities as of June 30, 2026 had been recognized as revenue.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years/period indicated:

	Year ended/As of December 31,			Six months ended/As of June 30,
	2023	2024	2025	2026
Revenue growth (%)	19.89	41.80	21.24	56.93
Gross profit margin (%) ⁽¹⁾	35.27	32.02	33.10	34.00
Current ratio (times) ⁽²⁾	5.71	4.33	1.66	1.54
Quick ratio (times) ⁽³⁾	5.04	3.57	1.30	1.17

Notes:

- (1) Calculated by dividing gross profit by revenue for the year/period.
- (2) Calculated by dividing current assets by current liabilities as of the end of the year/period.
- (3) Calculated by dividing total current assets (excluding inventories) by total current liabilities as of the end of the year/period.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from sales of our products and equity financing. We monitor and maintain a level of bank and cash balances deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, we had bank and cash balances of RMB1,022.7 million, RMB583.8 million, RMB474.1 million, RMB367.5 million and RMB345.9 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by equity financing, including the estimated net [REDACTED] received from the [REDACTED], and potential revenue from the sale of our products. We estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED], HK\$[REDACTED], HK\$[REDACTED], from the [REDACTED], after deducting the [REDACTED], fees and estimated expenses paid and payable by us in connection with the [REDACTED], assuming no exercise of the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED].

FINANCIAL INFORMATION

Cash Flow

The following table sets forth our cash flow for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	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>
Cash generated from operations .	234,007	229,641	296,485	118,099	274,428
Bank interest received	9,013	17,403	15,821	3,552	8,432
Income tax paid	(21,892)	(37,481)	(33,210)	(15,368)	(27,529)
Net cash generated from operating activities	221,128	209,563	279,096	106,283	255,331
Net cash used in investing activities	(54,311)	(566,990)	(834,146)	(298,742)	(247,882)
Net cash generated from/(used in) financing activities	788,486	(84,973)	446,588	197,036	(106,412)
Net increase/(decrease) in cash and cash equivalents	955,303	(442,400)	(108,462)	4,577	(98,963)
Effect of foreign exchange rate changes	196	3,555	(1,544)	(322)	(7,319)
Cash and cash equivalents at beginning of year/period	67,172	1,022,671	583,826	583,826	473,820
Cash and cash equivalents at end of year/period	<u>1,022,671</u>	<u>583,826</u>	<u>473,820</u>	<u>588,081</u>	<u>367,538</u>
Analysis of cash and cash equivalents					
Bank and cash balances	1,022,671	583,826	474,103	588,081	367,538
Restricted cash	—	—	(283)	—	—
	<u>1,022,671</u>	<u>583,826</u>	<u>473,820</u>	<u>588,081</u>	<u>367,538</u>

Net Cash Generated from Operating Activities

Our net cash generated from operating activities primarily represented our profit before tax for the period adjusted by (i) non-cash and non-operating items; (ii) change in operating assets and liabilities; and (iii) tax cash flows.

In the six months ended June 30, 2026, our net cash generated from operating activities was RMB255.3 million, which was due to our profit before tax of RMB177.7 million, as adjusted by (i) the non-cash and non-operating items comprising (a) depreciation of property, plant and equipment of RMB31.1 million and (b) impairment loss of inventories of RMB17.5 million, partially offset by fair value gain on financial assets at fair value through profit and loss of RMB3.1 million; (ii) changes in operating assets and liabilities comprising (a) an increase in trade and notes payables of RMB133.2 million and (b) an increase in other payables and accruals of RMB3.6 million, partially offset by (1) an increase in inventories of RMB82.1 million, (2) an increase in trade and notes receivables of RMB17.8 million and (3) an increase in other receivables, deposits and prepayments of RMB7.9 million; (iii) bank interest received of RMB8.4 million; and (iv) income tax paid of RMB27.5 million.

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In 2025, our net cash generated from operating activities was RMB279.1 million which was due to our profit before tax of RMB320.3 million as adjusted by (i) non-cash and non-operating items comprising of (a) depreciation of property, plant and equipment of RMB50.6 million and (b) impairment loss of inventories of RMB15.5 million, partially offset by fair value gain on financial assets at fair value through profit and loss of RMB9.6 million; (ii) changes in operating assets and liabilities comprising of (a) change in contract liabilities of RMB27.1 million and (b) change in other payables and accruals of RMB14.7 million, partially offset by change in inventories of RMB79.8 million; (iii) bank interest received of RMB15.8 million; and (iv) income tax paid of RMB33.2 million.

In 2024, our net cash generated from operating activities was RMB209.6 million which was due to our profit before tax of RMB259.8 million as adjusted by (i) non-cash and non-operating items comprising of (a) depreciation of property, plant and equipment of RMB40.4 million and (b) impairment loss of inventories of RMB23.8 million, partially offset by bank interest income of RMB17.4 million; (ii) changes in operating assets and liabilities comprising of (a) change in trade and notes payable of RMB87.8 million and (b) change in deferred income of RMB15.0 million, partially offset by change in inventories of RMB103.9 million; (iii) bank interest received of RMB17.4 million; and (iv) income tax paid of RMB37.5 million.

In 2023, our net cash generated from operating activities was RMB221.1 million which was due to our profit before tax of RMB195.3 million as adjusted by (i) non-cash and non-operating items comprising of (a) depreciation of property, plant and equipment of RMB34.1 million and (b) impairment loss of inventories of RMB10.3 million, partially offset by bank interest income of RMB9.0 million; (ii) changes in operating assets and liabilities comprising of (a) change in other receivables, deposits and prepayments of RMB14.1 million and (b) change in trade and notes receivables of RMB9.2 million, partially offset by change in trade and notes payables of RMB24.5 million; (iii) bank interest received of RMB9.0 million; and (iv) income tax paid of RMB21.9 million.

Net Cash Used in Investing Activities

In the six months ended June 30, 2026, our net cash used in investing activities was RMB247.9 million, primarily attributable to (a) purchases of property, plant and equipment, intangible assets, and other non-current assets of RMB125.3 million and (b) purchases of time deposits and commercial bank’s financing products of RMB1,074.6 million, partially offset by proceeds from time deposits and commercial bank’s financing products of RMB995.9 million.

In 2025, our net cash used in investing activities was RMB834.1 million, primarily attributable to (a) purchases of time deposits and commercial bank’s financing products of RMB3,919.5 million and (b) cash paid for interests in an associate of RMB300.0 million, partially offset by proceeds from time deposits and commercial financing products of RMB3,756.9 million.

In 2024, our net cash used in investing activities was RMB567.0 million, primarily attributable to (a) purchases of term deposits and commercial bank’s financing products of RMB3,250.0 million and (b) purchases of property, plant and equipment, intangible assets, and other non-current assets of RMB103.7 million, partially offset by proceeds from time deposits and commercial financing products of RMB2,786.4 million.

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In 2023, our net cash used in investing activities was RMB54.3 million, primarily attributable to (a) purchases of property, plant and equipment, intangible assets, and other non-current assets of RMB54.2 million and (b) settlement of foreign exchange forward of RMB0.5 million, partially offset by proceeds from disposal of property, plant and equipment, intangible assets, and other non-current assets of RMB0.4 million.

Net Cash Generated From or Used in Financing Activities

In the six months ended June 30, 2026, our net cash used in financing activities was RMB106.4 million, primarily attributable to (a) repayment of borrowings of RMB407.8 million, (b) cash paid for distribution of dividends of RMB83.7 million and (c) payments of [REDACTED] costs of RMB11.8 million, partially offset by borrowings raised of RMB406.8 million.

In 2025, our net cash generated from financing activities was RMB446.6 million, primarily attributable to borrowings raised of RMB675.1 million, partially offset by (a) cash paid for distribution of dividends of RMB70.7 million and (b) repayment of borrowings of RMB174.2 million.

In 2024, our net cash used in financing activities was RMB85.0 million, primarily comprising of (a) repurchase of shares of RMB22.5 million, (b) cash paid for distribution of RMB39.1 million and (c) repayment of borrowings of RMB19.8 million.

In 2023, our net cash generated from financing activities was RMB788.5 million, primarily comprising of (a) proceeds from issuance of A shares of RMB1,008.7 million and (b) borrowings raised of RMB92.6 million, partially offset by repayment of borrowings of RMB251.2 million.

Net Current Assets

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

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets					
Inventories	170,952	251,110	378,374	442,957	449,103
Trade and notes receivables	226,877	277,334	364,317	394,686	405,338
Prepayments and other receivables	9,387	73,169	52,847	207,799	210,837
Financial assets at fair value through profit or loss	–	220,191	434,981	378,825	365,376
Financial assets at fair value through other comprehensive income	23,255	15,402	46,232	31,361	21,599
Bank and cash balances	1,022,671	583,826	474,103	367,538	345,860
Total current assets	1,453,142	1,421,032	1,750,854	1,823,166	1,798,113

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	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current liabilities					
Trade and notes payables	183,415	271,252	317,124	449,691	433,989
Amount due to a related company	–	63	–	367	150
Other payables and accruals . . .	31,609	28,579	139,538	131,627	125,175
Contract liabilities	10,098	18,120	46,744	50,997	49,749
Interest-bearing bank and other borrowings	19,800	–	534,198	532,392	511,007
Lease liabilities	2,077	4,009	8,080	9,344	30,192
Income tax payable	7,418	5,962	11,431	9,452	8,472
Derivative financial instruments .	–	–	–	330	330
Total current liabilities	254,417	327,985	1,057,115	1,184,200	1,159,064
Net current assets	1,198,725	1,093,047	693,739	638,966	639,049

Our net current assets decreased by 8.8% from RMB1,198.7 million in 2023 to RMB1,093.0 million in 2024, primarily due to (i) the decrease in bank and cash balances attributable to our cash management policy; (ii) the increase in trade and notes payables driven by the purchase of mica-based composite materials; and (iii) an increase in acquisition payables and repurchase obligations, which were partially offset by the increase in Financial assets at fair value through profit or loss.

Our net current assets decreased by 36.5% from RMB1,093.0 million in 2024 to RMB693.7 million in 2025, primarily due to (i) the increase in interest bearing bank and other borrowings; and (ii) the decrease in bank and cash balances influenced by our cash management policy, which were partially offset by the increase in Financial assets at fair value through profit or loss.

Our net current assets decreased by 7.9% from RMB693.7 million as of December 31, 2025 to RMB639.0 million as of June 30, 2026, primarily due to (i) the increase in trade and notes payables; and (ii) the decrease in bank and cash balances, which were partially offset by the increase in prepayments and other receivables.

Our net current assets remained relatively stable at RMB639.0 million as of June 30, 2026 and RMB639.0 million as of July 31, 2026.

INDEBTEDNESS

As of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, our indebtedness consisted of interest-bearing bank and other borrowings and lease liabilities. As of July 31, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB541.2 million. As of July 31, 2026, we had unutilized banking facilities of RMB712.1 million.

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

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current					
Interest-bearing bank and other borrowings	19,800	–	534,198	532,392	511,007
Lease liabilities	2,077	4,009	8,080	9,344	9,381
	<u>21,877</u>	<u>4,009</u>	<u>542,278</u>	<u>541,736</u>	<u>520,388</u>
Non-current					
Lease liabilities	19,599	21,063	24,273	21,154	20,765
Total	<u>41,476</u>	<u>25,072</u>	<u>566,551</u>	<u>562,890</u>	<u>541,153</u>

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank borrowings decreased from RMB19.8 million as of December 31, 2023 to nil as of December 31, 2024, primarily because we completed our listing on the Shanghai Stock Exchange in 2023, which resulted in a stronger liquidity position in 2024. Our interest-bearing bank borrowings then increased from nil as of December 31, 2024 to RMB534.2 million as of December 31, 2025, primarily due to the expansion of our business and our acquisitions, which required additional borrowings to support growth. Our interest-bearing bank borrowings decreased to RMB532.4 million as of June 30, 2026, primarily due to the repayment of part of our bank borrowings. Our interest-bearing bank borrowings further decreased to RMB511.0 million as of July 31, 2026, primarily due to the repayment of part of our bank borrowings. The following table sets forth our interest-bearing bank borrowings obtained as of the dates indicated.

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Bank borrowings – unsecured . .	19,800	–	445,000	434,724	434,750
Bank borrowings – pledged . . .	–	–	7,028	6,979	6,789
Discounted bills	–	–	82,170	90,689	69,468
Total	<u>19,800</u>	<u>–</u>	<u>534,198</u>	<u>532,392</u>	<u>511,007</u>

As of July 31, 2026, we have unsecured bank loans of RMB434.8 million, bearing interest at the rate from 2.14% to 4.00% per annum. RMB6.8 million of bank borrowings were pledged by foreign currency deposits.

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Lease Liabilities

The following table sets forth a breakdown of our lease liabilities by current and non-current portions as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
Non-current	19,599	21,063	24,273	21,154	20,765
Current	2,077	4,009	8,080	9,344	9,381
Total	21,676	25,072	32,353	30,498	30,146

Our lease liabilities increased by 15.7% from RMB21.7 million as of December 31, 2023 to RMB25.1 million as of December 31, 2024, and then increased to RMB32.4 million as of December 31, 2025, primarily due to the increase in our office and production facilities rental space to satisfy our business expansion needs and the acquisition of Dizi Precision. Our lease liabilities decreased to RMB30.5 million as of June 30, 2026, primarily due to ongoing lease payments during the period. Our lease liabilities further decreased to RMB30.1 million as of July 31, 2026, primarily due to the repayment of part of such liabilities.

Except for our indebtedness as disclosed above as of December 31, 2023, 2024, 2025, June 30, 2026 and July 31, 2026, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this Document.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024, 2025, June 30, 2026 and up to July 31, 2026, we did not have any material contingent liabilities as described in Note 38 to Appendix I to this Document. We are not subject to any material covenants or undertakings relating to our outstanding debts, guarantees, pledges over key assets, or other contingent obligations, and there were no breaches during the Track Record Period and up to the Latest Practicable Date. We have not experienced any difficulty in obtaining additional debt or equity financing.

COMMITMENTS

As of December 31, 2023, 2024, 2025, June 30, 2026 and up to July 31, 2026, we had commitments amounting to RMB581.8 million, RMB553.1 million, RMB398.6 million, RMB399.3 million and RMB306.5 million.

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CAPITAL EXPENDITURES

The following table sets forth the details of our capital expenditures for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Purchases of property, plant and equipment, intangible assets, and other non-current assets	54,241	100.0	103,684	100.0	237,887	100.0	77,774	100.0	125,331	100.0

Our capital expenditures in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026 were RMB54.2 million, RMB103.7 million, RMB237.9 million, RMB77.8 million and RMB125.3 million, respectively. We plan to fund our planned capital expenditures primarily by using the cash on our consolidated balance sheet, cash generated from operating activities and the net [REDACTED] from the [REDACTED]. See “Future Plans and Use of [REDACTED].”

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

For more details about our related party transactions during the Track Record Period, see Note 40 to Appendix I to this Document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted 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.

FINANCIAL RISK

Our principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings and cash. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade and notes receivables and trade and notes payables, which arise directly from our operations.

We also enter into derivative transactions, including forward exchange contracts. The purpose is to manage the foreign currency risk arising from our operations and our sources of finance.

The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below. See Note 43 to Appendix I to this Document.

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Foreign Currency Risk

We have transactional exchange rate risk exposures mainly arising from sales or purchases in currencies other than the functional currencies. We have subsidiaries using USD and EUR as their functional currencies. These subsidiaries have transactions in currencies other than their functional currencies. We adopt an overall management on our foreign exchange business, and reduce our exchange rate exposures using forward foreign exchange contracts based on the market trend as necessary.

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.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings to meet our working capital requirements.

DIVIDENDS

We currently have a formal dividend policy with pre-determined payout ratios for the three years following the listing on the Shanghai Stock Exchange, which provides that, the (i) cumulative cash dividends over any three consecutive years shall not be less than 30% of the average annual distributable profits realised over those three years, and (ii) annual cash dividends shall not be less than 10% of the distributable profits realised in that year when cash dividend conditions are met. On September 21, 2023, we declared interim dividends of RMB14.0 million to our Shareholders, which were paid on September 27, 2023. On June 12, 2024, we declared a cash dividend of RMB39.1 million to our Shareholders which were paid on June 18, 2024, and a non-cash dividend by converting capital reserves into 83,742,150 Shares. On June 11, 2025, we declared cash dividends of RMB70.7 million to our Shareholders, which were paid on June 17, 2025. On April 21, 2026, we declared a cash dividend of RMB83.7 million to our shareholders and a non-cash dividend in the form of a capital reserve conversion into 109,117,818 shares of share capital, which were paid on May 15, 2026. Any future determination to pay dividends will be made at the discretion of our Board of Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant. As advised by our PRC Legal Advisor, any future net profit that we make shall be used to pay or declare dividends after our Board has formulated a profit distribution plan and approved by our Shareholders in a general meeting. However, such net profit must be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such statutory common reserve fund has reached more than 50% of our registered capital.

FINANCIAL INFORMATION

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including (i) cash and cash equivalents, (ii) financial assets measured at fair value through profit or loss, and (iii) the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Document.

DISTRIBUTABLE RESERVES

As of June 30, 2026, our Company had retained earnings of RMB630.0 million. Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

[REDACTED]

[REDACTED] consist of professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] of approximately RMB[REDACTED] (HK\$[REDACTED]) (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] to consist of approximately RMB[REDACTED] (HK\$[REDACTED]) in sponsor and [REDACTED] and RMB[REDACTED] (HK\$[REDACTED]) in [REDACTED]. Among the total [REDACTED], approximately RMB[REDACTED] (HK\$[REDACTED]) will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining RMB[REDACTED] (HK\$[REDACTED]) will be expensed in our consolidated statements of comprehensive income.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information.”

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this Document, there had been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the end date of the periods reported in Appendix I to this Document, and there is no event since June 30, 2026 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.