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Post Hearing Information Pack of

Chaozhou Three-Circle (Group) Co., Ltd.

潮州三環（集團）股份有限公司

(the "**Company**")

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

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Chaozhou Three-Circle (Group) Co., Ltd.

潮州三環（集團）股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of Hong Kong [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of International [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

***Sole Sponsor, Overall Coordinator,* [REDACTED], [REDACTED] *and* [REDACTED]**

中國銀河國際
CHINA GALAXY INTERNATIONAL

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Applicants for **[REDACTED]** may be required to pay, on application (subject to application channels), the maximum **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and an AFRC transaction levy of 0.00015%, subject to refund if the **[REDACTED]** as finally determined is less than HK$**[REDACTED]**.

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[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the **[REDACTED]**.

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

Who We Are

We focus on electronic ceramic materials and components, with over fifty-five years of operating history. We have concentrated on electronic ceramic materials and components throughout our history. We have built a product portfolio across four categories — electronic and ceramic materials, electronic components, telecommunication ("**telecom**") components and equipment components — forming a business framework that spans foundational materials, critical components and high-end devices and assemblies across key application areas including telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy and intelligent industrial control.

We operate an integrated business model across materials and processes. Specifically, we possess solid R&D capabilities in critical upstream raw materials formulations and implement iterative optimization of technological processes of key manufacturing stages. At the same time, we have large batch production capabilities with high-standard quality control, reinforcing core advantages in supply and cost controllability.

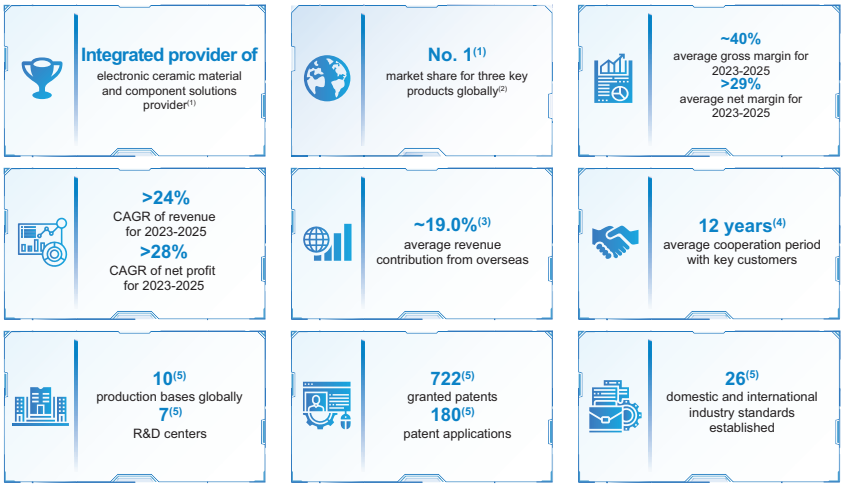
Our R&D organization includes research institutes and business-unit technical teams, covering raw material formulation as well as forming and sintering processes. We hold numerous patents and participate in formulation and revision of various industry standards. We seek to translate materials and process R&D into manufacturable product platforms. Regarding production, we have multiple domestic production bases and strategic overseas sites enabling cross-base capacity allocation, complemented by a sales network covering key global markets.

With respect to customers, we maintain long-term relationships with key customers across our primary end markets, integrating localized services with global standards to strengthen customer stickiness.

We have developed a diversified product portfolio that integrates mature product lines with high-growth potential offerings. This matrix enables us to stabilize our revenue base while capturing growth opportunities across core business scenarios. Regarding management, our experienced and stable management team, together with a system covering systems, mechanisms and culture, provides strong support for our continued focus on the electronic ceramic materials business.

SUMMARY

We have achieved recognized milestones within electronic ceramic materials and components industry:



Notes:

(1) According to Frost & Sullivan;

(2) Alumina ceramic substrates, ceramic ferrules and sleeves, and SOFC electrolyte sheets in terms of revenue in 2025, according to Frost & Sullivan;

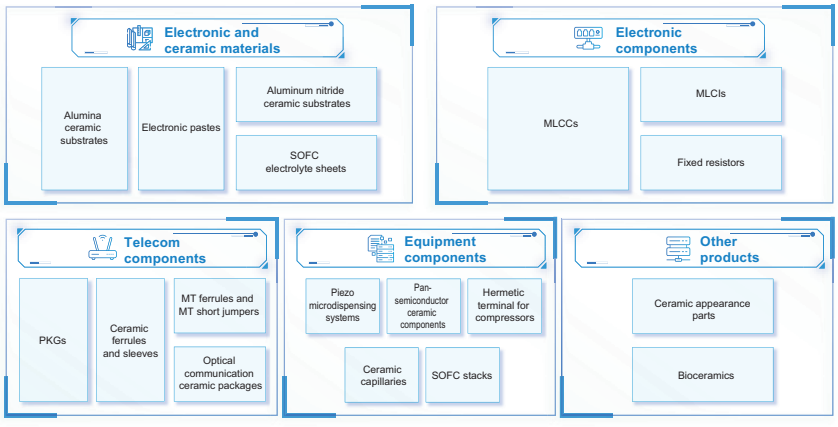
(3) During the Track Record Period;

(4) Average length of our business relationships with our top five customers during the Track Record Period, calculated for each year/period respectively, based on the number of years we have cooperated with those customers;

(5) As of December 31, 2025.

Our Business Lines

We offer a diversified portfolio of products comprising four principal categories: (i) electronic and ceramic materials, (ii) electronic components, (iii) telecom components, and (iv) equipment components.

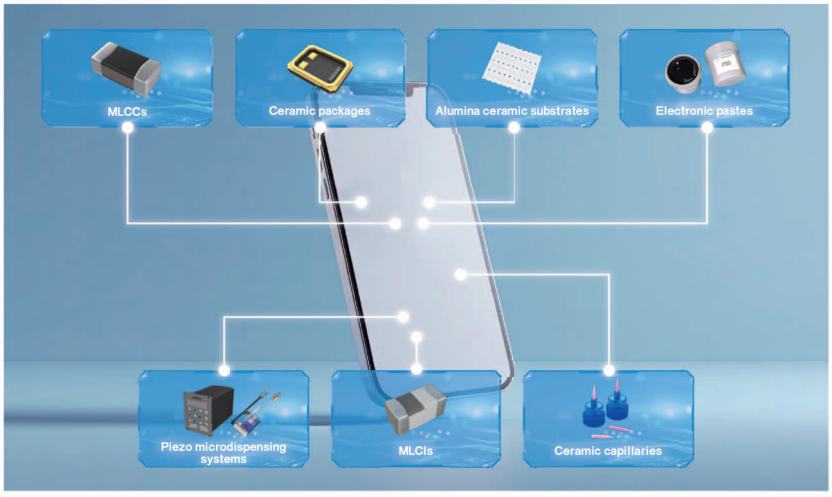


SUMMARY

Our products are used across a range of end devices and infrastructure, including automobiles, smartphones, data centers and telecom base stations.

Automobile

Smartphone



SUMMARY

Data Center

Telecom Base Station

Electronic and Ceramic Materials

We focus on upstream foundational materials for the electronics value chain. Our portfolio includes alumina (aluminum oxide) ceramic substrates, aluminum nitride ceramic substrates, electronic pastes and solid oxide fuel cell ("**SOFC**") electrolyte sheets.

As core upstream materials, these products are deployed across consumer electronics, automotive electronics and new energy applications. Together, these products support electronic component manufacturing and new-energy fuel cell applications. In particular:

- alumina ceramic substrates are used as base materials for chip resistors in consumer electronics, providing electrical insulation, heat dissipation and mechanical support;

- electronic paste series — including resistive, mask, conductor and G2 encapsulated pastes — are used for electrode printing in precision electronic components; and

- SOFC electrolyte sheets enable oxygen-ion transport while isolating fuel and oxidant, facilitating direct electrochemical conversion of chemical energy to electricity under high-temperature conditions and serving as a core component for SOFCs.

During the Track Record Period, our revenue from sales of electronic and ceramic materials amounted to RMB1,548.7 million, RMB1,677.2 million and RMB1,959.4 million in 2023, 2024 and 2025, respectively, accounting for 27.3%, 23.1% and 22.1% of our total revenue in the same years.

Electronic Components

Our electronic components portfolio comprises multilayer ceramic chip capacitors ("**MLCCs**"), multilayer ceramic chip inductors ("**MLCIs**") and fixed resistors. Capacitors, inductors and resistors are foundational passive components broadly used across electronic circuits. MLCCs are currently the primary revenue driver within this category. Leveraging our technical capabilities accumulated over the years and our continued investment in R&D, we have expanded our product lineup and scaled up supply to support diverse applications, while supplying MLCCs, MLCIs and resistors in a coordinated manner to meet customers' one-stop procurement service needs and enhance the compatibility of multi-category components.

Demand growth has been supported by technology iteration and application upgrades, particularly in AI and data centers and automotive electronics, according to Frost & Sullivan. This has increased requirements for high-end passive components.

We focus on technology, delivery, customer access and capacity:

- ***Technology***. Our high-end MLCCs have achieved a dielectric layer thickness of approximately one micrometer and stacking layers exceeding 1,000, laying the foundation for our entry into advanced application scenarios including AI data centers, automotive electronics and semiconductors.

- ***Delivery***. We rely on highly automated, end-to-end production to support the delivery of large orders with stable quality.

- ***Customers***. We have obtained certifications from key customers across various core downstream scenarios.

- ***Capacity***. We have expanded our production capacity as our orders increase and have achieved large-scale mass production.

We believe that our success in these aspects enables us to benefit from industry growth and market share gains.

Telecom Components

We focus on core needs in optical communication components and semiconductor-related packaging, and have formed a diversified product matrix covering optical interconnects, packaging parts as well as crystal oscillator packaging. Our portfolio includes ceramic ferrules and sleeves, ceramic packages ("**PKGs**"), mechanical transfer ("**MT**") ferrules and MT short

jumpers, and optical communication ceramic packages. These products correspond to different key nodes in the communications value chain and together constitute our comprehensive supply capabilities in telecom, AI and data centers, and semiconductor manufacturing and packaging.

Our telecom component product offering is a core lever for consolidating our position in optical communications while expanding into semiconductor manufacturing and packaging.

- Ceramic ferrules and sleeves provide high-precision alignment to reduce signal loss for high-speed broadband access, enabling precise fiber mating and serving fiber-to-the-home ("**FTTH**"), 5G telecom base stations and data centers.

- In response to the high-density, high-bandwidth interconnect needs arising from the rapid growth of AI and data centers. MT ferrules and MT short jumpers offer low-latency, high-reliability optical communication solutions and act as key enablers of the digital economy.

- Meanwhile, our PKGs address the high hermeticity and stability packaging requirements of crystal oscillator whose downstream applications span automobiles, smartphones, telecom base stations and laptops.

As end devices in segments such as automotive and IoT continue to become more intelligent and connected, demand for crystal oscillator is increasing, which in turn supports sustained growth in PKG demand, according to Frost & Sullivan.

Our revenue from sales of telecom components amounted to RMB1,766.8 million, RMB2,306.0 million and RMB2,594.3 million in 2023, 2024 and 2025, respectively, accounting for 31.1%, 31.7% and 29.3% of our total revenue in the same years.

Our telecom components have established notable competitiveness.

- According to Frost & Sullivan, our ceramic ferrules and sleeves accounted for approximately 70% of the global market in terms of revenue in 2025;

- According to Frost & Sullivan, our PKGs accounted for approximately 40% of the global market in crystal oscillator packaging in terms of revenue in 2025;

- Our MT ferrules and MT short jumpers as well as optical communication ceramic packages are gradually entering the supply chains of high-speed optical modules and high-end optical devices.

Equipment Components

Our equipment components portfolio includes piezo microdispensing systems, pan-semiconductor ceramic components, hermetic terminal for compressors, ceramic capillaries and SOFC stacks. Drawing on accumulated core technologies in materials formulation and forming capabilities, we provide products that address localization and energy-transition needs while also serving steady industrial demand.

These products are used across several areas such as semiconductor manufacturing and packaging, new energy and intelligent industrial control.

- Hermetic terminal for compressors deliver high hermetic sealing and dielectric strength for compressors used in air conditioners, refrigerators and vehicles;

- Ceramic capillaries are bonding tools used in wire bonders for semiconductor packaging;

- SOFC stacks extend from our SOFC accumulated expertise in this field and are designed for distributed power generation;

- Pan-semiconductor ceramic components meet the high requirements for purity and precision by advanced manufacturing; and

- Piezo microdispensing systems fulfill precision dispensing requirements in industrial automation and robotics.

Other Products

Beyond our core product offerings, we leverage materials and process know-how to extend product development into additional applications, primarily including ceramic appearance parts and bioceramics. These extensions complement our core product portfolio and broaden our market opportunities.

Our Growth Opportunities

We operate in industries and markets in which demand growth has been supported by technological iteration and application upgrades. This has consistently increased requirements for high-end passive components. According to Frost & Sullivan, the global markets for core electronic ceramic materials, core ceramic electronic components, core ceramic telecom components and core ceramic equipment components are projected to grow from 2026 at a CAGR of 11.6%, 7.2%, 9.2% and 11.9%, to reach RMB43.1 billion, RMB256.8 billion, RMB75.9 billion and RMB98.6 billion by 2030, respectively. We believe the key growth drivers of our business include:

- ***Demand and scenario upgrades in downstream sectors***. Telecom, AI and data centers, consumer and automotive electronics, semiconductors, new energy, and intelligent industrial control are simultaneously upgrading, driving higher volumes and tighter performance requirements through premiumization in consumer electronics, widespread adoption of AI and IoT, electrification and intelligence of vehicles, global expansion of computing infrastructure, deepened domestic substitution in semiconductors and the energy transition. This underpins sustained, multi-year industry growth. For example, for telecom sector, by 2030, the number of global 5G/6G base stations is expected to reach over 20 million units, while for AI and data centers sector, global data center capital expenditure is projected to grow from over USD500 billion in 2025 to over USD3 trillion by 2030. As AI data centers evolve towards larger scale and higher power density, the power density per rack has increased from under 10kW to over 120kW, requiring higher performance of materials and components.

Regarding consumer electronics sector, driven by the integration of innovative products and the accelerated adoption of AI applications, global shipments of consumer electronics products are projected to increase from 2.2 billion units in 2025 to approximately 2.7 billion units by 2030. And in terms of automotive electronics sector, it is expected that global sales volume of NEVs will increase from nearly 24 million units in 2025 to over 40 million units by 2030.

- ***Higher material performance requirements and functional integration***. High-end scenarios demand higher thermal conductivity, dielectric stability, purity, and reliability under extreme conditions. In parallel, ceramics are integrating multiple functions such as heat dissipation, structural strength, and electrical performance to support miniaturized, compact product designs.

- ***Fundamental R&D and cross-sector innovation***. Foundational materials science combined with application know-how in semiconductors, new energy, and healthcare — often through industry-academia collaboration — accelerates lab-to-fab transfer, breaks performance bottlenecks, and opens new use cases.

- ***Domestic substitution and global-local operating models***. Policy support and strong local demand accelerate domestic substitution across materials, components, and equipment, expanding market share for domestic players. Backed by domestic industrial clusters, overseas manufacturing sites, and local technical service teams, our global network, paired with customized regional adaptation strategies, enhances compliance efficiency, optimizes cost structure, shortens delivery lead times, and mitigates potential trade and policy risks.

Our Management and Corporate Culture

With over half a century of commitment in electronic ceramics, we have developed a management and corporate culture aligned with our materials-centric business approach. Such approach anchors strategic direction in core values while relying on institutionalized management to support execution efficiency.

On operations, we focus on our principal business with a disciplined and pragmatic approach. We leverage digital systems to connect end-to-end operating processes and use standardization to support efficiency. Our performance assessments and incentive mechanisms are results-oriented and emphasize both steady achievement of business objectives and collaborative capability building across teams. Dedicated mechanisms are in place to encourage R&D innovation, reinforcing a virtuous cycle between technology advancement and talent development.

Culturally, we not only emphasize respect for professionalism and commitment to quality, promote the collaborative sharing and reuse of technology and resources with an open mindset, but also attach importance to building a growth platform for employees, forging team synergy while supporting individual development.

These practices align with our long-term objectives: to provide solutions that address customer requirements, to build development pathways for employees, to create value for shareholders, and to contribute to society. We aim to embed steady growth and pursuit of excellence into daily operations to navigate industry cycles and market changes.

We value long-term support from shareholders and investors. Since the listing of our A Shares on the ChiNext of the Shenzhen Stock Exchange in December 2014, we have maintained a relatively high dividend payout. As of December 31, 2025, our cumulative cash dividends since the listing of our A Shares totaled RMB4,803.5 million. Our dividend payout ratios (calculated as cash dividends declared for the relevant year divided by net profit attributable to the parent) were 33.9%, 33.2% and 32.8% for 2023, 2024 and 2025, respectively. In addition, we have implemented share repurchase programs in response to market dynamics to further enhance shareholder returns. We launched our first share repurchase program in April 2025. As of the Latest Practicable Date, the total amount used for share repurchases reached RMB175.4 million and our share repurchase program had been completed.

Financial Performance

Since the listing of our A Shares on the ChiNext of the Shenzhen Stock Exchange in 2014, we have recorded steady revenue growth and maintained solid profitability. Our revenue was RMB5,681.5 million, RMB7,266.1 million and RMB8,868.5 million in 2023, 2024 and 2025, respectively. Our gross profit was RMB2,154.1 million, RMB2,975.3 million and RMB3,542.8 million for the same years. Our net profit was RMB1,583.2 million, RMB2,190.2 million and RMB2,617.0 million, and our net cash generated from operating activities was RMB1,719.0 million, RMB2,403.1 million and RMB2,877.6 million for the same years, respectively. We believe these results reflect our capability in sustainable value creation over the long term.

We are seeking a **[REDACTED]** on the Exchange to: (i) broaden our access to international equity capital markets and diversify funding channels for potential capacity expansion, selected overseas site build-outs and R&D investments; (ii) enhance our international visibility and brand recognition among global customers and suppliers in key application sectors; and (iii) facilitate potential strategic collaborations, talent recruitment under an internationally recognized **[REDACTED]** framework.

RESEARCH AND DEVELOPMENT

We compete in a market characterized by rapid technology iteration, increasingly stringent reliability standards and persistent cost reduction pressure, which subjects our R&D to heightened challenges and requirements. Leveraging years of accumulated technological know-how and large-scale mass production experience, we have established a tiered R&D system featuring four layers — "one generation in mass production, one in reserve, one in development and one in research," — to systematically respond to rapid shifts in market and industry demand.

SALES AND MARKETING

As of December 31, 2025, our sales team consisted of 208 dedicated sales personnel covering eight countries and regions, with on-the-ground deployment and team build-outs completed in each of these markets. Our products are sold through both direct sales and

distributors, among which MLCCs, piezo microdispensing systems and alumina ceramic substrates are sold through both direct sales and distributors, and other types of products are sold to direct sales customers.

CUSTOMERS AND SUPPLIERS

Our Customers

We sell our products to new energy equipment, electronic component and consumer electronic devices manufacturers. During the Track Record Period, our products were sold in the PRC, as well as to North America, Asia, Europe and other regions around the world.

Sales to our five largest customers in each year during Track Record Period amounted to RMB1,005.1 million, RMB1,016.9 million and RMB1,345.3 million, accounting for 17.6%, 14.0% and 15.2% of our total revenue for respective year. Sales to our largest customer in each year during Track Record Period amounted to RMB449.3 million, RMB323.9 million and RMB330.7 million, accounting for 7.9%, 4.5% and 3.7% of our total revenue for respective year.

During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest customers in each year during the Track Record Period that is required to be disclosed under the Hong Kong Listing Rules.

Our Suppliers

We have established a comprehensive system for the selection and qualification of suppliers to ensure the stability and reliability of our supply chain.

Purchases from our five largest suppliers in each year during Track Record Period amounted to RMB505.8 million, RMB829.7 million and RMB1,005.8 million, accounting for 22.1%, 26.0% and 26.7% of our total revenue for respective year. Purchases from our largest supplier in each year during Track Record Period amounted to RMB130.0 million, RMB242.2 million and RMB252.5 million, accounting for 5.7%, 7.6% and 6.7% of our total revenue for respective year.

During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest suppliers in each year during the Track Record Period that is required to be disclosed under the Listing Rules.

OUR STRENGTHS

We believe the following advantages position us well to seize future industry opportunities and achieve sustained growth:

- a participant in electronic ceramic materials and components, with multiple core products maintaining substantial global market shares

- an integrated business layout and large-scale production capabilities jointly delivering supply chain autonomy, efficiency and resilience
- accumulated brand heritage and in-depth customer cultivation underpinning industry trust and long-term collaboration
- in-depth global network layout jointly enabling balanced cost management and market expansion
- technical accumulation building full-chain innovation moats, linking material fundamentals to a closed loop of commercialization
- full-scenario product matrix with synergistic resonance, fortifying multi-domain coverage edge in ceramic materials
- stable management team of deeply experienced industry professionals, paired with a governance system integrating inheritance and innovation

OUR STRATEGIES

We will pursue the following strategies to drive further growth:

- deepen penetration in core applications
- extend vertical industry-chain layout to strengthen end-to-end synergies
- enhance global brand building and ecosystem operations to strengthen brand recognition and partnership stickiness
- upgrade global operations to capture incremental opportunities in higher-end markets
- focus on frontier R&D to build cross-domain innovation capabilities
- advance smart-manufacturing upgrades to enhance operational resilience

COMPETITION

We mainly operate in the highly competitive electronic ceramic material and component industry. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors. See "Industry Overview" for details relating to our competitive landscape.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Financial Information of Our Group

The following tables set forth summary financial data from our consolidated financial information during the Track Record Period. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial

statements as set out in the Accountants' Report in Appendix I to this Document, including the related notes. Our consolidated financial information was prepared in accordance with the IFRS Accounting Standards.

Results of Operations

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Revenue	**5,681,529**	**100.0%**	**7,266,133**	**100.0%**	**8,868,527**	**100.0%**
Cost of sales	(3,527,422)	(62.1)%	(4,290,871)	(59.1)%	(5,325,745)	(60.1)%
Gross profit	**2,154,107**	**37.9%**	**2,975,262**	**40.9%**	**3,542,782**	**39.9%**
Other income, gains and losses, net	699,255	12.3%	673,802	9.3%	757,122	8.5%
Selling and distribution expenses	(74,343)	(1.3)%	(79,392)	(1.1)%	(93,199)	(1.1)%
Administrative expenses	(435,487)	(7.7)%	(427,223)	(5.9)%	(509,251)	(5.7)%
Research and development expenses	(545,806)	(9.6)%	(583,072)	(8.0)%	(653,437)	(7.4)%
Reversal of impairment loss (impairment loss) on financial assets, net	7,610	0.1%	(12,734)	(0.2)%	(15,445)	(0.2)%
Finance costs	(22,488)	(0.4)%	(27,700)	(0.4)%	(20,396)	(0.2)%
Profit before income tax	**1,782,848**	**31.4%**	**2,518,943**	**34.7%**	**3,008,176**	**33.9%**
Income tax expense	(199,697)	(3.5)%	(328,710)	(4.5)%	(391,196)	(4.4)%
Profit for the year	**1,583,151**	**27.9%**	**2,190,233**	**30.1%**	**2,616,980**	**29.5%**

Revenue

During the Track Record Period, we mainly generated revenue from sales of (i) electronic and ceramic materials, (ii) electronic components, (iii) telecom components, (iv) equipment components and (v) other products.

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Electronic and ceramic materials	1,548,700	27.3%	1,677,233	23.1%	1,959,378	22.1%
Electronic components	1,572,349	27.7%	2,298,159	31.6%	3,308,090	37.3%
Telecom components	1,766,754	31.1%	2,305,985	31.7%	2,594,310	29.3%
Equipment components	477,990	8.4%	536,825	7.4%	601,753	6.8%
Other products	315,736	5.5%	447,931	6.2%	404,996	4.6%
Total	**5,681,529**	**100.0%**	**7,266,133**	**100.0%**	**8,868,527**	**100.0%**

Our revenue increased by 22.1% from RMB7,266.1 million in 2024 to RMB8,868.5 million in 2025. More specifically, our revenue from sales of electronic and ceramic materials increased by 16.8% from RMB1,677.2 million in 2024 to RMB1,959.4 million in 2025, primarily due to the

increase in average selling price from RMB686.4 per unit to RMB854.4 per unit, which in turn reflects an increase in price of raw materials and a change in our product mix whereby resulted in revenue contribution from certain higher-value materials increased due to strong demand. Our revenue from sales of electronic components increased by 43.9% from RMB2,298.2 million in 2024 to RMB3,308.1 million in 2025, primarily due to the increase in sales volume from 33.7 million units to 48.8 million units, reflecting stronger downstream demand for MLCCs in consumer electronics, home appliances, AI and data centers, and automotive electronics, as well as customers' increased preference for localized products amid geopolitical and policy factors.

Our revenue increased by 27.9% from RMB5,681.5 million in 2023 to RMB7,266.1 million in 2024. More specifically, our revenue from sales of electronic and ceramic materials increased by 8.3% from RMB1,548.7 million in 2023 to RMB1,677.2 million in 2024, primarily due to an increase in average selling price from RMB588.7 per unit to RMB686.4 per unit, as we increased our selling price in response to a change in product mix and to a lesser extent, an increase in price of raw materials. Our revenue from sales of electronic components increased by 46.2% from RMB1,572.3 million in 2023 to RMB2,298.2 million in 2024, primarily due to the increase in sales volume from 24.5 million units to 33.7 million units, which was driven by increase in our market share of MLCCs in downstream industries. Our revenue from sales of telecom components increased by 30.5% from RMB1,766.8 million in 2023 to RMB2,306.0 million in 2024, primarily due to an increase in both sales volume and average selling price, reflecting increase in market demand and favorable product mix.

In 2023, 2024 and 2025, revenue generated from sales to the United States amounted to RMB484.0 million, RMB414.1 million and RMB487.8 million, representing 8.5%, 5.7% and 5.5% of our total revenue, respectively. The decrease on our revenue from the United States from 2023 to 2024 were primarily due to changes in demands for electronic and ceramic materials, while the increase on our revenue from the United States from 2024 to 2025 were mainly due to changes in demands for telecom components and equipment components in AI and data center sectors.

The following table sets forth the sales volume and average selling prices of our products for the year indicated.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	'000 Units[(1)]	*RMB/Unit*[(1)]	*'000 Units*[(1)]	*RMB/Unit*[(1)]	*'000 Unit* [(1)]	*RMB/Unit*[(1)]
Electronic and ceramic materials	2,631	588.7	2,444	686.4	2,293	854.4
Electronic components	24,505	64.2	33,703	68.2	48,765	67.8
Telecom components	1,574	1,122.3	1,966	1,172.7	2,233	1,161.9
Equipment components	8	56,711.5	9	62,249.1	8	76,336.5

Note:

(1) One unit denotes ten thousand pieces or one kilogram.

Gross Profit and Gross Margin

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross margin[(1)]	Gross profit	Gross margin	Gross profit	Gross margin
	(in RMB thousands, except for percentages)					
Electronic and ceramic materials	662,178	42.8%	661,649	39.4%	717,526	36.6%
Electronic components	437,871	27.8%	1,000,328	43.5%	1,366,350	41.3%
Telecom components	702,715	39.8%	977,356	42.4%	1,106,117	42.6%
Equipment components	284,975	59.6%	319,317	59.5%	347,463	57.7%
Other products	66,368	21.0%	16,612	3.7%	5,326	1.3%
Total/Overall[(1)]	**2,154,107**	**37.9%**	**2,975,262**	**40.9%**	**3,542,782**	**39.9%**

Note:

(1) Gross margin is calculated as gross profit divided by revenue and multiplied by 100%.

Our gross profit increased by 19.1% from RMB2,975.3 million in 2024 to RMB3,542.8 million in 2025, primarily due to increases in gross profit from sales of electronic components and telecom components. Our gross margin remained stable at 40.9% and 39.9%, respectively. More specifically, our gross profit from sales of electronic components increased by 36.6% from RMB1,000.3 million in 2024 to RMB1,366.4 million in 2025, primarily due to an increase in revenue, partially offset by a decrease in gross margin from 43.5% in 2024 to 41.3% in 2025, which was due to a decrease in average selling price driven by change of specifications with an increased contribution from smaller-sized products that are priced at relatively lower levels. Our gross profit from sales of telecom components increased by 13.2% from RMB977.4 million in 2024 to RMB1,106.1 million in 2025, primarily due to increases in revenue and gross margin from 42.4% to 42.6%. The increase in gross margin was due to the increased sales volume which improved our economies of scale.

Our gross profit increased from RMB2,154.1 million in 2023 to RMB2,975.3 million in 2024 due to the increase in gross profit from sales of electronic components and telecom components. Our gross margin increased from 37.9% in 2023 to 40.9% in 2024 due to the increase in gross margin from electronic components and telecom components. More specifically, our gross profit from sales of electronic components increased from RMB437.9 million in 2023 to RMB1,000.3 million in 2024, while gross margin increased from 27.8% to 43.5%. The improvement was driven by a substantial increase in shipment volumes that elevated factory utilization and diluted fixed manufacturing overheads, alongside a richer sales mix. Our gross profit from sales of telecom components increased from RMB702.7 million in 2023 to RMB977.4 million in 2024, primarily due to the increase in revenue. Gross margin increased from 39.8% to 42.4%. The margin improvement reflected stronger market demand for ceramic ferrules and PKG products used in data centers and 5G deployments.

See "Financial Information — Year-to-Year Comparison of Results of Operations."

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2023	2024	2025
		(in RMB thousands)	
Non-current assets	10,547,584	10,313,768	13,424,566
Current assets	11,279,380	13,602,036	13,081,523
Current liabilities	2,527,745	2,744,802	3,629,891
Net current assets	8,751,635	10,857,234	9,451,632
Total assets less current liabilities	19,299,219	21,171,002	22,876,198
Non-current liabilities	1,060,119	1,299,234	1,213,156
Net assets	18,239,100	19,871,768	21,663,042

See "Financial Information — Selected Balance Sheet Items."

Net Current Assets

Comparison between April 30, 2026 and December 31, 2025

Our net current assets decreased from RMB9,451.6 million as of December 31, 2025 to RMB9,380.3 million as of April 30, 2026, primarily due to (i) an increase in trade and other payables from RMB2,768.6 million to RMB3,611.6 million, (ii) a decrease in financial asset at FVTPL from RMB3,758.5 million to RMB3,173.2 million, (iii) a decrease in bank deposits with maturity over three months from RMB772.4 million to RMB529.1 million and (iv) an increase in borrowings from RMB539.5 million to RMB762.8 million, partially offset by (i) an increase in bank balances and cash from RMB2,285.4 million to RMB3,311.6 million, (ii) an increase in trade receivables from RMB2,159.4 million to RMB2,637.4 million attributable to revenue and business growth in the four months ended April 30, 2026 and (iii) an increase in inventories from RMB2,391.7 million to RMB2,668.6 million.

Comparison between December 31, 2025 and December 31, 2024

Our net current assets decreased from RMB10,857.2 million as of December 31, 2024 and RMB9,451.6 million as of December 31, 2025, primarily due to (i) a decrease in financial assets at FVTPL from RMB5,053.4 million to RMB3,758.5 million, (ii) a decrease in bank deposits with maturity over three months from RMB1,896.8 million to RMB772.4 million, (iii) an increase in trade and other payables from RMB1,975.0 million to RMB2,768.6 million, partially offset by (i) an increase in bank balances and cash from RMB1,140.3 million to RMB2,285.4 million, (ii) an increase in trade receivables from RMB1,871.8 million to RMB2,159.4 million, (iii) an increase in financial assets at FVOCI from RMB814.6 million to RMB1,100.5 million and (iv) an increase in inventories fro RMB2,180.7 million to RMB2,391.7 million.

Comparison between December 31, 2024 and December 31, 2023

Our net current assets increased from RMB8,751.6 million as of December 31, 2023 to RMB10,857.2 million as of December 31, 2024, primarily due to (i) an increase in financial assets at FVTPL from RMB3,846.7 million to RMB5,053.4 million, (ii) an increase in inventories from RMB1,753.6 million to RMB2,180.7 million and (iii) an increase in trade receivables from RMB1,626.6 million to RMB1,871.8 million, partially offset by an increase in trade and other payables from RMB1,529.4 million to RMB1,975.0 million.

Net Assets

Comparison between December 31, 2025 and December 31, 2024

Our net assets increased from RMB19,871.8 million as of December 31, 2024 to RMB21,663.0 million as of December 31, 2025, primarily due to (i) profit for the year of RMB2,617.0 million, (ii) exchange differences arising on translation of financial statements of foreign operations of RMB75.8 million, partially offset by (iii) dividends recognized as distributions of RMB726.3 million and (iv) repurchase of shares for share option scheme of RMB175.4 million.

Comparison between December 31, 2024 and December 31, 2023

Our net assets increased from RMB18,239.1 million as of December 31, 2023 to RMB19,871.8 million as of December 31, 2024, primarily due to (i) profit for the year of RMB2,190.2 million, partially offset by (ii) dividends recognized as distributions of RMB536.6 million and (iii) exchange differences arising on translation of financial statements of foreign operations of RMB21.1 million.

Cash Flows

The table below sets forth our cash flows for the years indicated.

	Year ended December 31,		
	2023	2024	2025
		(in RMB thousands)	
Net cash from operating activities	1,718,968	2,403,122	2,877,609
Net cash used in investing activities	(3,774,925)	(1,353,931)	(824,360)
Net cash generated from/(used in) financing activities	153,936	(1,205,527)	(893,681)
Net (decrease)/increase in cash and cash equivalents	(1,902,021)	(156,336)	1,159,568
Cash and cash equivalents at beginning of the year	3,191,642	1,297,057	1,140,258
Effects of foreign exchange rate changes	7,436	(463)	(14,430)
Cash and cash equivalents at end of the year	1,297,057	1,140,258	2,285,396

See "Financial Information — Cash Flows."

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated.

	Year ended/As of December 31,		
	2023	2024	2025
Gross margin[(1)]	37.9%	40.9%	39.9%
Net margin[(2)]	27.9%	30.1%	29.5%
Return on equity[(3)]	8.7%	11.0%	12.1%
Gearing ratio[(4)]	4.2%	2.5%	2.7%

Notes:

(1) Gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(2) Net margin is calculated as profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(3) Return on equity is calculated based on the profit for the year divided by the ending balance of total equity for the corresponding year and multiplied by 100%.

(4) Gearing ratio is calculated based on the borrowings and lease liabilities divided by the ending balance of total equity and multiplied by 100%.

[REDACTED]

[REDACTED] expenses represent professional fees, **[REDACTED]** commission and fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Our **[REDACTED]** expenses are estimated to be approximately HK$**[REDACTED]** million (including **[REDACTED]** commission) accounting for **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, assuming that an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** range stated in this document). Among our **[REDACTED]** expenses, approximately HK$**[REDACTED]** is directly attributable to the issuance of Shares and will be charged to equity upon completion of the **[REDACTED]**, and approximately HK$**[REDACTED]** has been or will be charged to our consolidated statement of comprehensive income. The **[REDACTED]** expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK$**[REDACTED]** related expenses and fees (including **[REDACTED]** commissions, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately HK$**[REDACTED]** non-**[REDACTED]**-related expenses and fees including fees for the Sole Sponsor, legal advisors and reporting accountant and approximately HK$**[REDACTED]** for other non-**[REDACTED]**-related fees and expenses. During the Track Record Period, we incurred RMB**[REDACTED]** in **[REDACTED]** expenses, among which RMB**[REDACTED]** was charged to profit and loss and RMB**[REDACTED]** will be charged to equity upon completion of the **[REDACTED]**.

The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zhang controlled an aggregate of approximately 36.47% of the total issued share capital of the Company, comprising (i) direct interest of approximately 2.80%, and (ii) indirect interest of approximately 33.67% held by Tririver Investment, in which Mr. Zhang held 59.21% equity interest.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Zhang will, through Tririver Investment, control an aggregate of approximately **[REDACTED]**% of the total issued share capital of the Company. As such, Mr. Zhang and Tririver Investment will together constitute a group of the Controlling Shareholders upon **[REDACTED]** under the Listing Rules.

For more details, see "Relationship with the Controlling Shareholders."

RISK FACTORS

We face risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of risks, you should read the "Risk Factors" section in its entirety before you decide to invest in our H Shares. Some of the major risks that we face include:

- our business is exposed to supply–demand dynamics in the electronic ceramic material and component industry and affected by downstream demand for end products in which our materials and components are used.
- if we are unable to retain existing customers or attract new customers, our business, financial condition and results of operations may be adversely affected.
- our international strategy and ability to conduct business in various jurisdictions is subject to uncertainties and risks.
- fluctuations in the prices of raw materials may adversely affect our profitability and financial condition.
- we source raw materials externally, and we may not be able to secure our supply of such materials in a stable and timely manner.
- We may be subject to the risks associated with international trade policies, geopolitics measures, and investment restrictions.

LISTING ON THE CHINEXT OF THE SHENZHEN STOCK EXCHANGE

In December 2014, the A Shares of the Company were listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300408.SZ) (the "**A-Share Listing**"). The Company offered a total of 46,000,000 A Shares under the A-Share Listing, representing 10.7% of the Company's enlarged share capital immediately following the completion of the A-Share Listing. Immediately upon the completion of the A-Share Listing, the share capital of the Company increased to RMB428,800,000.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the midpoint of the range of the **[REDACTED]** stated in this Document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** commissions and other estimated expenses in connection with the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). We intend to use our **[REDACTED]** for the purposes and in the amounts set forth below.

- Approximately **[REDACTED]** or HK$**[REDACTED]** will be invested in new constructions and expansions overseas, as well as in automation, to increase capacity, improve efficiency, and enhance supply resilience. Key initiatives include the following projects in Thailand and Germany, which will support customers' demand, shorten lead times, and strengthen our global service network: (i) fuel cell project expansion, (ii) high precision piezo microdispensing system project expansion, (iii) data-center-related electronic components project construction and (iv) telecom components project expansion.

- Approximately **[REDACTED]** or HK$**[REDACTED]** will be allocated to technology iteration and materials innovation to reinforce our integrated technology moat, support globalization, and advance domestic substitution in critical links.

- Approximately **[REDACTED]** or HK$**[REDACTED]** will be used for working capital and other general corporate purposes, including day-to-day operations and general corporate expenditures.

See "Future Plans and Use of **[REDACTED]**."

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the **[REDACTED]** has been completed and **[REDACTED]** H Shares are newly issued in the **[REDACTED]**, (ii) the **[REDACTED]** is not exercised, and (iii) no additional Shares are issued pursuant to the Share Incentive Plans:

	Based on an [REDACTED] of HK$[REDACTED] per H Share	Based on an [REDACTED] of HK$[REDACTED] per H Share
Market value of the H Shares[(1)]	HK$**[REDACTED]**	HK$**[REDACTED]**
Total market capitalization of the Company[(2)]	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted net tangible assets per Share[(3)(4)]	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of market value of the H shares is based on **[REDACTED]** H Shares expected to be issued immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) The calculation of market capitalization of the Company is based on the 1,916,497,371 A Shares in issues as of the Latest Practicable Date (excluding approximately 5,133,800 treasury shares) and **[REDACTED]** H Shares expected to be issued immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). The calculation of market value of the A shares is based on the average closing price of the A Shares of RMB**[REDACTED]** per A Share for the **[REDACTED]** business days immediately preceding the Latest Practicable Date.

(3) The unaudited **[REDACTED]** adjusted net tangible assets per Share is arrived at after adjustments referred to in "Appendix II — Unaudited **[REDACTED]** Financial Information" in this document and on the basis that **[REDACTED]** shares (excluding approximately 5,133,800 treasury shares) in issue assuming that the **[REDACTED]** had been completed on December 31, 2025 and without taking into account of any share which may be allotted and issued upon the exercise of the **[REDACTED]**.

(4) No adjustment has been made to reflect any trading results or other transactions of us entered into subsequent to December 31, 2025.

In particular, the unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on Page II-1 has not taken into account payment of dividends of RMB860,114,000 (excluding the treasury shares) which was approved by the shareholders of the Company at the general meeting on April 20, 2026.

The unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2025 would have been RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**) and RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**) based on the **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]**, respectively, if the dividend had been taken into account as at December 31, 2025.

DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 — 上市公司現金分紅(2025年修訂)》), and the Articles of Association, after taking into account the characteristics of the industry in which we operate, our stage of development, our business model, profitability, whether there are plans for significant capital expenditure and other factors, we have adopted a formal dividend policy, under which we prioritize cash distributions. The Company shall distribute a cash dividend in any year it is profitable and has distributable profits after making up for previous years' losses and allocating to the required statutory reserves.

Profit distributions shall not exceed the aggregate amount of cumulative distributable profits. In the absence of any material investment plan or significant capital expenditure arrangement, the cash dividends distributed by us shall be no less than 30.0% of the distributable profits realized for that year.

A material investment plan or significant capital expenditure arrangement refers to either of the following circumstances:

(i) The cumulative expenditure on outbound investments, asset acquisitions, equipment purchases or similar transactions planned by the Company within the next 12 months reaches or exceeds 50% of the Company's most recently audited net assets, and the absolute amount exceeds RMB50 million.

(ii) The cumulative expenditure on outbound investments, asset acquisitions, equipment purchases or similar transactions planned by the Company within the next 12 months reaches or exceeds 30% of the Company's most recently audited total assets.

See Note 13 to "Appendix I — Accountants' Report" for our declared dividends during the Track Record Period.

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

NO MATERIAL ADVERSE CHANGE AND RECENT DEVELOPMENTS

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

Summary of Financial Performance and Financial Position for the Three Months ended March 31, 2026

As required by the Shenzhen Stock Exchange listing rules, we published our quarterly report on April 24, 2026, containing our unaudited interim financial information as of and for the three months ended March 31, 2026, prepared under the PRC GAAP. We have included our unaudited interim financial information prepared in accordance with IAS 34 as of and for the three months ended March 31, 2026 below and in Appendix IA to this document for reference. Our unaudited condensed consolidated financial statements have been reviewed by the Reporting Accountants in accordance with International Standard on Review Engagements 2410.

The table below sets forth our condensed consolidated statement of profit or loss and other comprehensive income for the periods indicated:

	Three months ended March 31,	
	2025	2026
	(in RMB thousands)	
	(Unaudited)	*(Unaudited)*
Revenue	1,817,602	2,651,339
Cost of Sales	(1,107,688)	(1,555,787)
Gross profits	709,914	1,095,552
Other income, gains and losses, net	175,522	159,940
Selling and distribution expenses	(21,232)	(22,237)
Administrative expenses	(100,080)	(147,107)
Research and development expenses	(145,692)	(155,810)
Reversal of impairment loss /(impairment loss) on financial assets, net	4,277	(16,587)
Finance costs, net	(4,270)	(6,009)
Profit before income tax	**618,439**	**907,742**
Income tax expense	(85,544)	(116,937)
Profit for the period	**532,895**	**790,805**

Our revenue increased from RMB1,817.6 million for the three months ended March 31, 2025 to RMB2,651.3 million for the same period in 2026, primarily due to revenue growth in electronic and ceramic materials and electronic components segments. Our cost of sales increased from RMB1,107.7 million for the three months ended March 31, 2025 to RMB1,555.8 million for the same period in 2026, which was generally in line with the revenue growth. Our gross profit increased from RMB709.9 million for the three months ended March 31, 2025 to RMB1,095.6 million for the same period in 2026, primarily due to strong growth in electronic and ceramic materials and electronic components segments. As a result of the foregoing, our net profit increased from RMB532.9 million for the three months ended March 31, 2025 to RMB790.8 million for the same period in 2026.

The table below sets forth our condensed consolidated statement of financial position as of the dates indicated:

	As of December 31,	As of March 31,
	2025	2026
	(in RMB thousands)	
	(Audited)	*(Unaudited)*
Non-current assets	13,424,566	13,622,780
Current assets	13,081,523	13,410,693
Current liabilities	3,629,891	3,411,935
Net current assets	9,451,632	9,998,758
Total assets less current liabilities	22,876,198	23,621,538
Non-current liabilities	1,213,156	1,220,561
Net assets	21,663,042	22,400,977
Total equity	21,663,042	22,400,977

The table below sets forth selected information from our condensed consolidated statements of cash flows for the periods indicated:

	Three months ended March 31,	
	2025	2026
	(in RMB thousands)	
	(Unaudited)	*(Unaudited)*
Net cash generated from operating activities	242,589	156,685
Net cash generated from investing activities	1,657,116	1,105,362
Net cash generated from/(used in) financing activities	(286)	43,969
Net increase in cash and cash equivalents	**1,899,419**	**1,306,016**
Cash and cash equivalents at beginning of the period	1,140,258	2,285,396
Effects of foreign exchange rate changes	3,433	(27,017)
Cash and cash equivalents at end of the period	**3,043,110**	**3,564,395**

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in "Glossary of Technical Terms" in this document.

"A Share(s)"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are listed on the ChiNext of the Shenzhen Stock Exchange and traded in Renminbi
"Accountants' Report"	the accountants' report of the Company, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles" or **"Articles of Association"**	the articles of association of the Company with effect upon the **[REDACTED]** (as amended from time to time), a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or **"Board of Directors"**	the board of Directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

"China," "Chinese mainland," "PRC" or **"the PRC"**	the People's Republic of China, unless the context requires otherwise, excluding, for the purposes of this document only, the regions of Hong Kong, Macau and Taiwan of the People's Republic of China
"Chaozhou Vermes"	Chaozhou Vermes Technology Co., Ltd. (潮州微密斯科技有限公司), a limited liability company established in the PRC on October 23, 2019 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date

DEFINITIONS

"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or **"CWUMPO"**	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Chaozhou Three-Circle (Group) Co., Ltd. (潮州三環(集團)股份有限公司), a joint stock company with limited liability established in the PRC on December 10, 1992 and listed on the ChiNext of Shenzhen Stock Exchange on December 3, 2014 (Stock code: 300408.SZ)
"Compliance Advisor"	Somerley Capital Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhang and Tririver Investment
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deyang Three-Circle"	Deyang Three-Circle Technology Co., Ltd. (德陽三環科技有限公司) a limited liability company established in the PRC on March 26, 2021 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》)
"ESG"	Environmental, Social and Governance

[REDACTED]

"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affects the working public's ability to resume work or brings safety concern for a prolonged period

[REDACTED]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company

[REDACTED]

"Germany"	Federal Republic of Germany

[REDACTED]

"Glory Winner"	Glory Winner (Thailand) Co., Ltd., a company established in Thailand on July 12, 2019 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date
"Group," "we," "our" or **"us"**	the Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by the Company and/or its subsidiaries and their predecessors (if any)
"Guide" or **"Guide for New Listing Applicants"**	the Guide for New Listing Applicants issued by the Stock Exchange effective from January 1, 2024, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	listed ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and to be **[REDACTED]** on the Stock Exchange

[REDACTED]

[REDACTED]

"Hong Kong" or **"HK"**	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or **"HK$"**	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong Stock Exchange" or **"Stock Exchange"**	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"Hong Kong Three-Circle"	HONG KONG THREECIRCLE ELECTRONIC COMPANY LIMITED (香港三環電子有限公司), a private limited liability company established in Hong Kong on August 20, 2007 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date

[REDACTED]

"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[REDACTED]

[REDACTED]

"Latest Practicable Date"	June 15, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

"Listing Rules" or **"Hong Kong Listing Rules"**	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MIIT"	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
"Mr. Zhang"	Mr. Zhang Wanzhen (張萬鎮), a non-executive Director and one of the Controlling Shareholders
"Nanchong Three-Circle"	Nanchong Three-Circle Electronics Co., Ltd. (南充三環電子有限公司), a limited liability company established in the PRC on May 11, 2009 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date

"Nomination Committee"	the nomination committee of the Board
	[REDACTED]
"Overall Coordinator"	the overall coordinator as named in the section headed "Directors and Parties Involved in the **[REDACTED]**"
	[REDACTED]
"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisor"	JunHe LLP, the PRC legal advisor to the Company
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

[REDACTED]

"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"RMB" or **"Renminbi"**	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"Securities and Futures Commission" or **"SFC"**	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Three-Circle"	Shenzhen Three-Circle Technology Co., Ltd. (深圳三環科技有限公司), a limited liability company established in the PRC on November 28, 2003 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date
"Sole Sponsor"	the sole sponsor as named in the section headed "Directors and Parties Involved in the **[REDACTED]**"

[REDACTED]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Strategy Committee"	the strategy committee of the Board
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules

"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Thailand"	the Kingdom of Thailand
"treasury shares"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Track Record Period"	the financial years ended December 31, 2023, 2024 and 2025
"Tririver Investment"	Chaozhou Tririver Investment Co., Ltd. (潮州市三江投資有限公司), formerly known as Chaozhou Tririver Electronics Co., Ltd. (潮州市三江電子有限公司), a limited liability company established in the PRC on September 10, 1999 and one of the Controlling Shareholders

[REDACTED]

"United States" or **"U.S."**	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. dollar(s)," "US$" or **"USD"**	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	The U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"Vermes Germany"	Vermes Microdispensing GmbH, a limited liability company established in Germany on September 14, 2009 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date
"Vermes Xiamen"	Vermes Microdispensing (XIAMEN) Co., Ltd. (微密斯點膠科技(廈門)有限公司), a limited liability company established in the PRC on February 28, 2014 and a wholly-owned subsidiary of the Company as of the Latest Practicable Date

[REDACTED]

"%"	per cent.

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including the Company's subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

"AI"	artificial intelligence
"AIoT"	artificial intelligence of things
"aluminum nitride" or "AlN"	a solid nitride of aluminum with a high thermal conductivity and is an electrical insulator
"AOI"	automated optical inspection
"CRM"	customer relationship management
"crystal oscillator" or "OSC"	an electronic circuit that uses a quartz crystal resonator to generate a stable, precise periodic electrical signal at a specific frequency
"CTE"	coefficient of thermal expansion
"CTQ(s)"	critical to quality(ies)
"DC"	direct current
"EMC"	electromagnetic compatibility
"ERP"	enterprise resource planning
"EV(s)"	electric vehicle(s)
"FTTH"	fiber to the home, a broadband network architecture in which optical fiber is run directly from a central office or distribution point to individual residences or buildings
"GPS"	global positioning system
"HV MOSFET(s)"	high-voltage metal-oxide-semiconductor field-effect transistors
"IGBT(s)"	insulated-gate bipolar transistors
"integrated circuit(s)" or "IC(s)"	a compact assembly of electronic circuits formed from various electronic components, such as transistors, resistors, and capacitors, and their interconnections
"IoT"	Internet of things
"KPI"	key performance indicator
"LED"	light-emitting diode
"mechanical transfer ferrule(s)" or "MT ferrule(s)"	high-precision multi-fiber alignment component used in optical fiber connectors
"MES"	manufacturing execution system

GLOSSARY OF TECHNICAL TERMS

"multi-fiber push-on/pull-off" or "MPO"	a type of high-density fiber-optic connector that terminates multiple optical fibers in a single rectangular ferrule and allows quick, tool-less push-on and pull-off mating/unmating
"multi-fiber termination push-on" or "MTP"	a high-performance type of multi-fiber fiber-optic connector that is mechanically compatible with MPO, designed to terminate multiple fibers in a single ferrule and use a push-on latch mechanism for quick connection/disconnection
"multilayer ceramic chip capacitor(s)" or "MLCC(s)"	ceramic electronic components that are formed by alternately stacking multiple layers of ceramic dielectric and metal electrodes, followed by high-temperature sintering
"multilayer ceramic chip inductor(s)" or "MLCI(s)"	passive electronic components that store energy in a magnetic field and impede changes in current, manufactured through a laminated ceramic-metal multilayer structure
"OA"	office automation
"OEM"	original equipment manufacturer
"OSAT(s)"	outsourced semiconductor assembly and test(s)
"ceramic package(s)" or "PKG(s)"	package substrate, a base structure that provides a mounting platform, protection, and electrical interconnection for electronic chips
"printed circuit board" or "PCB"	a laminated sandwich structure of conductive and insulating layers, each with a pattern of traces, planes and other features (similar to wires on a flat surface) etched from one or more sheet layers of copper laminated onto or between sheet layers of a non-conductive substrate
"PV"	photovoltaics, the conversion of light into electricity using semiconducting materials that exhibit the photovoltaic effect
"Q factor"	quality factor
"quartz crystal resonators" or "Xtal"	a frequency-control component that uses the precise mechanical vibration of a thin slice of quartz to generate or stabilize an electrical signal at a very accurate frequency
"radio frequency" or "RF"	the oscillation rate of an alternating electric current or voltage or of a magnetic, electric or electromagnetic field or mechanical system in the frequency range from around 20 kHz to around 300 GHz

GLOSSARY OF TECHNICAL TERMS

"SOFC(s)"	solid oxide fuel cell(s), an electrochemical conversion device that produces electricity directly from oxidizing a fuel
"SRM"	supplier relationship management
"surface acoustic wave" or "SAW"	a mechanical (acoustic) wave that travels along the surface of an elastic material (such as a piezoelectric crystal), with its energy concentrated near the surface and decaying rapidly with depth
"temperature compensated crystal oscillator" or "TCXO"	a crystal oscillator that includes an internal temperature-sensing and compensation circuit to reduce the frequency change (drift) caused by temperature variations
"thermistor-integrated crystal resonators" or "TSX"	a quartz crystal resonator that has a thermistor built into the same package so the circuit can measure or compensate for the resonator's temperature-dependent frequency drift
"tuning fork crystal resonators" or "TF"	a type of quartz crystal resonator shaped like a tiny tuning fork, designed to vibrate at a low, precise frequency (typically 32.768 kHz) for timekeeping and low-power clock applications
"WMS"	warehouse management system

FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, beliefs, expectations, intentions or predictions for the future, which are not historical facts. These forward-looking statements are contained principally in "Summary," "Risk Factors," "Industry Overview," "Business," "Financial Information" and "Future Plans and Use of **[REDACTED]**." When used in this document, the words "aim," "anticipate," "believe," "consider," "could," "estimate," "expect," "going forward," "intend," "ought to," "project," "seek," "should," "will," "would," "vision," "aspire," "target," "schedule," and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Forward-looking statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources. Some of them may not materialize or may change. These statements are based on assumptions and are subject to certain risks and uncertainties, including those listed in "Risk Factors," which are beyond our control and may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The risks and uncertainties which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain our market position;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;
- our planned use of **[REDACTED]**;

- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate;

- capital market developments; and

- various business opportunities that we may pursue.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Accordingly, you should not place undue reliance on any forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made. Except as required by applicable laws, rules and regulations, including the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of the Directors are made as of the date of this document. Any such intentions are subject to change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An investment in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in the H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the H Shares could decline and you may lose all or part of your investment. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is exposed to supply–demand dynamics in the electronic ceramic material and component industry and affected by downstream demand for end products in which our materials and components are used.

We primarily design, develop and manufacture a broad range of electronic and ceramic materials, electronic components, telecommunication ("**telecom**") components, equipment components and other products. Our products are widely used in telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy and intelligent industrial control applications. Accordingly, our business is closely linked to the demand for end products in these downstream industries.

Downstream demand for our products is affected by various factors, including (i) government policies promoting the development of advanced manufacturing, domestic substitution in semiconductors, renewable energy and smart mobility; (ii) technological advancements in telecom and AI computing that drive new material and component requirements; (iii) industrial demand for automation and data infrastructure; and (iv) macroeconomic conditions affecting industrial investment and infrastructure projects. There is no assurance that downstream demand will maintain at the same level as during the Track Record Period or continue to grow in the future. Any downturn, delay or change in these industries' development may result in reduced orders, slower customer qualifications or lower capacity utilization for our products. A prolonged decline in downstream demand could lead to overcapacity, intensified pricing competition and reduced profitability, which may materially and adversely affect our business, financial condition and results of operations.

If we are unable to retain existing customers or attract new customers, our business, financial condition and results of operations may be adversely affected.

Our business growth depends significantly on maintaining long-term relationships with our existing customers and developing new customers.

Certain of our customers maintain qualified supplier lists and conduct periodic reviews of suppliers' product quality, delivery performance, and technical capabilities. If we fail to continuously meet our customers' requirements for qualified suppliers or are unable to satisfy customers' evolving procurement standards, we may fail to retain these customers. Customers'

requirements may change due to technological upgrades, product design adjustments, cost optimization targets or shifts in supply strategy, any of which could lead to a reduction or termination of purchases from us.

We face intense competition from other domestic and international electronic ceramic materials and components manufacturers that supply similar or alternative products to overlapping customer bases. Upon the expiration of existing supply arrangements, we cannot assure you that our customers will renew their orders with us on comparable terms, or at all. If we fail to retain our existing customers, expand our customer base or attract new customers because our products do not meet evolving market requirements, are not competitively priced, or fall short in reliability or service quality, our revenue and profitability may decline. Such failure could materially and adversely affect our business, financial condition and results of operations.

Our international strategy and ability to conduct business in various jurisdictions is subject to uncertainties and risks.

We derive a significant portion of our revenues from our overseas business. We generated 20.3%, 17.9% and 17.4% of our revenues overseas in 2023, 2024 and 2025, respectively. We expect that overseas sales will continue to account for an important portion of our revenue in the near future. We face certain risks inherent in our overseas business and risks associated with our efforts to maintain and expand our overseas business.

Moreover, we have established production bases in Chinese Mainland, Germany and Thailand as of December 31, 2025. As a result, we face numerous risks, including legal, regulatory, political, economic, and commercial risks associated with manufacturing and operating in various jurisdictions, any of which could negatively affect our financial performance. These risks include:(i) legal, regulatory, political, economic and commercial instability and uncertainty; (ii) lack of familiarity with local culture and operating and market conditions; (iii) difficulties and costs of recruiting competent employees locally, and managing overseas operations; (iv) potential failure to achieve the expected returns from investing in production bases; (v) potential delay in construction plan from third-party service providers; (vi) labor disputes and work stoppages at our local operations and suppliers; (vii) intra-group transaction that may be subject to audit or challenge by the relevant tax authorities; (viii) increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective local presence; (ix) changes in foreign trade policies and regulations by the relevant jurisdictions, including those in relation to sanctions, export controls, and import restrictions, as well in trade barriers such as unfavorable changes in tariffs; (x) difficulty in obtaining or enforcing intellectual property rights and agreements and collecting overdue receivables through local legal systems; (xi) foreign currency exchange rate fluctuations and strict foreign exchange controls; and (xii) other obstacles and risks related to overseas manufacturing and operations.

Furthermore, we are subject to various evolving laws and regulations in the PRC and other jurisdictions where we operate, requiring us to obtain and comply with multiple permits, licenses, and regulatory approvals. Failure to obtain necessary approvals or adapt to evolving regulatory requirements may adversely impact our operations. Government inspections and regulatory reviews could also lead to delays or additional compliance costs. There is no assurance that we will be able to fulfill pre-conditions for necessary approvals or comply with changes in laws and

regulations in a timely manner. Delays in administrative processing or breaching of laws and regulations related to export and overseas operations could further disrupt our business and expansion plans, adversely affecting our financial condition and results of operations.

Fluctuations in the prices of raw materials may adversely affect our profitability and financial condition.

In 2023, 2024 and 2025, our cost of raw materials accounted for approximately 56.0%, 57.9% and 62.3% of our total cost of sales, respectively, and cost of raw materials accounted for 34.7%, 34.2% and 37.4% of our revenues, respectively. See "Financial Information — Principal Components of Results of Operations — Cost of Sales." As such, prices of raw materials have a significant impact on our production costs and overall profitability. The prices of our key raw materials are subject to fluctuations driven by factors beyond our control, including macroeconomic conditions, market demand and supply, energy costs, logistics constraints, payment terms, geopolitical tensions, natural disasters and speculative activities in commodity markets. According to Frost & Sullivan, alumina is a key raw material for electronic substrates and packaging due to its excellent insulation, thermal conductivity, and chemical stability. In 2024, production costs increased due to tighter upstream bauxite supply, causing alumina prices to rise. In 2025, as new alumina capacity came online domestically and internationally, and the bauxite supply structure gradually improved, the market supply-demand imbalance eased, leading alumina prices to decline to approximately RMB3.5 per kg. Zirconia is widely used in electronic ceramic materials and structural components because of its excellent insulation at room temperature, corrosion resistance, and low thermal conductivity. As global supply chains gradually recover, some new zirconia capacity comes online, and demand normalizes, prices fell from peak levels and stabilized at approximately RMB43.0 per kg in 2025.

We cannot assure you that we will always be able to obtain raw materials in sufficient quantities or at reasonable prices. Significant increases in the prices of key raw materials could materially raise our production costs.

If we fail to manage or offset increases in cost of raw materials through pricing adjustments, cost reduction initiatives or process optimization, our gross margin and profitability may be adversely affected. Any prolonged or material increase in raw material prices could therefore have a material and adverse effect on our business, financial condition and results of operations.

We source raw materials externally, and we may not be able to secure our supply of such materials in a stable and timely manner.

We source our raw materials from third parties. They may not fulfill their commitments and responsibilities in a timely manner and in accordance with the terms agreed upon or applicable laws and regulations. In addition, our current suppliers may be unable to satisfy our future requirements for quality and quantity of raw materials on a timely basis. If our current suppliers are unable to satisfy our long-term requirements on a timely basis, we may be required to seek alternative sources for necessary raw materials or redesign our proposed products to manufacture available substitutes at competitive costs. Any failure of our alternative plan may result in significant delays in our manufacturing and delivery of products, leading to potential liabilities and reputation damage, which may materially and adversely affect our business, financial condition, and results of operations. Furthermore, we cannot assure that upon expiry of

existing contracts with suppliers, we are able to renew such contracts at terms commercially favorable to us or find an appropriate substitute in a timely manner. If not, our business and operations may be adversely affected.

Issues with product quality may damage our reputation, which may adversely affect our business, financial condition and results of operations.

The quality of our products is critical to our success and to maintaining long-term relationships with customers, who often impose stringent qualifications, acceptance and reliability standards. See "Business — Quality Control."

Our product quality and performance may be affected by factors beyond our control, such as inappropriate customer use, variations in customers' manufacturing conditions, or quality issues in components and materials supplied by third parties.

In addition, issues may arise due to process variation, human error, environmental fluctuations or the inherent limitations of inspection and testing coverage. As we continue to introduce new products and technologies, there is also a risk of unexpected performance issues during initial mass production or under extended field operation.

If our products fail to meet customers' quality or performance requirements, we may face product returns, rework, replacements or other warranty-related costs. We could also experience delays in customer acceptance and revenue recognition or extended on-site technical support obligations. In serious cases, we could become subject to claims or legal disputes from customers. Such events may harm our reputation, reduce customer satisfaction, hinder repeat business and impair our ability to win new projects. Any resulting loss of business, damage to our reputation or reduced market share could materially and adversely affect our business, financial condition and results of operations.

Our business and reputation may be adversely affected by product liability claims, litigation, administrative proceedings, customer complaints, quality control concerns or negative publicity in relation to our products or other similar products.

We rely on our reputation and brand recognition in marketing and selling our products. Our products are used as key components in end products manufactured and sold by our customers. As we are not fully involved in the design, assembly or quality control of these downstream products, we cannot fully identify or mitigate all potential risks associated with their end-use environments. Accordingly, even if our products meet all required specifications and quality standards upon delivery, we cannot assure that they will perform as expected under complex or unforeseen operating conditions. Any malfunction or failure of the end products in which our products are embedded, whether or not caused by our products themselves, may result in product liability claims, warranty disputes or reputation damage. During the Track Record Period and as of the Latest Practicable Date, we were not subject to product liability claims and disputes with business partners which are material to our business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected by quality-related incidents that lead to customer complaints, negative publicity or regulatory scrutiny. We could be subject to product liability claims, administrative investigations or penalties, or even suspension or revocation of certain licenses, permits or certifications necessary for our

operations. From time to time, we may also be involved in disputes with customers, suppliers, logistics providers, employees or other business partners. Any adverse publicity arising from such disputes, or from regulatory or legal actions, regardless of their merit, could harm our corporate reputation and brand image, reduce customer confidence and demand for our products, and adversely affect our market position.

We are exposed to risks in relation to work safety and occurrence of accidents as well as other operational, transportation-related, occupational and environmentally related risks, which could materially and adversely affect our business, financial condition and results of operations.

Our business and production are subject to various risks, including operational and transportation-related risks and occupational and environmental hazards. We must comply with the extensive environmental, handling of hazardous substances, chemical manufacturing, health and safety laws and regulations and stringent standards which are promulgated by the government authorities. According to these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. We may experience various types of difficulties in connection with the manufacturing of our products. Some of our raw materials and chemicals are hazardous and their storage and use in the manufacturing process involve inherent risks including the leakage of flammable substances, toxic gases and liquids, equipment failures, industrial accidents, fires and explosions. Such accidents could materially affect our production and may give rise to personal injuries and fatalities, damages to or destruction of properties or production facilities, and pollution and other environmental damages.

During the Track Record Period, we conduct regular inspections of the facilities we operate and regular equipment maintenance to ensure that our operations comply with applicable laws and regulations. We cannot assure you that we will not experience any major accidents or work-related injuries in our future production processes. Additionally, in the course of operations and production, we implement and require our employees to comply with safety measures and procedures as stipulated in our internal policies. However, there is no assurance that our safety measures and procedures are strictly followed by our employees.

Our operations may also be subject to difficulties related to the manufacturing such as capacity constraints, mechanical and systems failures, construction and upgrade delays and equipment delivery delays, any of which could cause suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our manufacturing output. Any significant production suspension or reduction could adversely affect our ability to produce and sell our products, which could have a material adverse effect on our business, financial condition and results of operations.

Any failure to protect our intellectual property rights could undermine our competitive position and adversely affect our business prospects.

We rely primarily on a combination of our patents, trade secrets, trademarks, and the confidentiality agreements to protect our intellectual property rights. Please see "Business — Intellectual Property." We believe that our current intellectual property rights provide protection to our business and are crucial for our operations. However, there can be no assurance that our intellectual property rights applications will be approved, our intellectual property rights will adequately protect our intellectual property, we will be able to detect breaches of our intellectual

property rights, our intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable, or our intellectual property rights will be effective in preventing third parties from utilizing similar business models, processes or brand names to offer similar products.

Our success is also subject to our ability to use, develop and protect our patents and trade secrets without infringing the intellectual property rights of third parties. Other third parties may hold or obtain patents, copyrights, trademarks, or other proprietary rights used in our products and services. This might prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management. Third parties holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to obtain licenses. If we are found to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following: (i) cease to sell products that are involved in the challenged intellectual property rights owned by others; (ii) pay damages; (iii) redesign our products; or (iv) establish and maintain alternative branding for our products.

We may also be subject to disputes, claims or litigation involving our intellectual property rights or third-party intellectual property rights and there may be claims that we infringed upon third-party intellectual property rights. Any of these could disrupt our business and divert our management's attention from our operations. The costs associated with these types of disputes, claims or litigation may be substantial and could have a material adverse effect on our business, reputation, financial condition, results of operations and prospects. As of the Latest Practicable Date, we were not involved in any material legal proceedings involving intellectual property rights. The validity and scope of any potential claims/requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain.

Whilst we generally enter into non-disclosure agreements with our key employees and partners, we cannot guarantee whether they will breach these agreements and leak our know-how, business secrets or any other commercially sensitive information to our competitors, which will have a material adverse effect on our business, financial condition and results of operations.

We face certain risks associated with research and development.

Technological innovation is critical to our success, and we make significant investments in products R&D. Our R&D expenses amounted to RMB545.8 million, RMB583.1 million and RMB653.4 million in 2023, 2024 and 2025, respectively. See "Financial Information — Principal Components of Results of Operations — Research and Development Expenses."

As the progress and results of R&D activities are inherently uncertain, we may not be able to keep up with rapid technological changes and evolving industry standards and derive the desired benefits from our research and development efforts, which may negatively affect our competitiveness and profitability. We cannot assure you that our R&D projects will be successful, completed within the anticipated time and budget, or that our newly developed products will achieve wide market acceptance or the competitive advantages we expect.

Even if we successfully launch new products or upgrade our existing products, there is no assurance that they will be accepted by customers or achieve anticipated sales targets and profitability. The success of our new products depends on factors beyond our control, such as market conditions, competitive landscape, regulatory environment, supply chain dynamics, customer demand, and the positioning of our products. If we are unable to develop, produce, and introduce new products that meet customer demand at favorable margins, whether within or beyond our existing business scope, it could have a materially adverse impact on our business, financial condition, and results of operations. Additionally, our existing or potential competitors may develop products that are similar to ours or offer more competitive pricing that may cause our loss of customers. If we fail to appropriately respond to these challenges, our significant R&D expenditures may not yield corresponding benefits, which may materially and adversely affect our business, prospects, financial condition, and results of operations.

Our future success depends on our ability to retain key management and R&D personnel and our ability to attract, train and retain talented personnel.

Our success depends on the continued services of our key management and R&D personnel, as they are in charge of the overall planning, execution of our business and operations and research and development of the new products. If any of our Directors, any members of senior management or any key members of our R&D department were to terminate their services or employment with us, we may not be able to find suitable replacements in a timely manner, at an acceptable cost or at all.

In addition, as a result of the highly specialized, technical nature of our business, we must attract, train and retain a sizable workforce comprising highly skilled employees and other key personnel. If one or more of our highly skilled employees or key personnel were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Moreover, our industry is characterized by high demand and intense competition for talent, we may have to pay higher compensation and benefits and provide greater benefits in order to attract and retain highly skilled employees or other key personnel that we will need to achieve our strategic objectives. Our failure to attract, train or retain highly-skilled employees and other key personnel in numbers that are sufficient to satisfy our needs would materially and adversely affect our business and the results of operations.

Failure to obtain or renew permits, licenses, certificates and qualifications in relation to our business operation could adversely affect our business, financial condition and results of operations.

Our permits, licenses, certificates and qualifications from various governmental authorities for our business operations may be subject to periodic review or renewal. We cannot assure you that we will be able to renew all such permits, licenses, certificates and qualifications that are necessary for our business in a timely manner. As the regulatory regime for the industry in which we operate continues to evolve, new laws, regulations and regulatory requirements may be promulgated and implemented from time to time, and the interpretation and application of existing laws, regulations and regulatory requirements are subject to changes. We may be required to obtain additional approvals, licenses, permits and certifications that we do not currently have for our existing business or new scope of business that we may expand into in the future. The loss of or failure to obtain or renew any of these permits, licenses, certificates and qualifications could adversely affect our business, financial condition and results of operations.

We are subject to environmental, hazardous substance handling, chemical utilizing manufacturing, health and safety laws and regulations, and production standards, and any inability to comply with such requirements may subject us to liabilities.

Our processing and production operations are subject to laws, regulations, administrative determinations and court decisions, particularly those related to environmental protection, hazardous substance handling, chemical utilizing manufacturing, health and safety and stringent production standards in the countries and regions where we operate. In response to the global trend of low-carbon transition and the PRC's development towards carbon neutrality and awareness of environmental, social and governance ("**ESG**") matters, we will integrate risk factors pertaining to sustainability, including climate change, health and safety, business ethics and regulatory compliance, into our risk matrix to mitigate associated impacts and develop best practices in order to achieve long-term growth and sustainability of our business. For more information, see "Business — Risk Management and Internal Control." If we fail to address ESG compliance promptly, our business, financial condition and results of operations could be materially and adversely affected.

Meanwhile, to comply with extensive environmental laws and regulations applicable to our business, including those related to air and water quality, sewage management, and public health and safety, we must obtain approval for environmental impact assessment reports and environmental acceptance of our facilities under construction. Additionally, we undergo annual inspections of our production facilities by relevant government authorities to ensure the safety of our equipment. Failure to obtain such environmental approvals or complete required inspections may result in the suspension of our facilities and potential fines imposed by authorities. Furthermore, environmental and safety regulations in the PRC and other jurisdictions where we operate continue to evolve. Amendments to these laws and regulations may result in additional capital expenditures, costs that we may not be able to pass on to customers, or other compliance obligations that could impact our financial flexibility and expansion efforts.

We have invested, and expect to continue investing substantial funds to comply with these laws and regulations. Non-compliance may result in significant penalties or fines, license revocations, termination of government contracts, or suspension of operations. Any of these outcomes could adversely impact our results of operations, financial condition, and reputation, limiting our ability to maintain profitability and attract new customers.

We engage third-party distributors for part of the sale of our products and decrease in sales from or loss of one or more of these distributors could adversely affect our business.

During the Track Record Period, we sold a portion of our MLCC, piezo microdispensing systems and alumina ceramic substrates through distributors. In 2023, 2024 and 2025, our total sales to distributors amounted to RMB1,147.7 million, RMB1,560.2 million and RMB2,266.4 million, representing 20.2%, 21.5% and 25.6% of our revenue, respectively. The loss or decrease in sales from these distributors could harm our business, operating results, financial condition and cash flows.

Our sales volumes are affected by the effectiveness of our distributors in selling and delivering our products to end customers. However, the performance of our distributors may be influenced by factors that are outside of our control, including: (i) Our distributors' strategies in promoting our products; (ii) The business and financial performance of our distributors; (iii) The

ability of our distributors to expand their customer base and enter new markets; (iv) Our distributors' ability to extend the geographical coverage of our products; and (v) Our distributors' willingness to maintain and expand relationships with us.

If our distributors fail to effectively sell and distribute our products or prioritize promoting competing products, it could result in a reduction in our sales. Furthermore, we may not be able to enter into new or renewed agreements with our distributors on terms as favorable as those offered by our competitors, including more attractive discounts or extended credit periods. Disruption in our relationships with our distributors could affect our ability to maintain or grow our sales, which could adversely impact our business and financial position. Additionally, there can be no assurance that we will be able to establish new relationships with additional distributors or expand collaboration with existing ones. We are also exposed to the risk that distributors may impose unfavorable terms on us in the future, such as longer credit periods. These credit arrangements may put pressure on our working capital and expose us to the risks of default and bad debts.

We rely on the stability of our supply chain and key suppliers, and the loss of any significant supplier could adversely affect our business.

Purchases from our five largest suppliers amounted to RMB505.8 million, RMB829.7 million and RMB1,005.8 million, accounting for 22.1%, 26.0% and 26.7% of our total revenue in each year during Track Record Period. Purchases from our largest supplier amounted to RMB130.0 million, RMB242.2 million and RMB252.5 million, accounting for 5.7%, 7.6% and 6.7% of our total revenue in each year during Track Record Period. We cannot assure you that we will be able to maintain stable business relationships with our existing suppliers or that disputes will not arise with our suppliers.

If any of our suppliers fail to meet our requirements for quantity, quality, price or timing, we could experience supply shortages, an increase in procurement costs or production disruptions. Our suppliers could be unable to fulfill our needs due to various reasons beyond our control, such as natural disasters, extreme weather, epidemics, strikes, manufacturing issues, transportation disruptions, or changes in government regulations. Furthermore, if a supplier faces financial difficulties, such as bankruptcy, this could also disrupt our supply chain. Changing suppliers may involve a long lead time, and we may not be able to find alternative suppliers who can meet our quantity, quality, or pricing requirements in a timely manner, or at all. Prolonged disruptions in our supply chain could lead to increased costs, which we may not be able to pass on to our customers immediately, or at all. Such disruptions could negatively impact our business, overall profitability, and financial performance.

We depend on certain third parties for various services in connection with our business. Any failure on their part to fulfill obligations in contracts could adversely affect our results of operations.

We rely on third-party suppliers for various services including utilities, energy, warehousing services and logistics services. We endeavor to source goods and services from third-party providers whom we believe are able to meet our quality, delivery schedule and other requirements. During the Track Record Period and as of the Latest Practicable Date, we were not subject to delays by third-party service providers which are material to our business, financial condition and results of operations. However, the products and services provided by any of the third-party service providers may not be provided in a timely manner or of satisfactory quality. If

the third-party providers do not perform satisfactorily, substantially reduce the amount and scope of goods and services provided to us, increase their prices or terminate their business relationship with us, we may need to replace the third-party providers or take other remedial measures which could increase our costs of operations. As we do not have direct control over the third-party providers, if they become involved in unauthorized provision of products or services not complying with our requirements or those of our customers, our reputation may be adversely affected. Any non-compliance with applicable laws and regulations of our third-party providers could also have a negative impact on our reputation. These, in turn, may materially and adversely affect our business, reputation, financial condition and results of operations.

If our production capacity is not adequate, our capability to satisfy customer demand could be hindered.

If our production capacity is not adequate to meet the overall market demand for our products, especially if we experience increased demand for our products as we grow our customer base and expand our product offerings, our ability to deliver products to our customers on a timely basis will be affected. Similarly, if we are not able to meet the overall demand for our products or demand for any of our specific products in particular, especially if the production in any of our production facilities is disrupted in the future or during periods when we experience high demand for some or all of our products, our ability to satisfy our customers' demands will be affected. Under these circumstances, our business, financial condition and results of operations may be materially and adversely affected. In the future, as our business grows, we may need to expand our production capacity through various measures, including the construction of new production facilities. We cannot assure you that our new premises will be ready in time or our production capacity will otherwise be successfully expanded. A number of factors could delay our expansion plans or increase our costs, including (i) failure to raise sufficient funds to establish and maintain working capital to operate our business at the new premises, (ii) failure to obtain environmental and regulatory approvals, permits or licenses from the relevant government authorities in a timely manner, (iii) failure to find new sites for our production facilities, (iv) shortage or late delivery of building materials and production equipment resulting in late delivery of the premises for occupancy and use, (v) various factors affecting construction progress and resulting in late delivery of the premises for occupancy and use and (vi) technological changes, capacity expansion or other changes to our plans for the new premises necessitated by changes in market conditions.

Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for the construction of new premises and the maintenance of expanded production capacity. A delay in or cancellation of our expansion plans could also subject us to disputes with various counterparties, including general contractors and sub-contractors, equipment suppliers, financiers and relevant government authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any litigation, legal and contractual disputes, claims or administrative proceedings against us could be costly and time-consuming to defend or settle and could result in negative publicity.

We may from time to time become a party to various litigation, legal disputes, claims, administrative proceedings or other administrative measures arising in the ordinary course of our business. During the Track Record Period and as of the Latest Practicable Date, we were not subject to legal claims and lawsuits relating to our Group which are material to our business,

financial condition and results of operations. Any litigation, legal disputes, claims, administrative proceedings or other administrative measures may divert our management' s attention and consume their time and our other resources. We cannot assure you that the outcome of such legal proceedings will not adversely affect our business, financial condition and results of operations.

Furthermore, any litigation, legal disputes, claims, administrative proceedings or other administrative measures which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. In addition, if any verdict or award is rendered against us or we are imposed any fines or penalties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business ventures or projects.

We may encounter interruptions by pandemics, natural disasters, severe weather conditions and other incidents that may affect our production and operations.

Our production and operations depend on a continuous and sufficient supply of utilities, such as electricity, water and gas. Any disruption in the supply of electricity, water or gas at our production facilities would affect our production, and could cause decline in or damage to product quality. This could adversely affect our ability to fulfill our orders and consequently may have an adverse effect on our business and operations. In addition, explosions, fires, earthquakes, natural disasters or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms could cause power outages, gas or water shortages, damage our production facilities and transportation channels, any of which could significantly affect our operations. We cannot assure you that any backup systems will be adequate to protect us from the effects of such events.

In addition, an outbreak of epidemic or pandemic could cause demands for specific products to decline and affect transportation of our products and services. Any failure to take adequate measures to mitigate the potential impact of unforeseeable incidents, or to effectively respond to such incidents if they occur, could adversely affect our business, financial condition and results of operations.

Malfunctions or security breaches of our information technology systems, networks and software could disrupt our operations and negatively impact on our business.

We rely on our computer systems and network infrastructure to conduct and monitor the daily operations of our production bases, manufacturing facilities, and to collect accurate up-to-date financial, operating and other data for business analysis. We also rely on such systems and infrastructure to collect, process and store data concerning our customers, business partners and employees. See "Business — Data Privacy and Cybersecurity."

Our cybersecurity measures may not detect or prevent all attempts to compromise our systems that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers,

we may be unable to anticipate, or implement adequate measures to protect against these attacks. Any failure to adequately deal with any of those cybersecurity issues would result in a material and adverse effect on our business and results of operations.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners may materially and adversely affect our business.

We are exposed to risks of fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners in the course of our business operations. Such misconduct could include fraud, corruption, bribery, collusion or other violations of applicable laws, including anti-corruption and anti-bribery laws, which could expose us to liabilities, fines and penalties imposed by government authorities, as well as significant reputational damage. We cannot assure you that our measures in place to monitor and prevent such misconduct would be effective at all times in identifying or mitigating all potential risks.

Furthermore, any publicized instances of fraudulent or illegal activities associated with our employees or business partners could harm our reputation, reducing customer and partner trust in our business. If such misconduct involves our employees, we could also face liabilities to third parties and penalties imposed by authorities. Accordingly, any failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners could materially and adversely affect our business, financial condition and results of operations.

Expansion and acquisitions of or investments in our businesses, products, technologies, production capacity or know-how could subject us to risks and uncertainties.

We continually evaluate and pursue strategic opportunities for acquisitions or investments covering businesses, products, technologies, production capacity, or know-how that we believe will enhance our product development, R&D capabilities, technology, and distribution network. However, there can be no assurance that we will be able to successfully execute these expansion and acquisition plans or complete the relevant transactions as anticipated.

Our ability to grow through acquisitions and investments depends on our ability to identify suitable targets, integrate them into our operations, and secure necessary financing on reasonable terms. Acquisitions, in particular, carry significant risks and uncertainties, including, but not limited to: (i) challenges in integrating acquired companies, personnel, or products into our business, particularly with regard to quality management, customer service, and other operational functions; (ii) delays or failures in realizing the anticipated benefits of acquisitions and investments; (iii) diversion of our management's focus from other critical business areas; (iv) higher-than-expected integration costs; and (v) challenges in retaining key employees of acquired businesses. Any difficulties in the integration of acquired businesses or products, or unexpected legal and regulatory issues, could materially and adversely impact our business, financial condition, and operational results.

If we are unable to manage our growth or execute our strategies, such as globalization of customer base or integration of industry value chain effectively, our business and prospects may be materially and adversely affected.

Our business has continued to grow in recent years, along with our business network and employee base. In accordance with our business plans as set out in "Future Plans and Use of **[REDACTED]**," we intend to advance core technologies, expand our production capacity and sales network and further integrate upstream and downstream resources in the industry chain. Our business plans are based on the assumptions of future events which are bound to entail certainrisks and are inherently subject to uncertainties that are beyond our control. In addition, as we expand our business operations, we may encounter regulatory, cultural and other difficulties that may also increase our costs of operations. We need to enhance and upgrade our infrastructure, improve operational and financial controls, refine reporting systems, and expand and manage our workforce. These efforts require significant resources, and we cannot assure their success. As a result, there can be no assurance that we can effectively manage our growth or our business plan will be implemented successfully as scheduled in terms of, for instance, time and costs. As such, our financial condition, operating results, growth and prospects may be materially and adversely affected if our business plans fall short of our expectations.

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

We operate within a global supply chain, and our products are sold globally as part of various end products. As such, we face risks associated with international trade regulations and geopolitical developments.

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have led to high tariffs and other restrictive measures targeting high-technology goods, semiconductors and electronics.

During the Track Record Period, sales to customers based in the United States represented 6.35% of our total revenue. Up to the Latest Practicable Date, we had satisfied a substantial majority of the orders of our customers based in the United States through our production facility in Thailand. All products manufactured by our production facility in Thailand and exported to the United States are originated in Thailand and are certified by Thailand authorities, and therefore are eligible for exemption from U.S. Section 301 Tariffs as of the Latest Practicable Date. We understand that there may be differences in the rules of origin across various jurisdictions. Besides, Thailand and the United States have recently agreed on a 19% U.S. "reciprocal" tariff on products from Thailand, effective from August 1, 2025. We cannot guarantee that the U.S. tariff applicable to our products from Thailand will not increase. Furthermore, the United States has announced that tariffs of 40% will be imposed on goods that the U.S. Customs and Border Protection Agency determines have been transshipped to avoid its "reciprocal" tariffs; it is uncertain how these determinations will be made. We cannot predict how tariff policies in various countries may further evolve or how they may affect our business and results of operations. If additional tariffs are imposed on our products, we may be unable to pass on the increased costs to our customers. As a result, we may have to absorb part or all of the additional tariff expenses and may lose some customers, and our products' price competitiveness and gross margins could be materially and adversely affected, any of which in turn could materially and adversely affect our business, financial condition and results of operations. Overall, the U.S. tariffs and trade

restrictions during the Track Record Period did not cause any material adverse impact on us. See also "Business — Tariffs" for the qualitative and quantitative impact of U.S. tariffs during the Track Record Period.

The U.S. Department of the Treasury issued the final rule on outbound investment on October 28, 2024 to implement the executive order of August 9, 2023, which became effective on January 2, 2025 ("**Outbound Investment Rules**"). Because we are registered and have our principal place of business in China, we are considered a person of a country of concern. However, we are not classified as a "covered foreign person" as we do not engage in the covered activities defined by the Outbound Investment Rules. Specifically, we do not: (i) develop or produce semiconductor fabrication/packaging equipment or electronic design automation software, design, fabricate, package semiconductors, or develop, install, sell, or produce supercomputers; (ii) develop or produce quantum computer, quantum sensing platforms, or quantum network/communication systems; (iii) develop AI systems designed or intended to be exclusively used for military end uses, government intelligence/mass-surveillance end uses, or other restricted end uses, or trained using computing power that meets certain threshold. Further, we are not listed on any restricted lists specified in the Outbound Investment Rules. Therefore, our legal advisor as to international sanctions laws and export control laws is of the view that we are not a "covered foreign person" and an investment by a "U.S. person" in our H shares is not a "covered transaction" as defined under the Outbound Investment Rules. The Outbound Investment Rules have no impact on our Company and the **[REDACTED]**. However, the Outbound Investment Rules and any related policies, laws and regulations may be changed and updated from time to time, which may increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, and therefore negatively impacting our ability to raise capital.

Our operations may be subject to transfer pricing adjustments by competent authorities.

We have certain intra-group transactions among our subsidiaries that may be subject to audit or challenge by the relevant tax authorities. As such, we could face adverse tax consequences if the relevant tax authorities determine that some of our intra-group transactions do not represent arm's-length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be adversely affected.

Further, we expect that the transfer pricing arrangements will continue in the foreseeable future and we will determine and adopt transfer pricing arrangements that we believe to be the same as that transacted with unrelated third parties on an arm's length basis. However, there is no assurance that tax authorities would share the same view, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intra-group transactions were not on an arm's length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in

order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

We could be adversely affected as a result of any transaction we conduct with certain entities and certain countries that are, or become subject to, export control restrictions and sanctions administered by the United States, the European Union, and other relevant authorities.

During the Track Record Period, we had limited transactions (approximately 0.02% of total purchase and 1.61% of total sales) with certain suppliers and customers designated on the Entity List issued by the U.S. Department of Commerce Bureau of Industry and Security ("**BIS**"). Because the EAR does not restrict procurement from entities on the Entity List, and the products that we sold to customers designated on the Entity List are not subject to the U.S. Export Administration Regulations ("**EAR**"), the risk of violating the EAR is remote.

In addition, during the Track Record Period, we engaged in transactions involving a small number of entities that are subject to the blocking sanctions, and entities located in a sanctioned country. Because the transactions with entities that are subject to the blocking sanctions do not involve any "U.S. nexus," and entities located in a sanctioned country are not subject to the blocking sanctions, there is no primary sanctions risk for such transactions. The transactions with entities subject to blocking sanctions and entities in the sanctioned country are relatively small. As such, our legal advisor as to international sanctions laws and export control laws is of the view that such transactions are unlikely to be viewed as significant transaction or materially assistance. While the secondary sanction risks cannot be ruled out due to the broad discretion of U.S. sanctions enforcement agencies, such secondary sanction risks are low. See also "Business — Export Controls and Sanctions."

However, sanction laws and regulations are constantly evolving, and new persons and entities are added to the list of sanctioned persons from time to time, therefore export controls and sanctions applicable to our transaction parties may be expanded. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. There can be no assurance that our future business will be free of any sanctions risks or our business will conform to the expectations and requirements of the authorities of the relevant jurisdictions. Our business and reputation could be adversely affected if the authorities were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanction designation of our Group.

The volatile nature of the global or regional economy, political, trade or other factors may adversely affect our business.

Our business operation is influenced by global and regional macroeconomic and political conditions, fluctuations in the levels of international and regional trade, changes in maritime and other transportation patterns, and other factors. Any severe or prolonged downturn globally or regionally could materially and adversely affect our business, financial condition and results of operations. Political and trade disputes and trade protectionism may result in imposition of trade barriers or restrictions, sanctions, boycotts, or embargoes, new or increased tariffs and other

factors such as acts of war, hostilities, epidemics or terrorism, could also adversely affect the international or regional trade volume and customers demand, which could also make our business and financial performance suffer.

Additionally, the uncertainty in global economic conditions varies by geographic segment and can result in substantial volatility in global credit markets. Credit volatility could impact on our working capital for manufacturing, or result in cost changes or interruptions to suppliers whose components we rely upon if we are unable to access the needed credit financing for our operations. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact on our sales and result in a material adverse effect on our business, cash flow, results of operations and financial condition.

Our insurance coverage may be insufficient to cover the risks or losses related to our business and operations.

We have purchased and maintained insurance policies that we believe are in line with the industry practice and as required by the relevant laws and regulations. We maintain employee-related insurance for our employees. See "Business — Insurance." According to Frost & Sullivan, the scope and key terms of our insurance coverage, including property damage and employee-related coverage, are consistent with industry practice for companies with comparable business profiles and scale, based on a review of policy types, insured limits and typical deductibles observed in the sector. However, there is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

Some of our leased properties did not complete registration procedures at relevant authorities.

We lease properties primarily for use as our offices and production facilities. We also lease properties to third parties primarily used as offices, production facilities and employee dormitories. Pursuant to the applicable PRC laws and regulations, property lease agreements are required to be registered with the relevant local housing administrative authorities. As of the Latest Practicable Date, eight of our lease agreements for properties in the PRC had not been registered with relevant authorities in the PRC. We cannot assure you that we will not be subject to any penalties arising from the non-registration of lease agreements in the future. As advised by our PRC Legal Advisor, according to applicable PRC administrative regulations, the lessor and the lessee of a property lease agreement are required to file the property lease agreement with relevant governmental authorities within 30 days after the execution of the property lease agreement. Notwithstanding that failure to complete such lease registration would not affect the validity of such lease agreements, failure of filing made within a stated period of time may cause a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations can result in penalties.

Companies with operations in Chinese Mainland are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident fund on behalf of employees in Chinese Mainland. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and contribute to social insurance funds and housing provident funds for the benefits of their employees.

During the Track Record Period, we and our PRC subsidiaries fail to make adequate contribution to social insurance and housing provident fund for our employees. See "Business — Employees — Social Insurance and Housing Provident Funds." There is no assurance that our historical and current practices with respect to the contribution of social insurance plans will at all times satisfy the government authorities in Chinese Mainland. In the event of any such non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans within a prescribed time period and to pay penalties if we fail to do so. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in Chinese Mainland, we may be exposed to penalties or be required to compensate employees. Furthermore, in light of the Supreme People's Court's Interpretation (II) on Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋（二）》), promulgated on July 31, 2025, and effective as of September 1, 2025, if an employer and an employee agree or the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to the Labor Contract Law, the People' s Court shall support such claims, in which case, the employer remains liable for paying economic compensation to the employee, notwithstanding any prior agreement to waive social insurance contributions.

Furthermore, with regard to the Supreme People's Court's Interpretation (II) on Issues Concerning the Application of Law in Labor Dispute Cases which took effect on September 1, 2025, our PRC Legal Adviser is of the view that the Interpretation is not expected to have a material adverse effect on our financial position and business based on the followings: (i) the estimated maximum potential penalty for our social insurance contribution shortfalls during the Track Record Period will not increase as a result of the Interpretation, as shortfalls arising from employee voluntary elections or mutual agreements have already been factored into such calculations; and (ii) the Interpretation has neither repealed nor amended the social insurance laws and regulations currently in force in the PRC.

Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial resources as well as other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, among other things. Such events could impact our results of operations and financial condition.

Considering relevant regulatory policies and the facts stated above and the confirmations we have received from the competent PRC authorities, provided that there are no material changes to the current social insurance, housing provident fund policies and regulations, or to the enforcement and supervision requirements of local governments, our PRC Legal Advisor is of the view that the likelihood that we and our relevant PRC subsidiaries would be subject to material administrative penalties due to our failure to provide adequate social insurance and housing provident fund contributions is low. For details, see " Business — Employees — Social Insurance and Housing Provident Funds."

Cyclical fluctuations in the electronic ceramic material and component industry may materially and adversely affect our business, financial condition and results of operations.

The electronic ceramic material and component industry, in which we operate, is inherently cyclical and characterized by alternating periods of growth and contraction driven by global technology investment cycles, inventory adjustments and macroeconomic conditions. Demand for our products is closely tied to end markets including consumer electronics, automotive, industrial automation, and semiconductor manufacturing. These sectors are in turn affected by factors such as product upgrade cycles, capital expenditure patterns, technological transitions and changes in consumer or industrial demand. Historically, the industry has experienced fluctuations driven by both end-market and inventory dynamics. For example, the decline in global core ceramic electronic component demand in 2022 reflected a slowdown in consumer electronics following a strong 2021 base, while the reduction in core ceramic telecom component demand in 2023 was largely due to an industry-wide inventory destocking cycle, which reduced procurement of communication components such as ceramic ferrules and sleeves.

Against this backdrop, our performance did not solely track the industry upturns. Since the mild industry downturn in 2023, the sector has generally been in a phase of steady growth rather than a sharp cyclical upswing. Our revenue growth during this period has been primarily attributable to market share gains in targeted applications in addition to a broad industry rebound, supported by deeper penetration in automotive, AI and data center and industrial control, and by a richer product mix.

If market conditions were to reverse, our exposure to cyclicality would be mitigated by several structural features of our business. We operate a diversified product and business portfolio across electronic and ceramic materials, electronic components, telecom components and equipment components, with exposure to multiple end markets and customer programs, which reduces reliance on any single segment or cycle. Our qualification base and engagement in higher-specification applications provide a more resilient demand profile, and our pricing, order management and production planning practices are designed to adjust run-rates and inventory levels in response to changing conditions. Nonetheless, an industry-wide downturn or renewed inventory correction could lead to lower order volumes, less favorable product mix and increased pricing pressure, which may adversely affect our operating results.

During periods of industry downturn, customers may reduce or defer orders, adjust inventory levels or postpone capacity expansion, which could result in lower sales volumes and pricing pressure. Conversely, during periods of strong market demand, we may face challenges in expanding production capacity, securing sufficient raw materials, or maintaining timely delivery and quality performance, which could affect our operational efficiency and customer satisfaction.

Cyclical changes in the industry may also require us to adjust our business strategies and operational plans. In a downturn, we may implement cost-control measures, reduce production or defer investment projects, which could affect our long-term growth prospects. During upturns, rapid scaling of production could increase pressure on working capital and expose us to operational bottlenecks. If we fail to effectively anticipate or manage these cyclical fluctuations, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective.

We have established risk management and internal control systems consisting of organizational frameworks, policies, procedures and risk management methods that we believe are appropriate for our business operations, and we seek to continue to improve these systems. Due to the inherent limitations in the design and implementation of risk management and internal control systems, including the identification and evaluation of risks, internal control variables and the communication of information, we cannot assure you that such systems will be able to identify, mitigate and manage all our exposure to risks. We may be subject to various additional risks or compliance requirements in the future, including labor dispatch and we cannot assure you that our internal control system will be sufficient to address such risks and requirements.

Our Controlling Shareholders may have substantial influence over the Company and their interests may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the **[REDACTED]**, our Controlling Shareholders will be entitled to exercise approximately **[REDACTED]**% of the voting rights of the Company. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

RISKS RELATING TO OUR FINANCIAL POSITION

Our past growth may not be indicative of our future performance, and we may not be able to sustain our growth rate in the future.

You should not rely on our historical results to predict our future financial performance. Our revenue amounted to RMB5,681.5 million, RMB7,266.1 million and RMB8,868.5 million in 2023, 2024 and 2025, respectively. Our gross profit amounted to RMB2,154.1 million, RMB2,975.3 million and RMB3,542.8 million in 2023, 2024 and 2025, respectively. However, our historical revenue and gross profit may not be indicative of our future growth. There is inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance. There is no assurance that we will be able to maintain our historical growth in the future.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

As of December 31, 2023, 2024 and 2025, we had inventories of RMB1,753.6 million, RMB2,180.7 million and RMB2,391.7 million, respectively. In 2023, 2024 and 2025, our inventory turnover days were 188 days, 167 days and 157 days, respectively. We determine our level of inventory based on historical sales data, customer order volumes and demand forecasts. However, such an assessment is inherently uncertain. We cannot assure that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the demand, we may experience inventory obsolescence or inventory shortage. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs or write-offs, and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. Furthermore, if we underestimate the demand for our products, we may not be able to have a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and negatively affect our reputation. Any of the above may materially and adversely affect our business, results of operations and financial condition.

Fair value change of financial assets at fair value through profit or loss may affect our results of operations.

Our financial assets at fair value through profit or loss primarily consist of wealth management products and structured deposits. As of December 31, 2023, 2024 and 2025, we had financial assets at fair value through profit or loss of RM3,846.7 million, RMB5,053.4 million and RMB3,758.5 million, respectively. See Note 23 to "Appendix I — Accountants' Report." The methodology that we use to assess these financial assets involves a significant degree of management judgment and is inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on those financial assets or that we will not incur any fair value losses on those financial assets in the future. If we incur such fair value losses, our results of operations and financial condition may be adversely affected.

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

Our contract liabilities comprise advances received from our customers. We typically require our customers to pay the consideration for their purchases from us upon or prior to the delivery of the products. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB22.6 million, RMB30.8 million and RMB23.9 million, respectively. Our recognition of contract liabilities as revenue is subject to future performance of contract obligations and may not be representative of revenue for future periods. If disruption to any of our suppliers occurs, we may fail to fulfill our contract obligations or meet market demand for our products, and our business, results of operations, liquidity and financial condition could be adversely affected.

We may fail to recover our trade receivables in a timely manner, which may affect our financial condition and results of operations.

As of December 31, 2023, 2024 and 2025, our trade receivables amounted to approximately RMB1,626.6 million, RMB1,871.8 million, and RMB2,159.4 million, respectively. Trade receivables turnover days amounted to 91 days, 88 days and 83 days in 2023, 2024 and 2025, respectively. See "Financial Information — Selected Balance Sheet Items — Trade Receivables." If the creditworthiness of our customers deteriorates, or a significant number of our customers

fail to settle their trade receivables in full for any reason, we may incur more impairment losses in the future. There is no assurance that we will be able to fully recover our trade receivables from customers or that they will settle their payments in a timely manner. In the event that settlements from customers are delayed or not made at all, our financial condition and results of operations may be materially and adversely affected.

Our plants, equipment and fixed assets may require substantial investment and upgrading due to depreciation or business growth.

Our plants, equipment and other fixed assets are essential to our manufacturing operations and overall business performance. Over time, such fixed assets are subject to depreciation, wear and tear, and potential obsolescence due to technological advancements. In addition, as our business grows, we may need to expand, upgrade or replace existing facilities and equipment to meet increasing production capacity requirements or evolving operational standards.

Such investments may require significant capital expenditure and allocation of management resources. If we are unable to secure adequate funding on commercially reasonable terms or at all, or if we encounter delays or unexpected costs in the upgrading or expansion of our facilities, our ability to maintain efficient operations and meet customer demand could be adversely affected.

The preferential tax treatment and government grants that we currently enjoy may be altered or terminated, which could have a material adverse effect on our business, financial condition and results of operations.

We enjoy preferential tax treatments. According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) ("**EIT Law**") and the related implementation rules, we are entitled to a preferential tax rate of 15% as high-tech enterprises. For more details, see "Financial Information — Principal Components of Results of Operations — Income Tax Expenses." There is no assurance that PRC policies on preferential tax treatments will remain unchanged or that we will continue to qualify for such preferential rates in the future. If these tax benefits are canceled or discontinued, we may be subject to the standard enterprise income tax rate of 25%, which could materially and adversely impact our financial condition and results of operations.

Additionally, we enjoy a number of government grants in China. For 2023, 2024 and 2025, the total government grants amounted to RMB300.1 million, RMB240.6 million and RMB359.9 million, respectively. Not all of the government grants received during the Track Record Period were recurring in nature. Government grants we received may be non-recurring and are subject to certain criteria and procedures stipulated by the national and local governments. There can be no assurance that the government grants that we enjoy will not be altered or terminated. Any alteration or termination of our current preferential tax treatments or government grants could have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuations in foreign currency exchange rates could adversely affect our business.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, subject to changes from government policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in

the local market. It is difficult to predict how market factors or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

During the Track Record Period, we received the part of payments in foreign currencies, and we expect this to continue for the foreseeable future. As a result, any fluctuations in exchange rates between such foreign currencies and RMB may result in exchange gains or losses and may adversely affect our operating results. Furthermore, the **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars and we expect which to be spent in RMB or currencies other than HK$. As a result, any appreciation of such currencies against the Hong Kong dollar may result in the decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of such currencies against the Hong Kong dollars may adversely affect the value of, any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could have a material and adverse impact on our business, results of operations and financial condition.

Fluctuations in interest rates may adversely affect our results of operations.

We may rely on bank borrowings to finance our capital needs for operations and investments. An increase in the interest rates of our loans may result in a significant increase in our interest expense, adversely affecting our finance costs, which in turn may affect our business and profitability. If structured improperly, certain derivative financial instruments may increase our exposure to interest rate fluctuations.

RISKS RELATING TO THE JURISDICTIONS WHERE WE OPERATE

Changes in economic, political or social conditions or government policies in the markets in which we operate could have a material adverse effect on our business and results of operations.

Our business, financial condition and results of operations may be influenced by the general political, economic and social conditions in the countries and regions where we operate. Governments worldwide have implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. Our industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, consumer demand and discretionary spending. Any changes in these factors, may have material and adverse effects on our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing foreign court judgments against us and our Directors and senior management.

We are incorporated under the laws of the PRC and majority of our assets are located in the PRC. In addition, most of our Directors and officers reside in the PRC and their assets are substantially located in the PRC. As a result, it may be difficult, complicated and time-consuming for you to effect service of process upon those persons residing in China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the courts of the

PRC to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of certain other jurisdictions.

On July 14, 2006, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain.

On January 18, 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region by The Supreme People's Court of The People's Republic of China (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of the 2008 Arrangement which is made before the effective date of the 2019 Arrangement.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the **[REDACTED]**, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

The legal system for certain geographic markets is developing with uncertainties in interpretation and enforcement. The legal protections available to you and us may be limited.

Our operations span across various geographic markets, each with its unique legal system. We acknowledge the inherent uncertainties within the legal frameworks of some of the markets we operate. Newly enacted laws and regulations may not comprehensively address all facets of economic activities in these markets. The interpretation and enforcement of such laws and regulations are often subject to future implementations, and their applicability to our business operations remains unsettled. Given that local administrative and court authorities are empowered to interpret and implement statutory provisions and contractual terms, it can be challenging to predict the outcomes of administrative and court proceedings, and to ascertain the extent of legal protection we possess in these markets. It is also worth noting that local courts

may exercise discretion in refusing to enforce foreign or arbitration awards. These uncertainties could potentially impact our understanding of legal requirements and our capacity to enforce our contractual rights or claims.

We recognize the possibility of new laws and regulations being adopted or interpreted as applicable to us in our geographic markets and elsewhere, which could impact our businesses and operations. The industries in which we operate may face increased scrutiny and regulation, necessitating the allocation of additional legal and other resources to comply with these regulations. Changes in existing laws or regulations, or the introduction of new laws and regulations in our markets, could potentially impede the growth of the whole industry and affect our business, financial condition, and results of operations.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC issued the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which had become effective on March 31, 2023 ("**Overseas Listing Regulations**"). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC ("**PRC domestic companies**") and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings and clarify the determination criteria for indirect overseas offerings in overseas markets. According to the Overseas Listing Regulations, we, as a PRC domestic company seeking to offer and list securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three working days after submitting the application documents to the overseas supervisory authorities, and we plan to fulfill the required filing procedures. See "Regulatory Overview — Regulations on Overseas Listings." If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as orders to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that additional approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our

operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the net **[REDACTED]** from the **[REDACTED]** into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any gains on the sales of our H Shares. Investors of our H Shares may become subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.

We are subject to periodic examinations on fulfillment of our tax obligations under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, results of operations, financial condition and prospects, as well as our reputation.

Individual holders of H Shares who are not residents of mainland China and whose names appear on the register of members of H Shares ("**non-mainland China resident individual holders**") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國税發[1993] 045號文件廢止後有關個人所得税徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國税函[2011] 348號), dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holder of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10.0%, dependent on whether there is any applicable tax treaty between mainland China and the jurisdiction in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) and its implementation regulations, non-mainland China resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-mainland China resident individual holders on the transfer of shares in mainland China resident enterprises listed on overseas stock exchanges, and to our knowledge, in practice the mainland China tax authorities had not collected individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) ("**EIT Law**") and its implementation regulations, a non-mainland China resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its mainland China-sourced income, including dividends received from a mainland China company and gains derived from the disposal of equity interests in a mainland China company, subject to reductions under any special arrangement or applicable treaty between mainland China and the jurisdiction in which the non-mainland China resident enterprise resides. The interpretation and implementation of the

EIT Law and its implementation regulations by mainland China tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposal of H Shares will be collected from non-mainland China resident enterprise holders of H Shares, are to be determined in accordance with the relevant laws and regulations in effect at the time. If such tax is collected in the future, the value of such non-mainland China resident enterprise holders' investments in H Shares may be materially and adversely affected.

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive a majority of payments from our operations in the PRC in RMB and may need to convert certain Renminbi into other currencies for payment of dividends, if any, to holders of our Shares, and to fund our business activities outside of the PRC, among other things. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC are subject to related regulatory requirements. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise fulfill our foreign currency denominated obligations.

Under current foreign exchange regulations of the PRC, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE or its local branches, through licensed banks for foreign exchange business, by complying with certain procedural requirements. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. However, prior registration and other procedures with competent government authorities are required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses. Further, there is no assurance that new regulations will not be promulgated in the future that would have further requirements on the remittance of RMB into or out of the PRC. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of the PRC or otherwise fund any future business activities that are conducted in foreign currencies.

RISKS RELATING TO THE [REDACTED]

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

As we are listed on the Shenzhen Stock Exchange and will be **[REDACTED]** in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

Our A Shares are listed and traded on the Shenzhen Stock Exchange, and the characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be **[REDACTED]** on the Hong Kong Stock Exchange. Under current laws and

regulations of PRC, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the **[REDACTED]**, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf of the **[REDACTED]**) and us and may not be an indication of the market price of our H Shares following the completion of the **[REDACTED]**. If an active public market for our H Shares does not develop following the completion of the **[REDACTED]**, the market price and liquidity of our H Shares may be materially and adversely affected.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share price of some of these companies has experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment toward Chinese Mainland-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our Shares in the public market could negatively affect the price of our Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our H Shares in the public market, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

You will incur immediate and significant dilution and may face further dilution if we issue additional Shares in the future.

The **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** consolidated net tangible asset value. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the **[REDACTED]** may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

There can be no assurance that we will declare and distribute any amount of dividend in the future.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS Accounting Standards. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS Accounting Standards. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and require approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

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

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

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

Certain facts, forecast and other statistics in this Document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by the Company and the Sole Sponsor, any of our or their respective Directors, executive officers or representatives or any other person involved in the **[REDACTED]** and no representation is given as to their accuracy. You should therefore not place undue reliance on such information. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

You should read the entire Document carefully and only rely on the information included in this Document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the **[REDACTED]**. Prior to the publication of this Document, there may be press and media coverage regarding the **[REDACTED]** and us. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it and our investors should not rely on such information.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain **[REDACTED]** information and other matters.

The words "anticipate," "believe," "estimate," "predict," "could," "aim," "potential," "continue," "expect," "intend," "may," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not

be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the **[REDACTED]**, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rules 8.12 and 19A.15 of the Listing Rules provide that a new applicant for listing on the Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, the Company's arrangements for maintaining regular communication with the Stock Exchange.

The Company's headquarters are based, and most of the business operations of the Group are managed in the PRC. The executive Directors ordinarily reside in the PRC, as the Board believes it would be more effective and efficient for the executive Directors to be based in a location where the Group's substantial operations are located. As such, the Company does not and, in the foreseeable future, will not be able to comply with the requirements of Rules 8.12 and 19A.15 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that the Company implements the following arrangements:

(i) the Company has appointed Mr. Li Gang and Ms. Guo Hong ("**Ms. Guo**") as the authorized representatives of the Company (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company's principal channel of communication with the Stock Exchange. They can be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters on short notice. The contact details of the Authorized Representatives have been provided to the Stock Exchange;

(ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, including office phone numbers, mobile phone numbers, email addresses and fax numbers (if any), to the Authorized Representatives and to the Stock Exchange, so that each of the Authorized Representatives and the Stock Exchange would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact the Directors;

(iii) the Company has appointed Somerley Capital Limited as its Compliance Advisor for the period commencing on the **[REDACTED]** and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year commencing after the **[REDACTED]**, or until the agreement is terminated, whichever is earlier. The Compliance Advisor will act

as the Company's additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange; and

(iv) the Company has appointed designated staff members as the responsible communication officers at the Company's headquarters to oversee regular communication with the Authorized Representatives and the Company's professional advisors in Hong Kong, including the Compliance Advisor, keep abreast of any correspondence and/or inquiries from the Stock Exchange and report to the executive Directors, streamlining communication between the Stock Exchange and the Company following the **[REDACTED]**.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

The Company has appointed Ms. Guo as one of the joint company secretaries. Ms. Guo joined the Company in 2014 and is currently the representative of securities affairs and manager of audit department. See "Directors and Senior Management" for further biographical details of Ms. Guo. Although Ms. Guo does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have Ms. Guo as its joint company secretary who is familiar with the Group's internal operation and management and possesses professional knowledge and experience in handling corporate governance and compliance, legal affairs and public relationship related matters. The Company has also appointed Mr. Wong Chun Wing

Samuel ("**Mr. Wong**") to act as the other joint company secretary to assist Ms. Guo in discharging the duties of a company secretary of the Company. Mr. Wong is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. See "Directors and Senior Management" for further biographical details of Mr. Wong.

Since Ms. Guo does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period of three years from the **[REDACTED]** on the following conditions: (i) Ms. Guo must be assisted by Mr. Wong who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the waiver period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

In support of the waiver application, the Company has adopted, or will adopt the following arrangements:

(i) in preparation of the application of the **[REDACTED]**, Ms. Guo has attended training on the respective obligations of the Directors, senior management and the Company under the relevant Hong Kong laws and the Listing Rules organised by the Hong Kong legal advisor to the Company;

(ii) Mr. Wong will work closely with Ms. Guo to jointly discharge the duties and responsibilities as the joint company secretaries and to assist Ms. Guo in acquiring the relevant experience as required under the Listing Rules for an initial period of three years from the **[REDACTED]**, a period which should be sufficient for Ms. Guo to acquire the relevant experience as required under the Listing Rules;

(iii) the Company will ensure that Ms. Guo continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange. Furthermore, both Ms. Guo and Mr. Wong will seek advice from the Company's Hong Kong legal and other professional advisors as and when required. Ms. Guo also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company; and

(iv) at the end of the three-year period, the qualifications and experience of Ms. Guo and the need for on-going assistance of Mr. Wong will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Ms. Guo, having had the benefit of the assistance of Mr. Wong for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Stock Exchange may revoke the waiver if Mr. Wong ceases to provide assistance to Ms. Guo during the three-year period.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Prior to the expiry of the three-year period, the Company will demonstrate to the Stock Exchange and seek the Stock Exchange's confirmation that Ms. Guo, having had the benefit of Mr. Wong's assistance during the three-year period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules so that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Non-Executive Director		
Mr. Zhang Wanzhen (張萬鎮)	Room 2203, No. 1, Block 15 Xinghua Hongtian Square Northwest of the intersection of Chaozhou Avenue and North Outer Ring Road Chaozhou Guangdong Province PRC	Chinese
Executive Directors		
Mr. Li Gang (李鋼)	Room 1904, No. 2, Block 15 Xinghua Hongtian Square Northwest of the intersection of Chaozhou Avenue and North Outer Ring Road Chaozhou Guangdong Province PRC	Chinese
Mr. Ma Yanhong (馬艷紅)	Room 304, Block B Sanhuan Dormitory No. 520, Yanshan Road Deyang Sichuan Province PRC	Chinese
Mr. Qiu Jihua (邱基華)	Room 1402, No. 1, Block 19 Xinghua Hongtian Square Northwest of the intersection of Chaozhou Avenue and North Outer Ring Road Chaozhou Guangdong Province PRC	Chinese
Independent Non-Executive Directors		
Mr. Jiang Lijun (蔣利軍)	Room 3001, Block 9, 1st Region Tanyue Garden, No. 3 Kehai Road Nanzhuang Town Chancheng District, Foshan Guangdong Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Mr. Wen Xueli (溫學禮)	No. 1102, Block 1 Mantingfangyuan, Qingyunli Haidian District, Beijing PRC	Chinese
Mr. Su Yanqi (蘇彥奇)	Room 101, Block 14 Evergrande City Chaozhou Guangdong Province PRC	Chinese
Ms. Wong Sze Wing (黃斯穎)	38/F, Tower 6 88 O King Road New Territories Hong Kong	Chinese (Hong Kong)

For further details, see "Directors and Senior Management."

Sole Sponsor

China Galaxy International Securities (Hong Kong) Co., Limited
20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

Sponsor-Overall Coordinator and Overall Coordinator

China Galaxy International Securities (Hong Kong) Co., Limited
20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

[REDACTED]

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Freshfields
55th Floor, One Island East
Taikoo Place, Quarry Bay
Hong Kong

	As to PRC law: **JunHe LLP** 26/F HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No. 1) Shanghai 200041 PRC *As to international sanctions laws and and export control laws:* **Jun He Law Offices LLC** Suite 1919 630 Fifth Avenue, (45 Rockefeller Plaza) New York, NY 10111 USA *As to PRC sanctions laws and export control laws:* **JunHe LLP** 26/F HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No. 1) Shanghai 200041 PRC
Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **King & Wood** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing 100025 PRC
Auditor and Reporting Accountants	**SHINEWING (HK) CPA Limited** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 17/F, Chubb Tower Windsor House 311 Gloucester Road Causeway Bay Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504 Wheelock Square No. 1717 West Nanjing Road Shanghai PRC
Transfer Pricing Advisor	**Ernst & Young (China) Advisory Limited Beijing Branch Office** 16/F, Ernst & Young Tower Block E3, Oriental Plaza 1 East Chang'an Avenue Dongcheng District, Beijing PRC
Internal Control Consultant	**Maven Risk Advisory Limited** Room 2701-08, 27/F Shui On Centre 6-8 Harbour Road Wan Chai Hong Kong

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CORPORATE INFORMATION

Registered Office	Sanhuan Industrial District Fengtang Chaozhou Guangdong Province PRC
Headquarters and Principal Place of Business in the PRC	Sanhuan Industrial District Fengtang Chaozhou Guangdong Province PRC
Place of Business in Hong Kong	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Joint Company Secretaries	**Ms. Guo Hong (郭泓)** Sanhuan Industrial District Fengtang Chaozhou Guangdong Province PRC **Mr. Wong Chun Wing Samuel (黃俊穎)** *(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	**Mr. Li Gang (李鋼)** Sanhuan Industrial District Fengtang Chaozhou Guangdong Province PRC **Ms. Guo Hong (郭泓)** Sanhuan Industrial District Fengtang Chaozhou Guangdong Province PRC

CORPORATE INFORMATION

Audit Committee	Mr. Su Yanqi (*Chairperson*) Mr. Zhang Wanzhen Ms. Wong Sze Wing
Nomination Committee	Mr. Jiang Lijun (*Chairperson*) Mr. Zhang Wanzhen Ms. Wong Sze Wing
Remuneration and Appraisal Committee	Ms. Wong Sze Wing (*Chairperson*) Mr. Zhang Wanzhen Mr. Su Yanqi
Strategy Committee	Mr. Li Gang (*Chairperson*) Mr. Zhang Wanzhen Mr. Jiang Lijun
Compliance Advisor	**Somerley Capital Limited** 20/F China Building 29 Queen's Road Central Hong Kong

[REDACTED]

Principal Bank	**Industrial and Commercial Bank of China Limited Chaozhou Branch** Chaozhou Boulevard Xiangqiao District, Chaozhou Guangdong Province PRC
Company's Website	**www.cctc.cc** *(A copy of this document is available on the Company's website. Except for the information contained in this document, none of the other information contained on the Company's website forms part of this document)*

Certain information and statistics set out in this section have been extracted from various official government publications, market data providers and a report commissioned by the Company and prepared by an independent third party, Frost & Sullivan. The information from official government sources has not been independently verified by the Company, the Sole Sponsor, the Overall Coordinator, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]** *or any of their respective directors, officers, employees, agents, advisers or representatives or any other parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy, fairness and completeness.*

OVERVIEW OF GLOBAL ELECTRONIC CERAMIC MATERIAL AND COMPONENT INDUSTRY

Definition and Classification

Advanced ceramics, also known as special ceramics, fine ceramics, high-performance ceramics, or high-tech ceramics, are a category of new high-end ceramic materials fundamentally different from traditional construction or daily-use ceramics in terms of raw material selection, formulation design, and processing technologies. These materials typically use high-purity, ultrafine ceramic powders as core raw materials and are manufactured through precise chemical stoichiometry, customized composition and structural design, and a combination of precision forming, high-temperature sintering, and other advanced composite processes. They exhibit excellent mechanical strength, insulation, thermal conductivity, high-temperature resistance, corrosion resistance, dimensional stability, and biocompatibility, enabling reliable and long-lifetime performance across multiple high-reliability application fields.

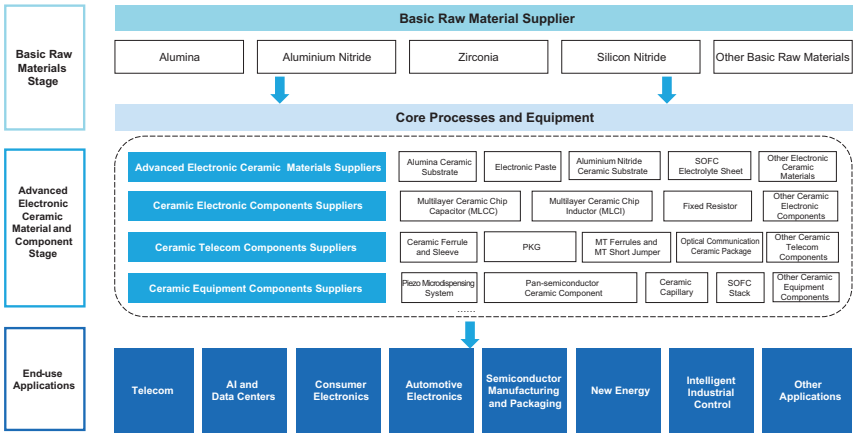
As the high-end and core category within ceramic materials, advanced ceramics serve as essential foundational materials for key sectors of the national economy, such as telecoms, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy, and intelligent industrial control. Compared with traditional ceramics, their core advantages stem from higher raw-material purity, more precise processing, and stricter machining control. These advantages allow them to support miniaturization of electronic components, efficiency improvements in new-energy devices, and precision requirements in semiconductor manufacturing, making advanced ceramics an indispensable pillar of the modern electronics and high-end manufacturing ecosystem.

Electronic ceramic materials and components are functional or structural key parts derived from advanced ceramics through precision machining and sintering. They are widely used in the high-tech industries mentioned above. Core product categories include electronic ceramic materials, ceramic electronic components, ceramic telecom components, ceramic equipment components, and others. Together they form a complete product system extending from foundational materials to end-application components, providing essential support for the global high-end manufacturing sector.

Industry Ecosystem Analysis

The figure below illustrates the industry ecosystem.

Ecosystem of the Electronic Ceramic Material and Component Industry



Source: Frost & Sullivan

Drivers and Development Trends Analysis of Global Electronic Ceramic Material and Component Industry

Booming Demand in Key Downstream Sectors Drives Continuous Industry Expansion

The electronic ceramic material and component industry is currently in a high-growth phase, driven by the synchronous upgrading of key sectors of the national economy, including telecoms, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy, and intelligent industrial control. Trends such as premiumization in consumer electronics, widespread adoption of AI and IoT, electrification and intelligence of vehicles, global expansion of computing infrastructure, deepening domestic substitution in semiconductors, and the energy transition collectively boost demand across all product categories, continuously expanding industry scale.

- Telecoms: By 2030, the number of global 5G/6G base stations is expected to reach over 20 million units. The large-scale deployment of 5G/6G base stations and the upgrade toward gigabit broadband have raised the requirements for signal transmission stability and high-speed interconnection, driving growth in ceramic ferrules and sleeves as well as high-capacitance MLCCs. Simultaneously, upgrades in high-speed optical communication networks have driven a simultaneous increase in demand for MT ferrules and MT short jumpers, and optical communication ceramic packages;

- AI and Data Centers: Global data center capital expenditure reached over USD500 billion in 2025, and is expected to increase to over USD3 trillion by 2030. As AI data centers evolve towards larger scale and higher power density, the power density per rack has increased from under 10kW to over 120kW. Higher power density in computing equipment presents challenges for heat dissipation and power supply, significantly increasing demand for high-capacitance, high-reliability MLCCs and high-thermal-conductivity ceramic substrates. Massive data transmission drives adoption of high-speed optical modules, further expanding demand for ceramic telecom components;

- Consumer Electronics: Driven by the integration of innovative products and the accelerated adoption of AI applications, global shipments of consumer electronics products are projected to increase from 2.2 billion units in 2025 to reach approximately 2.7 billion units by 2030. Devices are increasingly miniaturized, lightweight, and multifunctional, raising requirements for miniaturized and reliable electronic

components. Demand for small-size high-capacitance MLCCs, miniaturized PKGs, and alumina ceramic substrates continues to grow. Different types of ceramic electronic components will form a synergistic supply to meet one-stop procurement needs;

- Automotive Electronics: It is expected that global sales volume of NEVs will increase from nearly 24 million units in 2025 to over 40 million units by 2030. Under the trends of electrification, intelligence, and connectivity, both the quantity and performance requirements of electronic components in vehicles and on-board equipment are rising. MLCCs and PKGs in NEVs are used in significantly higher volumes than in conventional vehicles. To ensure stable operation of more on-board systems, demand for ceramic substrates and pan-semiconductor ceramic components will further increase;
- Semiconductor Manufacturing and Packaging: Accelerating domestic substitution drives increasing demand for high-purity, high-precision ceramic components;
- New Energy: The clean energy transition drives SOFC adoption in distributed power and energy storage scenarios, boosting demand for SOFC electrolyte sheets and other relevant components. Meanwhile, rising heat dissipation and power regulation requirements from NEVs and energy storage devices expand demand for high-performance ceramic substrates and high-capacitance MLCCs;
- Intelligent Industrial Control: Automation and high-end transformation drive expanded applications of industrial robots, and intelligent sensors. High-voltage MLCCs and alumina ceramic substrates for these applications continue to see strong demand. High-precision piezo microdispensing systems and pan-semiconductor ceramic components also expand.

Stringent Requirements in High-End Scenarios Drive Continuous Material Performance Upgrades

Electronic ceramic materials and components are continuously upgrading along the path of "functional precision matching + performance boundary breakthroughs" to meet the global high-end manufacturing demand for high performance, high reliability, and high adaptability. The core evolution of material systems stems from the synergistic optimization of high-purity ceramic powders, electronic pastes, and specialized functional ceramics. For instance, alumina enhances insulation and structural stability through increased purity; electronic pastes support miniaturized component preparation by upgrading conductivity and printing precision; while SOFC ceramic materials achieve a balance between hermeticity and ion conduction efficiency through formulation optimization. Simultaneously, focusing on three key directions: resistance to extreme environments, low impurity interference, and high functional stability, the industry is achieving full-chain performance enhancements through powder modification, microstructure control, and formulation upgrades. This propels the ceramic materials system from "import substitution" toward "performance leadership," further enhancing the reliability, energy conversion efficiency, and useful life of end-use systems.

Product Functional Integration Meets Compact Design and Scenario Adaptation

As end-user devices increasingly demand high-density integration, system stability, and lightweight design, the electronic ceramics materials and components industry is accelerating toward functional integration. Through the coordinated optimization of material systems and device structures, multiple functions are being realized within more compact dimensions. From a product functionality perspective, core industry products are increasingly breaking through single-function limitations and upgrading toward multi-feature integration to meet downstream device requirements. For example, MLCCs achieve miniaturization while further integrating high capacitance and high-voltage tolerance, combining filtering and voltage-stabilizing functions to support compact circuit designs in consumer electronics and automotive applications. Ceramic structural components have expanded from purely structural support to include insulation, heat

dissipation, and corrosion resistance. Ceramic substrates, in addition to basic insulation, further integrate high thermal conductivity to support both heat dissipation and circuit stability for high-power devices.

Accelerated Domestic Substitution, Expanding Market Share for Domestic Companies

The domestic substitution of electronic ceramic materials and components is accelerating globally, becoming one of the key forces reshaping the industry landscape. Policy support is the primary driver. Advanced ceramics have been designated as strategic materials in many countries. In China, for example, the "14th Five-Year Plan for National Economic and Social Development and the 2035 Long-Term Goals" emphasizes promoting breakthroughs in high-performance ceramics and other advanced new materials; the "14th Five-Year Plan for the Development of the Raw Materials Industry" lists advanced ceramic powder technology as a key area for technological innovation; and the "Suggestions of the CPC Central Committee on Formulating the 15th Five-Year Plan for National Economic and Social Development" explicitly calls for strengthening core technology R&D in advanced materials.

Meanwhile, the rapid expansion of China's downstream industries, including new energy vehicles, 5G communications, and semiconductor manufacturing, has created vast domestic application scenarios for electronic ceramic materials, offering domestic manufacturers iterative opportunities to "drive research through application." Domestic enterprises will accelerate breakthroughs in multiple fields, such as ceramic substrates, high-end electronic pastes, MLCCs, and ceramic telecom components. In addition, domestic substitution is extending from end products to core raw materials and key processes, gradually forming a self-reliant and controllable full-chain system. Supported by cost advantages and localized service capabilities, domestic enterprises are continuously increasing their penetration in high-end markets such as automotive and semiconductor packaging, while accelerating overseas expansion. Domestic substitution is evolving from "single-point breakthroughs" to "system-wide replacement," further shifting the global competitiveness focus towards China.

Coordination of Materials and Processes Drives Integration

As the industry's requirements for product performance, miniaturization, and reliability continue to rise, companies are actively promoting integration across materials and processes. By optimizing these three dimensions (product performance, miniaturization, and reliability) in a coordinated manner, companies can rapidly respond to downstream product iteration needs, improve yield, and achieve performance breakthroughs. At the materials stage, precise control of core materials such as high-purity ceramic powders and electronic pastes helps reduce production variability and material waste. At the process stage, meticulous management of critical steps such as tape casting and sintering enables highly consistent and reliable product output. Overall, this integration not only accelerates technical responsiveness and yield improvement but also delivers cost advantages through coordinated operations, serving as a key driver for enhancing competitive strength.

Global Operations and Regional Adaptation Optimize Market Coverage and Cost Structures

Companies adopt a "global layout, regional adaptation" strategy to approach target markets, reduce regional costs, and mitigate trade risks. Production bases are established in domestic industrial clusters, with overseas manufacturing hubs meeting local market needs. Local technical service teams in key overseas markets shorten response times, while international certifications ensure compliance. Combining global operations with regional adaptation optimizes costs and enhances market penetration.

Competitive Landscape of Global Electronic Ceramic Material and Component Industry

The global electronic ceramic material and component market is highly competitive, with competition driven by technological advancement, product performance, customization capabilities and long-term customer relationships. The market size of global core electronic ceramic materials and components by revenue reached RMB310.3 billion in 2025. The top five

companies accounted for over 40% of the market. In 2025, the Company ranked seventh, with a market share of approximately 2.7%. In addition, the Company was the largest Chinese mainland-based supplier in the global electronic ceramic material and component market in 2025.

Ranking of Global Core Advanced Electronic Ceramic Materials and Components by Revenue, 2025

Ranking	Company Name	Market Share
1	Company A	16.8%
2	Company B	8.7%
3	Company C	8.4%
4	Company D	4.5%
5	Company E	4.2%
6	Company F	3.9%
7	**The Company**	**2.7%**
8	Company G	2.6%
9	Company H	1.6%
10	Company I	1.6%
Top 10 Total		**54.9%**

Source: Interviews with industry experts by Frost & Sullivan, Frost & Sullivan

Notes:

1. Company A (TSE-listed, SGX-listed, Japan) was founded in 1950 and is engaged in the research, production and sales of ceramic electronic components.
2. Company B (TSE-listed, NYSE-listed, Japan) was established in 1959, with businesses covering ceramic electronic components such as capacitors, inductors, and resistors, as well as semiconductor PKG.
3. Company C (KRX-listed, South Korea) was established in 1973; its portfolio covers passive components and package substrates, including MLCCs, inductors and resistors.
4. Company D (TSE-listed, Japan) was founded in 1950, focusing on the development, production, and sales of ceramic capacitors and inductors, widely used in automotive and industrial equipment.
5. Company E (TWSE-listed, Taiwan) was founded in 1977 and manufactures passive components such as resistors, capacitors and inductors.
6. Company F (TSE-listed, Japan) was founded in 1935 and supplies passive electronic components widely used in consumer electronics and telecom base stations.
7. Company G (TWSE-listed, Taiwan) was established in 1992, specializing in passive components, with a product matrix including capacitors, resistors, and inductors.
8. Company H (NYSE-listed, the U.S.) was established in 1992 and specializes in passive components, including capacitors, resistors, and inductors.
9. Company I (SZSE-listed, Chinese mainland) was founded in 1984 and supplies electronic components and materials, including capacitors, inductors and resistors.

OVERVIEW OF GLOBAL CORE ELECTRONIC CERAMIC MATERIAL INDUSTRY

Definition and Classification

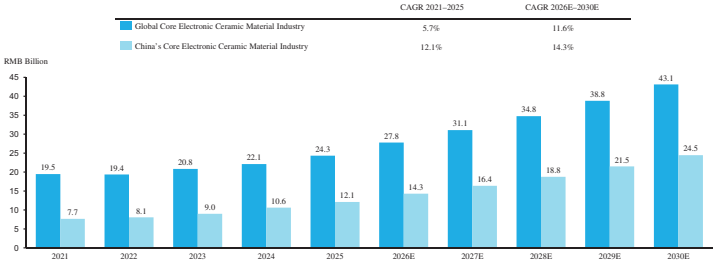
Electronic ceramic materials refer to functional material products used in the manufacturing of electronic components, featuring excellent dielectric, conductive, thermal, insulating, and structural support properties. These ceramic materials possess a variety of functional

characteristics, including piezoelectricity, and superconductivity. They serve as key supporting substrates for electronic components, modules, and system packaging, with broad applications in electronic information, automotive electronics, optical communications, new energy, and low-altitude economy sectors. They form the foundational basis for the development of high-end electronic manufacturing.

Market Size of Global Core Electronic Ceramic Material Industry

The core driver of global core electronic ceramic material market growth comes from the continuous expansion of downstream electronic product demand, iterative demand in new energy products, and technological innovation, particularly fueled by the development of industries such as automotive electronics, AI and data centers, and consumer electronics. Looking forward, the global market is expected to increase from RMB27.8 billion in 2026 to RMB43.1 billion in 2030, representing a CAGR of 11.6%. China stands out as a key growth engine, supported by its comprehensive electronic manufacturing base and broad adoption across automotive electronics, new energy, and high-end consumer electronics. Additionally, the rapid growth of frontier technology sectors such as AI, IoT, and new energy is generating new demand, expanding application opportunities for electronic ceramic materials.

Market Size of Global and China's Core Electronic Ceramic Material Industry, 2021-2030E



Source: Interviews with industry experts by Frost & Sullivan, Frost & Sullivan

Drivers and Development Trends Analysis of Global Core Electronic Ceramic Material Industry

High-Power Electronics and Smart Manufacturing Drive Upgrading of Ceramic Substrates

With the rapid development of NEVs, energy storage systems, industrial automation equipment, and consumer electronics, downstream applications are placing increasing demands on the power density and thermal performance of electronic packaging materials, driving growth in ceramic substrate demand. High-performance ceramics such as ZTA, aluminum nitride and silicon nitride, with excellent insulation, thermal conductivity, and mechanical strength, have become key supporting materials for power devices, chip components, and other critical parts, widely suited for high-power operations and miniaturized designs. At the same time, ceramic substrates are evolving toward higher thermal efficiency, lower thermal resistance, and stronger environmental adaptability, better meeting the stringent reliability requirements of high-end manufacturing scenarios and shifting the electronic ceramic materials market toward higher value-added segments.

High-End Packaging Innovation Drives Electronic Paste Technology Upgrades

Electronic paste is a key functional material in the manufacturing of ceramic components. With chip packaging moving toward miniaturization, high frequency, and high-density integration, traditional electronic paste systems struggle to meet advanced manufacturing requirements. Electronic pastes are upgrading toward higher thermal conductivity, enhanced heat resistance, greater stability, and environmental friendliness, while optimizing process compatibility with new

ceramic substrate materials. In addition, technological breakthroughs by domestic manufacturers in paste formulation and particle dispersion control are accelerating the domestic substitution of certain niche products. Looking ahead, with the widespread adoption of advanced packaging technologies such as 3D packaging and system-in-package (SiP), the demand for high-performance electronic pastes is expected to grow further, serving as a core material support for high-end electronic manufacturing.

Expansion of High-Energy-Consumption Scenarios and Carbon Neutrality Goals Drive SOFC Electrolyte Sheet Demand

High-energy-consumption scenarios such as data centers and AI computing clusters are accelerating deployment, posing supply shortages to traditional power systems. SOFCs, with high energy conversion efficiency, low carbon emissions, and fuel flexibility, have emerged as a key distributed power solution. As a core functional component of SOFCs, the performance of SOFC electrolyte sheets directly affects system efficiency and lifespan, and demand for these plates is expected to grow alongside SOFC commercialization. Against the backdrop of global carbon neutrality goals and ongoing expansion of computing infrastructure, the application scale of SOFCs will continue to expand. At the same time, SOFC electrolyte sheet technology is expected to iterate toward higher performance, greater reliability, and lower cost.

OVERVIEW OF GLOBAL CORE CERAMIC ELECTRONIC COMPONENT INDUSTRY

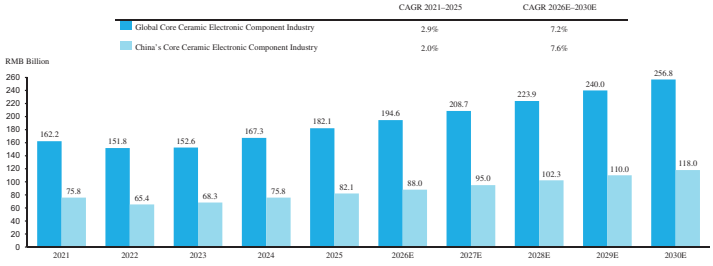
Definition and Classification

Ceramic electronic components are passive electronic devices that use ceramic materials as the primary dielectric or substrate, leveraging their superior dielectric, piezoelectric, thermal-stability and insulation properties to store, conduct, convert or filter electrical energy. They are widely used in consumer electronics, communication devices, automotive electronics, industrial control and new energy areas, and are indispensable basic components in the electronic-information industry.

Market Size of Global Core Ceramic Electronic Component Industry

The development of the electronics manufacturing industry has driven rising demand for core ceramic electronic components. From 2021 to 2025, the global market size of core ceramic electronic components increased from RMB162.2 billion to RMB182.1 billion, representing a CAGR of 2.9%. The decline in global core ceramic electronic component market size in 2022 was mainly driven by geopolitical tensions, which disrupted supply chains, heightened macroeconomic uncertainty, constrained global economic recovery, and led to a downturn in consumer electronics demand after a high 2021 base, despite continued growth in emerging applications such as automotive electronics. For example, the global shipments of consumer electronics products decreased by 7.8% in 2022. China has emerged as a key manufacturing and demand hub, supported by its comprehensive electronics ecosystem and broad downstream applications, and continues to play a central role in driving market growth and industry upgrading.

Market Size of Global and China's Core Ceramic Electronic Component Industry, 2021-2030E



Source: Interviews with industry experts by Frost & Sullivan, Frost & Sullivan

Drivers and Development Trends Analysis of Global Core Ceramic Electronic Component Industry

High-Growth Application Scenarios Drive Expansion in Ceramic Electronic Component Demand

The rapid adoption of AI computing, 5G communications, automotive electronics, and high-performance computing (HPC) is driving electronic systems toward higher computing power, greater bandwidth, and more complex power management. To support high-power, dense high-speed signal processing and strict electromagnetic compatibility requirements, the usage of decoupling, filtering, voltage-stabilizing, and signal-conditioning ceramic electronic components per device continues to rise. At the same time, the share of demand from mid-to-high-end scenarios for high-reliability, high-temperature resistant, and high-voltage products is increasing, creating a dual growth driver of "higher per-device usage + product structure upgrade." Among these, MLCCs, as core passive components, directly affect device signal integrity and power stability. These ceramic electronic components will expand in scale in tandem with upgrades in downstream application scenarios.

High-Performance Requirements Drive Technological Iteration of Ceramic Electronic Components

Upgrades in terminal devices in terms of power, voltage, frequency, and environmental adaptability are driving continuous optimization of ceramic electronic components in dielectric systems, electrode structures, and sintering processes. Requirements such as high-voltage NEV power systems, large-current surges in energy storage systems, high-frequency low-loss 5G base stations, and high-sealing semiconductor packaging demand ceramic electronic components with higher voltage ratings, temperature stability, loss resistance, and service life. In response, industry players are focusing on high-capacitance, high-voltage, and high-reliability directions, iterating performance parameters and upgrading reliability standards to meet the needs of AI and data centers, NEVs, semiconductor packaging, and intelligent industrial control, thus driving ceramic electronic components from basic functionality to high-end scenario adaptation.

Miniaturization and High-Density Integration Drive Component form Innovation

Rising integration and tighter spatial constraints in smartphones, wearable devices, AI servers, and automotive electronics require ceramic electronic components to achieve higher performance in smaller volumes. The industry is optimizing ceramic powder properties, reducing dielectric layer thickness, and upgrading miniaturized packaging technologies to achieve ultra-thin, miniaturized, and high-density components, meeting the spatial design needs of high-power, high-frequency systems. At the same time, collaborative supply trends among different ceramic electronic components are strengthening to meet one-stop procurement needs of downstream customers, further improving assembly efficiency of high-density integrated systems, and driving innovation in materials and processes, advancing the industry toward advanced manufacturing.

OVERVIEW OF GLOBAL CORE CERAMIC TELECOM COMPONENT INDUSTRY

Definition and Classification

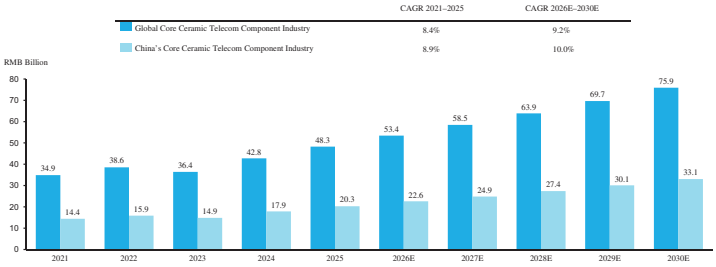
Ceramic telecom components are critical structural and functional components that support signal transmission, connectivity, packaging and thermal management in communication systems. These components are typically based on high-performance ceramic materials such as alumina and zirconia. Thanks to the excellent dimensional accuracy, mechanical strength, wear resistance, insulation properties, and low thermal expansion coefficient, ceramic telecom components ensure stable transmission and low-loss performance of various communication signals, including RF, microwave, and optical signals, under high-speed, high-frequency, and high-power conditions. Ceramic telecom components are widely used in optical communication,

RF communication, satellite communication, 5G/6G base stations, AI and data centers, and low-altitude communication networks, serving as a critical foundation for achieving high reliability and high integration in communication devices.

Market Size of Global Core Ceramic Telecom Component Industry

The global core ceramic telecom components market grew from RMB34.9 billion in 2021 to RMB48.3 billion in 2025, with a CAGR of 8.4%. The decline in global core ceramic telecom component market size in 2023 was largely driven by an industry-wide inventory destocking cycle amid weakened global demand for consumer electronics and communications equipment, which led to reduced procurement of relevant communication components. By 2030, the global market size for core ceramic telecom components is expected to reach RMB75.9 billion, with a CAGR of 9.2% from 2026 to 2030. China is a key market for core ceramic telecom components, benefiting from the sustained rollout of optical communication networks, 5G base stations, and data center interconnects.

Market Size of Global and China's Core Ceramic Telecom Component Industry, 2021-2030E



Source: Interviews with industry experts by Frost & Sullivan, Frost & Sullivan

Drivers and Development Trends Analysis of Global Core Ceramic Telecom Component Industry

Optical Communication Infrastructure Upgrades Drive Core Component Demand Expansion

With the acceleration of global digitalization, large-scale deployment of 5G networks and widespread gigabit fiber-to-the-home (FTTH) penetration, combined with the growth of cloud computing and AI technology, data centers are evolving toward higher computing power and denser configurations. This trend places higher demands on the bandwidth capacity and connection stability of optical communication networks. To meet the high-density, multi-channel interconnection requirements driven by the AI computing boom, MT ferrules and MT short jumpers provide low-latency and high-reliability optical communication support, becoming key components in data center network upgrades. Optical communication ceramic packages, with superior hermeticity, insulation, and environmental adaptability, play a central role in packaging high-speed optical modules, lasers, and photodetectors. As optical communication network construction accelerates and high-speed optical interconnect demand rises, the core ceramic telecom components market continues to expand, creating a new wave of growth opportunities.

Terminal Intelligence Upgrades Boost PKG Demand

The rapid adoption of automotive electronics, IoT, and multi-scenario intelligent terminals drives increasing demand for high-precision, low-jitter, and long-term stable clock signals in end devices, propelling the crystal oscillator industry into a high-growth phase. PKGs precisely meet the core requirements of high sealing and stability for crystal devices and are widely applied in downstream sectors including automotive, smartphones, telecom base stations, and industrial control equipment. Driven by trends in terminal intelligence and connectivity, crystal products are not only increasing in volume but also evolving toward higher performance, thereby driving demand for high-end PKGs. With excellent thermal management and environmental adaptability,

PKGs are rapidly penetrating consumer, automotive, and industrial-grade applications. As downstream requirements for timing accuracy and reliability continue to rise, PKGs' critical supporting role in the electronics industry chain becomes increasingly prominent.

Ultra-Precision Manufacturing and Automation Enable Component Performance Upgrades

Rising performance requirements from downstream industries are pushing the ceramic telecom components sector toward higher consistency and performance. Standards for key products such as ceramic ferrules and sleeves in terms of dimensional uniformity, alignment accuracy, and batch stability are continually increasing, driving iterative upgrades in ultra-precision manufacturing and automation technologies. For example, automated grinding, polishing, and multi-dimensional alignment techniques enable stable production of components within tight tolerance ranges. Combined with online dimensional inspection and AI-driven quality control systems, overall industry yield and product consistency are significantly enhanced. In addition, as optical communication evolves toward higher bandwidths, stricter requirements on insertion loss control, alignment precision, and long-term stability further highlight the value of advanced manufacturing technologies. Looking forward, miniaturization and array design of high-precision ceramic telecom components, along with innovations in wear-resistant, low-insertion-loss materials and processes, will serve as key drivers for industry performance upgrades.

OVERVIEW OF GLOBAL CORE CERAMIC EQUIPMENT COMPONENT INDUSTRY

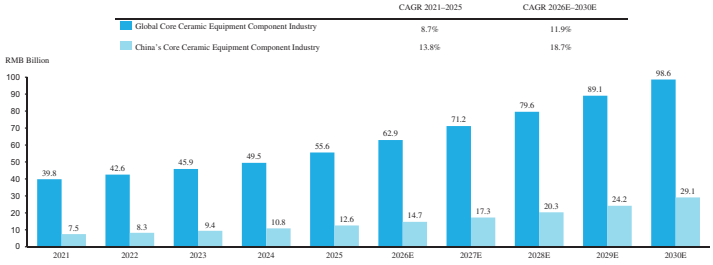
Definition and Classification

Ceramic equipment components are critical structural and functional components used in high-tech sectors such as electronics manufacturing, semiconductor processing, energy equipment, and fuel cell systems. These components are primarily made of high-performance ceramic materials, which provide excellent mechanical strength, wear resistance, high-temperature tolerance, insulation, and chemical stability, enabling precise support, reliable connections, and efficient operation of equipment. Ceramic equipment components are widely applied and serve as essential products to ensure long-term stability, high reliability, and high-precision operation of equipment.

Market Size of Global Core Ceramic Equipment Component Industry

The global ceramic equipment components market expanded from RMB39.8 billion in 2021 to RMB55.6 billion in 2025, representing a CAGR of 8.7% during this period. By 2030, the global market is projected to reach RMB98.6 billion, with a CAGR of approximately 11.9% from 2026 to 2030. China represents an important regional market for ceramic equipment components, supported by the rapid expansion of semiconductor manufacturing capacity, accelerating automation upgrades across industrial production, and the continued deployment of new energy infrastructure.

Market Size of Global and China's Core Ceramic Equipment Component Industry, 2021-2030E



Source: Interviews with industry experts by Frost & Sullivan, Frost & Sullivan

Drivers and Development Trends Analysis of Global Core Ceramic Equipment Component Industry

Emerging High-Growth Application Areas Drive High-End Upgrades

Against the backdrop of domestic semiconductor substitution and the transition to new energy, demand for core ceramic equipment components has shown rapid growth. Ceramic capillaries, as key consumables in semiconductor packaging, have seen increased local supply capacity, providing support for domestic substitution in the packaging process. SOFC stacks, suitable for high-energy-consumption scenarios such as distributed power generation, offer core solutions for efficient clean energy conversion. Pan-semiconductor ceramic components, with their high purity and precision, meet the stringent requirements of semiconductor and high-end manufacturing equipment, continuously supporting equipment performance upgrades. As downstream strategic demand rapidly unfolds, the industry is gradually shifting from standardized supply toward high-precision, customized solutions to meet the increasing requirements for material performance, process consistency, and smart manufacturing capabilities.

Traditional Applications Continue to Support Scale and Performance Optimization

Piezo microdispensing systems deliver high-precision, high-efficiency dispensing solutions tailored to the precision machining demands of industrial robots and automated production lines. Compared to traditional mechanical dispensing, they offer faster response times, superior dispensing accuracy, controllable droplet volume, and exceptional wear resistance, meeting micron-level and nanometer-level dispensing requirements. As industrial automation and intelligent manufacturing advance, industries such as electronics and semiconductors increasingly rely on precision connectors and machined components, demanding higher performance, consistency, and environmental adaptability from dispensing systems. The high-performance ceramic components used in piezo microdispensing systems not only support large-scale production in traditional settings but are also increasingly integrated into high-end manufacturing and intelligent production systems, including multi-axis collaborative robots, automated dispensing and inspection integrated equipment. With continuous advancements in material technology, control algorithms, and miniaturization design, piezo microdispensing systems will deliver more stable performance in higher-power applications, harsher environments, and more compact equipment. This will provide critical support for quality assurance in precision manufacturing processes.

Competitive Landscape of Global Core Ceramic Equipment Component Industry

In the global core ceramic equipment components market, overseas companies, particularly Japanese and Korean manufacturers, still hold a strong competitive advantage. Leveraging long-standing expertise in materials science and mature precision manufacturing capabilities, they maintain high technical barriers and lead in global supply chain coordination and large-scale production systems. Meanwhile, the domestic market is undergoing accelerated localization. Domestic companies are steadily increasing their participation in the industry by continuously advancing technology, such as developing new ceramic material systems, improving smart and automated forming processes, and adopting forward-looking capacity and supply chain strategies. As companies extend from standardized components toward mid- to high-end customized products, the industry structure is gradually shifting from being dominated by overseas suppliers to a more diversified competitive landscape with multiple active participants.

Entry Barrier Analysis of Global Electronic Ceramic Material and Component Industry

Technical Barriers: The industry involves a multidisciplinary integration of materials science, precision manufacturing, and electronic engineering. At the materials level, the formulation of ceramic powders and the control of composite materials require extensive experimental data accumulation. At the process level, coordination across multiple stages, from forming and sintering to precision machining, presents significant challenges, with high-end products demanding consistent microstructure and stable performance, raising the technical threshold further. Meanwhile, rapid downstream application upgrades require continuous forward-looking R&D investment. Industry leaders have established comprehensive patent

portfolios in core materials, key processes, and product designs, and have cultivated specialized R&D teams with deep technical and operational expertise, making it difficult for new entrants to develop comparable technical capabilities in a short period.

Capital Barriers: The industry is capital-intensive, requiring substantial investment and long payback periods. On one hand, production requires high-end hardware facilities such as ultra-precision machining equipment, specialized sintering furnaces, and cleanrooms, with the construction of core production equipment and manufacturing lines alone demanding significant funding. On the other hand, R&D investment is ongoing, requiring long-term funding for material formulation, process optimization, and performance testing. The validation cycle from R&D to mass production is long, necessitating continuous financial support. Furthermore, to meet large-scale downstream demand, companies must expand production capacity, further increasing capital requirements. Small- and medium-sized enterprises often cannot bear such high investment and prolonged capital expenditure.

Customer Resource Barriers: Downstream applications are concentrated in key sectors of the national economy, where end customers enforce strict supplier selection standards. Certification processes are complex and lengthy, typically involving sample testing, small-batch trials, and large-scale validation. Once a supplier is chosen, customers generally maintain long-term cooperation to ensure product consistency and supply chain stability, resulting in high customer stickiness. New entrants must not only meet stringent performance and quality requirements but also invest significant time and resources to break into the established supply chain, making it difficult to quickly secure stable customer relationships.

Production Barriers: Manufacturing electronic ceramic materials and components involves complex processes, including raw material preparation, forming, sintering, ultra-precision machining, and inspection, with strict process parameter control required at every stage to ensure final performance. For instance, sintering temperature and atmosphere directly affect material properties, and precision machining often demands micro- or even nano-level accuracy while maintaining consistency in large-scale production. Diverse application scenarios impose varying structural and performance requirements, necessitating mature process databases and process control capabilities. New entrants face difficulty in establishing a stable and highly consistent production system in the short term, creating high production barriers.

Core Raw-Material Price Analysis for Global Electronic Ceramic Material and Component Industry

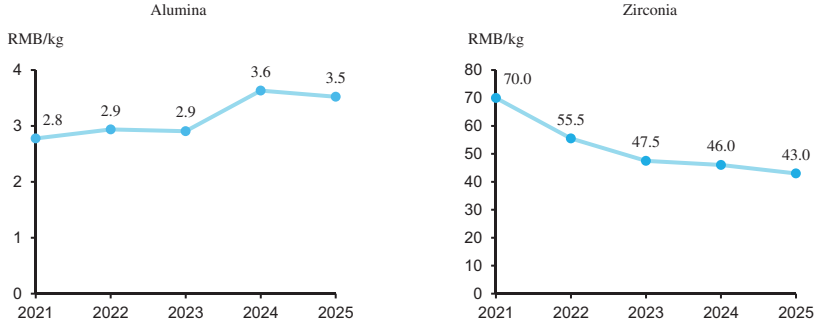
High-precision ceramic powders including alumina and zirconia serve as the core raw materials for the electronic ceramic materials and components industry.

Alumina is a key raw material for electronic substrates and packaging due to its excellent insulation, thermal conductivity, and chemical stability. Between 2021 and 2023, global alumina supply and demand remained relatively balanced, with prices fluctuating within a stable range. In 2024, production costs increased due to tighter upstream bauxite supply, causing alumina prices to rise. In 2025, as new alumina capacity came online domestically and internationally, and the bauxite supply structure gradually improved, the market supply-demand imbalance eased, leading alumina prices to decline to approximately RMB3.5 per kg. Looking forward, alumina prices are expected to further normalize.

Zirconia is widely used in electronic ceramic materials and structural components because of its excellent insulation at room temperature, corrosion resistance, and low thermal conductivity. In 2021, zirconia prices reached relatively elevated levels due to the rapid recovery of downstream demand from consumer electronics, industrial ceramics, and high-end structural components, combined with tight upstream zircon sand supply. As global supply chains gradually recover, some new zirconia capacity comes online, and demand normalizes, prices fell from peak levels and stabilized at approximately RMB43.0 per kg in 2025. Looking ahead, with continued adoption of ceramic exterior components, precision mechanical ceramics, medical devices, and new energy applications, zirconia demand is expected to remain steady, with prices likely staying relatively stable within a reasonable range.

Historically, changes in the prices of major raw materials, namely alumina and zirconia, have not had a material impact on the selling prices of the Group's products.

Prices of Alumina and Zirconia in China, 2021-2025



Source: CRU, Interviews with industry experts by Frost & Sullivan, Frost & Sullivan

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global electronic ceramic material and component industry and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB600,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and the PRC is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

OVERVIEW OF CHINESE LAWS AND REGULATIONS

This section provides an overview of the principal Chinese laws, rules, and regulations relevant to our business.

Regulations on Electronic Components Industry

In September 2016, the National Development and Reform Commission, Ministry of Finance, and Ministry of Commerce jointly issued the Catalogue of Encouraged Imported Technologies and Products (2016 Edition) (《鼓勵進口技術和產品目錄(2016年版)》), designating "manufacturing of materials for electronic products such as semiconductors, optoelectronic devices, and new electronic components" as a key industry for encouraged development.

In December 2016, the Ministry of Industry and Information Technology and the National Development and Reform Commission jointly issued the Information Industry Development Guidelines (《信息產業發展指南》), advocating vigorous development of core basic components meeting the demands of high-end equipment, applied electronics, the Internet of Things, new energy vehicles, and next-generation information technology to enhance competitiveness in domestic and international markets. The Guidelines encourage the development of communication network equipment components such as ultra-low-loss optical fibers, optoelectronic components, frequency components, and 56 Gbps high-speed connectors based on 400G bandwidth (backbone networks). The development of ultra-compact chip components and flexible components for new mobile smart terminals, as well as chip surface acoustic wave filters is also encouraged. In addition, the Guidelines highlight the acceleration of the development of high-volume, widely-used electronic functional materials such as functional ceramic materials.

On January 25, 2017, the National Development and Reform Commission released the Guidance Catalog of Key Products and Services for Strategic Emerging Industries (2016 Edition) (《戰略性新興產業重點產品和服務指導目錄(2016版)》), specifying 174 sub-directions under 40 key directions across 8 industries within 5 major fields, encompassing nearly 4,000 segmented products and services, including integrated circuit chip products, integrated circuit materials, electric power devices, and semiconductor materials.

In April 2017, the Ministry of Science and Technology promulgated the Special Plan for Scientific and Technological Innovation in the Materials Field during the 13th Five-Year Plan Period (《「十三五」材料領域科技創新專項規劃》), designating "high-performance electromagnetic dielectric materials and key materials for passive electronic components" as strategic advanced materials for priority development.

In May 2019, the Ministry of Industry and Information Technology and the State-owned Assets Supervision and Administration Commission of the State Council promulgated the Circular on 2019 Dedicated Action on Carrying out Further Facilitation of Broadband Network Speed Acceleration and Cost Reduction to Support Quality Economic Development (《關於開展深入推進寬帶網絡提速降費支撐經濟高質量發展2019專項行動的通知》), which put forward launching the "Dual-G and Dual-Upgrade" initiative to advance both fixed and mobile broadband into the gigabit (Gbit) era, increasing the proportion of broadband users with speeds of 100 Mbps and above to 80%, and striving to raise the 4G user penetration rate to 80%; launching the "Same Network and Same Speed" initiative to drive the 4G and optical fiber coverage rates in administrative villages across China to both exceed 98%, ensuring that rural broadband network access capacity and speeds basically reach the same level as those in urban areas. In addition, the Circular proposes

launching demonstration projects for gigabit broadband access to households to continuously promote the construction of Fiber To The Home in residential communities, commercial buildings and other premises, expanding fiber broadband coverage with fiber access ports exceeding 90% of total ports; promoting fundamental telecommunication enterprises to deploy gigabit broadband access networks in over 300 cities, with gigabit broadband coverage exceeding 20 million users, providing basic networks for the innovation and promotion of high bandwidth applications. It also proposed facilitating the expansion and upgrading of mobile networks to continuously advance 5G technology research and development and industrialization, fostering further maturity across the industrial chain, including systems, chips, and terminals.

In March 2020, the Ministry of Industry and Information Technology issued the Notice on Accelerating 5G Development (《關於推動5G加快發展的通知》), proposing to fully advance 5G network construction, application promotion, technological development, and security safeguards, and fully leverage the scale effects and driving role of 5G new infrastructure to support high-quality economic development.

In January 2021, the Ministry of Industry and Information Technology issued the Notice on Issuing the Action Plan for the Development of Basic Electronic Components Industry (2021-2023) (《關於印發<基礎電子元器件產業發展行動計劃(2021-2023年)>的通知》), specifying the following targets by 2023: to further enhance the competitiveness of leading products and significantly improve the security of industrial chain supply; to drive the achievement of breakthroughs in basic electronic components like multilayer ceramic chip capacitors and optical communication devices for key industries such as smart terminals, 5G, and industrial internet.

In March 2021, the Ministry of Industry and Information Technology issued the Action Plan for Coordinated Development of "Dual-Gigabit" Networks (2021-2023) (《「雙千兆」網絡協同發展行動計劃(2021-2023年)》), setting a three-year goal to establish comprehensive "dual-gigabit" network infrastructure covering urban areas and eligible townships, enabling widespread "gigabit-to-the-home" capabilities for both fixed and mobile networks.

In March 2021, the Fourth Session of the 13th National People's Congress reviewed and adopted the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》). It emphasizes concentrating superior resources to tackle key core technologies in critical components, parts, and basic materials based on both urgent national needs and long-term demands. The outline calls for implementing industrial foundation reconstruction projects, accelerating the elimination of bottlenecks and shortcomings in basic electronic components, elevating the industrial level of core electronic components and critical software, and expediting the large-scale deployment of 5G networks.

In July 2021, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of the State Council, and the China Securities Regulatory Commission jointly issued the Guiding Opinions on Accelerating the Cultivation and Development of High-Quality Manufacturing Enterprises (《關於加快培育發展製造業優質企業的指導意見》). The Guiding Opinions explicitly propose establishing innovation consortia or strategic alliances for technological innovation of high-quality enterprises to conduct collaborative innovation. The Guiding Opinions call for intensifying efforts in tackling key core technologies, products, and equipment in areas such as basic components, fundamental electronic

components, foundational software, basic materials, basic processes, high-end instruments and equipment, and integrated circuits, while promoting demonstration applications. The Guiding Opinions aim to guide high-quality enterprises in driving coordinated regional development across related industries.

In December 2023, the National Development and Reform Commission promulgated the Industrial Structure Adjustment Guidance Catalogue (2024 Edition) (《產業結構調整指導目錄(2024年本)》), which emphasizes the optimization of industrial structure and the promotion of high-quality industrial development, and lists "electronic ceramic materials and components" and "the development and production of manufacturing technologies for high-performance ceramics used in information, new energy, national defense, aerospace, and other fields" as encouraged industries.

Regulations on Intellectual Property

Patent

Patents in China are primarily protected under the Patent Law of the People's Republic of China (《中華人民共和國專利法》), promulgated by the Standing Committee of the National People's Congress ("**NPCSC**") on March 12, 1984 and last amended on October 17, 2020, as well as the Rules for the implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001 and last amended on December 11, 2023. The Patent Law and its implementation rules define three types of invention-creations: inventions, utility models, and designs. The term of patent right for an invention, a utility model and a design is 20 years, 10 years, and 15 years, respectively, each calculated from the application date.

Trademarks

Registered trademarks in China are primarily protected under the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), promulgated by the NPCSC on August 23, 1982 and last amended on April 23, 2019, as well as the Implementation Regulations of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》), promulgated by the State Council on August 3, 2002 and last amended on April 29, 2014. The Trademark Office is responsible for the registration and administration of trademarks nationwide and grants registered trademarks a protection period of 10 years. Upon expiration of a registered trademark, if continued use is desired, the trademark registrant shall complete renewal procedures according to relevant rules within twelve months prior to its expiration. Failure to do so may be granted a six-month grace period. Each renewal registration is valid for ten years, calculated from the day following the expiration of the previous term. Failure to complete renewal procedures upon expiration shall result in cancellation of the registered trademark.

Copyright

Copyright in China is protected under the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), promulgated by the NPCSC on September 7, 1990 and last amended on November 11, 2020, as well as the Implementation Regulations of the Copyright Law of the People's Republic of China (《中華人民共和國著作權法實施條例》), promulgated by the State Council on August 2, 2002 and last amended on January 30, 2013. These laws and regulations prescribe the classification of works and the acquisition and protection of copyright.

According to the Measures for the Computer Software Copyright Registration (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of China (NCAC) on February 20, 2002, and the Regulations on the Computer Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and came into effect on March 1, 2013, the NCAC shall be the competent governmental authority for the nationwide administration of software copyright registration and the China Copyright Protection Center is designated as the software registration authority which shall grant registration certificates to the computer software copyrights applicants according to the Measures for the Computer Software Copyright Registration (《計算機軟件著作權登記辦法》) and the Regulations on the Computer Software Protection (《計算機軟件保護條例》).

Domain Names

According to the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) issued by the MIIT on August 24, 2017 and came into effect on November 1, 2017, domain names registrations are handled through domain name service agencies established according to relevant regulations, and the applicants become domain name holders upon successful registration.

Regulations on Labor and Social Welfare

Labor

The Labor Law of the People's Republic of China (《中華人民共和國勞動法》) was promulgated by the NPCSC on July 5, 1994 and last amended on December 29, 2018. Employers shall establish and improve employment rules and systems to ensure workers enjoy their labor rights and fulfill their employment obligations. Employers must formulate comprehensive labor safety and health policies. They must strictly enforce national labor safety and health regulations and standards, provide labor safety and health education to workers, prevent work-related accidents, and reduce occupational hazards. The Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) ("**Labor Contract Law**"), effective on July 1, 2013, primarily regulates the rights and obligations in labor relations, including the conclusion, performance, and termination of labor contracts. Under the Labor Contract Law, employers must enter into written labor contracts with employees when establishing or about to establish labor relations. Employers may not compel employees to work overtime and must pay overtime compensation in accordance with national regulations. Furthermore, wages of employee must not fall below the local minimum wage standard and must be paid in time.

Social Insurance

The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), promulgated by the NPCSC in October 28, 2010 and last amended on December 29, 2018, establishes social insurance systems including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance. It details the legal obligations and liabilities of contributing entities when they fail to comply with relevant social insurance laws and regulations. Pursuant to the Social Insurance Law and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), promulgated by the State Council on January 22, 1999, and last amended on March 24, 2019, with effect on the same date, enterprises shall register for social insurance with the local social insurance administration agency and pay relevant social insurance premiums for their employees or on their behalf. Contributing entities that fail to pay social insurance premiums

may be ordered to rectify non-compliant conduct, pay within a specified time limit, and subject to late payment penalties. If the entity fails to rectify and pay by the deadline, it may be fined one to three times the amount owed.

On July 31, 2025, the PRC Supreme People's Court promulgated the Supreme People's Court's Interpretation (II) on Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025. Article 19(1) thereof stipulates that if an employer and an employee agree or the employee undertakes that social insurance premiums need not be paid, the court shall deem such agreement or undertaking invalid. Furthermore, where an employer fails to pay social insurance premiums in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the Labor Contract Law, the court shall support such claims in accordance with the law, which clarifies that employees are entitled to request termination of their labor contracts and receive corresponding economic compensation under the Labor Contract Law if the employer fails to make social insurance contributions in accordance with the law.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002 and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the People's court will be applied. In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do so within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

Occupational Disease Prevention and Control

According to the Occupational Disease Prevention and Control Law of the People's Republic of China (《中華人民共和國職業病防治法》) promulgated by the NPCSC on October 27, 2001 and amended on December 31, 2011, July 2, 2016, November 4, 2017 and December 29, 2018 respectively, the employer shall provide environments and conditions that meet the occupational health standards and health requirements of the State, take measures to ensure occupational health protection for the workers, establish and improve the responsibility system for the prevention and control of occupational diseases, reinforce the management of occupational disease prevention and control, enhance the level of occupational disease prevention and control, and assume responsibility for harms caused by occupational diseases. Besides, where there are occupational disease hazard factors listed in the catalog of occupational diseases in the work site, production entities shall truthfully declare the occupational disease hazard project to the local health administrative department in a timely manner and accept its supervision.

Regulations on Overseas Investment

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the Ministry of Commerce on March 16, 2009 and amended on September 6, 2014, the Ministry of Commerce and the commerce departments at provincial levels shall conduct filing or confirmation management depending on different circumstances of overseas investments of enterprises.

Overseas investments involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investments under other circumstances shall be subject to filing management.

Pursuant to the Administrative Measures for Outbound Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the National Development and Reform Commission on December 26, 2017 and came into effect on March 1, 2018, an enterprise in the territory of the PRC (the "**Investor(s)**") carrying out overseas investments shall undergo formalities including the confirmation or filing for an overseas investment project (the "**project(s)**"), report the relevant information, and cooperate in supervisory inspection. Sensitive projects conducted by Investors directly or through overseas enterprises controlled by them shall be subject to confirmation management. Non-sensitive projects conducted by Investors directly, namely, non-sensitive projects involving Investors' direct contribution of assets, equity or provision of financing or guarantees, shall be subject to filing management. The aforementioned sensitive projects include projects involving a sensitive country or region or a sensitive industry. The Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》) promulgated by the National Development and Reform Commission became effective on March 1, 2018, which lists out the sensitive industries in detail.

Regulations on Overseas Listings

On February 17, 2023, the China Securities Regulatory Commission issued several regulations concerning the filing management of domestic companies issuing securities and listing overseas. These include the Trial Measures for the Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") along with five supporting guidelines (collectively referred to as the "**New Filing Regulations**"). Under the New Filing Regulations, domestic Chinese companies seeking to issue securities and list on overseas markets, either directly or indirectly, must submit the required documents to the CSRC within three business days after submitting their overseas listing application.

The New Filing Regulations stipulate that overseas issuance and listing shall not be permitted under any of the following circumstances: (i) where listing and financing are expressly prohibited by laws, administrative regulations, or relevant national provisions; (ii) where the proposed securities issuance and listing may endanger national security, as determined by competent authorities of the State Council after lawful review; (iii) the domestic company seeking securities issuance and listing or its controlling shareholders and actual controllers have committed criminal offenses involving corruption, bribery, misappropriation of property, embezzlement of property, or disruption of the socialist market economy order within the past three years; (iv) the domestic enterprise seeking securities issuance and listing is under investigation for suspected crimes or major violations of laws and regulations, with no conclusive findings yet; or (v) significant ownership disputes exist regarding the equity interests held by the controlling shareholders or other shareholders controlled by the controlling shareholders or

actual controllers of the domestic company. Domestic companies issuing securities and listing overseas must strictly comply with national security laws, administrative regulations, and rules in areas such as foreign investment, cybersecurity, and data security, and earnestly fulfill their obligations to safeguard national security.

On February 24, 2023, the CSRC jointly issued the Regulations on Strengthening Confidentiality and Archive Management for Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (hereinafter referred to as the Confidentiality Regulations) with three other relevant government departments. According to the Confidentiality Regulations, when domestic enterprises provide or publicly disclose documents or materials involving state secrets or work secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory authorities, or other entities and individuals, they must obtain approval from the competent authority with approval jurisdiction in accordance with the law and file with the confidentiality management department at the same level. Working papers generated within China by securities companies and securities service institutions providing corresponding services for domestic enterprises' overseas issuance and listing must be stored within China. Cross-border transfer shall go through the approval procedures in accordance with relevant regulations of China.

As a domestic Chinese enterprise, the Company must comply with the aforementioned New Filing Regulations and relevant provisions concerning the issuance of new securities and listings on the Hong Kong Stock Exchange.

Regulations on Foreign Direct Investment

Since January 1, 2020, the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") promulgated by the National People's Congress has come into effect. The Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) and the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. According to this law, the organizational form and structure and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law of the People's Republic of China (《中華人民共和國公司法》) and other laws. The PRC government shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, abolishing the original approval and filing administration system for the establishment and change of foreign-invested enterprises. The pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts; the negative list refers to special administrative measures for the access of foreign investment in specific fields as stipulated by the State. The State shall give national treatment to foreign investment beyond the negative list. The negative list currently in effect is the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) issued by the National Development and Reform Commission and the MOFCOM on September 6, 2024, which list the special management measures for foreign investment access for industries regulated by the negative list in a unified manner, such as equity requirements and senior management requirements. In addition, on December 15, 2025, the MOFCOM and the NDRC jointly promulgated the

Encouraged Industry Catalogue for Foreign Investment (2025 version) (《鼓勵外商投資產業目錄(2025年版)》), which came into effect from February 1, 2026 and thereby repeal the 2022 version. According to the above lists and catalogues, the business of the Company and its domestic subsidiaries, i.e., electronic ceramic materials and components, does not fall into the encouraged, restricted or prohibited category of industries for foreign investment, and is generally regarded as an industry permitted for foreign investment, unless otherwise stipulated by applicable PRC laws or regulations.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM. The foreign investment information reporting is subject to the Measures for Reporting Foreign Investment Information (《外商投資信息報告辦法》) jointly developed by the MOFCOM and the State Administration for Market Regulation, which came into effect on January 1, 2020. According to the Measures for Reporting Foreign Investment Information (《外商投資信息報告辦法》), the MOFCOM shall be responsible for the overall planning and guidance of foreign investment information reporting nationwide. The competent commercial department of the local People's government at or above the county level, as well as the relevant institutions of free trade pilot zones and the national economic and technological development zones, are responsible for the information reporting of foreign investment in this region. Foreign investors who directly or indirectly conduct investment activities within the territory of China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System. The reporting methods include initial reports, change reports, cancellation reports, and annual reports. Foreign investors who establish foreign invested enterprises in China or acquire domestic non-foreign-invested enterprises through equity merger and acquisition shall submit initial reports through the enterprise registration system when applying for the registration of the establishment of foreign-invested enterprises or applying for the registration of the change of the acquired enterprises. If the change in the information of initial reports involves registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system when applying for the registration or filing of change of enterprises. If the change in the information of initial reports does not involve registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system within twenty (20) business days after the change. Foreign-invested listed companies may report information on changes in investors and their shareholdings only when the cumulative change in the foreign investors' shareholding ratio exceeds 5% or causes the change of foreign holding and relative holding status.

Regulations on Leasing

According to the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》), promulgated by the NPCSC on July 5, 1994, last amended on August 26, 2019, and effective on January 1, 2020, in case of house leasing, the lessor and lessee shall enter into a written lease agreement specifying the lease term, purpose of use, rental price, repair responsibilities, and other rights and obligations of both parties, and shall register and file the agreement with the real estate management department. According to the Measures for the Administration of Commercial Housing Leases (《商品房屋租賃管理辦法》)

promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and effective on February 1, 2011, failure to complete the aforementioned registration may result in fines imposed by the construction (real estate) authorities.

According to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), effective on January 1, 2021, the owner of real estate or movable property enjoys legal right to possess, use, derive benefits from, and dispose of such property. With the consent of the lessor, the lessee may sublease the leased property to a third party and the lease agreement between the lessee and the lessor remains valid in this case. If the lessee subleases without the lessor's consent, the lessor has the right to terminate the lease. Furthermore, if ownership of the leased property changes during the period of possession by the lessee as stipulated in the lease agreement, the validity of the lease agreement shall not be affected.

Regulations on Anti-Money Laundering

Article 191 of the Criminal Law of the People's Republic of China (《中華人民共和國刑法》, which was adopted on July 1, 1979, and last amended on December 29, 2023, stipulates the relevant constituent elements of the crime of money laundering. Any person who commits any of the following acts in order to conceal or disguise the source and nature of the proceeds from, or income derived from, drug-related offences, offences involving triad organizations, terrorist offences, smuggling offences, corruption and bribery offences, offences against financial administration and order and offences of financial fraud, the proceeds from, and the income derived from, the above offences shall be confiscated, and the person may be sentenced to imprisonment or criminal detention for a term not exceeding five years together with a fine, or only to a fine; and in serious cases, the person shall be sentenced to a term of imprisonment not less than five years and not more than ten years together with a fine: (1) providing a fund account; (2) converting property into cash, financial instruments or marketable securities; (3) transferring funds by way of remittance or by other means of payment and settlement; (4) transferring assets across borders; or (5) using other means to conceal or disguise the source and nature of the proceeds from, or income derived from, crimes. If an entity commits an offence under the preceding paragraph, the entity shall be sentenced to a fine, and its directly responsible officers and other directly responsible employees shall be punished in accordance with the provisions of the preceding paragraph.

Regulations on Import or Export Goods

According to the Customs Law of the People's Republic of China (《中華人民共和國海關法》), which was promulgated by the NPCSC on January 22, 1987 and last amended on April 29, 2021, unless otherwise provided for, the declaration of import or export goods and the payment of duties and taxes may be completed by the consignees or consigners on their own, and such formalities may also be completed by their entrusted customs declaration enterprises registered with the permission of the customs. The declaration of inward and outward articles and payment of duties thereon may be made by the owner of the articles or by his entrusted person. In addition, the consignees and consignors for import or export goods and the customs declaration enterprises shall be registered with the customs according to law to make the customs declarations. Enterprises engaged in processing trade shall file a record with the customs in accordance with the regulations of the General Administration of Customs. The volume of raw materials consumed per unit during the production of the finished products for processing trade shall be fixed by the customs in accordance with the relevant provisions. The finished products of a processing trade shall be re-exported within the stipulated time limit. According to the

Administrative Provisions of the Customs of the People's Republic of China on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs on November 19, 2021 and effective on January 1, 2022, for any changes in the information such as the name of the customs declaration entity, type of market entity, domicile (main place of business), legal representative (person in charge), customs declaration personnel, etc. stated in the Information Form for Filing of Customs Declaration Entities (《報關單位備案信息表》), the customs declaration entity shall apply to the local customs office for changes within 30 days from the date of change.

Pursuant to the Notice on Matters Concerning the Filing of Import or Export Goods Consignees or Consignors (《關於進出口貨物收發貨人備案有關事宜的通知》) issued by the Department of Enterprise Management and Audit-Based Control of the General Administration of Customs on January 3, 2023, and effective on the same date, import or export goods consignees or consignors applying for filing shall obtain market entity status and are not required to obtain foreign trade operator filing.

The Announcement on Fully Integrating Customs Declaration Unit Filing into the "Multiple Certificates in One" Reform (《關於報關單位備案全面納入「多證合一」改革的公告》), issued on December 20, 2021, and effective on January 1, 2022, further optimizes the business environment. It stipulates that when applicants register as market entities with market supervision authorities and simultaneously need to complete customs declaration unit filing, they should select the customs declaration unit filing option as required and supplement the relevant filing information. Market regulation authorities complete registration following the "multiple certificates in one" process and complete data sharing with the General Administration of Customs at the level of the State Administration for Market Regulation, eliminating the need for enterprises to submit separate filing applications to customs. After the implementation of the "multiple certificates in one" reform, enterprises that did not select this filing method may still submit customs declaration unit filing applications through the "Single Window" for international trade or the "Internet Plus Customs" platform.

Regulations on Foreign Exchange

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) amended by the State Council on August 1, 2008 and came into effect on August 5, 2008, foreign exchange payments under current account items shall be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting valid documents. If domestic institutions or domestic individuals propose to make an overseas direct investment or overseas issuance or trading of negotiable securities or derivative products, they shall complete the registration as required by the foreign exchange administrative department under the State Council.

On November 19, 2012, the State Administration of Foreign Exchange promulgated the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Policies for Foreign Exchange Administration of Direct Investment (SAFE Circular 59) (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》(國家外匯管理局第59號文)). The SAFE Circular 59 came into effect on December 17, 2012, revised on May 4, 2015 and October 10, 2018, and partially abolished on December 30, 2019. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts (such as the account for preliminary expenses, foreign exchange capital account and margin account), the reinvestment of RMB funds in China by foreign

investors and the foreign exchange profits and dividends remitted by foreign enterprises to foreign shareholders need not be approved or verified by the SAFE, and the same entity can open multiple capital accounts in different provinces. In February 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (partially abolished in December 2019), which stipulates that banks shall directly audit and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment on behalf of the SAFE, and the SAFE and its branches shall indirectly supervise the foreign exchange registration of direct investment through banks. On May 11, 2013, the SAFE issued the Regulations on Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors (SAFE Circular 21) (《外國投資者境內直接投資外匯管理規定》(國家外匯管理局第21號文)), which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 stipulates that the SAFE or its local branches shall administrate direct investment by foreign investors in the PRC by way of registration, and banks shall process the foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE or its branches.

According to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014 and implemented on the same day, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with foreign exchange authorities at the place of its establishment. The proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the relevant content of its document and other publicly disclosed documents.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (SAFE Circular 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(國家外匯管理局19號文)), promulgated on March 30, 2015, came into effect on June 1, 2015, partially abolished on December 30, 2019, and last amended on March 23, 2023, foreign-invested enterprises may settle their foreign exchange capital on a discretionary basis based on the actual needs of their business operations. Foreign-invested enterprises are prohibited from using the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay inter-company loans (including advances from third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estate not for self-use purposes (save for real estate enterprises).

On June 9, 2016, the SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Accounts (SAFE Circular 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(國家外匯管理局16號文)), which came into effect on the same day and was amended on December 4, 2023 by the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》). The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt funds, and

repatriated funds from overseas listings, and the corresponding RMB capital from foreign exchange settlement may be used to extend loans to related parties or repay inter-company loans (including advances to third parties).

On October 23, 2019, the SAFE promulgated the Notice on Further Facilitating Cross-Border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020), and was amended on December 4, 2023 by the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》). The notice cancels restrictions on domestic equity investments made with capital funds by non-investing foreign-invested enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors security deposits have been relaxed. Eligible enterprises in pilot areas are also allowed to use revenues under capital accounts, such as capital funds, foreign debt funds and proceeds from overseas listings for domestic payments without providing materials to banks in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current administrative regulations on the use of revenue from capital accounts.

According to the Notice on Issues Concerning the Management of Funds for Domestic Enterprises Listing Overseas (《關於境內企業境外上市資金管理有關問題的通知》) promulgated by the People's Bank of China and the State Administration of Foreign Exchange on December 26, 2025, and came into effect as of April 1, 2026, except for share repurchases by listed companies and share increases by domestic shareholders, the registration methods for domestic enterprises listing overseas is adjusted from being handled by foreign exchange authorities to being directly handled by banks. The registration time limit for issuance and listing and additional share issuance is extended from 15 working days to 30 working days. The time limit for share reduction registration is adjusted from 20 working days prior to the proposed reduction to 30 working days after the reduction. Requirements for time limit related to corporate information changes and partial equity structure changes are also relaxed. Upon formal implementation, the relevant registration methods and timelines will undergo corresponding changes, further facilitating cross-border financing for domestic enterprises.

Regulations on Production Safety and Environmental Protection

Production Safety

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), which was last amended by NPCSC on June 10, 2021 and came into effect on September 1, 2021, entities engaged in production and business activities within the PRC shall comply with the Production Safety Law and other laws and regulations related to production safety, strengthen production safety management. Entities shall establish and improve a production safety responsibility system and production safety rules, improve production safety conditions, and strengthen the standardization of production safety, raise production safety levels, and ensure production safety. The person in charge of a production and operation entity shall be fully responsible for the production safety of the entity. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, depending on the circumstances of the violation, and criminal liability will be pursued if the violation constitutes a crime.

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated on December 26, 1989 and latest amended on April 24, 2014, all entities and individuals have the obligation to protect the environment. Enterprises and operators that implement the pollution discharge license management shall discharge pollutants according to the requirement of the pollution discharge license, and those who fail to obtain the pollution discharge license shall not discharge pollutants. If any person or enterprise fails to comply with the laws and regulations of environmental protection, the relevant authority may impose a fine, order such person or enterprise to take measures such as restricting production and suspending production to make recovery, or even order to shut down the entity in severe cases.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, became effective on September 1, 2003 and last amended on December 29, 2018, the State implements classified administration on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for approval or filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

According to the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was amended by the State Council on July 16, 2017 and came into effect on October 1, 2017, and the Interim Measures for Environmental Protection Acceptance for Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) which was promulgated by the former Ministry of Environmental Protection (now merged into the Ministry of Ecology and Environment of the PRC (MEE)) on November 20, 2017 and came into effect on the same day, the construction unit is the responsible party for the acceptance of the environmental protection facilities for the completion of the construction project, and shall, in accordance with the procedures and standards stipulated in relevant regulations, organize the acceptance of the environmental protection facilities, prepare the acceptance report, disclose the relevant information, accept social supervision, ensure that the environmental protection facilities to be constructed for the construction project are put into operation or used at the same time as the main project, and be responsible for the content, conclusion and public information of the acceptance. The construction unit shall be responsible for the truthfulness, accuracy and completeness of the acceptance content, conclusions and information disclosed, and shall not falsify the acceptance process. The major construction works of the construction project cannot be put into operation until the supporting facilities for environmental protection pass the inspection.

Pursuant to the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) which was promulgated on October 30, 1995 and last amended on April 29, 2020 and came into effect on September 1, 2020, the construction of projects which discharge solid waste and the construction of projects for storage, use and treatment of solid waste shall be carried out upon the environmental impact assessment (EIA) and comply with the relevant state regulations concerning the management of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in

the environmental impact assessment documents of the construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project. Any entity or individual that generates, collects, stores, transports, utilizes or disposes of solid waste shall take measures to prevent or reduce the pollution of solid waste to the environment, and shall be responsible for the environmental pollution caused in accordance with the law. Where hazardous waste exists in solid waste, it shall be managed in accordance with hazardous waste management. Entities that generate industrial solid wastes shall obtain the pollutant discharge permit. Pursuant to the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) which was promulgated on May 11, 1984, last amended on June 27, 2017, and came into effect on January 1, 2018, the environmental impact assessment shall be conducted on new construction, reconstruction and construction expansion projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. The water pollution prevention and treatment facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project. The water pollution prevention and treatment facilities shall comply with the requirements of approved or filed environmental impact assessment documents. Enterprises, institutions and other production and operation units directly or indirectly discharging industrial waste water and medical sewage to water bodies, and the enterprises, institutions and other production and operation units required to obtain pollutant discharging permit before discharging waste water and sewage must obtain the pollutant discharging permit. According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), which was last amended by the NPCSC on October 26, 2018 and took effect on the same day, enterprises, institutions and other production and operation units shall, in accordance with the relevant national regulations and monitoring standards, monitor their emissions of industrial waste gases or toxic and hazardous air pollutants listed in the catalogue published according to Article 78 of the Law of the PRC on the Prevention and Control of Atmospheric Pollution, and keep the original monitoring records. Enterprises and institutions that emit industrial waste gas or toxic and hazardous air pollutants listed in the above-mentioned catalogue, as well as other units that implement administration of pollution discharge permits in accordance with the law, shall obtain a pollutant discharging permit.

Pursuant to the provisions of the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated by the State Council on January 24, 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated by Ministry of Ecology and Environment on April 1, 2024, the State implements the classified pollutant discharge permit management (i.e., key management and simplified management) on pollutant discharges of enterprises based on factors such as the volume of pollutants generated, the volume of pollutants discharged and the degree of impact on the environment. Enterprises, institutions and other production and operation units that are included in the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

Pursuant to the Measures on the Administration of the List of Key Units of Environmental Supervision (《環境監管重點單位名錄管理辦法》) promulgated by the Ministry of Ecology and Environment on November 28, 2022, and implemented on January 1, 2023, enterprises and institutions subject to key pollutant discharge permit management as specified in the classification administration list of pollutant discharge permitting shall be listed as key pollutant

discharge units. The municipal-level competent department of ecology and environment of a prefecture-level city may, based on factors such as the environmental quality status, environmental quality improvement requirements, pollutant discharge conditions, toxic and hazardous substances, and environmental risk control requirements within its administrative region, include enterprises and institutions that truly require key supervision in the list of key units for environmental supervision.

The Measures for Public Participation in Environmental Impact Assessment (《環境影響評價公眾參與辦法》), which was reviewed and adopted by the Ministry of Ecology and Environment on April 16, 2018, and came into effect on January 1, 2019, as well as the announcement regarding supporting documents for the Measures for Public Participation in Environmental Impact Assessment promulgated by the Ministry of Ecology and Environment on October 12, 2018, provides the basic regulations for public participation in environmental impact assessments for specialized plans concerning industries, agriculture, animal husbandry, forestry, energy, water resources, transportation, urban construction, tourism, and natural resource development may cause adverse environmental impacts and directly involve public environmental rights and interests and public participation in environmental impact assessments for construction projects that are legally required to prepare environmental impact reports.

The Administrative Measures on Licensing of Urban Sewage Discharging into Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015, last amended on December 1, 2022 and came into effect on February 1, 2023, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a License for Urban Drainage (排水許可證).

Fire Protection Design Approval and Filing

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**") was adopted on April 29, 1998 and last amended on April 29, 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Emergency Management Authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire and Rescue Department of the People's Government are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards (as the case may be). According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), issued by the Ministry of Housing and Urban-Rural Development on April 1, 2020, last amended on August 21, 2023 and officially implemented on October 30, 2023, special construction projects as defined under such Interim Provisions shall conduct fire protection design review and fire protection final inspection, construction projects other than such special construction projects shall be subject to a record-filing and spot check system.

Regulations on Product Quality and Consumer Protection

Regulations on Product Quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated by the NPCSC on February 22, 1993 and last amended on December 29, 2018 is the principal governing law relating to the supervision and administration of product quality. It clarifies liabilities of the manufacturers and sellers. Manufacturers shall be responsible for the quality of their products. If a defect in a product causes physical injury or damage to property other than the defective product, the manufacturers shall bear liability for compensation, unless they are able to prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall pay compensation if it fails to indicate either the manufacturer or the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Regulations on Consumer Protection

According to the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**") which was promulgated by the NPCSC on October 31, 1993 and last amended on October 25, 2013, where business operators sell commodities on the internet, on television, over telephone, or by mail order, consumers shall have the right to return the commodities within seven days of receipt of them without cause, subject to certain exceptions. Moreover, consumers are entitled to the protection of their personal safety and property security at the time of purchase and use of goods and receipt of services. Violations of the Consumer Protection Law may result in the imposition of fines, the suspension of operation, the revocation of business license or even criminal liability of the business operators.

Regulations on Anti-Unfair Competition

In accordance with the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") which was promulgated by the NPCSC on September 2, 1993 and last amended on November 4, 2017 and April 23, 2019 and June 27, 2025 and became effective on October 15, 2025, when trading in the market, business operators should abide by the principles of voluntariness, equality, fairness, honesty and credibility, and abide by laws and recognized business ethics. Unfair competition means a business operator, in violation of the Anti-Unfair Competition Law, disrupts the competition order and infringes the legitimate rights and interests of other business operators or consumers. When the legitimate rights and interests of a business operator are damaged by unfair competition, it may start a lawsuit in the People's Court. In contrast, if a business operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another business operator, it shall be liable for damages. If the damage suffered by the business operator is difficult to assess, the amount of damages shall be the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed business operator to stop the infringement.

Regulations on Taxation

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), which was amended by the NPCSC and became effective on December 29, 2018, and Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), which was lastly amended by the State Council on December 6, 2024 and effective on January 20, 2025, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. Key high and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Value-Added Tax

Pursuant to the PRC Value-added Tax Law (《中華人民共和國增值税法》) promulgated by the NPCSC on December 25, 2024, which came into effect on January 1, 2026, as well as the Implementation Regulations for the Value-added Tax Law of the PRC (《中華人民共和國增值税法實施條例》) promulgated by the State Council on December 25, 2025, which came into effect on January 1, 2026, all entities selling goods, providing services or importing goods within the PRC shall pay value-added tax ("**VAT**"). The VAT rate for general VAT taxpayers engaging in sale of goods, provision of processing, repair and replacement services, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, the transfer of land use rights, and the sale or importation of certain goods as specified in the PRC Value-added Tax Law, was adjusted to 9%.

Regulations on Information Security and Data Privacy

Data Security and Data Export

The NPCSC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), on June 10, 2021 (effective from September 1, 2021), for the establishment of a data classification and grading protection system to conduct classified and hierarchical protection of data. Entities engaged in data processing activities shall, in accordance with laws and regulations, establish a sound full-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

According to the Measures on the Security Assessment of Cross-Border Data Transfer (《數據出境安全評估辦法》) issued by the Cyberspace Administration of China on July 7, 2022 and came into effect on September 1, 2022, a data processor that provides data overseas under any of the following circumstances shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through local provincial cyberspace administration: (i) a data processor provides important data abroad; (ii) the critical information infrastructure operator and the data processor that has processed the personal information of more than 1 million people provides personal information abroad; (iii) the data processor that has

provided the personal information of 100,000 people or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

According to the Measures for Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) issued by the Cyberspace Administration of China on February 22, 2023 and effective on June 1, 2023, to provide personal information to an overseas recipient through the conclusion of the standard contract, a personal information processor shall meet all of the following circumstances: (i) it is not a critical information infrastructure operator; (ii) it has processed the personal information of less than one million individuals; (iii) it has cumulatively provided the personal information of less than 100,000 individuals to overseas recipients since January 1 of the previous year; and (iv) it has cumulatively provided the sensitive personal information of less than 10,000 individuals since January 1 of the previous year. In addition, the Measures for Standard Contract for Outbound Transfer of Personal Information require that all Outbound Transfers of personal information that have been carried out before June 1, 2023 and do not comply with the provisions of the Measures for Standard Contract for Outbound Transfer of Personal Information be rectified within 6 months.

On March 22, 2024, the Cyberspace Administration of China promulgated the Regulations on Promoting and Regulating the Cross-Border Flow of Data (《促進和規範數據跨境流動規定》) (the Regulations on Cross-Border Transfer of Data), which provided implementation rules on the security assessment of outbound data transfer, the standard contract for outbound transfer of personal information, the certification of personal information protection and other systems governing the outbound transfer of data. Pursuant to the Regulations on Cross-Border Transfer of Data, except as otherwise provided, (i) a data processor that provides data overseas under any of the following circumstances shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through local provincial cyberspace administration: (A) a critical information infrastructure operator provides personal information or important data abroad, (B) a data processor other than critical information infrastructure operator provides important data abroad, or has provided personal information (excluding sensitive personal information) of over 1,000,000 people or sensitive personal information of over 10,000 people abroad cumulatively since January 1 of the year; and (ii) a data processor other than critical information infrastructure operator that has provided personal information (excluding sensitive personal information) of over 100,000 people and less than 1,000,000 people, or sensitive personal information of less than 10,000 people abroad cumulatively since January 1 of the year shall enter into a standard contract for outbound transfer of personal information with the receiver overseas or pass the certification of personal information protection in accordance with laws and regulations.

Personal Information Protection

According to the Civil Code (《民法典》), personal information of natural persons is protected by law. If any organization or individual needs to obtain other people's personal information, they should obtain it in accordance with the law and ensure the security of the information. They must not illegally collect, use, process, or transmit other people's personal information, and must not illegally buy, sell, provide, or disclose the information. The Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) promulgated by the

NPCSC on August 20, 2021 and implemented on November 1, 2021, further emphasizes the obligations and responsibilities of processors for the protection of personal information, and requests higher level of protective measures on the processing of sensitive personal information.

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) promulgated by the NPCSC on November 7, 2016 and effective on June 1, 2017, network operators must follow the principles of legality, legitimacy and necessity when collecting and using personal information, and publicly disclose the rules for collection and use, clearly state the purpose, method and scope of collecting and using information, and obtain the consent of the person whose data is being collected. Network operators shall not collect personal information unrelated to the services they provide. Network operators are not allowed to leak, tamper with, or damage the personal information they collect; they are not allowed to provide personal information to others without the consent of the person whose data is being collected. However, this does not apply to cases where a specific individual cannot be identified and the identity cannot be recovered after processing. Network operators should take technical measures and other necessary measures to ensure the security of the personal information they collect and prevent leakage, damage and loss of information. The Cybersecurity Law of the People's Republic of China was amended on October 28, 2025, and will become effective on January 1, 2026.

On September 24, 2024, the State Council issued the Regulation on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the "**Cyber Data Security Regulation**"), which became effective from January 1, 2025. The Cyber Data Security Regulation stipulated certain requirements on network data processing activities, the security and protection of network data, and the reasonable and effective use of network data, and further shed light on the protection of personal information, security of important data, management of cross-border security of network data and obligations of network platform service providers.

Regulations on Land Use Right and Construction

According to Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) promulgated by the NPCSC on June 25, 1986 and last amended on August 26, 2019 and came into effect on January 2020, and the Civil Code promulgated by the NPC on May 28, 2020 and came into effect on January 1, 2021, any entity that needs land for the purposes of construction must obtain land use right and must register with local branches of Ministry of Natural Resources. Land use right is established at the time of registration. According to the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 4, 1992 and amended on January 26, 2011, the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》) promulgated by the NPCSC on October 28, 2007 and came into effect on January 1, 2008 and last amended on April 23, 2019, the Measures for Administration of Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing Construction and Urban-Rural Development and last amended on March 30, 2021, the Interim Administrative Measures for Archival Filing on Inspection Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on April 7, 2000 and last amended on October 19, 2009, and the Regulations on the Quality Management of Construction Engineering (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000 and last amended on April 23, 2019, after obtaining land use right, the owner of

land use right must obtain construction land planning permit, construction works planning permit from the relevant municipal planning authority, and a construction permit from relevant construction authority in order to commence construction. After a building is completed, an acceptance of completion by the relevant governmental authorities and experts must be organized.

Regulations on Dividend Distribution

The principal regulations governing dividends distributions by companies is the Company Law of the People's Republic of China. PRC companies are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Other Laws and Regulations

Overseas Listing Confidentiality and Archives Administration

According to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly issued by the CSRC and other departments on February 24, 2023 and effective on March 31, 2023, in the overseas offering and listing activities of domestic enterprises, securities companies and securities service institutions that provide corresponding services shall strictly comply with the applicable laws and regulations of the People's Republic of China and satisfy the requirements of these Provisions, enhance the legal awareness of safeguarding state secrets and strengthening archives administration, establish and improve the confidentiality and archives work system, and take necessary measures to fulfill the confidentiality and archives administration obligations, and shall not divulge state secrets or work secrets of state organs, or harm the interests of the state or the public. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities or individuals any documents or materials that involve state secrets or work secrets of state organs, shall obtain approval from the competent department with the power of examination and approval according to the law, and report to the administrative department of confidentiality at the same level for filing. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, other documents and materials whose divulgence will have adverse impact on national security or public interest, shall strictly undergo the relevant procedures in accordance with the relevant regulations of the state.

Based on the advice from our legal advisors as to PRC laws, our Directors confirmed that we had complied with the applicable laws and regulations of the PRC in any material respects.

REGULATORY ENVIRONMENT – GERMANY

Through our German subsidiary, Vermes Microdispensing GmbH (jointly "**German Subsidiary**"), headquartered in Holzkirchen, Germany, we operate in Germany as developers, manufacturers and distributors of contact-free high-quality microdispensing systems.

Layered Regulatory Framework

Our German Subsidiary's main compliance framework is inherently complex and layered:

- **Directly Applicable EU Regulations:** European Regulations have immediate and consistent effect across all member states of the European Union (EU) or, as the case may be, the European Economic Area (EEA).
- **EU Directives Transposed into National Law:** European Directives are not directly applicable in an EU or EEA Member State but oblige the EU or EEA Member States to implement the provisions contained in the directive into national law. These include directives related to product safety (e.g., Machinery, EMC) and environmental product responsibility (WEEE, RoHS) which are implemented into German law through the German Product Safety Act (*Produktsicherheitsgesetz* (*ProdSG*)) and the Electrical and Electronic Equipment Act (*Elektrogesetz* (*ElektroG*)).
- **Purely National German Laws:** Finally, we are subject to fundamental German laws such as the German Commercial Code (*Handelsgesetzbuch – HGB*), the Working Hours Act (*Arbeitszeitgesetz – ArbZG*), and the Works Constitution Act (*Betriebsverfassungsgesetz – BetrVG*).

Corporate Law

The legal form of our German Subsidiary as a limited liability company subjects it, *inter alia*, to the German law on limited liability companies (*Gesellschaft mit beschränkter Haftung* (*GmbHG*)) and the German Commercial Code (*HGB*). Essential to this structure is the mandatory registration in the German commercial register as it formally recognizes the entity. The constitutional structure of a limited liability company (GmbH) provides for two main bodies: the managing director(s) (*Geschäftsführer*) responsible for the operational management and representation of the company vis-à-vis third parties (Sections 6, 35 et seq. GmbHG) and the shareholders (*Gesellschafter*) as the central decision-making body deciding on fundamental matters (sections 45 et seq. GmbHG). The *GmbHG* regulates foundational aspects of the business, including formation and management structure, while the HGB regulates specificities to commercial trade, financial reporting and bookkeeping, and commercial contracts. Under the HGB, the company name must meet specific legal requirements, including possessing sufficient distinctive power to identify the enterprise uniquely. Furthermore, the corporate name must mandatorily include the legal form suffix, "GmbH," to inform the public of the company's limited liability structure.

Product Safety and Conformity

Our German Subsidiary's primary products — contact-free high-quality microdispensing systems are classified as "Machinery" and "Electrical/Electronic Equipment" (EEE). Consequently, these products must comply with multiple EU directives, including the application of the mandatory CE mark, which verifies conformity to EU health and safety standards. The manufacturer is responsible for the conformity evaluation procedure, issuing the Declaration of Conformity (DoC), and maintaining the Technical File.

The Machinery Directive (2006/42/EC) contains provisions for manufacturers placing machinery products on the EU market. The Directive defines essential health and safety requirements, which are further specified by European harmonized standards. It is implemented

in Germany via the German Product Safety Act (*Produktsicherheitsgesetz* (*ProdSG*)) and the 9th German Machinery Ordinance *Produktsicherheitsverordnung* (9. *ProdSV*). Under the essential health and safety requirements, the manufacturer must comply with the fundamental technical and design standards set out in the Machinery Directive.

The Low Voltage Directive (LVD, 2014/35/EU) covers safety risks related to electrical equipment operating between 50 V and 1000 V AC or 75 V and 1500 V DC. Adherence to LVD requirements, such as protection against electric shock and mechanical dangers caused by electricity, is integral to the safety of electrical components.

The Electromagnetic Compatibility Directive (EMCD, 2014/30/EU) is an EU regulation that ensures electrical and electronic equipment does not generate, or is not adversely affected by, electromagnetic disturbances. It aims to guarantee that such equipment operates correctly in its intended electromagnetic environment while minimizing interference with other devices, such as communication systems or other electronics. In Germany, the EMCD is implemented through the Law on the electromagnetic compatibility of equipment (*Gesetz über die elektromagnetische Verträglichkeit von Betriebsmitteln*).

As the manufacturer, we must conduct an assessment of conformity for our products with the requirements of the Machinery Directive, LVD and EMCD, prepare technical documentation, issue an EU declaration of conformity and affix the CE marking to the product.

Market surveillance to ensure continuous conformity is decentralized in Germany and conducted by authorities at the state level (*Länder*) which have the power to inspect products. The Federal Institute for Occupational Safety and Health (*Bundesanstalt für Arbeitsschutz und Arbeitsmedizin*) acts as a central hub, managing information exchange with the European rapid alert system (Safety Gate) and advising on product safety risks.

Environmental Product Responsibility

We are subject to rigorous European and German extended producer responsibility (EPR) requirements, which mandate manufacturers take accountability for their products across the entire lifecycle.

The Restriction of Hazardous Substances Directive (RoHS, 2011/65/EU) restricts the use of ten hazardous substances, including lead, mercury, and certain phthalates, in all EEE placed on the EU market. Compliance requires ensuring restricted substances are below permitted levels, maintaining documentation, and including RoHS in the EU Declaration of Conformity for CE marking. In Germany, the RoHS is implemented into national law by the Electrical and Electronic Equipment Substances Ordinance (*Elektro- und Elektronikgeräte-Stoff-Verordnung*).

The European Waste Electrical and Electronic Equipment Directive (WEEE, Directive 2012/19/EU) is implemented in Germany via the *Elektrogesetz* (ElektroG). This act places the responsibility and financing costs for the collection, treatment, and recycling of waste electrical and electronic equipment directly upon the manufacturer.

Since we produce industrial assembly solutions we must take several mandatory steps before products can be sold:

- **Registration:** Mandatory registration with the national authority, the *Stiftung Elektro-Altgeräte Register* (Stiftung EAR), as a 'producer'.

- **Take-Back Concept:** We must submit a formal, credible B2B take-back concept (*Glaubhaftmachung*) to Stiftung EAR, detailing the reasonable options provided to business customers for the return of end-of-life equipment.
- **Financial Guarantees:** Financial guarantees must be provided and stored with Stiftung EAR to ensure recycling costs are covered in the event of insolvency.
- **Labeling:** Equipment placed on the market since January 2023 must bear the 'crossed-out wheeled bin' symbol.

Non-compliance can result in fines up to €100,000 and in us being blocked from placing products on the market. Because complex industrial equipment has a long operational lifespan, we must forecast the eventual recycling costs of systems that may be returned decades later, making EPR compliance a major long-term financial and logistical commitment.

The core legal basis for environmental management in Germany is the Circular Economy Act *Kreislaufwirtschaftsgesetz* (KrWG), which implements the European Waste Framework Directive (Directive 2008/98/EC). The KrWG establishes fundamental principles such as the polluter pays principle and mandates adherence to a five-step waste hierarchy (prevention, preparation for recycling, recycling, other types of recovery, and disposal). These principles compel us to focus on waste prevention and to design products and packaging (which is also regulated under related acts, such as the German Packaging Act (*VerpackG*)) to facilitate material recovery.

Export Control

As a participant in foreign trade activities, we are subject to international trade regulations, including those governing exports, international technology transfers and services.

Export controls in the EU are primarily governed by Regulation (EU) 2021/821 (EU Dual-Use Regulation), which establishes a common regime for the export, brokering, technical assistance, transit, and transfer of dual-use items. These are goods, software, and technologies which can be used for both civilian and military purposes. The regulation aims to prevent the proliferation of weapons of mass destruction, support international security, and address risks like human rights violations through cyber-surveillance tools. Annex I to the EU Dual-Use Regulation contains the regularly updated EU Dual List. While our products generally do not fall under the captured categories per se, they may under certain circumstances nevertheless fall within the scope of the EU Dual-Use Regulation, in particular, under end-use specific provisions such as Article 4 (known end-use in weapons of mass destruction) that are independent of product category. In addition, the relevance of the list also depends on the scope of recent and upcoming updates.

These export controls are enforced on national EU member state level, in Germany via the German Foreign Trade and Payments Act (*Außenwirtschaftsgesetz* (*AWG*)) and the German Ordinance on Foreign Trade and Payments (*Außenwirtschaftsverordnung* (*AWV*)). These laws establish the applicable national procedures, additional controls, and penalties in case of violations for the implementation of dual-use and military item controls as well as EU sanctions.

The Federal Office for Economic Affairs and Export Control (BAFA) is Germany's central export licensing authority. BAFA is responsible for examining export license applications in light of Germany's security and foreign policy interests, particularly the prevention of proliferation and

the destabilizing accumulation of advanced military technology. Further authorities with competences in the implementation of foreign trade law in Germany include customs offices, Deutsche Bundesbank and the Public Prosecutor's Office.

Employee Health and Safety

German law establishes a system of rules and regulations to protect employees' health and safety at work. German occupational safety regulation is largely shaped by the requirements of EU law which contains numerous regulations regarding different aspects of technical and social health and safety at work. In particular, general obligations on employers, protective and preventive services, emergency measures and necessary information, as well as the consultation, participation and training of workers are laid out in the Council Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work. EU Member States are free to maintain or establish more stringent measures of protection than those provided by Directive 89/391/EEC.

In Germany, significant occupational safety provisions are contained in the German Act on the Implementation of Measures of Occupational Safety and Health to Encourage Improvements in the Safety and Health Protection of Workers at Work (*Arbeitsschutzgesetz* (*ArbSchG*)) and in the German Act on Occupational Physicians, Safety Engineers and Other Occupational Safety Specialists (*Arbeitssicherheitsgesetz*), which require employers to ensure safety of their employees. The ArbSchG sets out the fundamental duties of employers and employees regarding health protection. It places employers under an obligation to assess the hazards of the workplace and to take the appropriate preventive measures, as well as to instruct employees about these measures. Employers must take precautions for especially hazardous workplaces and situations. They must also provide preventive occupational healthcare.

In regulatory supervision, German law enforcement authorities have wide-ranging enforcement powers, including the right to enter a company's premises, search for documents and examine the work equipment and the personal health equipment. They are also authorized to impose fines.

Laws Governing Employee's Inventions

German law provides for special rules governing intellectual property protection in the relation between employer and employee due to the fact that the majority of creative works is developed in the course of employment. Generally, an employer provides for the means enabling employees to come up with intellectual ideas in the course of employment. The German Employee's Invention Act (*Arbeitnehmererfindungsgesetz*) basically sets out that under the aforementioned circumstances intellectual property rights rest with the employer while the employee is entitled to appropriate compensation.

In relation to software, German copyright law provides for an overriding rule for software developed by employees. Under Section 69b of the German Copyright Act (*Urheberrechtsgesetz*) copyrights vest in the employer by operation of law. In special employment situations, such as in case of freelancing, the parties' will regarding the allocation of property rights must be expressly agreed upon.

The infringement of copyrights can result in a variety of sanctions, including preliminary injunctions or damages.

Foreign Investment Regime

Under Germany's foreign investment regime, set out in the AWG and the AWV, direct and indirect acquisitions of stakes in German companies may be subject to screening and, in certain cases, mandatory notification. A mandatory notification may be required for acquisitions as low as acquisitions of not less than 10% of the voting rights in listed, highly sensitive sectors like defense, critical infrastructure, healthcare, or advanced technologies, with subsequent reviews at 20%, 25%, 40%, 50%, or 75%. The activity of the German target company is decisive for the applicable voting right threshold and which foreign investors trigger a review (non-EU/EFTA or non-German). In non-listed sectors, acquisitions of not less than 25% of the voting rights voting rights acquisitions by non-EU/EFTA investors are only subject to a discretionary call-in regime for a max. 5-year period. Certain share acquisition conferring "atypical control" to the foreign investor via additional rights, can trigger the regime and, in certain sectors, require mandatory notification. If notification is mandatory and pending clearance, certain standstill obligations apply, and the transaction is invalid; infringements are subject to penalties. Special rules apply to stock exchange securities transactions. The regime has tightened since 2018, with over 300 cases reviewed in 2024, focusing on energy, tech, and healthcare.

The Federal Ministry for Economic Affairs and Energy (BMWE) conducts reviews, with Phase 1 (two months) and Phase 2 (up to four months; subject to further extensions and suspensions). It may prohibit or restrict the acquisition by a foreign investor on grounds of public order or security or clear the transaction.

Data Protection

The General Data Protection Regulation (GDPR, 2016/679/EU) is a uniform framework laying down principles and rules for data processing. Many EU member states have enacted national implementation acts which accompany the directly applicable GDPR, such as the German Federal Data Protection Act (*Bundesdatenschutzgesetz* (BDSG)). The GDPR and the BDSG entail strict requirements, obligations and restrictions for the collection, storage, transfer, and further processing of personal data, in particular (without limitation) for lawful processing, transparency, international data transfers, storage limitation, data mapping and accountability, processor (service provider) obligations, joint controllership, notification of data breaches and the requirement to designate a data protection officer and/or EU representative, as applicable. Under the GDPR, the regulatory requirements include that personal data: (i) may only be collected for specified, explicit and legitimate purposes based on a legal ground set out in the GDPR or in national laws; (ii) may only be further processed in a manner consistent with those purposes; (iii) must also be adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed; (iv) must be processed in a manner that ensures transparency, fairness and appropriate security of the personal data; and (v) must not be transferred outside of the European Union unless certain steps are taken to ensure an adequate level of protection and must not be kept for longer than necessary for the purposes of collection or further processing. Data subjects, i.e., an identified or identifiable natural person to whom the personal data relates, have far-reaching rights in relation to the processing of their personal data, such as the right to access, rectification, deletion, restriction of processing and data portability. The GDPR sets out substantial fines for violations of the data protection rules and other administrative sanctions. These sanctions range from formal warnings and cease-and-desist orders to fines of up to €20 million or up to 4% of the total worldwide annual turnover of the offending data processor in the preceding fiscal year, whichever is higher, for each infraction.

REGULATORY ENVIRONMENT — THAILAND

Through our Thai subsidiary, Glory Winner, headquartered in Thailand, we operate in Thailand as a developer and manufacturer of ceramic products.

Civil and Commercial Code of Thailand ("CCC")

Laws governing formation and incorporation of types of Thai business entity can be found in the Civil and Commercial Code of Thailand ("**CCC**"). A private limited company is formed through a process which leads to the registration of a Memorandum of Association and Articles of Association (By-laws), as its constitutive documents. A company is formed with the registered capital and divided into shares to be subscribed by the promoters or shareholders. The liability of the shareholders is limited to the amount unpaid on the shares respectively held by them.

Incorporation and Promoters

There must be a minimum of 3 (three) promoters for a private limited company who are responsible for subscribing and registering the incorporation of the company with the DBD as it is stated in Section 1097 of the CCC that any three or more persons may promote and form a limited company by subscribing their names to a memorandum and otherwise complying with the provisions of the CCC. The promoters must be individual persons (not juristic entities). The promoters can be foreigners and/or Thai nationals. However, each promoter is required to be among the company's initial shareholders immediately upon the company's registration and is required to subscribe and hold a minimum of one share upon the company's registration. They are generally free to transfer those shares to existing shareholders or third parties, thereafter, if they wish. However, the number of shareholders in a company shall always remain not less than 3 (three) shareholders (individual and/or juristic entities) as required by the CCC.

Noted that after 7 February 2023, the requirement of minimum shareholders of 3 persons is reduced to 2 persons according to Section 1097 of CCC.

Memorandum of Association ("MOA")

The Memorandum of Association of the company has to be filed with the DBD and must include the name of the company that has been successfully reserved and approved by the DBD, the physical address where the company will be located in Thailand, its business objectives, the capital to be registered, and the names of the promoters.

Articles of Association ("AOA")

The Articles of Association are the regulations of the company concerning its internal affairs such as shares, general meetings, voting rights, director and auditor, distribution of dividends, dissolution etc. It is one of the most important corporate documents, the content of which is determined and approved by the statutory meeting or the general meeting of shareholders with a special resolution (if later amended). A company may choose to either adopt its own Articles of Association or refer to the relevant provisions of the CCC.

Registered Capital

In general, the registered amount of the capital should be respectable enough and adequate for the intended business operation. The registered capital will be divided into shares with the same par value, which must not be less than THB 5 (Five Thai Baht) per share. All shares must

be subscribed, and at least 25% (twenty-five percent) of the subscribed shares must be paid up. If the company intends to employ foreigners, the minimum registered capital requirements for applying work permit may also apply. The company must have registered capital of not less than THB 2 Million (two million Thai Baht) with fully paid-up capital for each 1 (one) foreign employee, or THB 4 Million (four million Thai Baht) share capital for 2 (two) foreign employees, or THB 6 Million (six million Thai Baht) for 3 (three) foreign employees respectively.

Directors

A company shall be managed by at least 1 (one) individual director under the control of the general meeting of shareholders. There are currently no general restrictions on the nationality of directors who control a Thai private limited company in Thailand. Therefore, a foreigner can be a sole director of the company. By law, foreign directors and Thai directors are not treated differently. However, foreign directors need a work permit to work in Thailand in order to manage a company by all lawful means necessary within the scope stipulated in the Memorandum of Association, Articles of Association, the resolutions of shareholders' meetings, and applicable Thai laws. Thus, foreign directors residing abroad should pay attention and apply for a work permit to work in Thailand even if they only intend to attend a meeting or training. Under Thai law, it specifies only the requirements of director and the board of directors for companies (without having supervisor or board of supervisors). Therefore, a company in Thailand is not required to have supervisor or board of supervisors which is subject to each company's management policy and organization chart.

Shareholders and Shareholders Meeting

Every company is required to hold the annual general meeting ("**AGM**") annually. The extra-general meeting ("**EGM**") shall be held upon being called by the directors or one-fifth of the shareholders.

Notice of every general meeting of shareholders shall be published at least once in a local paper and be sent to every shareholder of the company by receipt acknowledge registered mail at least seven (7) days before the date of meeting unless, in case of the general meeting which has to provide a special resolution, the notice shall be published in a local newspaper and be sent to every shareholder of the company at least fourteen (14) days before the date of the meeting.

Shareholders representing not less than 25% of the capital of the company must present at the shareholders' meeting to constitute a quorum. A resolution shall be made by a majority vote; in the case of a tied vote, the Chairman of the meeting shall be entitled to a casting vote.

According to the CCC, a supermajority vote of 75% of total shares is required for passing a special resolution as required by law, i.e. amendment to the memorandum of association and articles of association, increase or decrease of registered capital, dissolution, conversion to a public company and subscription shares by payment in kind.

In addition, pursuant to Section 1171 of the CCC, the AGM shall be held within 6 months after the registration and subsequently be held every 12 months.

Share Transfer

Under the CCC, the transfer of shares must be made in writing and signed by the transferor and transferee whose signatures are certified by at least one witness (the "**Share Transfer Instrument**"); otherwise, such transfer shall be void. The Share Transfer Instrument must contain

at least (i) the names of the transferor and transferee, and (ii) the numbers of the transferred shares. The transfer of shares will become valid against the company and/or any third party only upon its registration in the share register book specifying the details of the transfer and the name and address of the transferee.

Share Registered Book

A company is required to prepare and keep a share registered book recording the history of change of shareholders. It is important to note that any share transfers shall be invalid against a company and third parties until such transfer is recorded in the share registered book. Share registered book is presumed to be correct evidence of any matters directed or authorized by the laws.

Under the CCC, in case a company fails to keep a share registered book in accordance with Section 1138 and fails to have the share registered book opened for inspection by shareholders upon their request in accordance with Section 1139, the Target Company shall be liable to a fine not exceeding THB 20,000 under Section 10 and 11 of the Corporate Criminal Act.

Share Certificate

Share certificates shall be issued and delivered by a limited company to each shareholder for the share held by him. Share certificates shall be signed by at least one of the directors and affixed with the limited company's seal; moreover, the share certificate must contain the name of the company, share number(s), the value of each share and if the shares have not been fully paid up, the paid amount of each share shall be indicated therein.

Failure to provide share certificates for the shareholders containing the particulars as specified in Section 1127 and Section 1128 would result in a fine not exceeding THB 10,000 pursuant to Section 8 of the Corporate Criminal Act.

Foreign Business Act

Thai law imposes restrictions on foreigners engaging in certain business activities. The principal law with respect to foreign participation in various business activities is the Foreign Business Act (the "**FBA**"). Under the FBA, a "foreigner" is defined as (i) a non-Thai natural person, (ii) a legal entity not incorporated in Thailand, (iii) a juristic entity incorporated in Thailand where at least 50% (fifty percent) of share capital owned by foreign individuals or entities, and (iv) a limited partnership or a registered ordinary partnership where the managing partner or manager is a non-Thai natural person. Based on the aforesaid definition, a private limited company which is owned by majority Thai nationals and/or entities with at least half of the share capital shall be considered as a Thai private limited company and is not subject to the FBA. Foreigners therefore are generally allowed to participate and own less than 50% of shares capital unless otherwise particularly prescribed in specific law, in case the Company intends to engage in any restricted businesses.

BOI Act

The Thailand Board of Investment (the "**BOI**") was set up under the Investment Promotion Act (the "**Investment Act**") for purpose of encouraging investment in Thailand through several eligible business activities under the BOI promotion. Under the Investment Act, the Thai government has granted full foreign ownership rights to foreign nationals who promised to make major investments and transfer technology to Thailand. Generally, the BOI privileges are granted for manufacturing activities as well as certain non-manufacturing activities of such activities fall within the eligible activities as listed by the BOI. However, to qualify for the BOI privileges, the

foreign nationals are obligated to transfer into Thailand the specified capital, technology and equipment technology within the period as set forth in its investment promotion certificate, and strictly comply with the specific condition as set forth in the investment promotion certificate.

Land Code

The Land Code stipulates that foreigners may acquire land by virtue of the provisions of a treaty giving the right to own immovable property, subject to the provisions of the Land Code and, subject to the limitation on rights over land for religious purposes, foreigners may acquire land for residence, commerce, industry, agriculture, burial, public charity or religion under the conditions and procedures prescribed in ministerial regulations and with the permission of the minister.

Social Security Act

The Social Security Act of B.E. 2533 (1990) (the "**Social Security Act**") in Thailand, and its amendments, established the Social Security Fund (the "**Fund**") with the objective of providing coverage for fund members under certain conditions.

The stipulations of the Social Security Act apply to every company having one or more employees. Persons insured under the provisions of the Fund include all employees from the age of 15 years up through those not over 60 years.

A company having one or more employees must register with the Social Security Office ("**SSO**") for the Fund within 30 days after hiring the first employee. If the company increases the number of employees, it must submit a new employee registration form for each new employee.

Workmen Compensation Fund

The Workmen's Compensation Fund was established under the Workmen's Compensation Act, B.E. 2537 (1994) ("**WCA**") to ensure that adequate compensation is paid when workers are injured, become ill, or die as a result of their work, or as a result of illnesses arising out of the nature or conditions of the work, or as the Department of the Interior may prescribe. This objective will be achieved by requiring employers to register with and contribute to the Workmen's Compensation Fund and by having the Department of Labour Protection and Social Welfare pay the above compensation that employers are required to pay under the Occupational Safety and Health Act instead of employees. The contribution rate should be 0.2% – 1%.

Labor Protection Act

The Thailand Labour Protection Act ("LPA") is a comprehensive law that sets out the rights and obligations of employers and employees in the workplace. It aims to protect the welfare of workers and ensure fair treatment.

Under section 108 of the Labour Protection Act, B.E. 2535 (1992) ("**LPA**"), the Target Company shall formulate and implement the work rules in Thai language upon the date the employer employed more than ten (10) employees and shall disclose such work rules at the working place of the employee. As from 4 April 2017, the work rules are not required to submit to the Labour Department in accordance with the Order of the Head of the National Council for Peace and Order No. 21/2017 dated 4 April 2017 Governing Amendment of Laws for Ease of Doing Business.

Foreigners' Working Management Emergency Decree

Pursuant to Section 8 of the Foreigners' Working Management Emergency Decree B.E. 2560 (2017), a foreigner shall not carry out any work prescribed in the Notification issued under section 7 paragraph one or carry out any work without a work permit.

The Revenue Code

The principal law with respect to tax implication in Thailand is the Revenue Code of Thailand (the "**RC**") governed by the Revenue Department.

Corporate Income Tax ("CIT")

According to the RC, in general, a company is subject to the CIT rate of 20 % on net profit. In addition, with respect to Small Medium Enterprises (**SMEs**) which a company has its paid- up registered capital at the end of the accounting period of not exceeding THB 5 Million and having annual revenue from business operation not exceeding THB 30 Million per annum shall be entitled to reduction of CIT in which it will be exempted from CIT for the net profit not over THB 300,000, and it will be subject to 15% CIT on net profit ranging from THB 300,001 – 3,000,000, and 20% CIT on net profit exceeding THB 3,000,000.

Value Added Tax ("VAT")

VAT is an indirect consumption tax levied on the supply of goods and provision of services by a VAT operator and on the import of goods or services. Any person (individual or juristic entity) who conducts business in Thailand and its annual turnover exceeds THB 1.8 Million is required to register to be a VAT operator. A VAT operator is required to comply with VAT requirements per the Revenue Code. Only a registered VAT operator is entitled to claim for prepaid VAT credit or VAT refund.

There are also other applicable taxes, for example, the excise tax, withholding tax, special business tax, land and building tax and stamp duty, etc. A company is required to file tax returns to the Revenue Department on a regular basis, including monthly, annual and semi-annual reports.

OVERVIEW

The history of the Company can be traced back to the 1970s when the predecessor of the Company was founded. The Company was later established as a joint stock company in December 1992 as a result of the restructuring of the former Chaozhou Radio Ceramic Parts Factory (潮州市無線電瓷件廠). In December 2014, the A Shares of the Company were listed on the ChiNext of the Shenzhen Stock Exchange under the stock code 300408.SZ.

The Company has focused on electronic ceramic materials and components for over fifty-five years. Consistently centered on our core business in ceramic materials, the company has grown into a company in electronic ceramic materials and components, according to Frost & Sullivan.

MILESTONES

The following sets out the summary of the Company's key business development milestones:

Year	Milestone
1992	The Company was established as a joint stock company.
1996	The Company invested in the production of alumina ceramic substrates for chip resistors, marking its entry into the upstream basic materials sector of the electronics industry chain.
2000	The Company started the research of MLCCs products.
2001	The Company developed ceramic components for optical communications, expanding its product portfolio from electronic applications into the optical-communications sector.
2005	The Company developed SOFC electrolyte substrates, entering the new-energy applications sector.
2006	The Company started the research and development of PKGs, providing core material for crystal oscillator devices.
2009	The Company developed aluminum nitride ceramic substrates, delivering high-efficiency thermal-management solutions for semiconductor power modules. The Company established Nanchong Three-Circle, expanding its production base to Sichuan Province.
2013	The Company established its own research institute, providing a powerful platform for the Company's technological innovation.
2014	The A Shares of the Company were listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300408.SZ).

Year	Milestone
2015	The Company was ranked 7th in the List of Top 100 Key Enterprises in China's Electronic Components Industry circulated by China Electronic Components Association.
2016	The Company was identified as a National Enterprise Technology Center (國家企業技術中心) by National Development and Reform Commission (國家發展和改革委員會).
2017	The Company completed the acquisition of Vermes Germany, further expanding its international market presence.
2019	The Company established Glory Winner as its wholly owned subsidiary in Thailand, further improved its overseas production capacity.
2020	The Company completed the private placement of A Shares with proceeds raised for the technology upgrade project for expanding production of MLCCs for 5G communication and industrialization project of ceramic capillaries for semiconductor chip packaging.
2021	The Company established Deyang Three-Circle, a wholly owned subsidiary of the Company in the PRC, marking further enhancement of the Company's production capacity potential. The Company completed the private placement of A Shares with proceeds raised for the expansion project of the high-capacitance MLCC production capacity and the construction project of its Shenzhen research and development base.
2022	The Company established the Suzhou R&D center and the Chengdu R&D center as its key R&D regional hubs in East and Southwest China, respectively. The Company's fiber optic ceramic ferrules and ceramic substrates for chip resistors were awarded as Single-Item Champion Product by Ministry of Industry and Information Technology of PRC.
2023	The Company launched precision ceramic structural components, entering the field of pan-semiconductor equipment structural parts. The Company developed ceramic hip components.
2024	The Company was recognized as Top 100 Key Enterprises in China's Electronic Components Industry by China Electronic Components Association.
2025	The Company was recognized as National Advanced Collective of the Industrial and Information Technology System by Ministry of Industry and Information Technology of PRC.

MAJOR SUBSIDIARIES

The following sets out the principal business activities, place of establishment/incorporation and date of establishment/incorporation of the Company's subsidiaries that made a material contribution to the Group's results of operations during the Track Record Period.

Name of subsidiary	Place of establishment/ incorporation	Date of establishment/ incorporation	Equity interest attributable to the Company	Principal business activities
Nanchong Three-Circle.	The PRC	May 11, 2009	100%	Research, manufacture and sales of electronic and ceramic materials, electronic components and telecom components
Deyang Three-Circle . .	The PRC	March 26, 2021	100%	Research, manufacture and sales of electronic components, electronic and ceramic materials and telecom components
Hong Kong Three-Circle	Hong Kong	August 20, 2007	100%	Import and export trade of electronic components, electronic and ceramic materials, telecom components
Vermes Germany	Germany	September 14, 2009	100%[Note]	Research, manufacture and sales of piezo micro-dispensing systems
Glory Winner	Thailand	July 12, 2019	100%	Manufacture and sales of electronic components, electronic and ceramic materials, telecom components

Note:

The Group acquired 96% of shares of Vermes Germany and its subsidiaries before 2022. In 2023, the Group further acquired the remaining 4% shares of Vermes Germany. As of the Latest Practicable Date, Vermes Germany is a wholly-owned subsidiary of the Group.

MAJOR SHAREHOLDING CHANGES OF THE COMPANY

Establishment and Early Development

(1) Establishment of the Company

On December 10, 1992, the Company was established under the laws of the PRC as a joint stock company with an initial registered capital of RMB60,000,000, as a result of the restructuring of the former Chaozhou Radio Ceramic Parts Factory (潮州市無線電瓷件廠).

Upon completion of the subscription by the then promoters and an adjustment to the Company's registered capital, the Company was held by Chaozhou State-owned Assets Administration Office (潮州市國有資產管理辦公室) as to 36.37%, China Industrial and Commercial Bank Guangdong Provincial Trust & Investment Company (中國工商銀行廣東省信託投資公司, "**CICB Guangdong Trust & Investment**") as to 5%, Chaozhou Jinxin Real Estate Development Industrial Company (潮州市金信房地產開發實業公司, "**Jinxin Real Estate**") as to 5% and the then employees as to 20%.

(2) Equity transfers from May 2000 to April 2001

In May 2000, Jinxin Real Estate transferred all its shareholdings in the Company to Tririver Investment at the consideration of RMB2.5 million. Jinxin Real Estate ceased to be a Shareholder of the Company.

In July 2000, CICB Guangdong Trust & Investment transferred all its shareholdings in the Company to Chaozhou Leide Hi-tech Ceramics Co., Ltd. (潮州市雷德高科陶瓷有限公司) at the consideration of approximately RMB11.38 million. CICB Guangdong Trust & Investment ceased to be a Shareholder of the Company.

In April 2001, Chaozhou State-owned Assets Administration Office transferred all its shareholdings in the Company to Tririver Investment at the consideration of approximately RMB36.2 million. Chaozhou State-owned Assets Administration Office ceased to be a Shareholder of the Company.

The considerations for the above equity transfers were determined based on arm's length negotiation between the parties and the equity transfers have been duly settled and completed in accordance with applicable PRC laws and regulations.

(3) Capital Increases between 2005 to 2014

Between 2005 and 2014, the Company underwent several rounds of capital increases and capitalization of reserves, upon completion of which its registered capital increased to RMB382,800,000.

Our PRC Legal Advisor is of the view that, based on the confirmation letters from the Guangdong Provincial People's Government, the Company's establishment and historical equity changes as set out above have been carried out in compliance with requisite legal procedures and are true, lawful, and effective.

Listing on the ChiNext of the Shenzhen Stock Exchange in 2014

In December 2014, the A Shares of the Company were listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300408.SZ) (the "**A-Share Listing**").

The Company offered a total of 46,000,000 A Shares under the A-Share Listing, representing 10.7% of the Company's enlarged share capital immediately following the completion of the A-Share Listing. Immediately upon the completion of the A-Share Listing, the share capital of the Company increased to RMB428,800,000.

Upon completion of the A-Shares Listing, the registered share capital of our Company reached 428,800,000 Shares, of which approximately 40.75% was directly and indirectly (through Tririver Investment) held by Mr. Zhang.

Capital Increase, Adoption of Employee Share Incentive Schemes and Repurchase of A Shares

In May 2015 and April 2016, the Company increased its registered share capital by converting capital reserves into share capital.

In September 2015, September 2016, December 2017 and November 2018, the Company implemented two employee share incentive schemes, under which the Company issued and granted restricted A Shares to eligible employees in four tranches.

From November 2016 to May 2020, the Company repurchased and cancelled certain unvested restricted A Shares previously granted under these employee share incentive schemes.

Upon completion of above changes in the Company's share capital, the total issued share capital of the Company became RMB1,737,872,522.

Private Placement of A Shares in 2020

As approved by the extraordinary general meeting in March 2020 and the CSRC in September 2020, the Company conducted a private placement of its A Shares to raise funds for the technology upgrade project for expanding production of high-quality MLCCs for 5G communication and industrialization project of ceramic cutting tools for semiconductor chip packaging (the "**2020 A Share Placement**").

A total of 79,033,430 A Shares were issued to 11 investors who are Independent Third Parties under the 2020 A Share Placement, with net proceeds raised of approximately RMB2,153.6 million. Following the completion of the 2020 A Share Placement, the Company's total issued share capital increased to RMB1,816,905,952.

Private Placement of A Shares in 2021

As approved by the general meeting in June 2021 and the CSRC in October 2021, the Company conducted a private placement of its A Shares to raise funds for the Group's capacity expansion project of MLCC and construction project of Shenzhen Three-Circle research and development institute (the "**2021 A Share Placement**").

A total of 99,591,419 A Shares were issued to 20 investors who are Independent Third Parties under the 2021 A Share Placement, with net proceeds raised of approximately RMB3,879.8 million. Following the completion of the 2021 A Share Placement, the Company's total issued share capital increased to RMB1,916,497,371.

MATERIAL ACQUISITION, MERGER AND DISPOSAL

Throughout the Track Record Period and up to the Latest Practicable Date, the Company did not conduct any material acquisition, merger or disposal.

LISTING ON THE CHINEXT OF THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE H SHARE [REDACTED]

Since December 2014, the A Shares of the Company have been listed on the ChiNext of the Shenzhen Stock Exchange. The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there had been no instances of material non-compliance of the Company with the applicable rules of the Shenzhen Stock Exchange and other applicable PRC securities laws and regulations. To the best knowledge of the Directors, there are no material matters in relation to the compliance record of the Company on the Shenzhen Stock Exchange that should be brought to the attention of the Stock Exchange or potential investors of the **[REDACTED]**. The PRC Legal Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, there had been no instances of material non-compliance of the Company with the applicable rules of the Shenzhen Stock Exchange and other applicable PRC securities laws and regulations. Based on the independent due diligence conducted by the Sole Sponsor and the PRC Legal Advisor's view above, no material matter has come to the Sole Sponsor's attention that would cause them to disagree with the Directors' confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

The Company seeks to **[REDACTED]** its H Shares on the Stock Exchange to deepen its strategic layout of globalization, broaden its overseas financing channels, support overseas project development, and enhance its core competitiveness. See "Business — Our Strategies" and "Future Plans and Use of **[REDACTED]**" in this document for more details.

PUBLIC FLOAT AND FREE FLOAT

Pursuant to Rules 8.08(1) and 19A.13A of the Listing Rules, as the Company has Shares apart from the H Shares for which the **[REDACTED]** is sought, the H Shares for which the **[REDACTED]** is sought that are held by the **[REDACTED]**, at the time of the **[REDACTED]**, must (a) represent at least 10% of the Company's total number of issued Shares (excluding treasury shares); or (b) have an expected market value of not less than HK$3 billion.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), 1,916,497,371 A Shares held by all Shareholders of all A Shares (including 5,133,800 A Shares repurchased by the Company pursuant to the repurchase mandates approved by the Board) will not be counted as part of the public float, representing **[REDACTED]**% of the then issued share capital of the Company.

The total number of the H Shares to be issued pursuant to the **[REDACTED]** represents approximately **[REDACTED]**% of the total issued share capital of the Company (assuming the **[REDACTED]** is not exercised and excluding 5,133,800 A Shares repurchased by the Company as treasury shares as of the Latest Practicable Date). It is expected that upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised), based on an **[REDACTED]** of (i) HK$**[REDACTED]** per Share (being the minimum **[REDACTED]** of the indicative **[REDACTED]** range), the market capitalization of our Shares immediately upon **[REDACTED]** is expected to be HK$**[REDACTED]**; (ii) HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range), the market capitalization of our Shares immediately upon **[REDACTED]** is expected to be HK$**[REDACTED]**; and (iii) HK$**[REDACTED]** per Share (being the maximum

[REDACTED] of the indicative **[REDACTED]** range), the market capitalization of our Shares immediately upon **[REDACTED]** is expected to be HK$**[REDACTED]**, thereby satisfying Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules.

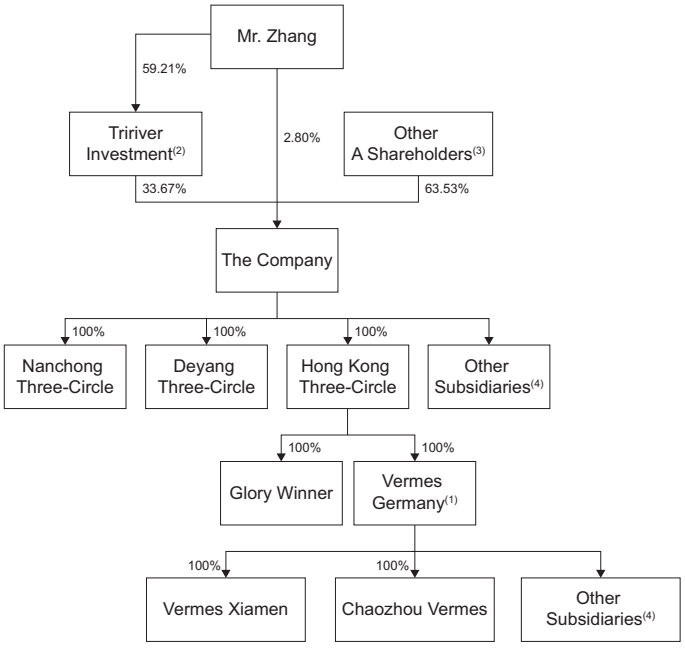
Pursuant to Rules 8.08A and 19A.13C(2) of the Listing Rules, as the Company has Shares apart from the H Shares for which the **[REDACTED]** is sought, the portion of H shares for which **[REDACTED]** is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of **[REDACTED]**, must: (a) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of **[REDACTED]** (excluding treasury shares), with an expected market value at the time of **[REDACTED]** of not less than HK$50,000,000; or (b) have an expected market value at the time of **[REDACTED]** of not less than HK$600,000,000.

Immediately upon completion of the **[REDACTED]**, assuming that **[REDACTED]** H Shares are issued to the Cornerstone Investors under the Cornerstone Placing set forth in "Cornerstone Investors" of this document (calculated based on an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the low end of the indicative **[REDACTED]** range), the expected market value of the H Shares held by the public and not subject to any disposal restrictions at the time of the **[REDACTED]** will be HK$**[REDACTED]**, which is not less than HK$600,000,000. As such, the Company will satisfy the free float requirement of the Listing Rules.

CORPORATE STRUCTURE

Corporate Structure Immediately Before the [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group immediately before the **[REDACTED]**:



Notes:

(1) As of the Latest Practicable Date, Vermes Germany was indirectly wholly owned by the Company through several of the Company's wholly owned subsidiaries.

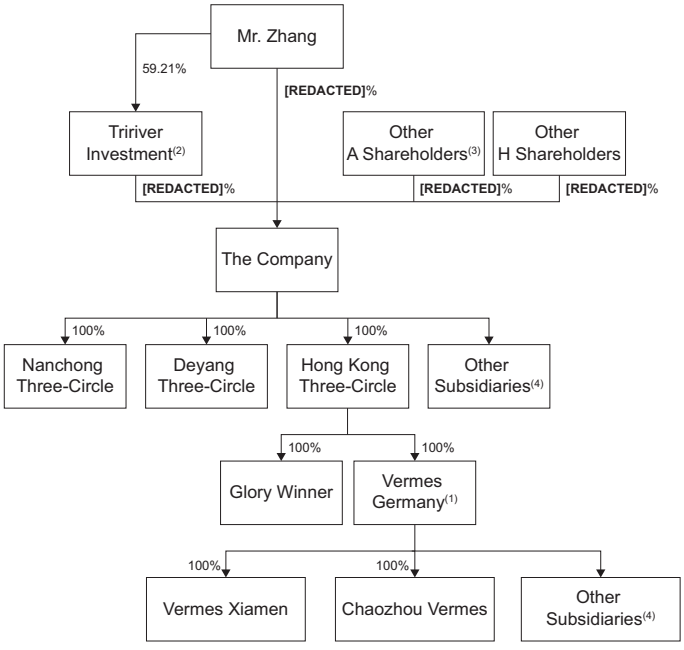
(2) As of the Latest Practicable Date, Mr. Zhang held 59.21% equity interest in Tririver Investment. The remaining 40.79% interest was held by 23 individuals, who are Independent Third Parties, each holding less than 10% interest.

(3) As of the Latest Practicable Date, 5,133,800 A Shares were held by the Company as treasury shares, which did not carry any Shareholders' rights, including but not limited to voting rights at the Shareholders' meeting and dividend rights.

(4) Other subsidiaries include (1) 14 wholly-owned subsidiaries established in various jurisdictions as of the Latest Practicable Date, (2) Guangdong Advanced Ceramic Materials Technology Co., Ltd. (廣東省先進陶瓷材料科技有限公司), which was owned as to 86.23% directly and indirectly by the Company, 5.39% as to Guangdong Sitong Ceramics Co., Ltd. (廣東四通陶瓷有限公司), an Independent Third Party, 2.69% as to Tu Rong (塗溶), an Independent Third Party, 2.69% as to Wuhan University of Technology Industry Group Co., Ltd. (武漢理工大產業集團有限公司), an Independent Third Party, 1.99% as to Chen Yun (陳雲), an Independent Third Party and 1% as to Guangdong University of Technology Asset Management Co., Ltd. (廣東工大資產經營有限公司), an Independent Third Party, respectively, and (3) VERMES Microdispensing India Pvt. Ltd., which was owned as to 99.99% by the Company and 0.01% by Stefan Michael Hirte, the general manager of VERMES Microdispensing India Pvt. Ltd.

Corporate Structure Immediately After the [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group immediately after the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



Notes:

(1)–(4) See "— Corporate Structure — Corporate Structure Immediately Before the **[REDACTED]**" in this section.

OVERVIEW

Who We Are

We focus on electronic ceramic materials and components, with over fifty-five years of operating history. We have concentrated on electronic ceramic materials and components throughout our history. We have built a product portfolio across four categories — electronic and ceramic materials, electronic components, telecommunication ("**telecom**") components and equipment components — forming a business framework that spans foundational materials, critical components and high-end devices and assemblies across key application areas including telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy and intelligent industrial control.

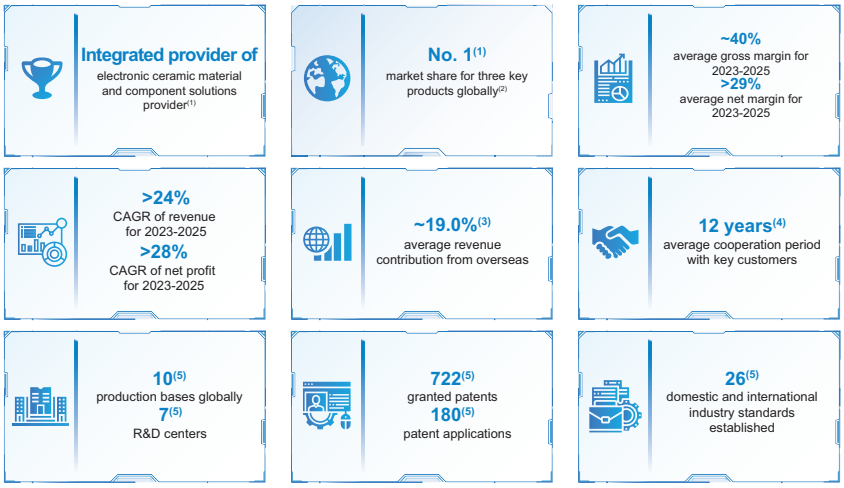
We operate an integrated business model across materials and processes. Specifically, we possess solid R&D capabilities in critical upstream raw materials formulations and implement iterative optimization of technological processes of key manufacturing stages. At the same time, we have large batch production capabilities with high-standard quality control, reinforcing core advantages in supply and cost controllability.

Our R&D organization includes research institutes and business-unit technical teams, covering raw material formulation as well as forming and sintering processes. We hold numerous patents and participate in formulation and revision of various industry standards. We seek to translate materials and process R&D into manufacturable product platforms. Regarding production, we have multiple domestic production bases and strategic overseas sites enabling cross-base capacity allocation, complemented by a sales network covering key global markets.

With respect to customers, we maintain long-term relationships with key customers across our primary end markets, integrating localized services with global standards to strengthen customer stickiness.

We have developed a diversified product portfolio that integrates mature product lines with high-growth potential offerings. This matrix enables us to stabilize our revenue base while capturing growth opportunities across core business scenarios. Regarding management, our experienced and stable management team, together with a system covering systems, mechanisms and culture, provides strong support for our continued focus on the electronic ceramic materials business.

We have achieved recognized milestones within electronic ceramic materials and components industry:



Notes:

(1) According to Frost & Sullivan;

(2) Alumina ceramic substrates, ceramic ferrules and sleeves, and SOFC electrolyte sheets, in terms of revenue in 2025, according to Frost & Sullivan;

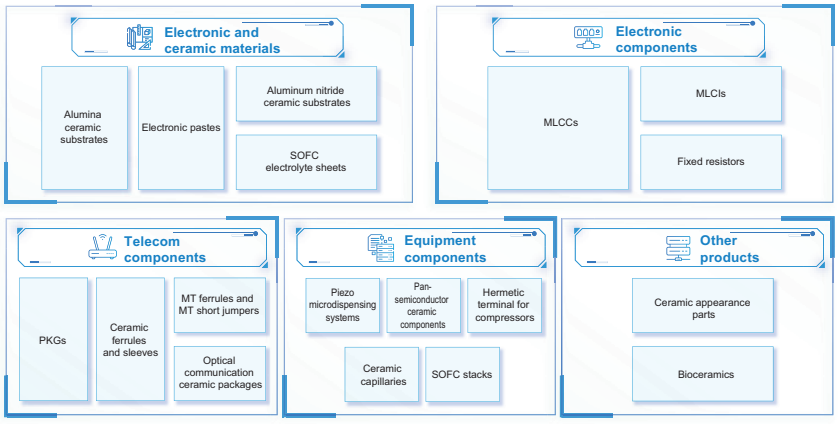
(3) During the Track Record Period;

(4) Average length of our business relationships with our top five customers during the Track Record Period, calculated for each year respectively, based on the number of years we have cooperated with those customers;

(5) As of December 31, 2025.

Our Business Lines

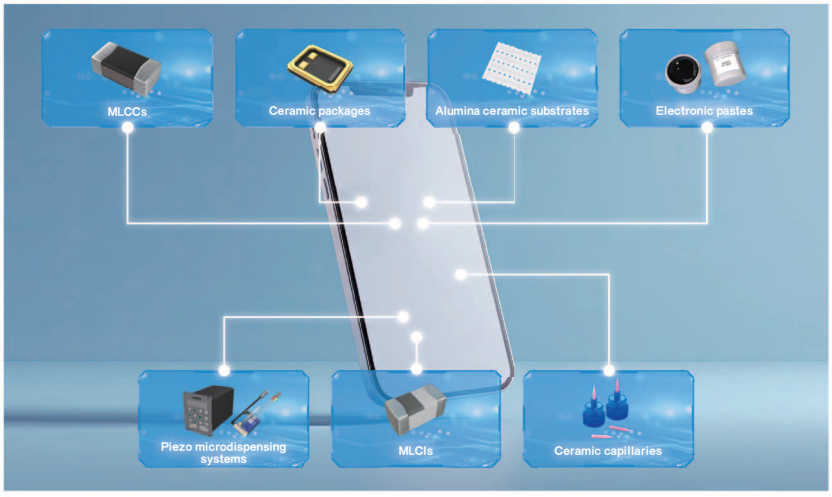
We offer a diversified portfolio of products comprising four principal categories: (i) electronic and ceramic materials, (ii) electronic components, (iii) telecom components, and (iv) equipment components.



Our products are used across a range of end devices and infrastructure, including automobiles, smartphones, data centers and telecom base stations.

Automobile

Smartphone



Data Center

Telecom Base Station

Electronic and Ceramic Materials

We focus on upstream foundational materials for the electronics value chain. Our portfolio includes alumina (aluminum oxide) ceramic substrates, aluminum nitride ceramic substrates, electronic pastes and solid oxide fuel cell ("**SOFC**") electrolyte sheets.

As core upstream materials, these products are deployed across consumer electronics, automotive electronics and new energy applications. Together, these products support electronic component manufacturing and new-energy fuel cell applications. In particular:

- alumina ceramic substrates are used as base materials for chip resistors in consumer electronics, providing electrical insulation, heat dissipation and mechanical support;

- electronic paste series — including resistive, mask, conductor and G2 encapsulated pastes — are used for electrode printing in precision electronic components; and

- SOFC electrolyte sheets enable oxygen-ion transport while isolating fuel and oxidant, facilitating direct electrochemical conversion of chemical energy to electricity under high-temperature conditions and serving as a core component for SOFCs.

Electronic Components

Our electronic components portfolio comprises multilayer ceramic chip capacitors ("**MLCCs**"), multilayer ceramic chip inductors ("**MLCIs**") and fixed resistors. Capacitors, inductors and resistors are foundational passive components broadly used across electronic circuits. MLCCs are currently the primary revenue driver within this category. Leveraging our technical capabilities accumulated over the years and our continued investment in R&D, we have expanded our product lineup and scaled up supply to support diverse applications, while supplying MLCCs, MLCIs and resistors in a coordinated manner to meet customers' one-stop procurement service needs and enhance the compatibility of multi-category components.

Demand growth has been supported by technology iteration and application upgrades, particularly in AI and data centers and automotive electronics, according to Frost & Sullivan. This has increased requirements for high-end passive components.

We focus on technology, delivery, customer access and capacity:

- ***Technology***. Our high-end MLCCs have achieved a dielectric layer thickness of approximately one micrometer and stacking layers exceeding 1,000, laying the foundation for our entry into advanced application scenarios including AI data centers, automotive electronics and semiconductors.

- ***Delivery***. We rely on highly automated, end-to-end production to support the delivery of large orders with stable quality.

- ***Customers***. We have obtained certifications from key customers across various core downstream scenarios.

- ***Capacity***. We have expanded our production capacity as our orders increase and have achieved large-scale mass production.

We believe that our success in these aspects enables us to benefit from industry growth and market share gains.

Telecom Components

We focus on core needs in optical communication components and semiconductor-related packaging, and have formed a diversified product matrix covering optical interconnects, packaging parts as well as crystal oscillator packaging. Our portfolio includes ceramic ferrules and sleeves, ceramic packages ("**PKGs**"), mechanical transfer ("**MT**") ferrules and MT short jumpers, and optical communication ceramic packages. These products correspond to different key nodes in the communications value chain and together constitute our comprehensive supply capabilities in telecom, AI and data centers, and semiconductor manufacturing and packaging.

Our telecom component product offering is a core lever for consolidating our position in optical communications while expanding into semiconductor manufacturing and packaging.

- Ceramic ferrules and sleeves provide high-precision alignment to reduce signal loss for high-speed broadband access, enabling precise fiber mating and serving fiber-to-the-home ("**FTTH**"), 5G telecom base stations and data centers.

- In response to the high-density, high-bandwidth interconnect needs arising from the rapid growth of AI and data centers. MT ferrules and MT short jumpers offer low-latency, high-reliability optical communication solutions and act as key enablers of the digital economy.

- Meanwhile, our PKGs address the high hermeticity and stability packaging requirements of crystal oscillator whose downstream applications span automobiles, smartphones, telecom base stations and laptops.

As end devices in segments such as automotive and IoT continue to become more intelligent and connected, demand for crystal oscillator is increasing, which in turn supports sustained growth in PKG demand, according to Frost & Sullivan.

Our telecom components have established notable competitiveness.

- According to Frost & Sullivan, our ceramic ferrules and sleeves accounted for approximately 70% of the global market in terms of revenue in 2025;

- According to Frost & Sullivan, our PKGs accounted for approximately 40% of the global market in crystal oscillator packaging in terms of revenue in 2025;

- Our MT ferrules and MT short jumpers as well as optical communication ceramic packages are gradually entering the supply chains of high-speed optical modules and high-end optical devices.

Equipment Components

Our equipment components portfolio includes piezo microdispensing systems, pan-semiconductor ceramic components, hermetic terminal for compressors, ceramic capillaries and SOFC stacks. Drawing on accumulated core technologies in materials formulation and forming capabilities, we provide products that address localization and energy-transition needs while also serving steady industrial demand.

These products are used across several areas such as semiconductor manufacturing and packaging, new energy and intelligent industrial control.

- Hermetic terminal for compressors deliver high hermetic sealing and dielectric strength for compressors used in air conditioners, refrigerators and vehicles;

- Ceramic capillaries are bonding tools used in wire bonders for semiconductor packaging;

- SOFC stacks extend from our SOFC accumulated expertise in this field and are designed for distributed power generation;

- Pan-semiconductor ceramic components meet the high requirements for purity and precision by advanced manufacturing; and

- Piezo microdispensing systems fulfill precision dispensing requirements in industrial automation and robotics.

Other Products

Beyond our core product offerings, we leverage materials and process know-how to extend product development into additional applications, primarily including ceramic appearance parts and bioceramics. These extensions complement our core product portfolio and broaden our market opportunities.

Our Growth Opportunities

We operate in industries and markets in which demand growth has been supported by technological iteration and application upgrades. This has consistently increased requirements for high-end passive components. According to Frost & Sullivan, the global markets for core electronic ceramic materials, core ceramic electronic components, core ceramic telecom components and core ceramic equipment components are projected to grow from 2026 at a CAGR of 11.6%, 7.2%, 9.2% and 11.9%, to reach RMB43.1 billion, RMB256.8 billion, RMB75.9 billion and RMB98.6 billion by 2030, respectively. We believe the key growth drivers of our business include:

- ***Demand and scenario upgrades in downstream sectors***. Telecom, AI and data centers, consumer and automotive electronics, semiconductors, new energy, and intelligent industrial control are simultaneously upgrading, driving higher volumes and tighter performance requirements. This underpins sustained, multi-year industry growth.

- ***Higher material performance requirements and functional integration***. High-end scenarios demand higher thermal conductivity, dielectric stability, purity, and reliability under extreme conditions. In parallel, ceramics are integrating multiple functions such as heat dissipation, structural strength, and electrical performance to support miniaturized, compact product designs.

- ***Fundamental R&D and cross-sector innovation***. Foundational materials science combined with application know-how in semiconductors, new energy, and healthcare — often through industry-academia collaboration — accelerates lab-to-fab transfer, breaks performance bottlenecks, and opens new use cases.

- ***Domestic substitution and global-local operating models***. Policy support and strong local demand accelerate domestic substitution across materials, components, and equipment, expanding market share for domestic players. Backed by domestic industrial clusters, overseas manufacturing sites, and local technical service teams,

our global network, paired with customized regional adaptation strategies, enhances compliance efficiency, optimizes cost structure, shortens delivery lead times, and mitigates potential trade and policy risks.

Our Management and Corporate Culture

With over half a century of commitment in electronic ceramics, we have developed a management and corporate culture aligned with our materials-centric business approach. Such approach anchors strategic direction in core values while relying on institutionalized management to support execution efficiency.

On operations, we focus on our principal business with a disciplined and pragmatic approach. We leverage digital systems to connect end-to-end operating processes and use standardization to support efficiency. Our performance assessments and incentive mechanisms are results-oriented and emphasize both steady achievement of business objectives and collaborative capability building across teams. Dedicated mechanisms are in place to encourage R&D innovation, reinforcing a virtuous cycle between technology advancement and talent development.

Culturally, we not only emphasize respect for professionalism and commitment to quality, promote the collaborative sharing and reuse of technology and resources with an open mindset, but also attach importance to building a growth platform for employees, forging team synergy while supporting individual development.

These practices align with our long-term objectives: to provide solutions that address customer requirements, to build development pathways for employees, to create value for shareholders, and to contribute to society. We aim to embed steady growth and pursuit of excellence into daily operations to navigate industry cycles and market changes.

We value long-term support from shareholders and investors. Since the listing of our A Shares on the ChiNext of the Shenzhen Stock Exchange in December 2014, we have maintained a relatively high dividend payout. As of December 31, 2025, our cumulative cash dividends since the listing of our A Shares totaled RMB4,803.5 million. Our dividend payout ratios (calculated as cash dividends declared for the relevant year divided by net profit attributable to the parent) were 33.9%, 33.2% and 32.8% for 2023, 2024 and 2025, respectively. In addition, we have implemented share repurchase programs in response to market dynamics to further enhance shareholder returns. We launched our first share repurchase program in April 2025. As of the Latest Practicable Date, the total amount used for share repurchases reached RMB175.4 million and our share repurchase program had been completed.

Financial Performance

Since the listing of our A Shares on the ChiNext of the Shenzhen Stock Exchange in 2014, we have recorded steady revenue growth and maintained solid profitability. Our revenue was RMB5,681.5 million, RMB7,266.1 million and RMB8,868.5 million in 2023, 2024 and 2025, respectively. Our gross profit was RMB2,154.1 million, RMB2,975.3 million and RMB3,542.8 million for the same years. Our net profit was RMB1,583.2 million, RMB2,190.2 million and

RMB2,617.0 million, and our net cash generated from operating activities was RMB1,719.0 million, RMB2,403.1 million and RMB2,877.6 million for the same years, respectively. We believe these results reflect our capability in sustainable value creation over the long term.

OUR STRENGTHS

A participant in electronic ceramic materials and components, with multiple core products maintaining substantial global market shares

With over fifty-five years of deep focus on ceramic materials, we have multiple core products that, protected by strong technological moats and scale advantages, maintain positions in global markets. According to Frost & Sullivan, our ceramic ferrules and sleeves account for approximately 70% of the global market in terms of revenue in 2025, reflecting our technological capabilities and scale advantages; our alumina ceramic substrates account for over 50% globally, with our product performance and supply stability widely recognized by chip resistor manufacturers worldwide. Our ceramic packages for crystal oscillators have addressed a domestic gap and account for over 40% of the global market, establishing us as a global supplier and serving as a key enabler for the localization of crystal oscillator packaging. As a major global manufacturer of SOFC electrolyte sheets, we supply international fuel cell companies and are an indispensable core material supplier in the global fuel cell value chain.

We have achieved a critical leap from R&D breakthroughs to volume production, emerging as a core force disrupting the dominant position of overseas manufacturers and ensuring the autonomy and controllability of the domestic supply chain. In MLCCs — a high-end segment previously reliant on imports in China — we have achieved advances in dielectric thinning, reducing the dielectric layer thickness to approximately one micrometer, and scaled up stacking layers to over 1,000, covering mainstream case sizes and offering full-series product support. Our MLCCs have obtained qualification certifications from multiple benchmark customers, and the application of our MLCCs has expanded from traditional home appliances and consumer electronics to higher-end scenarios such as automotive electronics, telecom base stations and AI servers. According to Frost & Sullivan, against a backdrop of sustained demand for high-end capacitors and accelerated domestic substitution, the addressable market is substantial.

In semiconductor packaging consumables, ceramic capillaries were historically imported. Leveraging our ceramic material and ultra-precision machining capabilities, we have achieved volume production and entered the supply chains of leading global OSATs, thereby strengthening the domestic supply capacity of critical consumables in semiconductor industry chain. Building on our technical expertise in ceramic materials and ultra-precision machining, we have continued to expand into pan-semiconductor ceramic components and bioceramics, broadening the scope of localization.

Our role within China's advanced ceramic materials sector has been recognized with multiple national-level qualifications and awards, including the National High-Tech Enterprise, National Technology Innovation Demonstration Enterprise, and China Manufacturing "Single-Item Champion" Demonstration Enterprise. We were recognized as Top 100 Key Enterprises in China's Electronic Components Industry. We have participated in the formulation and revision (including as a key contributor) of around 26 relevant domestic and international industry standards across telecom, energy and electronics as of December 31, 2025.

An integrated business layout and large-scale production capabilities jointly delivering supply chain autonomy, efficiency and resilience

We operate an integrated system centered on materials and processes. Upstream, we independently develop formulas of key raw materials such as ceramic powders and metal pastes. In core processing, we master critical processes including tape casting and reduction-atmosphere sintering. This collaborative system underpins large-scale production, enabling end-to-end autonomy and control from materials to end applications. This integrated layout reduces external dependence, mitigates cost volatility risks, enables rapid response to downstream iterative demands, and supports supply-chain stability and operating efficiency.

Our end-to-end business model enhances autonomy and strengthens our supply chain's resilience to external risks. On raw materials, we advance in-house formula R&D for key raw materials to secure stable supply at the source and achieve cost advantages. On capacity, by leveraging production bases covering major domestic clusters and key overseas markets, and supported by digital dynamic scheduling systems, we can flexibly respond to regional policy and market fluctuations, significantly improving the stability of global order execution and the overall risk resilience of the supply chain.

Our integration is designed to drive cost optimization and operational efficiency improvements. By aligning our materials and processes, we reduce process tuning losses and production downtime, improving overall throughput. Process improvement requirements feed directly into equipment iterations, creating a self-reinforcing cycle from process optimization to cost reduction.

Given the wide variety of our products and the extended process chain, we have established a large-scale manufacturing system. Standardized workflows, optimized shop-floor layouts, refined task segmentation, and specialized training and qualification for critical processes allow efficient parallel production across product families. Modular production layouts, digital management, and intelligent scheduling systems enable dynamic resource allocation among product specifications and production sites. This supports continuous production output for high-volume standard products while meeting batch delivery requirements for customized products. We have historically fulfilled peak-season demand without record of large-scale delayed deliveries.

We also emphasize cross-stage technology and process reuse to enhance product performance and facilitate collaborative innovation. Our platform covers the preparation of new ceramic and composite materials; forming methods such as extrusion, dry pressing, tape casting, and injection molding; equipment technologies including thin-film and coating technologies; and sintering techniques such as oxidizing, reducing-atmosphere, and high-temperature co-firing. We tailor raw material formulations and forming schemes to product-specific requirements, ensuring that material properties and designed structures are accurately reflected in finished products. Cross-stage reuse helps break down internal technical silos, enabling end-to-end optimization and enhancing product performance.

Our quality control is embedded throughout the entire chain, from incoming material inspection to in-process control and final product testing. For incoming materials, we implement strict sampling and consistency checks on key inputs. During production, we assign dedicated equipment, personnel, and parameters to critical processes. We monitor process parameters in

real time to enable automatic pass/fail judgment and exception alerts. These measures establish a real-time closed loop for monitoring, judging, and addressing issues promptly as they arise. All products are supported by physical error-proofing and in-process self-inspection mechanism, helping maintain consistent performance and quality across batches in large-scale production.

We implement cost management through bulk procurement of key inputs, continuous process optimization, automation upgrades, and scrap recycling, mitigating the cost complexity associated with multi-product and multi-process operations. An end-to-end cost accounting and control system supports ongoing production cost optimization during capacity expansion. From 2023 to 2025, our average gross margin remained stable at approximately 40% and our net profit margin at approximately 30%, which are significantly higher than that of the industry average for electronic ceramic materials and components, according to Frost & Sullivan.

Accumulated brand heritage and in-depth customer cultivation underpinning industry trust and long-term collaboration

Through sustained R&D breakthroughs, consistent product quality and reliable delivery, we have established a brand synonymous with technical expertise and product reliability. Our brand enjoys global recognition across key downstream sectors. We serve as a core supplier to international customers, supporting their capacity planning and enhancing their delivery efficiency.

Our customer base includes leading companies across multiple fields. For core products such as alumina ceramic substrates, ceramic ferrules and sleeves, and PKGs, the average duration of our business relationships with key customers exceeds 12 years, reflecting strong customer stickiness. Stable orders from anchor customers underpin the steady development of our business and strengthen our resilience against market volatility.

We combine technological alignment with customized services, engaging deeply in our customers' R&D processes and providing end-to-end technical support. Together with customers and ecosystem partners, we co-develop products tailored to downstream end-use scenarios, creating mutual value for customers, the broader value chain and our business.

We deploy localized technical service teams in key regions, including Germany and Thailand, enabling shorter response times. Our product lines comply with major international certifications such as IATF 16949, meeting the quality and regulatory requirements of global customers.

Our positive industry reputation improves new customer acquisition efficiency and shortens development cycles. This creates a reinforcing loop of brand strengthening, customer expansion and reputation building, supporting our sustained market position.

In-depth global network layout jointly enabling balanced cost management and market expansion

We deploy a global network that dynamically balances cost management with market expansion. We adopt a highly strategic approach to the layout of our manufacturing bases, balancing local energy resources, labor costs and customer proximity to optimize both cost efficiency and market coverage. By aligning production locations with key demand hubs, we not

only enhance our pricing competitiveness and responsiveness to customers, but also expand our global sales coverage. In parallel, our diversified overseas footprint helps hedge against geopolitical volatility, strengthening the resilience of our supply chain and ensuring more stable, reliable delivery to our global customers.

As of December 31, 2025, we operate a production network comprising 10 production bases globally under a "multiple domestic production bases + multiple strategic overseas footholds" approach. Sites are connected through digital systems for real-time coordination, enabling precise allocation of production capacity across regions.

We maintain a diversified supply chain and qualify multiple suppliers for key materials to ensure supply stability and support cost control. For materials subject to demand fluctuations or shortage risks, we adjust safety stock levels based on consumption data and forward-looking assessments to mitigate potential disruptions. Dedicated external-facing teams monitor industry developments, identify raw material-related risks, and issue timely alerts to enhance overall risk management.

Our go-to-market model emphasizes direct sales supplemented by distribution channels. Through the establishment of regional sales centers across Asia, North America and Europe, we have built an international footprint that underpins sustained and steady growth in overseas revenue.

Technical accumulation building full-chain innovation moats, linking material fundamentals to a closed loop of commercialization

Drawing on over fifty-five years of expertise in ceramic materials, we have established a dual-core R&D structure comprising research institutes and business-unit technical teams, including seven global R&D centers covering the entire innovation chain—from material mechanisms to process innovation. Our total aggregate R&D investment amounted to approximately RMB1,782.3 million from 2023 to 2025, representing a CAGR of approximately 9.4%, with our R&D expense to revenue ratio remaining above 7.0%. Our core technical team has an average industry experience exceeding 15 years; our expert boasts over 30 years of experience and has led multiple key technological breakthroughs. As of December 31, 2025, R&D personnel represented approximately 11.4% of our total workforce, laying the talent foundation for continuous technical iteration.

As of December 31, 2025, we had obtained 722 registered patents, including 200 utility model patents in the PRC, and 362 invention patents and 160 design patents in the PRC and overseas, spanning core areas such as ceramic powder preparation, precision forming, and high-temperature sintering. We have led or co-participated in approximately 26 relevant domestic and international industry standards, reinforcing our technical influence.

We align R&D priorities with market needs to accelerate the transition from technological breakthroughs to commercialization. Drawing on long-term technical accumulation and large-scale manufacturing capabilities, we have established a phased R&D mechanism of "mass-production generation, reserve generation, development generation and exploratory generation." Starting from market and customer needs, we position products ahead of market demand to enhance R&D-to-revenue conversion efficiency. Our vertical integration and

large-scale production capabilities provide key support for transitioning products from lab to stable, cost-effective mass production. In parallel, our agile market feedback mechanism supports continuous product iteration and optimization, helping to reinforce our competitiveness.

Full-scenario product matrix with synergistic resonance, fortifying multi-domain coverage edge in ceramic materials

Centered on ceramic materials, our product portfolio encompasses four major categories with over ten product types, covering core application domains including telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy, and intelligent industrial control. These domains are undergoing concurrent upgrades, which together drive growing demand for our products:

- In consumer electronics, the proliferation of IoT and AI technologies raises both performance thresholds and per-device component counts; our small-size, high-capacitance MLCCs and miniaturized PKGs are well-positioned to meet these requirements.

- In AI infrastructure, the rapid growth in data generation and processing heightens requirements for network capacity, optical interconnects, and reliable power supply. The accelerated construction of data centers has driven rising demand for ceramic ferrules and sleeves, MT ferrules and MT short jumpers, optical communication ceramic packages, and high-capacitance, high-reliability MLCCs. Given data centers' high energy consumption and constraints on traditional power capacity expansion in certain markets, such as the United States, SOFCs are recognized as a promising solution for distributed power generation, thereby driving demand for SOFC electrolyte sheets.

- In the automotive sector, the trends of electrification, intelligence, and connectivity raise requirements for the performance and volume of automotive-grade components, expanding the application scope of automotive-grade electronic components and aligning with the sector's shift toward higher-end and localized supply.

- Meanwhile, domestic substitution in the semiconductor industry, the global energy transition, and industrial automation upgrades are driving incremental and diversified demand: domestic substitution in semiconductor packaging and equipment underpins demand for ceramic capillaries and PKGs; the adoption of clean energy drives demand for SOFC electrolyte sheet applications; and upgrades in industrial control boost demand for MLCCs, piezo microdispensing systems, and ceramic substrates.

We aim to achieve effective synergy between our mature, established product lines and our strategic growth products, thereby stabilizing our revenue base, expanding incremental growth opportunities, and strengthening our resilience to industry cycles. Mature products such as alumina ceramic substrates, PKGs, and ceramic ferrules and sleeves generate stable cash flows to support continuous R&D investment and capacity expansion. MLCCs serve as a core growth engine with a continued focus on automotive-grade, high-capacitance, and high-voltage product lines, contributing to steady top-line growth and establishing itself as a central pillar of our business alongside our mature product lines.

Certain of our strategic products are advancing on multiple fronts and increasingly demonstrating growth potential, despite their relatively small current scale. SOFC electrolyte sheets have been supplied to a leading North American fuel cell company. Precision ceramic structural components have obtained qualifications for high-end scenarios in pan-semiconductor and automotive electronics and are undergoing volume shipments. Optical communication ceramic packages have passed validation with multiple key customers. MT ferrules and MT short jumpers serving high-speed optical modules have entered the supply chains of mainstream equipment vendors. Ceramic capillaries have been qualified by leading global OSATs. MLCIs have achieved breakthroughs across multiple specifications and now cover a range of part numbers. Collectively, these strategic products are expected to form a new growth cohort over time and provide strong momentum for our long-term development.

We continue to upgrade products and expand application scenarios in parallel to broaden our addressable markets. Guided by customer demand and industry roadmaps, we iterate our core products by adding new specifications and expanding into new use cases, while aligning with global industry trends and conducting forward-looking strategic planning. For example, to support domestic substitution in the semiconductor industry, we leverage our core strengths to develop precision ceramic structural components for domestic equipment platforms, addressing critical industry bottlenecks. To meet data centers' requirements for high-density, high-bandwidth interconnects, we accelerate the development of MT ferrules and MT short jumpers to enable reliable high-speed data transmission. This synergy between product iteration and scenario expansion creates a reinforcing cycle that keeps our product portfolio aligned with industry trends and supports sustained growth momentum.

Stable management team of deeply experienced industry professionals, paired with a governance system integrating inheritance and innovation

Since our founding in 1970, we have consistently focused on the core business of electronic ceramic materials. Over fifty-five years, the founders have cultivated industry insights and relationships, and their pragmatic, rigorous, focused and efficient management philosophy has guided our development throughout. The founding team established a strategic principle of "long-term intensive cultivation and technology-driven growth," ensuring the continuity and stability of our strategic direction and laying a solid foundation for sustained breakthroughs in electronic ceramic materials and components.

Our core management team is primarily internally developed, with an average industry tenure exceeding 21 years. The team possesses a deep understanding of technological iteration patterns, market demand trends and competitive dynamics, guiding our strategies across business development, R&D and manufacturing. Team members possess professional backgrounds spanning materials R&D, production operations, quality management and market development, forming a complementary and collaborative management structure that supports effective decision-making and execution in product innovation, market expansion and multi-domain deployment.

We are guided by core values of integrity and diligence, technological innovation, talent development, openness and integration, long-term prudence, and the pursuit of excellence. We have established a three-dimensional management framework of "systems–mechanisms–culture." At the systems level, we maintain a sound governance structure and internal control system. At the mechanisms level, we implement a performance-oriented

appraisal system; management KPIs cover business objective achievement, team effectiveness, and talent development, while R&D incentives are linked to technological breakthroughs. At the cultural level, we promote positive values through initiatives such as the "Three-Circle Guardians" and drive operational digitalization to achieve both compliance and efficiency.

With a focus on internal talent development, we implement one-on-one mentorship to build foundational capabilities for new employees, supplemented by tiered and role-specific training as well as rotations across core projects to enhance both professional skills and comprehensive competencies.

OUR STRATEGIES

Deepen penetration in core applications

We will expand the application boundaries of our core advantage ceramic products by developing new specifications and use cases for existing product lines. For ceramic ferrules, we plan to continue iterating on miniaturization and loss reduction to improve optical transmission efficiency. For crystal device packages, we will advance miniaturized designs to cater to the trend of smaller crystal units and extend into broader application scenarios. For electronic pastes, we will develop diversified specifications tailored to multi-industry requirements and expand beyond traditional resistor applications. For ceramic substrates, we will build on our alumina and aluminum nitride technology platforms to develop higher-performance substrates that meet evolving industry demands. For MLCCs, we will focus on miniaturization, higher capacitance, high-frequency performance, high reliability, and high-voltage capabilities, continuously iterating on performance parameters and raising reliability standards to address diversified application needs. These initiatives aim to capture incremental demand in existing markets, and increase our market.

We will deepen customized collaboration with key customers by establishing joint R&D mechanisms for each core product application scenario. By proactively engaging early in customers' product design cycles, we aim to provide integrated solutions from material selection to component adaptation thereby enhancing customer collaboration stickiness and long-term strategic alignment.

We will optimize capacity allocation across core businesses by dynamically adjusting the product mix among domestic and overseas production sites in line with global demand changes. This approach is intended to ensure timely supply of advantaged products across regions, mitigate potential fluctuations stemming from geopolitical and trade environment uncertainties, and support stable revenue growth in our core product lines.

Extend vertical industry-chain layout to strengthen end-to-end synergies

Upstream, we plan to diversify sourcing channels for key raw materials and establish long-term reserve and supply systems to further mitigate cost volatility risks and enhance supply chain autonomy and controllability.

Internally, we will build a value chain collaboration platform to integrate technologies, production capacity and customer resources across business lines. We will promote the reuse of forming and sintering technologies across products and enable flexible cross-business-line capacity allocation to enhance overall operational efficiency and resource utilization.

Enhance global brand building and ecosystem operations to strengthen brand recognition and partnership stickiness

We plan to elevate our global brand positioning and value proposition communication by emphasizing our core strengths in technology, service and value chain collaboration, transitioning from a quality product supplier to a full-scenario solutions partner for electronic ceramic materials and components. We will participate in top-tier global industry exhibitions and showcase marquee customer case studies to reinforce market recognition of our technical capabilities and solutions expertise. Leveraging our localized overseas teams, we will tailor brand content to regional market characteristics to enhance market penetration and pricing power in target geographies.

We will implement segmented customer development and customer lifecycle value optimization to address diverse needs. For key customers in each core application domain, we intend to establish strategic co-creation initiatives offering dedicated R&D support, prioritized production capacity and joint go-to-market resources, deepening partnerships from pure product supply to strategic business co-creation and increasing the revenue contribution and stability of anchor accounts. By identifying latent customer needs and pursuing cross-selling opportunities across product lines, we aim to maximize customer lifetime value.

We will establish a collaborative customer ecosystem and feedback mechanism to support mutual value creation. Through a dedicated collaboration platform, we will organize regular technical workshops and demand synchronization sessions, invite key customers to participate in new product roadmapping, and share industry trends and technological insights, forming a virtuous cycle spanning demand identification, product iteration and market expansion. A efficient feedback mechanism will collect customer inputs on product performance, delivery efficiency and service responsiveness, enabling coordinated actions across R&D, manufacturing and supply chain teams to drive continuous improvement. Together with key customers, we plan to explore downstream market opportunities and cultivate a symbiotic ecosystem that enhances the competitiveness and resilience of all stakeholders.

Upgrade global operations to capture incremental opportunities in higher-end markets

We will deepen our presence in prioritisesd overseas regions, strengthening customer coverage and application deployment of MT ferrules and SOFC electrolyte sheets in North America, and building localized supply networks for electronic components, telecom components and equipment components in Southeast Asia as well as equipment components in Europe. This will enable a global go–to–market model that aligns regional priorities with the most suitable product offerings.

We will promote overseas localization efforts by establishing technology centers and technical service teams in core markets to provide timely and responsive local support. Supported by our production bases in Thailand and Germany, we will optimize local supply chain ecosystems to reduce tariff and logistics costs, enhancing our competitiveness in overseas markets.

We will enhance global supply chain resilience by qualifying and developing regional backup suppliers for key materials, building multi-region, multi-channel supply networks. We will further develop digital overseas order management systems to achieve real-time matching of global production capacity with order demand, mitigating risks stemming from geopolitical uncertainties and supply chain volatility.

Focus on frontier R&D to build cross-domain innovation capabilities

We will advance foundational innovation in electronic ceramic materials, prioritizing the development of fundamental materials such as new ceramic powders and high-performance electronic pastes. Our objectives include overcoming technical bottlenecks in purity, stability, and functionality to drive performance upgrades of downstream products and reinforce our technology moat. We will promote the integration and application of cross-disciplinary technologies, exploring the intersections of electronic ceramic materials with fields such as semiconductors, new energy, and healthcare to cultivate new technology growth engines. We will strengthen our industry-academia-research collaboration mechanism by launching dedicated projects with leading universities and research institutes, focusing on core and critical areas to accelerate the translation of basic research into industrial applications and maintain competitive position in technological iteration.

Advance smart-manufacturing upgrades to enhance operational resilience

We plan to build an end-to-end intelligent manufacturing system. Building on our existing digital foundation, we will accelerate automation and information management, deploy industrial Internet and digital twin applications, and elevate on-site management standards. Our aim is to achieve intelligent monitoring and dynamic optimization across the full chain — from raw material input and processing to finished goods delivery — while advancing process technology capabilities, increasing production efficiency, and enhancing yield stability and product precision.

We will upgrade quality control across the value chain by introducing AI-based visual inspection and big data-driven quality analytics. Intelligent screening will be applied to incoming materials, critical in-process stages and final inspection to reduce manual detection errors, ensure product consistency and mitigate customer complaint risk.

OUR PRODUCTS

Our commitment to materials innovation has enriched our product portfolio centered around ceramics. What began with resistors has evolved into a diverse product matrix encompassing electronic and ceramic materials, electronic components, telecom components and equipment components. Our unwavering development strategy and relentless innovation position us as an industry player in delivering technologies to meet the growing and diverse demands of our customers.

The table below sets forth our revenue by product category for the years indicated.

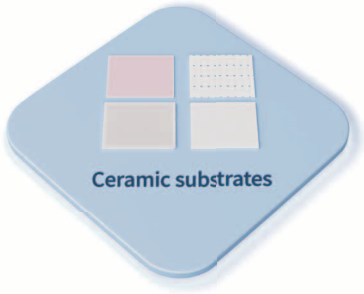
	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Electronic and ceramic materials	1,548,700	27.3%	1,677,233	23.1%	1,959,378	22.1%
Electronic components	1,572,349	27.7%	2,298,159	31.6%	3,308,090	37.3%
Telecom components	1,766,754	31.1%	2,305,985	31.7%	2,594,310	29.3%
Equipment components	477,990	8.4%	536,825	7.4%	601,753	6.8%
Other products	315,736	5.5%	447,931	6.2%	404,996	4.6%
Total	**5,681,529**	**100.0%**	**7,266,133**	**100.0%**	**8,868,527**	**100.0%**

Electronic and Ceramic Materials

We offer a broad range of electronic materials, which are specialized substances engineered for their distinct electrical, thermal, magnetic and optical properties, customizable for various electronic components. Our major products include ceramic substrates (including alumina ceramic substrates and aluminum nitride ceramic substrates), electronic pastes, ceramic rods and metallized ceramics. We also offer SOFC electrolyte sheets, which are made of ceramic materials.

Together, these products form a supply system of foundation materials that serve electronic component manufacturing and new-energy fuel cell applications. As core upstream materials, our electronic and ceramic materials are deployed across key use cases in electronic component manufacturing and energy transition. By aligning product design with downstream application requirements and addressing specific pain points, we have built a durable competitive position while providing critical material support for the upgrading of the global electronics industry and the implementation of new-energy strategies.

Ceramic Substrates



Our ceramic substrates are base materials made of ceramic compounds, including alumina and aluminum nitride, used to mount other materials to produce electronic components. Our substrates feature high flexural strength, electrical insulation, dielectric strength and temperature resistance, as well as low coefficient of thermal expansion and dielectric loss.

Our alumina ceramic substrates are primarily used as the base material for chip resistors, with broad applications across various electronic circuits. They are also used for LED, high voltage focusing potentiometer, small potentiometer, crystal oscillator, thick film integrated circuit, as well as direct bonded/electroplated copper substrate for power electronics, all critical components for applications such as electric vehicles ("**EVs**") and industrial automation equipment.

Our alumina ceramic substrates combine high insulation, high-temperature resistance and tight dimensional tolerances, helping to resolve stability constraints of base materials amid ongoing miniaturization and higher power density trends in electronic components. They address urgent needs for high-performance foundational materials in end markets such as consumer electronics and industrial control.

Our aluminum nitride ceramic substrates are used as the base material for high power electronics modules such as automotive-grade high-power LED, high-power insulated-gate bipolar transistors for EVs, high-voltage power metal–oxide–semiconductor field-effect transistors, radio frequency ("**RF**") power loads, and lead resistors. Focusing on the thermal bottlenecks of high-power devices, aluminum nitride ceramic substrates deliver efficient heat management for applications including new energy vehicles and high-end industrial control equipment, aligning with the migration of power electronics toward higher integration and power density. Due to ceramic materials possessing high compressive strength, high mechanical strength and good temperature resistance, ceramic substrates can withstand temperatures ranging from 25 to 1000℃ and voltages ranging from 15 to 20 Kv/mm, making them suitable for high-power and high-voltage applications.

Electronic Pastes

Our electronic paste products primarily include resistive pastes, mask pastes, conductor pastes and G2 encapsulated pastes, which are mainly applied to ceramic substrates for the manufacturing of chip resistors.

- Resistive paste is a key material used in the production of thick film resistors, such as chip resistors and cylindrical resistors. Thick film resistors are essential components for various electronic circuits and manufactured by screen-printing the resistive paste uniformly onto ceramic substrates. Our resistive pastes feature excellent storage stability and consistent performance.

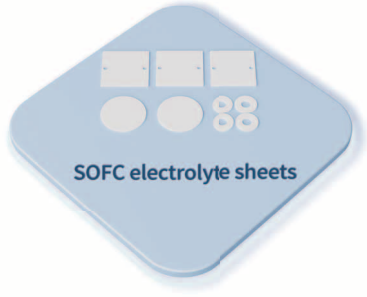
- Mask paste is used in the screen-printing process of thick film resistors to provide effective masking and protection. It demonstrates good water-washability and complies with environmental standards.

- Conductor paste is applied to both the front and back electrodes of chip resistors. It offers low sheet resistance and good storage stability.

- G2 encapsulated paste is specifically developed for chip resistors to provide protective encapsulation of the resistive element. It also features low sheet resistance and stable storage properties.

Engineered for excellent electrical conductivity and process compatibility, our electronic pastes are designed to improve print uniformity and durability of electrodes in precision components, supporting fine-pitch, high-yield and scalable manufacturing of electronic components.

SOFC Electrolyte Sheets



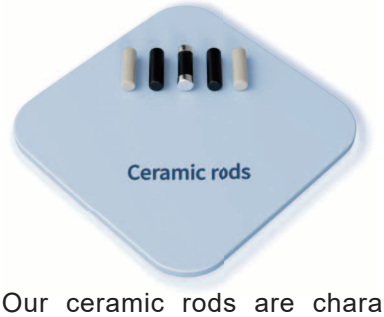
We provide ceramic electrolyte sheets for SOFC. The SOFC electrolyte sheets are a ceramic functional component fabricated from doped ceramic powders combined with specific organic additives and processed into defined shapes and dimensions. As a critical material of SOFCs, the primary function of the electrolyte sheet is to facilitate the transport of oxygen ions between the cathode and anode, while effectively isolating the fuel from the oxidant.

According to Frost & Sullivan, the continued advancement and commercialization of SOFC technology are expected to drive increasing demand for high-performance electrolyte sheets. Our electrolyte sheets target the core challenges of sustaining ionic conductivity and structural stability at elevated temperatures, providing key material support for the commercialization of SOFC technology amid the global energy transition and the increasing hydrogen utilization.

SOFCs operate at elevated temperatures, which present significant challenges to material stability. Our electrolyte sheet products are engineered to address these challenges and offer a long service life, along with the following key advantages: excellent chemical stability at high temperatures, high mechanical strength, ionic conductivity, strong resistance to aging, as well as high dimensional accuracy and surface flatness. These attributes contribute to the reliable and efficient operation of SOFCs in demanding applications.

Other Major Electronic and Ceramic Materials

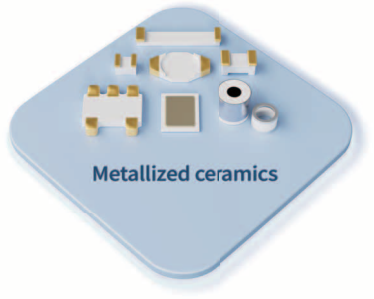
Ceramic Rods



Our ceramic rods are available in cylindrical and tubular forms, and are primarily used in the manufacturing of carbon film resistors, metal film resistors, metal oxide film resistors, glass glaze resistors, wire-wound resistors, and cement resistors. These ceramic rods serve as the base material for the deposition of conductive films or the winding of resistance wires.

Our ceramic rods are characterized by high mechanical strength, excellent electrical insulation properties, and precise dimensional control, with strict quality standards applied to surface appearance and defect minimization.

Metallized Ceramics

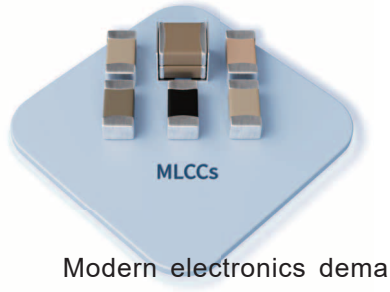


Our metallized ceramic products include alumina ceramics, zirconia ceramics, and steatite ceramics, and can be metallized with materials such as silver, silver-palladium, molybdenum-manganese, and tungsten. The metallized surface can be further electroplated with nickel, tin, or gold to ensure excellent solderability. Products can be custom-designed and manufactured based on specific customer requirements.

Electronic Components

We began our electronic components business line with fixed resistors and have expanded to MLCCs and MLCIs. Within this portfolio, MLCCs are currently the flagship of our electronic components segment and the primary driver of revenue growth. Leveraging our self-developed ceramic powder formula, we continue to upgrade performance while optimizing cost of our MLCCs. This, combined with a broad product lineup, stable quality and scalable supply, enables us to support customers across diversified applications at scale. In addition, our MLCCs, MLCIs and fixed resistors are supplied in a coordinated manner to enable one-stop procurement, alleviating fragmentation across multiple passive component categories, improving cross-category fit, and enhancing customers' supply chain efficiency.

MLCCs



MLCCs are one of the most widely used passive electronic components, found in virtually every electronic device produced today, according to Frost & Sullivan. As a type of capacitor, which is an electrical device that stores and releases electric charge, MLCCs are critical for filtering noise, stabilizing voltage, and storing energy in electric circuits.

Modern electronics demand smaller, lighter and more powerful components. MLCCs are highly compact and offer high capacitance in a miniature footprint, making them ideal for smartphones, laptops and other portable devices. This has driven explosive demand, with high-end smartphones containing more than a thousand MLCCs and EVs using several thousands, according to Frost & Sullivan.

We have made significant breakthroughs in both high capacitance and miniaturization, enabling higher performance in a smaller footprint. Our high-end MLCCs have a dielectric layer thickness as low as one micrometer, which allows us to pack a higher total capacitance into a smaller case with stacking layers of over 1,000, achieving greater capacitance density. These require incredibly precise manufacturing technology, including super-fine ceramic powder and advanced printing and lamination techniques.

We offer a comprehensive MLCC portfolio comprising commercial grade MLCCs and automotive MLCCs for diverse applications, and our products have been certified and adopted by leaders in various industries, having undergone through stringent and extensive qualification processes. Our MLCC roadmap is use-case centric and targets specific pain points in

downstream applications. Part-number coverage spans multiple performance dimensions to address diverse operating conditions and design constraints across end markets. Customers of our MLCC include leading manufacturers across major downstream sectors such as home appliances, networking and telecom base stations, security, and automotive-grade applications.

Our MLCCs are widely used in automotive electronics, consumer electronics, intelligent industrial control, telecom, and AI and data centers. The line-up includes miniaturized, high-voltage, high-capacitance, high-strength, and high-frequency MLCC series, with varying sizes and voltage specifications for each series to satisfy diverse customers' needs.

- ***Miniaturized MLCCs.*** High reliability, suitable for various electronic devices operating in confined spaces such as smartphones.

- ***High-Voltage MLCCs.*** Utilizing optimized ceramic structure design, these capacitors can withstand medium to high voltage environments (approximately 100V to 2000V). They are widely used in industrial power systems, lighting equipment, home appliances, and other fields, meeting the higher power and voltage requirements of advanced equipment.

- ***High-Capacitance MLCCs.*** Designed specifically for space-constrained, highly integrated systems such as smart electronic products and AI servers, these capacitors provide higher capacitance values within compact package sizes, balancing limited internal volume with higher performance requirements.

- ***High-Strength MLCCs.***

    - ***High-Strength F Series.*** These capacitors feature a special flexible resin layer on the electrodes, which can withstand mechanical stresses such as board flexing, drop impacts, and thermal shocks, preventing cracking and short-circuit faults. They are widely used in automotive electronics and industrial power systems.

    - ***High-Strength S Series.*** By adding a high-strength ceramic layer to the surface, these capacitors significantly increase mechanical strength, greatly reducing the risk of product fracture during normal use. They are designed to withstand harsh operating conditions and are widely used in home appliances and lighting industries.

    - ***High-Strength Z Series.*** These capacitors have metal supports added to both ends of traditional MLCCs, which reduce the risk of cracks forming in the capacitor when subjected to mechanical stress on the circuit board. They also lower the risk of cracks during soldering and reduce noise caused by the piezoelectric effect. They are widely used in industrial power systems and lighting equipment.

- ***High-Frequency MLCCs.*** As Class I capacitors, these products exhibit highly stable electrical performance under varying temperatures, voltages, and over time. The internal electrodes have low resistivity, achieving low equivalent series resistance and high quality characteristics at high frequencies. They are suitable for low-loss, high-stability circuits, such as filters, resonators, and timing circuits.

MLCIs

Our MLCIs are compact inductive components manufactured with a multi-layer ceramic process similar to MLCCs. Designed to resist rapid changes in current, they are used predominantly in high-frequency circuits — for example, RF front-end filtering, impedance matching, and frequency tuning in connectivity, handset, and IoT applications. Strategically, MLCIs are a focus area for future development given their tighter integration with high-frequency, miniaturized system architectures and the structural demand from 5G/AIoT devices. Leveraging our ceramic materials, multilayer printing, and sintering know-how accumulated from MLCC manufacturing, we target improved Q factor, low DC resistance, and stable inductance over temperature and bias. Commercially, our initial go-to-market centers on cross-selling MLCIs to existing MLCC customers, enabling faster qualification cycles and broadened share of wallet within key accounts, with subsequent expansion to broader RF and power integrity use cases.

Resistors

Our resistor products are primarily fixed resistors used for current limiting and voltage division across a broad range of electronic circuits, including energy-saving lamps, LED lighting, electronic rectifiers, chargers, household appliances, and instruments and meters. They feature high resistance accuracy, excellent voltage withstand capability, tight temperature coefficients, and stable reliability under high-voltage pulse and humidity load conditions.

Telecom Components

We offer a range of telecom components, including ceramic ferrules and sleeves, MT ferrules and MT short jumpers, optical communication ceramic packages and aluminum nitride ("**AIN**") submounts, to enable both current and next-generation of telecom and AI infrastructure. We also provide PKGs, which are critical for telecom electronics. Our telecom components portfolio underpins our position in optical communications while expanding into semiconductor packaging.

Ceramic Ferrules and Sleeves

Ceramic ferrules are essential components used in the connection of optical communication components. Their primary function is to enable the precise physical alignment of optical fibers, typically in detachable fiber optic connections. Ceramic sleeves are commonly used in conjunction with ferrules to ensure accurate positioning and stable coupling.

Fiber optic connectors represent the most important application of our ceramic ferrules. A typical connector consists of two mated ferrules, each holding the end of an optical fiber, inserted into a common sleeve. This configuration allows for high-precision fiber-to-fiber alignment, ensuring efficient signal transmission. These components are widely used at connection points, splitters, and termination points throughout optical networks.

Ceramic ferrules and sleeves are widely used in optical modules and optical transceivers, where compact form factors, high-speed data transmission, and long-term reliability are essential. Within these devices, ceramic ferrules and sleeves function as high-precision alignment structures, ensuring stable optical coupling between internal components — such as laser diodes, photodetectors, and optical fibers. Thanks to their exceptional dimensional accuracy, thermal stability, and mechanical durability, ceramic ferrules and sleeves help maintain consistent optical performance across a wide range of operating conditions. This is particularly critical for minimizing signal loss and insertion loss, ensuring stable data transmission, and supporting long-term device performance in high-density, high-bandwidth environments such as data centers, 5G networks, and cloud computing infrastructure.

Given the need for precise signal transmission, ceramic ferrules must meet extremely high standards of concentricity and dimensional accuracy. As a critical component, the performance of the ceramic ferrule directly affects the overall reliability and efficiency of optical devices.

Our ceramic ferrules are manufactured to sub-micron precision, with tolerances of less than 1μm. They offer a range of performance advantages, including high concentricity and dimensional accuracy, low insertion loss, excellent mechanical strength, wear and aging resistance and long operational lifespan.

Our products are deeply aligned with three core deployment scenarios — FTTH, 5G telecom base stations and data centers — providing precision alignment, signal integrity and high-reliability interconnects for both current and next-generation telecom and AI infrastructure.

In FTTH deployments, ceramic ferrules and sleeves provide high-precision alignment that minimizes insertion loss at subscriber access points for residential and commercial broadband, supporting the ongoing upgrade in access bandwidth.

In 5G telecom base station environments, our optical connection components deliver consistent environmental adaptability and signal stability to support high-density site rollouts and long-reach optical links amid continuous 5G build-out and technology iterations.

In data centers, MT ferrules with short jumpers and ceramic ferrules enable low-latency, high-reliability optical connectivity for high-density, high-bandwidth architectures driven by accelerating compute demand.

PKGs

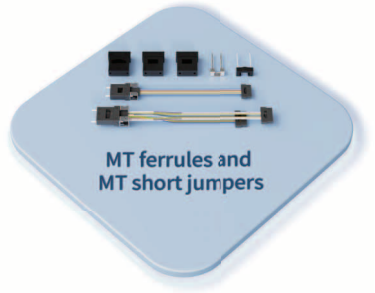
Manufactured in small, low-profile form factors, our PKGs are primarily designed as the "case" that protects resonators and oscillators, while enabling surface-mount integration onto a printed circuit board ("**PCB**").

By leveraging PKGs, we are extending into the crystal device packaging domain, addressing stringent needs for hermeticity and stability in resonator and oscillator packaging. This helps mitigate reliance on imported core packaging materials in the domestic crystal industry, aligns with device miniaturization and rising precision timing requirements, and opens growth opportunities in semiconductor packaging.

These packages provide a stable platform for mounting resonators and oscillators, offering reliable protection against mechanical damage and environmental factors such as moisture and corrosive gases, thereby ensuring hermetic sealing. In addition, the metal bonding pads on the ceramic base enable reliable electrical connections between internal components and external circuitry, supporting miniaturization, ultra-thin profiles and high assembly efficiency.

Resonators and oscillators are frequency control components, which are used in all electronic devices that require precise timing or frequency control. We also offer PKGs for surface acoustic wave ("**SAW**") filters, commonly used in RF applications. These components are primarily used in smartphones, wireless communication, GPS, Bluetooth, automotive electronics and other related applications. For example, a single smartphone contains several different types of resonators, oscillators and filters to manage its various functions.

MT Ferrules and MT Short Jumpers



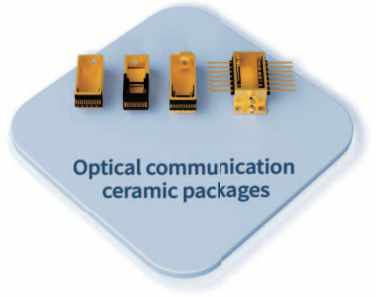
We offer a full range of MT ferrules in various specifications and models, along with corresponding guide pins, which are customizable to meet customer-specific requirements. These components are primarily used in multi-fiber push-on/pull-off ("**MPO**") and multi-fiber termination push-on ("**MTP**") connectors, as well as in high-speed optical module assemblies.

MPO and MTP connectors are high-density fiber optic connector systems widely used in modern optical communication networks. They are designed to enable the simultaneous connection of multiple optical fibers, such as 12 fibers, within a single compact interface, significantly increasing data transmission capacity while reducing space and installation complexity.

The mating accuracy of these connectors is determined by the positional accuracy of the MT ferrules and the outer diameter precision of the guide pins. These factors are critical in ensuring low insertion loss and consistent optical performance in high-density, high-bandwidth applications, such as data centers, telecom networks and high-speed computing environments.

In addition, we offer MT short jumpers primarily used for multi-channel optical interconnects between the external optical interface of optical transceiver modules and the internal optical chips. By providing multiple parallel transmission channels at a fixed per-channel data rate, they increase the overall transmission rate of the transceiver module.

Optical Communication Ceramic Packages

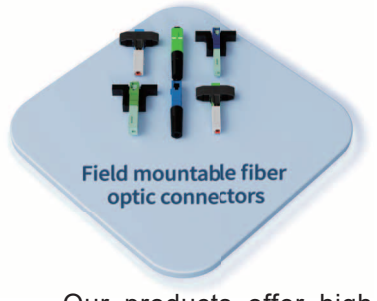


Optical communication ceramic packages are key components used in optical device modules that house critical optoelectronic components, such as laser diodes and photodetectors. Engineered for precise opto-mechanical alignment and long-term reliability under extreme temperature, humidity, corrosion and vibration, these packages support the migration toward higher-rate, higher-density optical modules in telecom and AI and data center networks.

Our products provide mechanical support and optical alignment, and are engineered to withstand high temperatures, high humidity, corrosion and vibration, ensuring stable performance under extreme conditions and over long operating lifespans. They are widely adopted in long-haul optical transceivers, tunable laser modules and optical amplifiers, including applications in next-generation optical transceivers.

Other Major Telecom Components

Field Mountable Fiber Optic Connectors



Field mountable fiber optic connectors can be directly assembled onto optical fibers at the installation site. They are widely used in fiber optic transmission lines, optical distribution frames and fiber optic testing equipment, and have become one of the most commonly adopted solutions in FTTH deployments.

Our products offer high mating precision, strong adaptability to fibers of varying outer diameters, and utilize ceramic materials with low thermal expansion coefficients. These features ensure stable mating interfaces without deformation, long service life, and simple assembly, making them well-suited for efficient and reliable on-site fiber termination.

AIN Submounts

Our AIN submounts offer high thermal conductivity and excellent electrical insulation, making them ideal for advanced optical module applications. As high-power optical modules become increasingly critical in AI infrastructure, efficient thermal management is essential. Our AIN submounts effectively dissipate heat, ensuring stable operation and extended lifespan of core optoelectronic components. They are particularly well-suited for use in compact, high-performance modules where both thermal and space efficiency are crucial.

Equipment Components

Our equipment component portfolio includes piezo microdispensing systems, pan-semiconductor ceramic components, hermetic terminal for compressors and ceramic capillaries.

Our equipment components portfolio is positioned to capture growth in high-potential sectors while enhancing business resilience through diversification. On one hand, we target semiconductor and new energy domains with products that address supply gaps and support industrial upgrading. On the other hand, we continue to provide stable, reliable support to traditional industrial applications with stringent requirements for durability and safety.

Piezo Microdispensing Systems

Through Vermes Microdispensing GmbH ("**Vermes**"), which we acquired in 2017, we offer contact-free piezo microdispensing systems for many manufacturing processes. Advances in miniaturization are making contactless micro-dispensing systems indispensable for modern manufacturing processes, as they require precise, repeatable and reliable dispensing of very small amounts of liquids or pastes, such as adhesives and sealants, onto a surface.

We offer powerful piezo microdispensing systems, which have the ability to dispense large numbers of very small and precise dots (up to sub-nanoliters) in a very short time. We supply the consumer electronics, semiconductor, automotive, telecom, medical and pharmaceutical industries with industry-specific dispensing solutions for adhesives, silicones, solder pastes, cell suspensions and more. For example, our systems are used in the consumer electronics industry to grease safety switches with very high viscous grease or to dispense conductive paste onto thermocouples; and in the semiconductor industry, our systems are used for underfill applications, which enables an optimal package design due to the minimal distance between the chips.

Our contact-free micro-dispensing solutions address precision processing needs in consumer electronics and semiconductor manufacturing by improving placement accuracy and throughput. A broad, application-specific valve portfolio also helps optimize customer takt time and enriches our product mix, mitigating exposure to single-segment volatility.

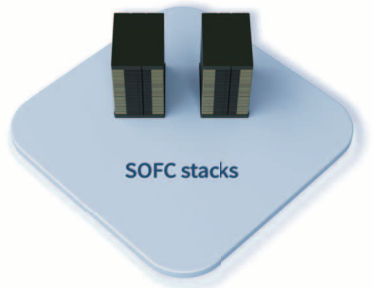
Pan-Semiconductor Ceramic Components

Our pan-semiconductor ceramic components are widely used in processing equipment across the semiconductor, display panel, LED, and PV industries. Engineered with high-purity ceramics and tight dimensional control, these components help minimize contamination, deliver stable mechanical and thermal performance, and support long-term tool uptime with reduced unplanned maintenance.

Beyond core pan-semiconductor equipment, we also supply ceramic structural parts to new energy and automotive equipment makers. These products are designed for stringent corrosion, wear, and thermal-shock requirements, and can be customized to meet application-specific CTQs.

By combining high material purity with precision machining and surface finishing, our pan-semiconductor ceramic components meet demanding specs from semiconductor and display equipment OEMs, helping lower particle and metal ion risks while enabling domestic equipment performance upgrades and localization progress across the broader pan-semiconductor ecosystem.

SOFC Stacks



We also offer SOFC stacks that advance the commercialization of solid oxide fuel cells amid the global energy transition.

The SOFC stack is the core component of an SOFC system, functioning as the device that directly converts chemical energy from fuels such as hydrogen or natural gas into electrical energy through electrochemical reactions. Operating at high temperatures, SOFCs offer high energy conversion efficiency, fuel flexibility and low emissions, making them well-suited for a range of applications including distributed power generation and clean energy solutions for industrial and residential use.

An SOFC stack uses several dozen power generation cells which are joined together in series. Each cell is a uniquely designed cylindrical flat plate structure, and the resulting stack achieves excellent durability, low internal resistance and high-power generation efficiency, leveraging our ceramic materials and proprietary manufacturing technologies.

With growing global demand for low-carbon and sustainable energy solutions, SOFC technology is gaining traction as a key enabler in the transition to cleaner energy systems. Our products are designed to support this shift by delivering reliable and scalable fuel cell solutions to meet diverse market needs.

Other Major Equipment Components

Hermetic Terminal for Compressors

Hermetic terminal for compressors are one of the core components of compressors, serving as critical electrical elements that ensure both insulation and hermetic sealing. These components must withstand high internal pressure while maintaining excellent gas tightness and high dielectric strength, and therefore are subject to stringent safety requirements.

The key technologies in the production of hermetic terminal for compressors lie in the formulation of glass frit and the sealing process. Reliable sealing is essential to maintaining the overall stability and performance of the product, enabling compressors to operate safely even under harsh environmental conditions.

We possess comprehensive technical capabilities across the entire production chain, including product design, glass powder formulation, controlled-atmosphere sintering, and electrical welding. Our hermetic terminal for compressors feature excellent high-pressure hermeticity, dielectric and mechanical strength, outstanding thermal shock resistance, environmental durability, and high reliability.

As a result, our products are widely used in compressors for residential and commercial applications, such as air conditioners and refrigerators, as well as in compressors designed for special industrial environments and new energy vehicles.

These attributes make our hermetic terminal for compressors well-suited for compressors used in home appliances and automotive air-conditioning systems operating under complex duty cycles, addressing the industry's non-negotiable reliability requirements.

Ceramic Capillaries

Ceramic capillaries are high-precision ceramic components used as bonding tools (welding tips) in wire bonders, playing a critical role in the wire bonding process for semiconductor packaging. These components enable the formation of reliable electrical interconnections between integrated circuits ("**ICs**") and package leads.

According to Frost & Sullivan, we are the first company in China to achieve large-scale, mass production of ceramic capillaries. Our products are widely used in the wire bonding of LED chips, diodes, transistors and ICs.

Leveraging our proprietary high-durability ceramic materials and advanced manufacturing technologies, characterized by exceptional precision and dimensional uniformity, our ceramic capillaries help enhance bonding accuracy, improve production yield, and increase overall efficiency in semiconductor assembly processes.

As one of the earliest large-scale domestic producers, we help address critical tooling availability for wire bonding, supporting higher bonding accuracy, yield improvement and efficiency gains in semiconductor assembly.

Other Products

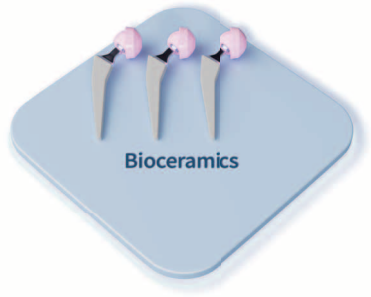
To serve our customers' various needs and to maintain a diversified product portfolio, we also offer other products, including ceramic appearance parts, bioceramics, other ceramic structural parts and other related products.

Ceramic Appearance Parts

Our ceramic appearance parts are high-performance, fine-ceramic parts designed for visible, user-facing applications that require a combination of premium esthetics, precise dimensional control, and reliable functional properties. Leveraging our core strengths in ceramic powder engineering, dry-pressing forming, injection molding, high-precision machining and polishing, as well as advanced coating and surface finishing, these components deliver hardness, scratch resistance, and long-term color stability compared to conventional metallic or polymer alternatives.

Our ceramic appearance parts are widely adopted in consumer electronics, smart home devices, and high-end appliances.

Bioceramics



Our bioceramics portfolio is centered on orthopedic applications, with a primary focus on hip joint solutions. Key applications include ceramic components for hip arthroplasty — such as femoral heads and acetabular liners — engineered for ultra-low wear rates, smooth tribological interfaces, and durability under cyclic loads. Leveraging zirconia-toughened alumina and tightly controlled microstructures, we deliver biocompatibility, mechanical reliability (strength, wear resistance, fracture toughness), and long-term stability in physiological environments. Guided by our R&D framework, we integrate formulation design, powder processing, green-body shaping, precision sintering, and finishing into a vertically managed platform aligned with stringent medical quality and regulatory requirements.

RESEARCH & DEVELOPMENT

R&D Strategy

We compete in a market characterized by rapid technology iteration, increasingly stringent reliability standards and persistent cost reduction pressure, which subjects our R&D to heightened challenges and requirements. Leveraging years of accumulated technological know-how and large-scale mass production experience, we have established a tiered R&D system featuring four layers — "one generation in mass production, one in reserve, one in development and one in research," — to systematically respond to rapid shifts in market and industry demand.

For our current product portfolio, we focus on three core directions: (i) expanding specification coverages and exploring new application scenarios to extend the product value boundaries, (ii) iterating process technologies to enhance product performance and quality control and (iii) advancing automation upgrades of production equipment and end-to-end digitalized management, thereby strengthening our advantages in mass production efficiency, cost and product quality.

We anchor our efforts in materials and remain guided by market and customer demand to carry out future product portfolio planning. Through in-depth research into new products and projects with strong technological potential and market prospects, we proactively reserve next-generation core technologies and product solutions.

In parallel, we have established a multi-dimensional and full-cycle market feedback mechanism spanning the entire lifecycle from product research, technology development to mass production implementation and continuous product optimization and iteration, ensuring our R&D directions remain aligned with broader industry development trends.

R&D Infrastructure

As of December 31, 2025, we maintain seven research institutes in multiple regions in China and in Germany. Our R&D organization consists of research institute and business-unit technical teams, covering the full spectrum from R&D, accumulation and integration of core manufacturing process technologies across multiple product categories, optimization of product performance and cost, to R&D and commercialization of new products and specifications.

These institutes concentrate on:

- ***Electronic and ceramic materials***: high-strength, high-thermal-conductivity ceramic substrates and PKGs; high-precision chip resistive pastes, high-precision printed conductor pastes, high-temperature and co-fired conductor pastes and mask pastes.

- ***Electronic components***: high-permittivity material systems for MLCC; high-frequency, low-loss inductors; and high-capacitance, high-reliability MLCC technologies.

- ***Pan-semiconductor ceramic components***: ceramic capillaries, anti-static handling arms and electrostatic chucks.

- ***New energy ceramics***: SOFC electrolyte sheets and stacks.

- ***Optical communications***: single-mode/multi-mode low-loss MT ferrules; high-speed optical communication ceramic packages and fiber optic connectors.

- ***Bioceramics***: zirconia-toughened alumina ceramics.

- ***Processes***: synthesis of highly dispersed nano-scale ceramic; ceramic forming and multilayer ceramic processing; precision machining of ceramics; ceramic-metal co-sintering; metallized ceramics; online AOI and reliability testing and analysis.

Representative Breakthroughs

- In ***MLCC***, we continue to push high-capacitance and miniaturization by reducing dielectric-layer thickness to one micrometer with enhanced powder performance and controlled grain growth, and by scaling layer counts beyond 1,000 through improved

rheological properties of ceramic and metal pastes and high-continuity internal electrodes. Our portfolio covers automotive, industrial control, telecom and consumer electronics fields, including mid-to-high voltage parts (approximately 100–2000 V), soft terminal and high-reliability structural enhancements to resist flexure cracking, as well as high-frequency products with Cu internal electrodes. During the Track Record Period, we introduced the M3L series and the "S" series, alongside soft terminal and high-frequency innovations, and continued to extend the application scenarios of miniaturized and high-voltage options across platforms.

- In ***optical communication***, our zirconia ferrules and sleeves with sub-micron concentricity, low insertion/return loss stability and excellent wear resistance are engineered to meet the demand for 5G and high-reliability optical networks. In response to demand for data center and high-speed AI interconnect needs, we have expanded MT ferrules with tighter positional accuracy and diameter tolerance, higher-density MPO/MTP connectors and high-frequency, high-speed PKGs.

- In ***ceramic packages***, we provide high flatness, reliable metallization adhesion and hermetic sealing solutions for Xtal/TSX/TF/OSC/TCXO and SAW devices. In the meantime, we advanced AlN submounts by increasing thermal conductivity and optimizing surface treatment processes to meet the thermal management demands of compact high-power optical modules.

- In ***materials***, we are scaling alumina ceramic substrates with high flexural strength, dielectric strength and dimensional control for resistors, LEDs and power substrates, and aluminum nitride ceramic substrates with high thermal conductivity and electrical insulation for automotive power modules, HV MOSFETs, IGBTs and RF loads. Our electronic pastes ecosystem includes resistive, mask, conductor and G2 encapsulated pastes; by tuning rheology and adhesion, we enable high-yield printing for chip resistors, while metallized ceramics using Mo-Mn, W, Ag and Ag-Pd with Ni/Sn/Au electroplating stacks enable solderability and environmental durability.

- In ***SOFC***, we develop electrolyte sheets and stack architectures that couple high ionic conductivity with chemical stability at elevated temperatures and thermal-mechanical durability for long life. Our stack design balances power density, durability and reliability, while work on seals, interconnect materials and thermal cycling strategies aims to minimize degradation and extend product lifetimes. We have collaborated with a leading gas company in Shenzhen to undertake the first national 300kW SOFC commercialization project, which proves stack durability and consistency in practical implementation.

- In ***bioceramics***, we progressed zirconia-toughened alumina materials for orthopedic applications. Ceramic femoral heads and inserts were introduced at international exhibitions, showcasing advancements in material purity, microstructure control and tribological performance, together with validation of manufacturing traceability and reliability testing protocols that support regulatory submissions.

- We also expanded ***pan-semiconductor ceramic components*** for semiconductor, display, LED and PV equipment, focusing on high-purity materials, exacting tolerances and long-life performance under corrosion, wear and thermal shock. For new energy and automotive customers, we continue to deliver application-specific geometries and custom designs qualified for harsh operating conditions.

Intellectual Property and Know-how

We protect material formulations, process technology, multilayer architectures, metallization schemes and application-specific structures through a combination of patents, trade secrets and data governance. In addition, we serve leading players in various downstream industries who have stringent requirements on quality, reliability, traceability and total cost of ownership, which propels us to continuously improve our technological capabilities in line with downstream demands. This includes powder synthesis parameters, sintering profiles, defect root-cause maps, stack and termination tolerances, and reliability models — capabilities that underpin replicable scale-up, faster qualification cycles across MLCCs, PKGs, optical ferrules, ceramic substrates and SOFC stacks.

As of December 31, 2025, we had obtained 722 registered patents globally (including 200 utility model patents in the PRC, and 362 invention patents and 160 design patents globally), 10 software copyrights, 104 trademarks and four domain names in the PRC. As of the same date, we also had 180 pending patent applications globally. As of the Latest Practicable Date, we had registered 12 trademarks, one domain name and 17 patents which are material to our business.

R&D Expenditure and Team

We continue to invest in R&D to support a multi-product roadmap and strategic pivots into high-reliability and new energy applications. Our R&D expenses were RMB545.8 million, RMB583.1 million and RMB653.4 million in 2023, 2024 and 2025, respectively.

As of December 31, 2025, we had 1,975 R&D personnel, representing 11.4% of our total headcount. Our team comprises experienced engineers across mechanical, electrical, software, process, and systems disciplines. Our R&D team has a high proportion of postgraduate talent, with around 42.6% holding master's degrees and approximately 1.5% holding doctoral degrees, and a significant share being graduates of leading universities, as of December 31, 2025. The overall structure has shifted toward a higher proportion of seasoned engineers, supporting faster iteration from concept to pilot and further to mass production. Our R&D organization spans materials science, ceramic processes, equipment engineering, analysis and metrology, and reliability.

PRODUCTION

We operate a make-to-order production model. Our sales department, with reference to framework supply agreements, sales orders, historical sales and market forecasts, compiles the annual demand for each product, which serves as a guiding plan for both annual and monthly production. Each month, each production facility, together with the sales department and the production and supply department, prepares the following month's production plan covering firm orders, forecast orders and preliminary output estimates, and schedules production accordingly.

Production Facilities

We operate integrated manufacturing facilities in China and overseas to support our core product lines. As of December 31, 2025 and we operated 10 production bases globally, including in Chaozhou, Nanchong and Deyang in China, and in Thailand and Germany.

The following table sets forth certain information relating to our principal production bases:

Location	Product category	Primary End Destination
Chaozhou, Guangdong	Electronic components, electronic and ceramic materials, telecom components, equipment components	Chinese Mainland, Hong Kong, Thailand
Chaozhou, Guangdong	Electronic components, electronic and ceramic materials, telecom components, equipment components	Chinese Mainland, Hong Kong, Thailand
Nanchong, Sichuan	Electronic components, electronic and ceramic materials, telecom components	Chinese Mainland, Malaysia, Thailand
Nanchong, Sichuan	Electronic components, electronic and ceramic materials, telecom components	Chinese Mainland, Malaysia, Thailand
Nanchong, Sichuan	Electronic components, electronic and ceramic materials, telecom components	Chinese Mainland, Malaysia, Thailand
Deyang, Sichuan	Electronic components, electronic and ceramic materials, telecom components	Chinese Mainland, Hong Kong, Taiwan
Deyang, Sichuan	Electronic components, electronic and ceramic materials, telecom components	Chinese Mainland, Hong Kong, Taiwan
Amphoe Si Racha, Changwat Chon Buri, Thailand	Electronic and ceramic materials, telecom components	The United States
Amphoe Si Racha, Changwat Chon Buri, Thailand	Electronic and ceramic materials, telecom components	The United States
Holzkirchen, Bavaria, Germany	Equipment components	Europe, Chinese Mainland, the United States

Products manufactured at our production bases in Thailand and Germany are sold to both their respective domestic markets and international markets.

Our production bases are capable of manufacturing a diverse range of products. As the production of our products often necessitates the collaborative execution of various manufacturing stages across multiple production bases, our operations are characterized by integrated process flows and cross-facility coordination. Consequently, to accurately reflect our integrated operational model, we monitor the production capacity, production volume and utilization rates of our production bases by business segment instead of individual production base.

The table below sets out production volume, production capacity and utilization rate for the years indicated:

	Year ended December 31,								
	2023			2024			2025		
	Production Volume[1]	Production Capacity[2]	Utilization Rate[3]	Production Volume[1]	Production Capacity[2]	Utilization Rate[3]	Production Volume[1]	Production Capacity[2]	Utilization Rate[3]
	'000 Units[1]	'000 Units[1]	%	'000 Units[1]	'000 Units[1]	%	'000 Units[1]	'000 Units[1]	%
Electronic and ceramic materials	2,712	4,257	63.7	2,606	3,683	70.7	2,050	2,438	84.1
Electronic components	24,119	30,897	78.1	36,030	39,541	91.1	51,933	58,055	89.5
Telecom components	1,433	2,100	68.2	2,142	2,376	90.1	2,242	2,386	94.0
Equipment components	8	12	72.0	9	12	73.6	8	12	71.1

Notes:

(1) One unit denotes ten thousand pieces or one kilogram.

(2) Production capacity is based on the optimal hourly production rate of various machines operating 24 hours a day for 264 days for a year (not including time spent on production line upgrade or adjustment).

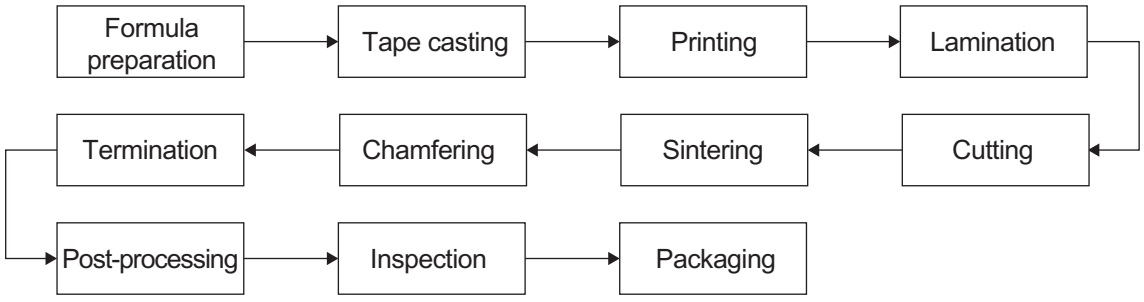
(3) Utilization rate is calculated as production volume divided by the production capacity for the same year.

The production capacity of our electronic and ceramic materials decreased from 2023 to 2025, primarily due to the scaling down of our ceramic rods, which has a lower selling price, large sales volume and generates lower revenue, as well as the retirement of obsolete equipment. As a result, our utilization rate for electronic and ceramic materials increased over the same period.

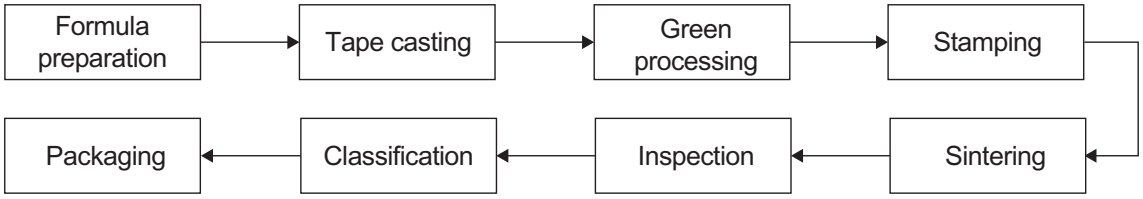
Production Processes

Our production process involves the coordination of raw materials and accessories, manufacturing, assembly, testing and packaging. We adhere to established manufacturing practices and processes across our facilities, which ensure consistency, quality and efficiency in our operations. By standardizing these practices, we can optimize the use of our production facilities and resources. As a result, we are able to better ensure inter-batch quality consistency of our products and exercise improved cost control, thereby enhancing our competitive edge. The following diagrams illustrate the major manufacturing procedures for the representative products of ours:

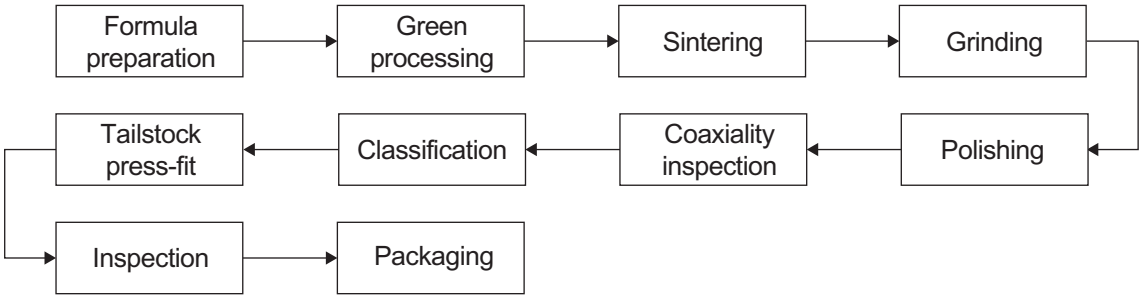
MLCCs



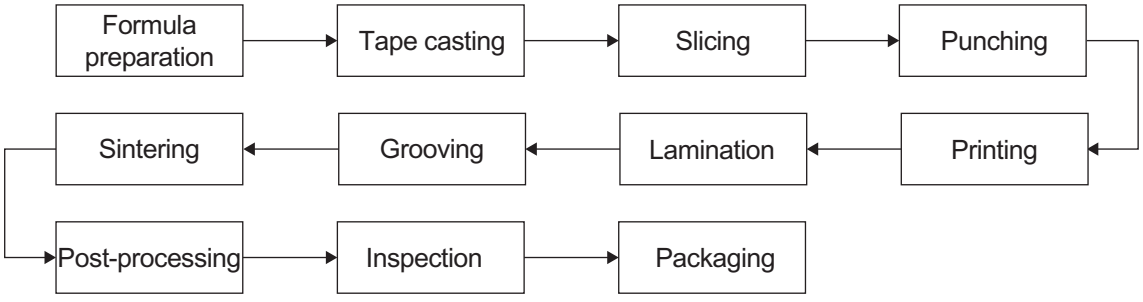
Ceramic substrates



Ceramic ferrules



PKGs



QUALITY CONTROL

We have comprehensive policies and detailed procedures in place to ensure product quality. We have obtained a series of certificates including ISO 9001 for our quality management system, IATF 16949 for our international standard for automotive quality management system, ISO 14001 for our environmental management system, IECQ Certificate for hazardous substance process management system and other various domestic and global certificates for our specific products.

To ensure product quality, we have established quality control departments in each business segment responsible for implementing quality control measures throughout the entire production cycle, including raw material inspection, in-process quality control, and final product inspection. We have built various quality control procedures and processes during our production process to ensure that our product quality meets the expectations and requirements of each critical process, and we monitor the product yield for each of our critical production processes.

SALES AND MARKETING

Sales Network

We sell our products to new energy equipment, electronic component and consumer electronic devices manufacturers. During the Track Record Period, our products were sold in the PRC, as well as to North America, Asia, Europe and other regions around the world.

As of December 31, 2025, our sales team consisted of 208 dedicated sales personnel covering sales to eight countries and regions, with on-the-ground deployment and team build-outs completed in each of these markets. Our products are sold through both direct sales and distributors, among which MLCCs, piezo microdispensing systems and alumina ceramic substrates are sold through both direct sales and distributors, and other types of products are sold to direct sales customers. The table below sets out a breakdown of our revenue in both absolute amount and percentage of our total revenue by sales channel for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentage)					
Direct sales	4,533,873	79.8%	5,705,908	78.5%	6,602,171	74.4%
Distributorship	1,147,656	20.2%	1,560,225	21.5%	2,266,356	25.6%
Total	**5,681,529**	**100.0%**	**7,266,133**	**100.0%**	**8,868,527**	**100.0%**

Direct sales

As of December 31, 2023, 2024 and 2025, we had 2,784, 2,883 and 2,980 direct sales customers, respectively, many of whom were large-size industrial customers, such as electronic equipment manufacturers and energy companies. The adoption of direct sales enables us to precisely understand and respond to key customer requirements, allowing us to offer tailored products and services that meet our customers' specific needs. Our standard contractual terms with direct sales customers typically include:

- **Duration.** The duration of the direct sales agreements with our direct sales customers is tailored to specific customers and is determined by negotiation.
- **Pricing.** Prices are generally specified in purchase orders.
- **Payment and credit term.** We generally deliver products to our direct sales customers following the order after receiving their payment or grant a credit period to them ranging from 30 to 120 days from the date of billing.
- **Logistics**. We are generally responsible for delivering products to locations specified by our customers.
- **Warranty.** Our warranty period varies depending on customers and product types, generally ranging from one to five years, except for consumables.

- **Product returns.** Unless otherwise agreed, we do not accept product returns for non-quality reasons.

- **Termination**. The agreement will be terminated upon mutual agreement. If either party is confirmed to have breached the agreement by disclosing confidential information to any third party, the other party shall have the right to terminate this agreement.

Distribution

We sell a portion of MLCC, piezo microdispensing system and alumina ceramic substrates through distributors, which allows us to efficiently manage the large number of end customers across various industries and enhances our market penetration in mid-to-small sized customers. The distributors are not exclusively engaged to distribute our products. Revenue from distributorship increased from RMB1,147.7 million in 2023 to RMB1,560.2 million in 2024 and further to RMB2,266.4 million in 2025. The increase was mainly attributable to our MLCC business. We achieved technical breakthroughs and expanded capacity, progressively obtained certifications from leading downstream customers, and experienced higher market acceptance, which together led to an increase in the number of MLCC distributors and higher sales per distributor. Given MLCC's broad end-market applications and the industry practice that small and mid-sized customers are typically served via distributors, we leveraged distributors' networks to reach a more diversified customer base while conserving direct sales resources.

The following table sets forth the changes in the number of our distributors for the years indicated:

	Year ended December 31,		
	2023	2024	2025
As of the beginning of the year	52	73	89
Additions of new distributors	26	20	32
Termination of existing distributors	(5)	(4)	(10)
As of the end of the year	**73**	**89**	**111**

During the Track Record Period, we strengthened our distributor network to facilitate the sales of our products. In 2023, 2024 and 2025, we engaged 26, 20 and 32 new distributors respectively. The expansion of our distribution network was primarily due to our progressive technological breakthroughs in MLCC products and the corresponding rise in market acceptance.

We select distributors based on a number of criteria, including, among others, their knowledge of products, experience and resources, relationships with end customers, technical capabilities and financial condition. We conduct a comprehensive evaluation of our distributors regularly, assessing a range of criteria including, among others, sales performance, inventory, key customer assistance, payment, operational efficiency and compliance status. During the Track Record Period, we terminated business relationship with a few distributors, primarily because their performance failed to meet the criteria of our evaluation.

To prevent kickbacks or bribery to distributors and regulate employee interactions with customers and distributors, we formulated the Sales System Management Regulations and Employee Code of Conduct and Assessment Rules, and to provide comprehensive training and

review expense reimbursements. In addition, we incorporate anti-commercial bribery clauses in our distribution agreements, ensuring that distributors are informed of our anti-corruption policies and practices. Should we discover any prohibited behavior by our distributors, we will impose punitive measures, or, in severe instances, terminate the distributorship.

The salient terms of our standard distribution agreements with distributors during the Track Record Period are set forth below:

- **Duration**. The duration of the distribution agreements is typically around one year.

- **Payment and credit term.** We generally grant a credit period to our distributors of approximately 60 days from the date of billing.

- **Pricing**. Prices are generally specified in each purchase order issued in accordance with our standard terms and conditions.

- **Sub-distribution.** Distributors are not allowed to sub-distribute in our name without our prior written consent. During the Track Record Period, no instances of distributors violating the foregoing provisions were identified.

- **Warranty.** Our warranty period varies from customers and product types, generally ranging from one to five years, except for consumables.

- **Product returns.** We maintain a stringent product return policy which serves as a key measure to mitigate the risk of channel stuffing and ensure the integrity of our recognized sales revenue. We generally do not accept product returns from our customers other than for documented product quality issues which are subject to our quality assurance procedures. This policy is communicated to and contractually agreed with all customers and distributors prior to any sale. Any exception to this policy for non-quality reasons is rare and requires specific pre-approval from our senior management, and is assessed on a stringent, case-by-case basis.

- **Termination**. The agreements will be terminated upon expiration. If either party breaches the agreement, the non-breaching party shall have the right to terminate this agreement.

To the best of our knowledge, all of our distributors are Independent Third Parties. The distributors are not connected to any of our Company, our subsidiaries, our shareholders, directors, senior management or any of their respective associates. To our best knowledge, besides the ordinary course distribution arrangement with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our shareholders, directors or senior management or any of their respective associates. In general, our relationships with distributors have remained stable. During the Track Record Period and up to the Latest Practicable Date, we have no material unresolved disputes or lawsuits with our distributors.

We require distributors to file a report of the end-customers' information to us prior to initiating any customer development activities. During the Track Record Period, to our best knowledge, no sub-distributors were engaged by our distributors. During the Track Record Period, to our best knowledge, no distributors covered the same end-customer. As a result,

overlap among distributors is limited, which mitigates the risk of cannibalisation. We further control channel stuffing risks through our internal management policies for distributors and measures including regularly keeping track of distributors' inventory information and decomposing annual sales targets of our distributors into monthly plans to standardize order placement. Specifically, if a distributor's monthly procurement deviates significantly from the plan, we perform verifications to mitigate channel stuffing risks and reserve the right to reject or adjust orders. Furthermore, if a distributor exceeds its authorized credit limit, it must provide supplementary collateral or make prepayments. As such channel stuffing behavior objectively increases a distributor's liquidity pressure, it serves as a financial deterrent, and we have not experienced any instances of channel stuffing by our distributors during the Track Record Period.

In September 2025, we engaged an internal control consultant to review our internal control management system relating to the prevention of channel stuffing and to provide recommendations for enhancement. Based on the review, the consultant identified certain deficiencies and recommended that we strengthen our internal control measures. In response to such recommendations, we further refined and strengthened our existing internal control measures in relation to the prevention of channel stuffing under our existing control framework. These enhanced measures included: (i) clarifying and formalizing our internal control requirements and operational procedures relating to product return arrangements applicable to distributors, including codifying the principle that returns or exchanges by distributors are generally not permitted except in cases involving product quality issues; and (ii) further enhancing our monitoring of distributor inventory levels by formalizing and supplementing in our internal policies the procedures for collecting, reviewing and assessing inventory-related information, and conducting analyses of inventory movements and turnover to identify unusual fluctuations. Since adopting these measures, the consultant has not identified any significant deficiencies in the follow-up review regarding internal control management system relating to the prevention of channel stuffing. According to the review results, our Directors are of the view, and the internal control consultant concurs, that our internal control management system relating to channel stuffing controls, if implemented continuously, is adequate and effective in preventing material risks in this area.

We manage potential cannibalisation through: (i) allocation of key accounts to a single primary distributor or to our direct sales; (ii) periodic channel reviews assessing sell-through, inventory and customer coverage; and (iii) contract provisions prohibiting channel stuffing, including the right to refuse or adjust orders where inventory indicators exceed thresholds.

We do not set suggested retail prices for distributors. Distributors determine resale prices independently based on market conditions, subject to applicable laws.

We generally set minimum purchase requirements for our distributors based on market demand. This ensures those distributors have enough inventory for in-time delivery and confirms their willingness to build a stable relationship with us and the end users. We terminated our partnership with three and three distributors in 2023 and 2024 due to their failure to meet our minimum purchase requirements.

Marketing

We position our brand around electronic ceramic materials and components and related products to support the development of various industries, including telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy and intelligent industrial control. We maintain close and regular interactions with customers to understand technical requirements and competitive benchmarks, enabling us to position our products appropriately, resolve production issues promptly and deliver satisfactory after-sales services. We collect feedback directly from customers and collaboration partners to inform product iterations and operational improvements. We organize online and offline marketing activities and participate in major domestic and international industry conferences and exhibitions to enhance brand awareness and support business development.

Major Customers

Sales to our five largest customers in each year during Track Record Period amounted to RMB1,005.1 million, RMB1,016.9 million and RMB1,345.3 million, accounting for 17.6%, 14.0% and 15.2% of our total revenue for respective year. Sales to our largest customer in each year during Track Record Period amounted to RMB449.3 million, RMB323.9 million and RMB330.7 million, accounting for 7.9%, 4.5% and 3.7% of our total revenue for respective year.

The tables below set forth certain information of our five largest customers during the Track Record Period.

For the year ended December 31, 2025

	Customer	Transaction amount	Percentage of revenue	Commencement of business relationship	Major products sold	Background
		(in RMB thousands)	*%*			
1	Customer A	330,718	3.7	2006	Electronic and ceramic materials	A public company listed in the U.S. that mainly engages in development and production of reliable new energy products.
2	Customer B	327,956	3.7	2008	Electronic and ceramic materials	A subsidiary of a Taiwan listed company that mainly engages in manufacturing and distribution of passive electronic components.
3	Customer C	281,617	3.2	2010	Electronic components	A private Chinese company that mainly engages in sales of various electronic components.
4	Customer D	203,397	2.3	2009	Electronic components	A private Chinese company that mainly engages in research and development and production of resistors and capacitors.
5	Customer E	201,657	2.3	2023	Electronic components	A private Chinese company that mainly engages in design, manufacturing, and distribution of electronic components and devices.
	Total	**1,345,345**	**15.2**			

For the year ended December 31, 2024

	Customer	Transaction amount	Percentage of revenue	Commencement of business relationship	Major products sold	Background
		(in RMB thousands)	*%*			
1	Customer A	323,870	4.5	2006	Electronic and ceramic materials	A public company listed in the U.S. that mainly engages in development and production of reliable new energy products.
2	Customer B	193,220	2.7	2008	Electronic and ceramic materials	A subsidiary of a Taiwan listed company that mainly engages in manufacturing and distribution of passive electronic components.
3	Customer C	174,028	2.4	2010	Electronic components	A private Chinese company that mainly engages in sales of various electronic components.
4	Customer F	170,734	2.3	2007	Electronic and ceramic materials	A public company listed in China that mainly engages in research and development and production of high-end new components, electronic materials and other basic electronic information products.
5	Customer G	155,034	2.1	2009	Electronic and ceramic materials	A private Chinese company that mainly engages in the research, development, production and sales of resistors.
	Total	**1,016,886**	**14.0**			

For the year ended December 31, 2023

	Customer	Transaction amount	Percentage of revenue	Commencement of business relationship	Major products sold	Background
		(in RMB thousands)	*%*			
1	Customer A	449,319	7.9	2006	Electronic and ceramic materials	A public company listed in the U.S. that mainly engages in development and production of reliable new energy products.
2	Customer C	154,725	2.7	2010	Electronic components	A Chinese private company that mainly engages in sales of various electronic components.
3	Customer B	146,608	2.6	2008	Electronic and ceramic materials	A subsidiary of a Taiwan listed company that mainly engages in manufacturing and distribution of passive electronic components.
4	Customer F	143,971	2.5	2007	Electronic and ceramic materials	A public company listed in China that mainly engages in research and development and production in high-end new components, electronic materials and other basic electronic information products.
5	Customer G	110,441	1.9	2009	Electronic and ceramic materials	A private Chinese company that mainly engages in the research, development, production and sales of resistors.
	Total	**1,005,065**	**17.6**			

During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest customers in each year during the Track Record Period that is required to be disclosed under the Hong Kong Listing Rules.

After-sale Services

We believe that the accessibility of after-sales services is an important consideration behind downstream customers' purchase decision. Our after-sales services include delivery, return and exchange of defective products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns, customer complaints, or product recalls that adversely impacted our reputation, business operations or financial condition, nor were we subject to any material product liability claims.

Seasonality

During the Track Record Period, we did not record any material seasonal fluctuations in our results of operations.

Pricing

We take various factors into account when determining the price of our products, including production cost, market price and order volume. We utilize our internal guide book and digitized systems to manage price approval, which enable us to offer competitive pricing strategies.

SUPPLY CHAIN

Raw Materials and Procurement

We procure critical raw materials and auxiliaries from qualified global suppliers. During the Track Record Period, our main raw materials are sourced domestically. Our raw material prices fluctuate due to a variety of factors, including supply and demand dynamics, our ability to negotiate prices with suppliers and others. We usually work with multiple suppliers to reduce risks associated with product supply. During the Track Record Period, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Our Suppliers

We have established a comprehensive system for the selection and qualification of suppliers to ensure the stability and reliability of our supply chain. We consider a number of factors during our supplier selection and qualification process, including their financial condition, business performance, industry reputation, ESG commitment and certifications. We also conduct on-site visits to potential suppliers' business premises before we decide to cooperate with the suppliers. We monitor, in real time, the quality, delivery timeliness, and cost of each batch of products from our suppliers, and we periodically conduct comprehensive evaluations of their overall qualifications, including assessments of their raw material procurement, inventory status, and any legal risks. We believe that our operation is not dependent on any particular supplier. During the Track Record Period, we maintained qualified supplier pool to avoid overreliance on any of our suppliers and we believe there is no significant difficulty in finding suitable substitutes for our suppliers.

The key terms of the long-term framework agreements we enter into with our suppliers generally include the following:

- **Duration**. The duration of the supply agreement with our suppliers is typically one year. Upon expiration, without mutual written agreement by both parties to terminate, the term shall automatically be extended for an additional one year, and the same shall apply thereafter on a rolling basis.

- **Product specification.** We specify the product name, specification, price, quantity, delivery timeline and other detailed items in each purchase order we send to our suppliers.

- **Payment and credit term.** Payment and credit terms are typically separately included in each order that we place with the supplier.

- **Logistics.** Our suppliers are responsible for delivering qualifying products to our designated locations.

- **Quality guarantee.** Products are typically accepted in accordance with our specifications, as well as national, local and industry standards. Should any quality issues arise during the warranty period, the supplier shall be responsible for replacement or repair.

- **Termination.** The agreement will be terminated upon mutual written agreement. We are entitled to terminate the agreement if we suffer significant losses due to the supplier's quality issues or complaints from our customers.

Major Suppliers

During the Track Record Period, our suppliers are mainly suppliers of electricity and raw materials. Purchases from our five largest suppliers in each year during Track Record Period amounted to RMB505.8 million, RMB829.7 million and RMB1,005.8 million, accounting for 22.1%, 26.0% and 26.7% of our total revenue for respective year. Purchases from our largest supplier in each year during Track Record Period amounted to RMB130.0 million, RMB242.2 million and RMB252.5 million, accounting for 5.7%, 7.6% and 6.7% of our total revenue for respective year.

The tables below set forth certain information of our top five suppliers during the Track Record Period.

For the year ended December 31, 2025

	Supplier	Transaction amount	Percentage of purchases	Commencement of business relationship	Products/services provided to us	Background
		(in RMB thousands)	*%*			
1	Supplier A	252,485	6.7	2013	Electricity	Established in Sichuan Province, a wholly-owned subsidiary of State Grid Corporation of China mainly engages in electric power production and transmission.
2	Supplier B	237,841	6.3	2017	Potassium gold cyanide	Established in Shandong Province, a sino-foreign joint venture company mainly engages in production and sales of precious metal electroplating chemical materials.
3	Supplier C	187,186	5.0	2016	Nickel powder	Established in Zhejiang Province, a limited liabilities company mainly engages in research and development, production and sales of ultrafine metal powder and nano-metal powder materials.
4	Supplier D	173,357	4.6	2019	PET film	Established in Taiwan, a joint-stock company mainly engages in manufacturing transportation vehicles and their parts.
5	Supplier E	154,957	4.1	2025	Ruthenium powder	Established in Shanxi Province, a limited liability company mainly engages in research and development, manufacturing and sales of electronic materials.
	Total	**1,005,826**	**26.7**			

For the year ended December 31, 2024

	Supplier	Transaction amount	Percentage of purchases	Commencement of business relationship	Products/services provided to us	Background
		(in RMB thousands)	*%*			
1	Supplier F	242,233	7.6	2020	Potassium gold cyanide	Established in Hunan Province, a joint-stock company engages in the construction and management of electroplating industrial parks, and the processing and sales of jewelry.
2	Supplier A	223,895	7.0	2013	Electricity	Established in Sichuan Province, a wholly-owned subsidiary of State Grid Corporation of China mainly engages in electric power production and transmission.
3	Supplier G	146,009	4.6	2015	Electricity	Established in Guangdong Province, a state-owned company invests, constructs and operates power networks in Guangdong, Guangxi, Yunnan, Guizhou and Hainan provinces and regions.
4	Supplier H	117,037	3.7	2023	Palladium powder, ruthenium powder	Established in Shanghai, a subsidiary of a German company mainly engages in providing precious metal services and products.
5	Supplier D	100,563	3.1	2019	PET film	Established in Taiwan, a joint-stock company mainly engages in manufacturing transportation vehicles and their parts.
	Total	**829,737**	**26.0**			

For the year ended December 31, 2023

	Supplier	Transaction amount	Percentage of purchases	Commencement of business relationship	Products/services provided to us	Background
		(in RMB thousands)	*%*			
1	Supplier I	130,041	5.7	2020	Palladium powder, ruthenium powder	Established in Beijing, a state-owned company mainly engages in metal raw material trading, processing and distribution, and mineral resource development.
2	Supplier F	116,712	5.1	2020	Potassium gold cyanide	Established in Hunan Province, a joint-stock company engages in the construction and management of electroplating industrial parks, and the processing and sales of jewelry.
3	Supplier C	87,624	3.8	2016	Nickel powder	Established in Zhejiang Province, a limited liabilities company mainly engages in research and development, production and sales of ultrafine metal powder and nano-metal powder materials.
4	Supplier A	87,418	3.8	2013	Electricity	Established in Sichuan Province, a wholly-owned subsidiary of State Grid Corporation of China mainly engages in electric power production and transmission.
5	Supplier D	83,997	3.7	2019	PET film	Established in Taiwan, a joint-stock company mainly engages in manufacturing transportation vehicles and their parts.
	Total	**505,791**	**22.1**			

During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest suppliers in each year during the Track Record Period that is required to be disclosed under the Listing Rules.

Overlapping of Suppliers and Customers

In each year during the Track Record Period, certain of our top five customers were also our suppliers, details of which are explained below.

Customer F, one of our five largest customers in 2023 and 2024, was also our supplier in the same years, respectively. Our revenue from Customer F amounted to RMB144.0 million and RMB170.7 million in 2023 and 2024, respectively, accounting for 2.5% and 2.3% of our total revenue in the respective years. Our purchase amount from Customer F amounted to RMB0.3 million and RMB0.2 million in 2023 and 2024, respectively, accounting for less than 0.1% and less than 0.1% of our total purchase amount in the same years, respectively. In 2023 and 2024, we sold ceramic substrates and electronic pastes to Customer F while we purchased mental powder from Customer F.

Save as disclosed above, none of our five largest suppliers in 2023, 2024 and 2025 were also our customers in the same years, and none of our five largest customers in 2023, 2024 and 2025 were also our suppliers in the same years, respectively.

In addition, from a business perspective, the transactions that we entered into with the overlapping supplier-customers were on an arm's-length, mutually independent basis under normal commercial terms. Negotiations of the terms of our sales to and purchases from these overlapping supplier-customers were conducted on an individual basis, undertaken by different departments and entities both in our Group and in the overlapping supplier-customers, and the sales and purchases were neither inter-connected nor inter-conditional with each other. Decisions regarding the procurement of raw materials, such as timing, pricing and quantity, are made independently based on market conditions, production plans and raw material needs.

For such overlapping supplier-customers, the key terms of our sales and supply agreements were substantially similar to those of our other customers/suppliers.

EXPORT CONTROLS AND SANCTIONS

U.S. Export Control and Sanctions Risks

During the Track Record Period, we engaged in transactions with entities that are either on the Entity List, subject to the blocking sanctions or located in a sanctioned country ("**Relevant Entities**"). We sold electronic and ceramic materials, telecom components, electronic components and equipment components to the customers that are Relevant Entities, and we purchased equipment, parts, accessories, and related services for those products from the suppliers that are Relevant Entities.The sales and purchase with the Relevant Entities were primarily settled in RMB, with only one Russian entity settled in US dollars. The banks involved are all PRC domestic banks and are not subject to sanctions.

We had limited transactions with three suppliers and 27 customers designated on the Entity List (approximately 0.05% by number of suppliers and 0.56% by number of customers). The purchase from those suppliers were approximately RMB0.001 million, RMB0.002 million and RMB2.6 million in 2023, 2024 and 2025, respectively, accounting for approximately 0.00%, 0.00% and 0.05% of the total purchase of each year. The sales to those customers were approximately RMB77 million, RMB124 million and RMB150 million in 2023, 2024 and 2025,

respectively, accounting for approximately 1.36%, 1.70% and 1.69% of the total revenue of each year. Based on the following reasons, our legal advisor as to international sanctions and export control laws is of the view that our sales activities are not subject to the EAR, and the risk of violating the EAR in connection with our sales activities is remote:

- Our products are developed and produced outside the U.S. and are not U.S. origin or transshipped from the U.S.

- We don't have U.S.-origin controlled content incorporated into our products. Therefore, our products are not subject to the EAR pursuant to the De Minimis rule under the EAR.

- The development and production of our products do not involve the concerned software, technology or equipment controlled under applicable Foreign-Direct Product ("**FDP**") rules as defined in § 734.9 of EAR. Therefore, our products are not subject to the EAR pursuant to the FDP rules under the EAR.

- Though we have no intent to cease transactions with customers designated on Entity List, as the products sold by the us are not subject to the EAR, the risk of violating the EAR in connection with our sales activities is remote.

We source U.S.-origin materials and tools, which are not controlled content that require export licenses for exports to China. We have confirmed, and also concurred with our legal advisors as to sanction and export control laws, with all U.S. exporters that all items provided were classified as "EAR99" (items subject to the EAR that are not on the Commerce Control List (CCL) are classified as EAR99, which represents the lowest level of export control) and no export licences were required under the EAR. Since we were never made aware of any license requirement nor asked to assist in export licenses applications, the risk of EAR violation associated with our procurement activities is remote.

During the Track Record Period, we engaged in transactions involving a small number of entities that are subject to the blocking sanctions, and entities located in a sanctioned country. Our legal advisor as to international sanctions and export control laws is of the view that there are no primary sanctions risks and secondary sanction risks are low based on the following:

- We had limited transactions with two suppliers and four customers subject to the blocking sanctions due to designation on Specially Designated Nationals List (SDN List) maintained by the Office of Foreign Assets Control ("**OFAC**") of the US Department of the Treasury or owned 50 percent or more by entities designated on SDN List (approximately 0.04% by number of suppliers and 0.08% by number of customers). The purchase from those suppliers were approximately RMB 1.17 million and 0.09 million in 2024 and 2025, respectively, accounting for approximately 0.03% and 0.00% of the total purchase of each year. The sales to those customers were approximately RMB 1.81 million and 1.65 million in 2024 and 2025, respectively, accounting for approximately 0.02% and 0.02% of the total revenue of each year. As to the dealings with the entities subject to the blocking sanctions, we had made sales of products that are designed and manufactured outside the U.S., and had not purchased US materials. All transactions involving entities subject to the blocking sanctions have no U.S. nexus, such as U.S. dollars, U.S. persons or U.S. territory, there is no primary

sanctions risks. Our legal advisor as to international sanctions and export control laws is of the view that secondary sanction risks are low because the transactions with those entities subject to blocking sanctions are relatively small (approximately 0.0095% of total purchase and 0.0159% of total sales during the Track Record Period) and are unlike to be viewed as significant transaction with or materially assisted the blocked entities. As of the Latest Practicable Date, we have ceased and no remaining transactions with those suppliers and customers.

- We had limited transactions with four customers in Russia (approximately 0.08% by number of customers). The sales to those customers were approximately RMB 0.32 million in 2023, accounting for approximately 0.01% of the total revenue of that year. As the customers in Russia were not designated on any sanctions lists or subject to blocking sanctions when the transactions occurred, the transactions with those customers do not constitute an apparent violation of U.S. sanctions laws and there are no primary sanction risks. Our legal advisor as to international sanctions and export control laws is of the view that secondary sanction risks resulting from transactions involving Russia are low, for the following reasons: (1) we have ceased such transactions in September 2023; (2) the transaction value with customers located in Russia is very small, accounted for approximately 0.001% of our main business revenue during the Track Record Period and are unlikely to be viewed as significant transactions or material assistance under the U.S. sanction regime; (3) our products were provided for civil uses, and were not customized for military applications.

Sanctions and Export Control Compliance Measures

We have established and will continue to implement internal controls and risk management measures related to sanctions and export control compliance, including but not limited to: (i) establishing sanctions and export control related policies and standardizing procedures covering business risk assessment and review, training and awareness, consultation and reporting, investigations and supervision, and records management; (ii) conducting pre-engagement and ongoing risk assessments, including Know-Your-Client due diligence on prospective customers and suppliers (such as identity, business nature, ownership structure, geographic location, and related parties), as well as initial and periodic screening against applicable restricted party and country lists, and review and monitoring of product classifications and export licensing requirements; (iii) escalating potential screening hits, license determinations, and red-flag transactions to the Legal Department, the Import and Export Department, and management for escalation and further review; (iv) continuously monitoring legal and regulatory developments in the fields of sanctions and export controls and timely implementing new rules, including refreshed screening of high-risk counterparties; (v) conducting ongoing sanctions and export control compliancec training for management and employees (including senior management, new hires, and sales, finance, production, and supply staff) to ensure understanding of current requirements, company policies, and internal control processes, and to identify, assess, and report risks; (vi) organizing regular audit inspections of relevant business departments to assess their compliance with sanctions and export control; and (vii) engaging external legal counsel, where necessary, to advise the Board, senior management, and relevant personnel on sanctions and export control risks in daily operations.

View of the Internal Control Consultant

In September 2025, we engaged an internal control consultant to review our internal control management system relating to sanctions and export controls and to provide recommendations for enhancement. Based on the review, the consultant identified certain deficiencies and recommended that we strengthen its internal control measures. Since adopting the measures after the review, the internal control consultant has not identified any significant deficiencies in the follow-up review regarding our exposure to sanctions and export control risks. According to the review results, our Directors are of the view, and the internal control consultant concurs, that our internal control management system relating to sanctions and export controls, if implemented continuously, is adequate and effective in preventing material risks in this area.

TARIFFS

In 2025, the U.S. implemented a series of tariff measures, including reciprocal tariffs on numerous trading partners. Following a period of escalated tensions, including temporary reciprocal tariff rates as high as 125% on Chinese-origin goods, the U.S. and China announced a 90-day suspension of certain tariff measures in May 2025, which was extended in August 2025. These agreements lowered the additional U.S. tariff rates on Chinese-origin goods from approximately 145% (125% for reciprocal tariffs and 20% for fentanyl-related tariffs) to a combined rate of 30%. On November 4, 2025, the United States officially announced a reduction of fentanyl-related tariffs from 20% to 10% and maintained the suspension of heightened reciprocal tariffs on imports from China until November 10, 2026. On February 20, 2026, the U.S. Supreme Court issued its decision, which held that IEEPA does not give the President authority to impose tariffs. Following such decision, the reciprocal tariffs and fentanyl-related tariffs imposed pursuant to IEEPA was terminated. Subsequently, the U.S. imposed 10% tariff under section 122 of the Trade Act of 1974 for a period of 150 days, effective February 24, 2026. These rapidly evolving trade policies, along with associated geopolitical uncertainties, have created a challenging global environment that could lead to reduced international trade, market volatility, and increased costs.

During the Track Record Period, the aggregate revenue from our exports to the United States represents only 6.35% of our total revenue. Given the relatively low contribution ratio, the imposition of U.S. tariffs on the products exported to the U.S. had little impact on our overall business operations and financial performance during the Track Record Period.

Further, we did not experience any material adverse changes in sales, order volume, selling prices, financial performance, or received customer requests for order cancellations or renegotiation of sales terms as a result of U.S. tariffs during the Track Record Period. All products manufactured by our production facility in Thailand and exported to the United States are originated in Thailand and are certified by Thailand authorities. During the Track Record Period and as of the Latest Practicable Date, U.S. Section 301 Tariffs targeted goods of Chinese origin and did not apply to our products manufactured by our production facility in Thailand. Therefore, our products manufactured in Thailand were exempted from U.S. Section 301 Tariffs during the Track Record Period and as of the Latest Practicable Date. On June 2,2026, the United States Trade Representative (USTR) issued a determination under Section 301 of the Trade Act of 1974 proposing an additional 12.5% Section 301 Tariff on certain imports from Thailand and 53 other economies. This proposed tariff is subject to a public comment period ending July 6, 2026, and public hearings scheduled for July 7, 2026, with a final determination

expected thereafter. If implemented, the applicability of this additional Section 301 Tariff to our products would depend on whether the specific product categories fall within the scope of the proposed duties.

Also, U.S. President agreed on a 19% U.S. "reciprocal" tariff on products from Thailand under the IEEPA, effective from August 1, 2025. Following a ruling of the U.S. Supreme Court on February 20, 2026 that the President lacked statutory authority to impose tariffs under IEEPA, the IEEPA-based reciprocal tariff regime was invalidated. On February 21, 2026, the U.S. President further invoked Section 122 of the Trade Act of 1974 to impose a 10% tariff globally, which applies to Thailand exports as of the Latest Practicable Date. This Section 122 tariff is statutorily limited to 150 days and is scheduled to expire around July 2026 unless extended by the U.S. Congress or replaced by other tariff measures. Meanwhile, as of the Latest Practicable Date, the United States and Thailand are negotiating a framework for an agreement on reciprocal trade, which may result in modified tariff rates or exemptions for certain products upon conclusion and entry into force. The outcome and timing of these negotiations remain uncertain.

Overall, the U.S. tariffs and trade restrictions during the Track Record Period did not cause any material adverse impact on us. Even if the U.S. were to expand the scope of Section 301 Tariffs to Thailand in the future, given that the total revenue from the Thailand facility's exports to the U.S. market during the Track Record Period represented only 4.37% of our total revenue, relevant adverse impact would be limited. In the event of such extreme circumstances, we may negotiate with customers for an appropriate course of action.

INVENTORY MANAGEMENT AND LOGISTICS

Inventory Management

We attach great importance to our inventory health, assigning dedicated staff in our production department and finance department to provide management with regular reports on the status of inventory. We consider inventory level when formulating procurement plans.

We have various policies in place to ensure effective inventory management, such as advancing our warehouse management system ("**WMS**") to standardize warehouse operations and enhancing the accuracy, traceability and responsiveness of warehouse material management. See "Financial Information — Selected Balance Sheet Items — Inventories."

Logistics

Our products are usually stored in our own warehouses located in our production bases before they are delivered to our customers. We primarily use third-party logistics service providers for the delivery of finished goods from our production bases and warehouses to locations specified by our customers. We set strict standards for the transportation of our products that these third-party logistics service providers are required to follow, and we evaluate the third-party logistics service providers periodically on their performance and compliance with our requirements to ensure smooth delivery of products to customers. We usually enter into agreements with our logistics service providers on an annual basis. Our logistics service providers bear the risks associated with the transportation of our products.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant delay or inappropriate handling of goods that materially and adversely affected our business operations.

INTELLECTUAL PROPERTY

We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patent, trademark, trade secret and other intellectual property laws in China and other countries and regions. See also "— Research & Development — Intellectual Property and Know-how."

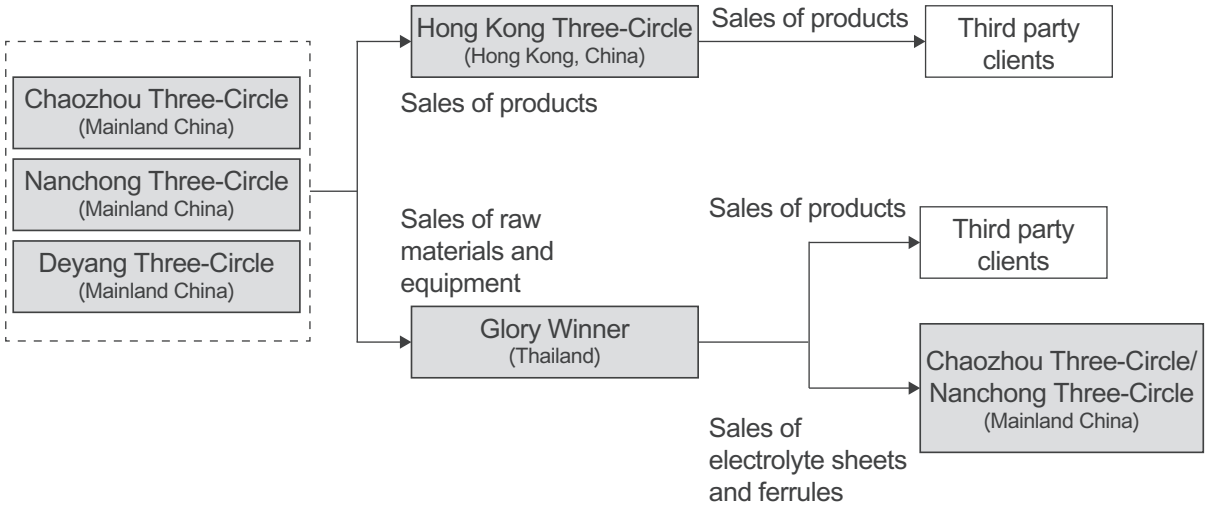
Our legal department is primarily responsible for protecting our intellectual property. We proactively manage and expand our intellectual property portfolio and use confidentiality and non-compete agreements to protect our intellectual properties and trade secrets. Despite our efforts, we may be subject to risks associated with alleged infringement of third parties' intellectual property rights, or infringement of our intellectual property rights by third parties.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we were not aware of any legal proceedings preventing us from exploiting our intellectual property rights in a manner that would materially and adversely affect our business, or legal proceedings brought against us for infringement of intellectual property rights that would have a material adverse effect on our business, financial condition or results of operations.

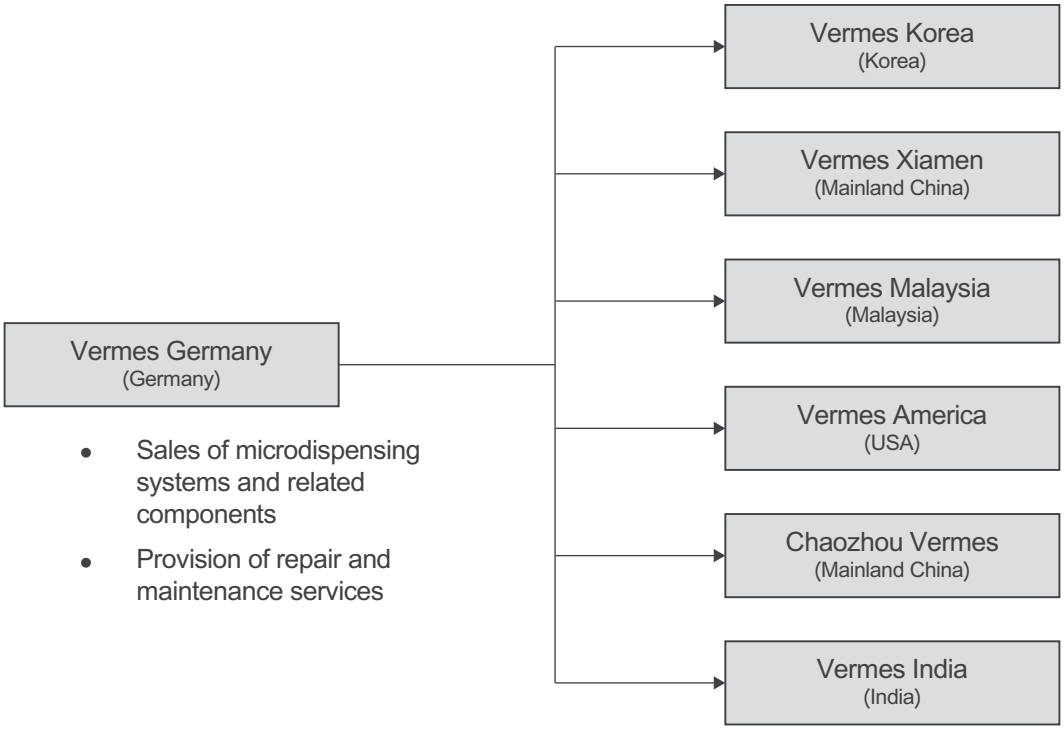
INTRA-GROUP TRANSACTION

The diagram below sets forth the business flow of major Intra-Group Transactions within the Group during the Track Record Period*:

Transactions between Mainland China entities and overseas entities



Transactions within the Vermes Germany subgroup



**Note:* Insignificant transactions are not shown in the charts above.

The table below sets forth the amount of major intra-group transactions during the Track Record Period:

Transaction type	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Sales of Tangible assets	669,389	99.7	609,849	98.6	834,463	98.4
Service transactions	1,946	0.3	8,806	1.4	13,572	1.6
Total	**671,335**	**100.0**	**618,655**	**100.0**	**848,035**	**100.0**

We have engaged an independent transfer pricing advisor, Ernst & Young (China) Advisory Limited Beijing Branch Office (the "**Transfer Pricing Advisor**") to review and assess whether our Group's intra-group cross-border transfer pricing arrangements meet the arm's length principle based on Organization for Economic Cooperation and Development Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, 20 January, 2022 ("**OECD Transfer Pricing Guidelines**"). The Transfer Pricing Advisor reviewed the Intra-Group Transactions, conducted functional & risk analysis, business analysis, and comparability analysis, and evaluated whether the price or profit level of the Intra-Group Transactions met the price or profit level required by the arm's length principle under appropriate transfer pricing methods.

Our Transfer Pricing Advisor selected the Transactional Net Margin Method ("**TNMM**") and the Comparable Uncontrolled Price Method ("**CUP**") as the appropriate transfer pricing methods to assess whether the transfer pricing arrangements related to the Intra-Group Transactions were consistent with the arm's length principle.

In accordance with the OECD Transfer Pricing Guidelines, when selecting a transfer pricing method, enterprises should choose the approach that best accurately reflects the arm's length principle, based on the nature of the transaction, functional risk analysis, and the reliability of available data. The Transfer Pricing Advisor determined the selection of different transfer pricing methods by applying these principles to the specific characteristics, functional risk profiles, and availability of reliable comparable data for each related-party transaction, thereby verifying the reasonableness of the transfer pricing arrangements across various types of Intra-Group Transactions. The CUP method evaluates the price charged in a controlled transaction with reference to the price charged in comparable uncontrolled transactions. According to the OECD Guidelines, where it is possible to locate comparable uncontrolled transactions, the CUP method is preferable over the other methods. The TNMM tests the arm's-length character of transfer prices in a controlled transaction by comparing the operating profits earned by one of the parties engaged in controlled transactions to the operating profits earned by uncontrolled parties engaged in similar business activities. The TNMM may be used for all types of related party transactions. This differentiated transfer pricing methodology ensures that each type of Intra-Group Transaction is evaluated using the appropriate transfer pricing methods to assess whether the transfer pricing arrangements related to the Intra-Group Transactions were consistent with the arm's length principle.

When applying TNMM, a range of reasonable profit levels was determined by reference to the profit levels of comparable companies. The Transfer Pricing Advisor has selected operating margin ("**OM**"), mark-up on total cost ("**MTC**"), or berry ratio as the profit level indicator to test on segmental or overall business profit level of Chaozhou Three-Circle, Nanchong Three-Circle, Deyang Three-Circle, Hong Kong Three-Circle, Glory Winner during the Track Record Period.

When applying CUP, the prices charged by the related parties in the sale of goods will be compared with the prices charged by unrelated parties in the sale of identical or similar goods, taking into account key functional, asset, and risk profiles, as well as the terms and conditions of the transactions. Our Transfer Pricing Advisor selected the CUP method to assess the arm's length nature of Vermes Germany's pricing in transactions with its subgroup entities.

Based on the above analysis, the Transfer Pricing Advisor is of the view that our pricing arrangements in relation to major intra-group cross border transactions have been carried out in line with the arm's length principle under the OECD Transfer Pricing Guidelines, and there is no material transfer pricing risk identified in relation to Intra-Group Transactions of our Group during the Track Record Period.

Although we believe our transfer pricing arrangements for Intra-Group Transactions have reasonable technical basis and have been carried out in accordance with the arm's length principle, the tax treatment of these transactions may still be subject to interpretation by the respective tax authorities in Mainland China and overseas. There is no assurance that the tax authorities will not subsequently challenge our transfer pricing position or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If any competent tax authority in the Mainland China or overseas later determines that our transfer

pricing arrangements do not comply with the relevant transfer pricing laws and regulations, we may face adverse tax consequences, including additional taxes, interests or penalties, which may result in a higher overall tax liability for us and may adversely affect our business, financial condition and performance.

DATA PRIVACY AND CYBERSECURITY

We generally do not collect or process individual customers' personal information since our customers are brand companies rather than individuals. We also do not have any cross-border data transaction. During the Track Record Period, we had complied with applicable laws and regulations related to cybersecurity and data protection in all material aspects.

We have complied with the applicable data security and personal information protection laws and regulations in all material aspects during the Track Record Period. We did not experience any material security breach or data loss during the Track Record Period. Particularly, as further advised by local counsels, our directors are of the view that we have complied with the applicable data security and personal information protection laws and regulations in Thailand and Germany in all material aspects during the Track Record Period.

We have established a comprehensive data compliance system that consists of organizational structure and internal policies. Our information technology department, together with our legal and compliance functions, is responsible for developing and implementing our policies and procedures relating to cybersecurity and data security, with designated data owners for critical systems who approve access rights and conduct regular permission reviews. Our procedures ensure that we have a comprehensive set of protocols covering the prevention of data breaches, immediate action and response in case of data incidents and post-incident assessment and analysis, and we maintain layered technical and administrative controls, including network segmentation, role-based access control, multi-factor authentication for privileged accounts, encryption of data at rest and in transit where applicable, system and database logging with periodic review, and regular vulnerability scanning and patch management on key servers and applications. In addition, we conduct annual trial runs of data breach incidents to test our data protection mechanism and provide various data security trainings to our employees to ensure that our employees are well aware of our data security policies and their responsibilities in terms of data protection. With respect to data storage, our core business systems are hosted in secured on-premises servers located in the PRC, supported by documented data backup and disaster recovery procedures that include scheduled encrypted backups, off-site storage within the PRC and recovery time objectives for key systems that are reviewed and tested periodically.

Our PRC legal advisor is of the view that, during the Track Record Period, we complied with applicable PRC laws and regulations with respect to cybersecurity, personal data protection and data security in all material respects.

INFORMATION TECHNOLOGY

We have utilized various information technology systems covering all material aspects of our operations, including sales, supply chain management, inventory management, production and quality control. Our IT department is responsible for developing and maintaining these systems to support our business growth and tailor them to our specific needs. Our main information technology systems include the following:

ERP system. Our enterprise resource planning ("**ERP**") helps us integrate the core business processes of various departments, including financial management, supply chain, production and inventory. It can provide real-time data analysis, reduce costs, enhance operational efficiency and support our decision-making process, thereby increasing our flexibility and competitiveness.

MES. Our manufacturing execution system ("**MES**") serves as a crucial bridge between the ERP and our production department. Its core functions include production scheduling, resource management, quality control, data collection and real-time monitoring of plant personnel, equipment and materials. It assists us in conducting timely checks, enhancing production efficiency, and minimizing downtime and production errors, thereby optimizing our production processes and improving our resource utilization.

WMS. Our WMS optimizes inbound and outbound logistics and inventory management. By reducing storage costs, improving task processing speed and enhancing warehouse space utilization, it improves warehouse efficiency, reduces errors and ensures our inventory data accuracy.

OA system. Our office automation ("**OA**") system is primarily utilized for daily office management. It streamlines routine administrative tasks, enhances communication and improves overall organizational efficiency by providing a centralized platform for document management, scheduling and internal collaboration.

CRM system. Our customer relationship management ("**CRM**") system manages and analyzes customer interactions and data throughout the customer lifecycle. Its main functions include contact management, sales automation and customer service. It organizes customer information, automating marketing tasks, tracking customer interactions, and providing insights into customer behavior and preferences.

SRM system. Our supplier relationship management ("**SRM**") system enhances procurement efficiency and strengthens supply chain stability through functionalities such as supplier information management, supplier sourcing and onboarding, procurement and contract management, and supplier performance management.

COMPETITION

We mainly operate in the highly competitive electronic ceramic material and component industry. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors. See "Industry Overview" for details relating to our competitive landscape.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions in respect of our products, technology and innovation. The following table sets out major awards and recognitions we received:

Year	Award/Recognition	Awarding Institution/Authority
2025	National Advanced Collective of the Industrial and Information Technology System	Ministry of Industry and Information Technology of PRC
2024	Top 100 Key Enterprises in China's Electronic Components Industry	China Electronic Components Association
2023	High-Tech Enterprise	Department of Finance of Guangdong Province, PRC, Guangdong Provincial Tax Service, State Taxation Administration of PRC and Department of Science and Technology of Guangdong Province, PRC
2022	Single-Item Champion Product (ceramic substrates for chip resistors)	Ministry of Industry and Information Technology of PRC
2022	Single-Item Champion Product (ceramic ferrules)	Ministry of Industry and Information Technology of PRC

EMPLOYEES

As of December 31, 2025, we had 17,352 full-time employees located in both the PRC and overseas. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2025.

Function	As of December 31, 2025	
	Number	*%*
Production	13,906	80.1
Sales and marketing	208	1.2
R&D	1,975	11.4
Finance	52	0.3
Administrative	1,211	7.0
Total	**17,352**	**100.0**

The following table sets forth a breakdown of our full-time employees by location as of December 31, 2025.

Location	As of December 31, 2025	
	Number	*%*
The PRC	16,473	94.9
Thailand	711	4.1
Other countries and regions[(1)]	168	1.0
Total	**17,352**	**100.0**

Note:

(1) Mainly including Germany.

We use various recruitment methods, including campus recruitment, online recruitment, other external recruitment channels as well as internal referrals. We enter into standard employment contracts and confidentiality agreements with our employees.

We value our employees and are committed to providing competitive compensation and welfare benefits. Our compensation system consists of basic salaries, performance-based incentives and bonuses. As required by the laws and regulations in the jurisdictions in which we operate, we participate in employee social security plans. In addition, we established a comprehensive training system, enhancing the capabilities of our employees through diverse training methods and personalized learning plans.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major labor dispute or disturbance that had interfered with our operations and we believe we maintain good employee relations. As of the Latest Practicable Date, our employees were represented by a labor union.

Social Insurance and Housing Provident Funds

Companies with operations in Chinese Mainland are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident fund on behalf of employees in Chinese Mainland. During the Track Record Period, we and our PRC subsidiaries fail to make adequate contribution to social insurance and housing provident fund for our employees. Our contribution shortfall amounted to RMB3.0 million, RMB2.2 million and RMB2.6 million, accounting for 0.05%, 0.03% and 0.03% of our revenue in 2023, 2024 and 2025, respectively. We are of the view that such contribution shortfall will not have any material adverse impact on our business and operations. As a result, no provisions have been made in relation to the inadequate contributions. We were not subject to fines and other regulatory actions due to such inadequacy contribution during the Track Record Period. As advised by our PRC Legal Adviser, the applicable penalties are imposed on an entity-by-entity basis and vary by type of non-compliance and its duration: according to the PRC Social Insurance Law, (a) for outstanding social insurance fund contributions that we did not promptly pay in full, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; and (b) if we fail to make such payments within the

stipulated deadline, we may be liable to a fine of one to three times the outstanding contribution amount. Therefore, the potential maximum penalty to which we may be subject, being three times the outstanding contribution amount, would amount to RMB8.1 million, RMB6.1 million and RMB7.3 million, accounting for 0.14%, 0.08%, and 0.08% of our revenue in 2023, 2024, and 2025, respectively, excluding any late payment fees.

If the relevant authorities order us to pay the shortfall of social insurance and/or housing provident funds or take rectification measures in accordance with applicable laws and regulations, we will make such payments or take such rectification measures promptly within the specified period to avoid such penalties for overdue payment.

According to the Social Insurance Law of the PRC and the Regulations on the Administration of Housing Provident Fund, human resources and social security bureaus and housing provident fund management centers are the competent authorities for employee social insurance and housing provident fund matters. According to the interviews conducted by our PRC Legal Adviser and the Sole Sponsor's PRC Legal Adviser in December 2025 with the competent officials of the competent social insurance bureaus and housing provident fund management centers of the relevant PRC subsidiaries, in the absence of employee complaints or reports, such authorities generally do not initiate procedures for retrospective payments, payments within a prescribed time limit, or penalties against us or our relevant PRC subsidiaries. If any contribution shortfall are fully settled within the prescribed time limit, no further penalties will be imposed. According to the compliance certificates confirming the absence of records of non-compliance issued by the competent social insurance and housing provident fund authorities, during the Track Record Period, such authorities did not initiate any investigations, recovery actions, warnings, circulars, or administrative penalties against us or our relevant PRC subsidiaries in relation to social insurance and housing provident fund contributions. Our PRC Legal Advisor is of the view that the interviewed departments are the competent authorities responsible for the social security and housing fund contributions and penalties of us and our relevant PRC subsidiaries. Considering relevant regulatory policies and the facts stated above and the confirmations we have received from the competent PRC authorities, provided that there are no material changes to the current social insurance, housing provident fund policies and regulations, or to the enforcement and supervision requirements of local governments, our PRC Legal Adviser is of the view that the likelihood that we and our relevant PRC subsidiaries would be subject to material administrative penalties due to our failure to provide adequate social insurance and housing provident fund contributions is low.

Furthermore, with regard to the Supreme People's Court's Interpretation (II) on Issues Concerning the Application of Law in Labor Dispute Cases which took effect on September 1, 2025, our PRC Legal Adviser is of the view that the Interpretation is not expected to have a material adverse effect on our financial position and business based on the followings: (i) the estimated maximum potential penalty for our social insurance contribution shortfalls during the Track Record Period will not increase as a result of the Interpretation, as shortfalls arising from employee voluntary elections or mutual agreements have already been factored into such calculations; and (ii) the Interpretation has neither repealed nor amended the social insurance laws and regulations currently in force in the PRC.

PROPERTIES

As of December 31, 2025, we operated our business through owned and leased properties in eight cities in the PRC, and owned properties in Germany and in Thailand. We primarily use our owned and leased properties as our production centers, employee dormitories and office premises.

As of December 31, 2025, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As of December 31, 2025, we owned properties in six cities with a gross floor area of approximately 942,288 square meters in the PRC, properties with a land area of approximately 19,233 square meters in Germany and properties with a land area of approximately 35,200 square meters in Thailand. We mainly use these properties as our production centers, warehouses and office premises.

Leased Properties

As of December 31, 2025, we leased properties in three cities with a gross floor area of approximately 14,666 square meters in the PRC, mainly as our production centers, warehouses and office premises.

Pursuant to the applicable PRC laws and regulations, property lease agreements are required to be registered with the relevant local housing administrative authorities. As of the Latest Practicable Date, due to our landlords' failure, eight of our lease agreements for properties — primarily as office premises — in the PRC had not been registered with relevant authorities. As advised by our PRC Legal Advisor, according to applicable PRC administrative regulations, the lessor and the lessee of a property lease agreement are required to file the property lease agreement with relevant governmental authorities within 30 days after the execution of the property lease agreement. Notwithstanding that failure to complete such lease registration would not affect the validity of such lease agreements, failure of filing made within a stated period of time may cause a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. If we are required to vacate any of the relevant leased properties, we expect to secure suitable alternative premises promptly and do not anticipate any material impact on our business operations or financial performance. As remedial measures, if relocation is required, we will implement a rapid relocation plan (including timely lease-in of comparable premises and orderly migration of equipment and personnel) to ensure business continuity without any material impact on our operations or financial results.

We intend to comply with the lease registration requirement for all agreements to which we are a party by 2027. However, since the filing process requires coordination between the parties, there is a risk that the counterparty may fail to cooperate or complete the registration in a timely manner. To address this, we will take steps to facilitate timely completion of lease registrations and factor the counterparty's cooperation with the registration process into our criteria for selecting leased properties in the furture.

INSURANCE

We consider our insurance coverage to be adequate and in accordance with the commercial practices in the industries in which we operate. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance. According to Frost & Sullivan, the scope and key terms of our insurance coverage, including property damage and employee-related coverage, are generally consistent with industry practice for companies with comparable business profiles and scale, based on a review of policy types, insured limits and typical deductibles observed in the sector. During the Track Record Period and up to the Latest Practicable Date, we did not file any material insurance claims in relation to our business. However, there can be no guarantee that we will not incur losses or suffer claims beyond the limits, or outside the relevant coverage, of our insurance policies.

LICENSES, PERMITS AND APPROVALS

We have obtained all material license, approvals and permits required in each jurisdiction where the Group operates during the Track Record Period and up to the Latest Practicable Date. Our PRC Legal Advisor is of the view that during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from the relevant government authorities that are material for our business operations under the PRC laws. We continually monitor our compliance with these requirements in order to ensure that we have all such approvals, licenses and permits as are necessary to operate our business.

We had not experienced any material difficulties in renewing material licenses, permits or approvals during the Track Record Period and up to the Latest Practicable Date and do not expect there to be any material difficulties in renewing them upon their expiry. None of the licences or permits expire in 2026. As advised by our PRC legal advisors, based on the materials provided by the Company and the Company's confirmation, there are no foreseeable impediment to their renewal upon expiry under the PRC laws.

License	Holding entity	Expiration date
Pollutant Discharge Permit	The Company	November 27, 2030
Pollutant Discharge Permit	Nanchong Three-Circle	April 22, 2029
Pollutant Discharge Permit	Deyang Three-Circle	October 19, 2028

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

We may, from time to time, become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, there were no material litigation, arbitration or administrative proceedings pending or threatened against us or any of our directors that could have a material or adverse effect on our business, our financial condition or the results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

We are, from time to time, party to court, arbitral and administrative proceedings arising in the ordinary course of our business operations. During the Track Record Period and up to the Latest Practicable Date, we and our major subsidiaries are not involved in any court, arbitral or administrative proceedings that we believe may be of material importance to our assets and liabilities or profits and losses nor, so far as we are aware, are any such proceedings pending or threatened.

ENVIRONMENTAL, SOCIAL RESPONSIBILITIES AND GOVERNANCE

We recognize environmental protection, integrity and transparency as important aspects of our business development process and are committed to making a positive and sustainable impact on our stakeholders through environmentally and socially responsible operations.

Governance

We have established a multi-tiered Environmental, Social and Governance ("**ESG**") management structure. Our Board, as the highest governance body for our ESG management, is responsible for formulating, overseeing and reviewing our ESG strategy, including strategic direction, target setting and key policies, as well as identifying and evaluating ESG-related risks and opportunities to ensure that the impact of these factors on our long-term development is adequately considered.

We have established an ESG working group and engaged external consultant to identify and monitor ESG-related risks and opportunities and applicable regulatory and supervisory requirements. We adopt stakeholder engagement as our core principle, conduct dual materiality assessments through regular communications with internal and external parties, and establish a matrix of material issues to proactively address current and anticipated challenges and implement the ESG policies and strategies designated by the Board.

Moreover, with the implementation of comprehensive risk identification and mitigation plans, we have established scientific indicators and objectives to ensure the efficient implementation of our green and smart strategies. We are now focusing on production safety, resource efficiency improvement and labor rights management, among others, and have established a clear management framework and milestones to drive continuous improvement in key ESG domains.

Up to the Latest Practicable Date, we have strictly complied with applicable ESG-related laws and regulations. In 2023, 2024 and 2025, there was no material violation with regard to ESG-related laws and regulations. Over these years, we have annually invested a certain amount of resources in developing our ESG compliance management, addressing key topics such as environmental protection, production safety and information security. These efforts include upgrades to pollutant treatment facilities, conducting emergency drills for production safety and implementing energy-saving retrofits for equipment. During the Track Record Period, our ordinary business operations were not materially impacted by measures taken to achieve the reduction targets.

Risk Management and Measures

We proactively review our operations and industry characteristics and referencing domestic and global ESG standards, policies, industry trends and key focus areas of global ESG ratings. Simultaneously, we assess and rank risks across dimensions such as probability and impact through communication with external consultants and internal discussions, and the results of such analyses are reviewed and approved by our Strategy Committee. Accordingly, we identify the ESG matters that have a material impact on our business and set targeted goals and measures.

We have gathered relevant industry standards, government policies, laws, and regulations that significantly impact us in areas such as environmental compliance, energy saving, resource utilization, employment compliance, and occupational health and safety. We have set quantitative targets and implemented various measures to reduce the environmental, social and climate-related impacts of our business.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any fines or other penalties for non-compliance with relevant regulations on environmental, social and governance.

Environmental Protection

Our business operations comply with the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Energy Conservation and other relevant laws and regulations on environmental protection promulgated by the government of the PRC which have material effects on our operations.

We adhere to environmental policies that emphasize earth care, energy saving, consumption reduction, clean production and green environmental protection. We comply with laws and regulations and are committed to continual improvement, with the aim of minimizing the negative impact of our operating activities on the environment and ensuring that our environmental protection efforts are legal and compliant.

We pay close attention to resource consumption, greenhouse gas emissions and waste disposal in our operations, and we strive to optimize our routine practices to manage the environmental and climate-related risks arising from our business and production activities.

Resource consumption

We primarily utilize resources such as electricity, water and natural gas in our daily operations. We actively promote energy saving and consumption reduction to reduce resource usage. During the Track Record Period, our resource consumption data for energy consumption, electricity consumption and water consumption are as follows:

		Year ended December 31,		
Classification	**Unit**	**2023**	**2024**	**2025**
Energy consumption	standard coal equivalent	69,419	91,344	100,395
Electricity consumption	MWh	484,233	643,950	685,691
Water consumption	m^3	3,803,015	5,116,368	5,243,882

The upward trend in our resource consumption during the Track Record Period was primarily due to our expansion investments in factories across China and overseas.

Greenhouse gas emissions

Our Scope 1 and Scope 2 greenhouse gas ("**GHG**") emissions during our daily operations mainly result from electricity consumption and natural gas usage.

Details of our GHG emissions[(1)] during the Track Record Period are as follows:

		Year ended December 31,		
Classification	**Unit**	**2023**	**2024**	**2025**
Scope 1	tons of carbon dioxide equivalent	17,913	32,839	29,206
Scope 2	tons of carbon dioxide equivalent	137,193	170,990	160,922
Total	**tons of carbon dioxide equivalent**	**155,106**	**203,829**	**190,128**

Notes:

(1) We have not fully disclosed our Scope 3 GHG emissions due to the absence of appropriate pre-measurement quantification methodologies for certain categories, and the industry's complex value chain and dispersed supplier base presenting technical challenges in data collection. Upon assessment, its impact on the our financial and operational activities is deemed moderate. We have initially established a scope 3 GHG emissions accounting system, which in the data collection and system refinement stage and we plan to progressively disclose the Scope 3 GHG emissions data for purchased goods and services, capital goods and other core categories in our 2026 ESG report.

Waste disposal

The wastes generated in our daily operations include production waste, industrial wastewater and exhaust gas. We define hazardous waste in accordance with the National Catalog of Hazardous Wastes and engage specialized agencies to handle hazardous wastes.

During the Track Record Period, details of waste generated by us are as follows:

		Year ended December 31,		
Classification	Unit	2023	2024	2025
Waste				
Hazardous waste	tons	1,773	3,652	3,686
Non-hazardous waste	tons	7,017	12,079	15,758
Pollutant				
Water pollutant	tons	491	421	495
Air pollutant	kg	8,323	17,759	39,272

During the Track Record Period, the air pollutants generated by us continued to increase, primarily due to production expansion, with the additional capacity weighted towards product specifications with higher air pollutant emission intensity.

We plan to adopt a range of measures to reduce air pollutant emissions, including prioritizing the substitution of raw and auxiliary materials with low-volatile organic compound alternatives to reduce pollutant generation, continuously upgrading to low-nitrogen, energy-efficient production equipment, supported by waste gas collection, dust removal and purification devices for the advanced treatment of production flue gas, promoting the substitution of boiler fuels with clean energy, and strengthening waste gas monitoring and control. We aim to reduce our air pollutant emissions per RMB1 million of revenue by 5% from the 2025 level by 2030.

Metrics and Targets

We employ a set of metrics, targets and measures to assess and manage the environmental risks impacting our business. These efforts are aimed at reducing the consumption of electricity, water, and natural gas, thereby mitigating the environmental footprint of our operations.

Greenhouse gas emissions. We aim to take 2024 as the base year and reduce the Scope 1 and Scope 2 GHG emission intensity per million RMB revenue by 8% by 2027. The key measures to achieve this goal include investing in more energy-efficient production equipment and waste heat recovery systems. We will also promote the low-carbon substitution of boiler fuels and the electrification of on-site transport vehicles. Meanwhile, we plan to develop distributed power generation projects within the factories, launch a supplier engagement programme to encourage key suppliers to set their own emissions reduction targets and integrate their ESG performance into the procurement assessment system. We will give preference to suppliers with lower carbon emissions, optimize logistics and distribution routes to reduce value chain emissions, adopt lightweight, low-carbon raw materials and recycled packaging, and establish a carbon management mechanism to reduce GHG emissions.

Electricity Consumption. We aim to reduce electricity consumption per million RMB of revenue by 10% compared to 2024 levels by December 31, 2027. To achieve this target, we have initiated several energy-saving projects, including energy-efficient retrofits and waste heat recovery for compressor stations, and intelligent energy-saving controls for refrigeration stations. Additionally, we utilize ERP, CRM systems and MES for intelligent online material management to enhance warehouse operations, thereby reducing operational time and increasing efficiency. Operational procedures are optimized to lower energy consumption, and measures such as

maintaining optimal air conditioning temperatures, rational use of lifts, and promoting the use of energy-efficient appliances are enforced. Meanwhile, we plan to enter into long-term power purchase agreements in the future to achieve energy structure optimization.

Water Consumption. We aim to reduce water consumption per million RMB of revenue by 12% compared to 2024 levels by December 31, 2027. Measures to achieve this target include implementing water-saving projects and recycling and reusing water. We have established a dedicated wastewater recovery system to treat wastewater generated during production and then reuse it in facilities such as cooling towers and brazing furnaces. Additionally, water valves in less frequented public areas are turned off, and water-saving signs are posted to encourage reduced water usage.

Social Responsibility

Employment

Human resources are particularly important to achieve the long-term sustainable development of the Company. We are committed to creating a diverse, equal, personality-respecting, positive and self-transcending work environment and development platform for our employees. Our employment management measures include but are not limited to: (i) ensuring no discrimination in employment, compensation, training, and promotion opportunities based on race, religion, gender, nationality, age, marital status, or disability; (ii) strictly prohibiting the employment of child labor and any form of forced labor; (iii) safeguarding employee rights concerning compensation, working hours, rest and leave, occupational safety, health, and training; (iv) promoting work-life balance by offering meal subsidies, housing allowances, holiday benefits, and organizing activities such as expert medical consultations and childcare services; and (v) lowering employee turnover through regular monitoring of turnover rates, analysis of reasons for employee departures and timely adjustment to remuneration, benefits and management policies.

Health and Safety

We adhere to the safety management policy of "safety first, prevention-oriented, comprehensive management and continuous improvement" and comply with the relevant national guidelines, policies, laws and regulations on work safety. Our health and safety goal is to achieve zero recognized occupational diseases and prevent any serious or higher-level workplace safety incidents each year. We have established a Work Safety Committee, set up a safety management organization and implemented a company-wide work safety accountability system. We have obtained certification under the ISO 45001 occupational health and safety management system and we actively formulate work safety and occupational health policies and procedures, including the Safety Management Provisions, the Safety Monitoring and Measurement Control Procedure, the Control Procedure for Safety Objectives, Indicators and Management Programs, and the Occupational Health and Safety Management Manual. During the Track Record Period, we did not experience any major violations of occupational health and safety regulations.

We plan to implement various occupational health and safety management measures, including but not limited to: (i) implementing the Safety Production Responsibility System, signing Safety Production Responsibility Agreements, and developing Job Operating Procedures based on job-specific risks; (ii) establishing a dual-prevention mechanism of graded safety risk control

and hidden hazard identification and remediation and conducting regular safety status assessments; (iii) organizing safety incident emergency drills, certification training for safety officers, and workshops on accident prevention and emergency response; and (iv) providing pre-employment, on-the-job and exit occupational health examinations for employees exposed to occupational disease hazards and promptly reassigning employees whose examination results indicate occupational contraindications.

During the Track Record Period and as of the Latest Practicable Date, we did not experience any major safety incidents, work-related fatalities or injuries.

Supply Chain Management

The main measures we have adopted for supplier ESG management include but are not limited to: (i) before supplier admission, assessing supplier risks based on our basic information inquiries and the Supplier Comprehensive Evaluation Form, from dimensions such as operating conditions, production capabilities, qualifications and certifications; (ii) during the supplier audit phase, conducting social responsibility assessments of suppliers to check their compliance in areas such as environmental protection, labor practices, and business ethics; and (iii) after confirming cooperation, actively signing agreements with suppliers that contain ESG-related provisions, such as Integrity Agreements, Anti-Corruption Agreements and Supplier Declarations of Non-use of Environmentally Controlled Substances, and supervising suppliers' fulfillment of environmental and social responsibilities.

Business Ethics

We attach great importance to business ethics and integrity and take all necessary measures to prevent and combat corrupt practices.

To enhance our business ethics management and standardize employee conduct guidelines, we actively implement various control measures, including but not limited to: (i) actively facilitating various reporting channels, establishing regulations for managing and handling whistleblower information, and encouraging employees to report violations of business ethics; (ii) focusing on protecting whistleblowers at all times, allowing anonymous or pseudonymous reports, and ensuring strict protection of whistleblower information during acceptance, registration, storage, investigation, and other stages; and (iii) conducting anti-corruption training for directors and employees.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the **[REDACTED]**, we have adopted, or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see "Directors and Senior Management — Management and Corporate Governance — Board Committees — Audit Committee;"

- the audit department assists the management in formulating a risk management policy, reviews material risk management matters to provide guidance on risk management measures for related departments, and supervises the implementation of risk management policy;

- the finance department, president office, human resources department and other related departments implement our risk management policy in accordance with their respective responsibilities and conduct ordinary risk identification, assessment and control activities;

- we organize training sessions periodically for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of Directors, and provide training to all employees on professional behavior and ethics standards to enhance their knowledge and compliance with applicable laws and regulations.

We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and areas for improvement, provide recommendations and review the implementation status of these remedial actions. To ensure the above compliance culture is embedded into everyday workflow and sets the expectations for individual behavior across the organization, we will regularly review our risk management policies and internal management procedures, adopt strict accountability internally and conduct compliance training. Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountants' Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, reference to the years of 2023, 2024 and 2025 refer to the fiscal years ended December 31, 2023, 2024 and 2025, respectively.

OVERVIEW

Rooted in our "materials" capabilities, we focus on electronic ceramic materials and components, with over fifty-five years of operating history. We have concentrated on electronic ceramic materials and components throughout our history. We have built a product portfolio across four categories — electronic and ceramic materials, electronic components, telecommunication ("**telecom**") components and equipment components — forming a business framework that spans foundational materials, critical components and high-end devices and assemblies across key application areas including telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy and intelligent industrial control.

Since the listing of our A Shares on the ChiNext of the Shenzhen Stock Exchange in 2014, we have recorded steady revenue growth and maintained solid profitability. Our revenue was RMB5,681.5 million, RMB7,266.1 million and RMB8,868.5 million in 2023, 2024 and 2025, respectively. Our gross profit was RMB2,154.1 million, RMB2,975.3 million and RMB3,542.8 million for the same years. Our net profit was RMB1,583.2 million, RMB2,190.2 million and RMB2,617.0 million, and our net cash generated from operating activities was RMB1,719.0 million, RMB2,403.1 million and RMB2,877.6 million for the same years, respectively. We believe these results reflect our capability in sustainable value creation over the long term.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe there are several important factors that have affected and that we expect to continue to affect our results of operations:

End market demand

The demand for our products, which are primarily components and materials, is largely driven by demand for the end-products. We have a broad product portfolio strategically targeted at various key end markets, including applications for telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy and intelligent industrial control.

Driven by growth of these end markets, the size of the electronic ceramic material and component markets we operate in are expected to grow continuously, according to Frost & Sullivan:

- the global core electronic ceramic material market is expected to increase from RMB27.8 billion in 2026 to RMB43.1 billion in 2030 at a CAGR of 11.6%.
- the global core ceramic electronic component market is expected to increase from RMB194.6 billion in 2026 to RMB256.8 billion in 2030 at a CAGR of 7.2%.
- the global core ceramic telecom component market is expected to increase from RMB53.4 billion in 2026 to RMB75.9 billion in 2030 at a CAGR of 9.2%.
- the global core ceramic equipment component market is expected to increase from RMB62.9 billion in 2026 to RMB98.6 billion in 2030 at a CAGR of 11.9%.

The continued growth of our business will depend on our ability to further penetrate existing end markets and expand into new end markets to capture these growing market opportunities. For example, we are expanding our market shares in the high-end MLCC in automotive, AI data center and industrial control sectors. The progress and success of such expansion and growth will affect our business, financial condition and results of operations.

Maintaining and growing relationship with our customers

Our results of operations have been and are expected to be affected by our ability to maintain and grow our relationship with end market customers. Demand for our products from end market customers is impacted by a number of factors, including overall macro-economic conditions and the quality of our products. For example, unfavorable changes in global economic conditions and consumer spending could negatively affect demand for consumer electronics and automotives, which in turn will negatively affect our customers' demand for our products and therefore our results of operations.

Additionally, to stay ahead of competition in end markets, our customers may require us to (i) advance our technologies and production techniques to develop products that meet our customers' evolving requirements and (ii) lower our product prices, which we will need to mitigate through cost reduction measures such as improving production efficiency. Our ability to achieve technological innovation and to enhance our production efficiency will affect our customers' demand for our products as well as our profit margins.

Product mix and pricing

We generate revenue from electronic and ceramic materials, electronic components, telecom components, equipment components and other products. These categories and the products within them have different pricing and margin characteristics. Our profitability is affected by our ability to price our products to achieve our intended profit margins, and our results of operation for a given period will be affected by the mix of our products.

- Electronic and ceramic materials include multiple product families, materials systems, and technical specifications. Their prices and gross margin profiles vary by formulation complexity, performance grade, and application requirements, as well as by changes in supply–demand conditions and raw material costs.

- Electronic components' gross profit maintained a growth momentum during the Track Record Period, supported by favorable supply–demand dynamics in selected product lines and our emphasis on product quality and reliability. However, margins for products within this sector can fluctuate, driven by differences in product mix and specifications.

- Telecom components margins vary with the mix between products used in different end applications and carried different specifications, and with shifts in demand from communications and data center applications.

- Equipment components margins vary with the mix between standard products and high-spec components, and with shifts in demand across end-markets and lifecycle phases.

During the Track Record Period, the gross margin for electronic and ceramic materials continued to decrease while its average selling price continued to increase, due to a shift in product mix toward higher-priced but also higher-cost items and the timing of cost pass-throughs. Specifically, we sold a greater proportion of advanced materials, including substrates and pastes that command higher selling prices. In addition, increases in key raw material costs and consumables were not fully reflected in customer pricing within the same period due to qualification and contract cycles, resulting in temporary pressure on gross margin.

Average selling price and gross margin for electronic components was relatively low in 2023 as a result of product mix changes and weak industry demand during the year. Within electronic components, MLCC served as a key driver of revenue and profitability growth since 2023. Higher-specification MLCCs for automotive, industrial control, AI and data center applications generally exhibit stronger profitability compared with general-purpose MLCCs, subject to utilization, yield, and program pricing dynamics.

Equipment components generally carried higher gross margins during the Track Record Period primarily because these products have high technical barriers and longer qualification cycles, leading to consistent pricing and reduced exposure to short-term commodity cost swings. Recurring demand for spares and services associated with equipment components also supported our gross margin in this sector.

Ability to control cost of sales

Our cost of sales mainly includes costs of raw materials used in the production of our products, as well as associated labor and manufacturing costs. Our ability to control our cost of sales is crucial in maintaining our desired profitability.

We have adopted an integrated production model, from ceramic base material production, the development and assembly of manufacturing equipment for our products, to the production of our final products. This model lowers our cost of sales. Our ability to continue to optimize efficiency across these production areas will affect our cost of sales.

On the other hand, higher raw material or labor costs due to shortage or other market dynamics may reduce our gross margins if we are unable to mitigate these additional costs through higher selling prices or increased production efficiency.

Changes in technologies

Our products are applied in a wide range of electronic, optical and other devices, which are characterized by rapidly changing technologies aimed at enhancing functionality and performance, as well as meeting evolving industry standards.

Our success depends on our ability to keep pace with such technological developments, particularly, our ability to develop new technologies or adapt to alternative technologies, evolve our current products, as well as develop and introduce new products. To do so, substantial expenditure on research and development may be required. Our results of operations will be affected by our ability to achieve intended results from research and development efforts, and to successfully implement such results to achieve intended benefits.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with the IFRSs. All IFRSs that are effective for the accounting period beginning on January 1, 2023, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Note 4 to "Appendix I — Accountants' Report" to this document sets forth certain material accounting policy information, which are important for understanding our financial conditions and results of operations.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products.

Sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products

Revenue from sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products between the Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognised when the performance obligation has been satisfied at a point in time.

Revenue from local sale of goods is recognised at a point in time when the Group has delivered the products to the customers in accordance with the contract terms, and has been received and accepted by the customers.

Revenue from export sale of goods is recognised at a point in time upon completion of export declaration, when control of the goods is transferred.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. See Note 5 to "Appendix I — Accountants' Report."

RESULTS OF OPERATIONS

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Revenue	**5,681,529**	**100.0%**	**7,266,133**	**100.0%**	**8,868,527**	**100.0%**
Cost of sales	(3,527,422)	(62.1)%	(4,290,871)	(59.1)%	(5,325,745)	(60.1)%
Gross profit	**2,154,107**	**37.9%**	**2,975,262**	**40.9%**	**3,542,782**	**39.9%**
Other income, gains and losses, net	699,255	12.3%	673,802	9.3%	757,122	8.5%
Selling and distribution expenses	(74,343)	(1.3)%	(79,392)	(1.1)%	(93,199)	(1.1)%
Administrative expenses	(435,487)	(7.7)%	(427,223)	(5.9)%	(509,251)	(5.7)%
Research and development expenses	(545,806)	(9.6)%	(583,072)	(8.0)%	(653,437)	(7.4)%
Reversal of impairment loss (impairment loss) on financial assets, net	7,610	0.1%	(12,734)	(0.2)%	(15,445)	(0.2)%
Finance costs	(22,488)	(0.4)%	(27,700)	(0.4)%	(20,396)	(0.2)%
Profit before income tax	**1,782,848**	**31.4%**	**2,518,943**	**34.7%**	**3,008,176**	**33.9%**
Income tax expense	(199,697)	(3.5)%	(328,710)	(4.5)%	(391,196)	(4.4)%
Profit for the year	**1,583,151**	**27.9%**	**2,190,233**	**30.1%**	**2,616,980**	**29.5%**

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we mainly generated revenue from sales of (i) electronic and ceramic materials, (ii) electronic components, (iii) telecom components, (iv) equipment components and (v) other products.

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Electronic and ceramic materials	1,548,700	27.3%	1,677,233	23.1%	1,959,378	22.1%
Electronic components	1,572,349	27.7%	2,298,159	31.6%	3,308,090	37.3%
Telecom components	1,766,754	31.1%	2,305,985	31.7%	2,594,310	29.3%
Equipment components	477,990	8.4%	536,825	7.4%	601,753	6.8%
Other products	315,736	5.5%	447,931	6.2%	404,996	4.6%
Total	**5,681,529**	**100.0%**	**7,266,133**	**100.0%**	**8,868,527**	**100.0%**

During the Track Record Period, our revenue from sales of electronic components continue to increase and contribute to 27.7%, 31.6% and 37.3% of our total revenue in 2023, 2024 and 2025, respectively, primarily due to increase in downstream market demand for our MLCC products. Our revenue from sales of telecom components also experienced a continuous increase during the Track Record Period and contribute to 31.1%, 31.7% and 29.3% of our total revenue in 2023, 2024 and 2025, primarily due to increase in market demand for our PKGs and ceramic ferrules.

The following table sets forth the sales volume and average selling prices of our products for the year indicated.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	'000 Units[(1)]	*RMB/Unit[(1)]*	*'000 Units[(1)]*	*RMB/Unit[(1)]*	*'000 Unit [(1)]*	*RMB/Unit[(1)]*
Electronic and ceramic materials	2,631	588.7	2,444	686.4	2,293	854.4
Electronic components	24,505	64.2	33,703	68.2	48,765	67.8
Telecom components	1,574	1,122.3	1,966	1,172.7	2,233	1,161.9
Equipment components	8	56,711.5	9	62,249.1	8	76,336.5

Note:

(1) One unit denotes ten thousand pieces or kilograms.

The following table sets forth our revenue by geographical location for the year indicated.

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
The PRC	4,530,047	79.7%	5,968,942	82.1%	7,327,498	82.6%
Overseas[(1)]	1,151,482	20.3%	1,297,191	17.9%	1,541,029	17.4%
Total	**5,681,529**	**100.0%**	**7,266,133**	**100.0%**	**8,868,527**	**100.0%**

Note:

(1) Mainly including the United States, Hong Kong, Malaysia and Taiwan. In 2023, 2024 and 2025, revenue generated from sales to the United States amounted to RMB484.0 million, RMB414.1 million and RMB487.8 million, representing 8.5%, 5.7% and 5.5% of our total revenue, respectively. Fluctuations on our revenue from the United States from 2023 to 2024 were primarily due to changes in demands for electronic and ceramic materials, while fluctuations on our revenue from the United States from 2024 to 2025 were mainly due to changes in demands for telecom components and equipment components in AI and data center sectors.

Information about our revenue from customers is presented based on the location of customers.

Cost of Sales

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Cost of raw materials[(1)]	1,974,331	56.0%	2,485,940	57.9%	3,315,229	62.3%
Cost of labor	673,311	19.1%	879,762	20.5%	955,389	17.9%
Cost of manufacturing	794,523	22.5%	819,646	19.1%	912,813	17.1%
Others[(2)]	85,257	2.4%	105,523	2.5%	142,314	2.7%
Total	**3,527,422**	**100.0%**	**4,290,871**	**100.0%**	**5,325,745**	**100.0%**

Notes:

(1) Mainly including ceramic powder, metal powder and film materials.

(2) Mainly including taxes and surcharges and impairment losses on inventories.

The following sensitivity analysis illustrates the effects of hypothetical fluctuations in our average cost of raw material on our profit before income tax for the years indicated, assuming all other factors affecting our profitability had remained unchanged.

	Year ended December 31,		
	2023	2024	2025
	(in RMB thousands, except for percentages)		
Changes in average cost of raw material			
5%	98,717	124,297	165,761
10%	197,433	248,594	331,523

Gross Profit and Gross Margin

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross margin[(1)]	Gross profit	Gross margin	Gross profit	Gross margin
	(in RMB thousands, except for percentages)					
Electronic and ceramic materials	662,178	42.8%	661,649	39.4%	717,526	36.6%
Electronic components	437,871	27.8%	1,000,328	43.5%	1,366,350	41.3%
Telecom components	702,715	39.8%	977,356	42.4%	1,106,117	42.6%
Equipment components	284,975	59.6%	319,317	59.5%	347,463	57.7%
Other products	66,368	21.0%	16,612	3.7%	5,326	1.3%
Total/Overall[(1)]	**2,154,107**	**37.9%**	**2,975,262**	**40.9%**	**3,542,782**	**39.9%**

Note:

(1) Gross margin is calculated as gross profit divided by revenue and multiplied by 100%.

During the Track Record Period, the gross margin for electronic and ceramic materials continued to decrease while its average selling price continued to increase, due to a shift in product mix toward higher-priced but also higher-cost items and the timing of cost pass-throughs. Specifically, we sold a greater proportion of advanced materials, including substrates and pastes that command higher selling prices. In addition, increases in key raw material costs and consumables were not fully reflected in customer pricing within the same period due to qualification and contract cycles, resulting in temporary pressure on gross margin.

The gross margin for electronic components increased from 2023 to 2024 due to increase in average selling price and shipment volume which diluted fixed manufacturing overheads. The gross margin for electronic components slightly decreased from 2024 to 2025 due to change of specifications in 2025.

During the Track Record Period, the gross margin for telecom components continued to increase primarily due to increase in average selling price and sales volume, reflecting improved economies of scale and strong market demand.

Equipment components carried higher gross margins during the Track Record Period primarily because these products have high technical barriers and longer qualification cycles, leading to consistent pricing and reduced exposure to short-term commodity cost swings. Recurring demand for spares and services associated with equipment components also supported our gross margin in this sector.

Other Income, Gains and Losses, Net

Our other income, gains and losses, net primarily consists of: (i) government grants, primarily for our development and production programs; (ii) bank interest income; (iii) gain on disposal of wasted materials, net, which represent the sales of surplus raw materials such as ceramic powder and metal powder; (iv) gain arising from change in fair value of financial assets at FVTPL, primarily relating to wealth management products we purchased; and (v) rental income.

In 2023, 2024 and 2025, government grants represented 19.0%, 11.0% and 13.8% of our profit for the year, respectively. The government grants were all non-recurring incentives provided by local government authorities in the PRC for various forms of government financial incentives and were utilized to purchase equipment and procure raw materials.

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Government grant	300,059	42.9%	240,608	35.7%	359,852	47.5%
Bank interest income	174,943	25.0%	203,598	30.2%	196,880	26.0%
Gains on disposal of wasted material, net	39,458	5.6%	81,316	12.1%	98,790	13.0%
Change in fair value of financial assets at FVTPL	111,538	16.0%	66,870	9.9%	72,153	9.5%
Rental income	7,422	1.1%	23,800	3.5%	37,662	5.0%
Others[(1)]	65,835	9.4%	57,610	8.6%	(8,215)	(1.3)%
Total	**699,255**	**100.0%**	**673,802**	**100.0%**	**757,122**	**100.0%**
as % of total revenue		*12.3*		*9.3*		*8.5*

Note:

(1) Mainly including loss on disposal of property, plant and equipment, exchange gains/(losses), net, net gain on early termination of lease contracts, donations, subsidies in relation to additional VAT deduction and dividend income from financial assets at FVTOCI, which represents dividends received from our strategic minority equity investments, penalty income from breach of contract.

Selling and Distribution Expenses

Our selling and distribution expenses primarily include (i) staff cost, including salaries, social insurance and benefits; (ii) exhibition expenses; (iii) travel expenses, (iv) business development expenses, which include customer acquisition and relationship management costs and promotional/materials costs, and (v) sample fees in relation to promotion of our products.

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Staff cost	54,158	72.8%	59,993	75.6%	67,791	72.8%
Travel expenses	6,161	8.3%	5,712	7.2%	8,140	8.7%
Exhibition expense	2,353	3.2%	3,210	4.0%	3,645	3.9%
Business development expenses	4,267	5.7%	3,300	4.2%	3,615	3.9%
Sample fees	1,862	2.5%	1,469	1.9%	3,936	4.2%
Others[(1)]	5,542	7.5%	5,708	7.1%	6,072	6.5%
Total	**74,343**	**100.0%**	**79,392**	**100.0%**	**93,199**	**100.0%**
as % of total revenue		*1.3*		*1.1*		*1.1*

Note:

(1) Mainly including consulting fees.

Administrative Expenses

Our administrative expenses primarily include: (i) staff costs, including wages, social insurance, and benefits, (ii) office expenses, (iii) depreciation of property, plant and equipment, referring to properties such as offices serving administrative function, (iv) amortization of intangible assets including our administrative office software, (v) repair expenses, (vi) emission fees, (vii) agency fees, (viii) consulting fees in relation to management, financial and legal advisory services, (ix) depreciation of right-of-use assets, (x) travel expenses, (xi) transportation expenses, (xii) business development expenses for administrative staff, and (xiii) rental expenses.

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Staff cost	267,221	61.4%	218,722	51.2%	266,279	52.3%
Office expenses	33,393	7.7%	35,199	8.2%	36,855	7.3%
Depreciation of property, plant and equipment	46,794	10.7%	60,172	14.1%	70,578	13.9%
Amortization of intangible assets	2,046	0.5%	3,242	0.8%	3,183	0.6%
Repair expenses	4,742	1.1%	8,576	2.0%	11,189	2.2%
Emission fees	4,209	1.0%	3,628	0.9%	5,848	1.1%
Agency fees	3,566	0.8%	7,765	1.8%	8,933	1.8%
Consulting fees	9,257	2.1%	12,879	3.0%	12,888	2.5%
Depreciation of right-of-use assets	11,463	2.6%	10,436	2.4%	8,587	1.7%
Travel expenses	6,865	1.6%	6,901	1.6%	9,005	1.8%
Transportation expenses	4,158	1.0%	2,834	0.7%	3,187	0.6%
Business development expenses	3,495	0.8%	5,219	1.2%	5,265	1.0%
Rental expenses	5,084	1.2%	15,774	3.7%	26,155	5.1%
Others[(1)]	33,194	7.5%	35,876	8.4%	41,299	8.1%
Total	**435,487**	**100.0%**	**427,223**	**100.0%**	**509,251**	**100.0%**
as % of total revenue		*7.7*		*5.9*		*5.7*

Note:

(1) Mainly including communication expenses, water and electricity utilities, patent fees and labor protection expenses.

Research and Development Expenses

Our research and development expenses primarily comprise (i) staff cost, including salaries, social insurance and benefits, (ii) raw material costs and (iii) depreciation and amortization expenses.

	Year ended December 31,					
	2023		2024		2025	
	(in RMB thousands, except for percentages)					
Staff cost	365,285	66.9%	451,139	77.4%	474,305	72.6%
Raw material costs	138,175	25.3%	77,628	13.3%	116,936	17.9%
Depreciation and amortization expenses	35,141	6.5%	40,153	6.9%	37,258	5.7%
Others[(1)]	7,205	1.3%	14,152	2.4%	24,938	3.8%
Total	**545,806**	**100.0%**	**583,072**	**100.0%**	**653,437**	**100.0%**
as % of total revenue		*9.6*		*8.0*		*7.4*

Note:

(1) Mainly including travel expenses, miscellaneous patent fees and commissioned R&D expenses.

Reversal of Impairment Loss/(Impairment Loss) on Financial Assets, Net

Our reversal of impairment loss/(impairment loss) on financial assets, net represents the net amount of impairment loss and reversal of impairment loss on trade receivables and other receivables. We recorded reversals of impairment loss of RMB7.6 million in 2023, and impairment losses of RMB12.7 million and RMB15.4 million in 2024 and 2025, respectively.

Finance Costs

Our finance costs consist of interest on borrowings and lease liabilities. In 2023, 2024 and 2025, our finance costs amounted to RMB22.5 million, RMB27.7 million and RMB20.4 million, respectively.

Income Tax Expenses

We recorded income tax expenses of RMB199.7 million, RMB328.7 million and RMB391.2 million in 2023, 2024 and 2025. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any material unresolved tax disputes. For the statutory tax rate and preferential income tax rates applicable to our Company and our subsidiaries, see Note 10 to "Appendix I — Accountants' Report" to this document.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2025 Compared to Year ended December 31, 2024

Revenue

	Year ended December 31,		
	2024	2025	% Change
	(in RMB thousands, except for percentages)		
Electronic and ceramic materials	1,677,233	1,959,378	16.8%
Electronic components	2,298,159	3,308,090	43.9%
Telecom components	2,305,985	2,594,310	12.5%
Equipment components	536,825	601,753	12.1%
Other products	447,931	404,996	(9.6)%
Total	**7,266,133**	**8,868,527**	**22.1%**

	Year ended December 31,			
	2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price
	'000 Units[(1)]	*RMB/Unit*[(1)]	*'000 Units* [(1)]	*RMB/Unit*[(1)]
Electronic and ceramic materials	2,444	686.4	2,293	854.4
Electronic components	33,703	68.2	48,765	67.8
Telecom components	1,966	1,172.7	2,233	1,161.9
Equipment components	9	62,249.1	8	76,336.5

Note:

(1) One unit denotes ten thousand pieces or kilograms.

Our revenue increased by 22.1% from RMB7,266.1 million in 2024 to RMB8,868.5 million in 2025, primarily due to increases in revenue from the sales of electronic and ceramic materials, electronic components and telecom components.

Electronic and Ceramic Materials

Our revenue from sales of electronic and ceramic materials increased by 16.8% from RMB1,677.2 million in 2024 to RMB1,959.4 million in 2025, primarily due to the increase in average selling price from RMB686.4 per unit to RMB854.4 per unit, which in turn reflects an increase in price of raw materials and a change in our product mix whereby resulted in revenue contribution from certain higher-value materials increased due to strong demand. Raw material prices increased mainly in high-purity ceramic and metal powders and specialty additives used in higher-spec formulations, and we adjusted pricing to reflect these input changes. The mix upgrade was driven by customer programs that required tighter tolerances and enhanced reliability specifications for materials used in advanced packaging and power electronics, which carry higher value but are manufactured in smaller batches with stricter process controls. The increase in our average selling price offset a slight decrease in our sales volume from 2.4 million units to 2.3 million units, which was due to overall weaker downstream demand.

Electronic Components

Our revenue from sales of electronic components increased by 43.9% from RMB2,298.2 million in 2024 to RMB3,308.1 million in 2025, primarily due to the increase in sales volume from 33.7 million units to 48.8 million units, reflecting stronger downstream demand for MLCCs in consumer electronics, home appliances, AI and data centers, and automotive electronics, as well as customers' increased preference for localized products amid geopolitical and policy factors. The volume increase reflected multi-end-market momentum: in consumer electronics and home appliances, customers resumed replenishment after prior destocking; in AI and data centers, we benefited from higher content per server driven by power management and decoupling needs; and in automotive electronics, platform upgrades and penetration of electrified and intelligent features increased the number of MLCCs per vehicle. We also broadened our offering in certain case sizes and reliability grades, which expanded accessible demand and supported the higher shipment run-rate.

Telecom Components

Our revenue from sales of telecom components increased by 12.5% from RMB2,306.0 million in 2024 to RMB2,594.3 million in 2025, primarily due to the increase in sales volume from 2.0 million units to 2.2 million units. Growth was supported by continued build-out of high-speed optical links for data centers and backbone networks, where demand for ceramic ferrules and PKG products with low insertion loss and high concentricity tolerance remained firm.

Equipment Components

Our revenue from sales of equipment components increased by 12.1% from RMB536.8 million in 2024 to RMB601.8 million in 2025, primarily due to the increase in average selling price from RMB62,249.1 per unit to RMB76,336.5 per unit, while sales volume remained stable.

Other Products

Our revenue from sales of other products decreased by 9.6% from RMB447.9 million in 2024 to RMB405.0 million in 2025, primarily due to decrease in sales volume of our ceramic appearance parts attributable to completion of a customized product project in 2024.

Cost of Sales

	Year ended December 31,		
	2024	2025	% Change
	(in RMB thousands, except for percentages)		
Cost of raw materials	2,485,940	3,315,229	33.4%
Cost of labor	879,762	955,389	8.6%
Cost of manufacturing	819,646	912,813	11.4%
Others[(1)]	105,523	142,314	34.9%
Total	**4,290,871**	**5,325,745**	**24.1%**
as % of total revenue	*59.1*	*60.1*	

Note:

(1) Mainly including taxes and surcharges and impairment losses on inventories.

Our cost of sales increased by 24.1% from RMB4,290.9 million in 2024 to RMB5,325.7 million in 2025, which was generally in line with the increase in our sales volume.

Gross Profit and Gross Margin

	Year ended December 31,			
	2024		2025	
	Gross profit	Gross margin	Gross profit	Gross margin
	(in RMB thousands, except for percentages)			
Electronic and ceramic materials	661,649	39.4%	717,526	36.6%
Electronic components	1,000,328	43.5%	1,366,350	41.3%
Telecom components	977,356	42.4%	1,106,117	42.6%
Equipment components	319,317	59.5%	347,463	57.7%
Other products	16,612	3.7%	5,326	1.3%
Total/Overall	**2,975,262**	**40.9%**	**3,542,782**	**39.9%**

Our gross profit increased by 19.1% from RMB2,975.3 million in 2024 to RMB3,542.8 million in 2025, primarily due to increases in gross profit from sales of electronic components and telecom components. Our gross margin remained stable at 40.9% and 39.9%, respectively, reflecting the combined effects of scale benefits in components and a modest margin contraction in electronic and ceramic materials.

Electronic and Ceramic Materials

Our gross profit from sales of electronic and ceramic materials increased by 8.4% from RMB661.6 million in 2024 to RMB717.5 million in 2025, primarily due to an increase in revenue.

Gross margin from sales of electronic and ceramic materials decreased slightly from 39.4% in 2024 to 36.6% in 2025 primarily as a result of higher raw materials price and an increase in revenue contribution from lower value materials. The margin movement mainly reflected higher input costs for key raw materials, including metal powders, which rose during the period and were only partially offset by pricing adjustments. In addition, a change in product mix also contributed to the change in gross margin. For details of the margin profile of our electronic and ceramic materials, see "— Significant Factors Affecting Our Results of Operations — Product Mix and Pricing."

Electronic Components

Our gross profit from sales of electronic components increased by 36.6% from RMB1,000.3 million in 2024 to RMB1,366.4 million in 2025, primarily due to an increase in revenue, partially offset by a decrease in gross margin from 43.5% in 2024 to 41.3% in 2025, which was due to a decrease in average selling price driven by change of specifications with an increased contribution from smaller-sized products that are priced at relatively lower levels.

During the period, shipments to consumer electronics and home appliances recovered alongside strong growth in AI and data center and automotive applications. Higher sales volumes reduced the per-unit allocation of fixed costs, supporting gross profit growth. This was offset by the change product specification mix, with an increased proportion of smaller-sized products priced at a relatively lower levels, resulting in a decrease in the gross margin.

Telecom Components

Our gross profit from sales of telecom components increased by 13.2% from RMB977.4 million in 2024 to RMB1,106.1 million in 2025, primarily due to increases in revenue and gross margin from 42.4% to 42.6%. The increase in gross margin was due to the increased sales volume which improved our economies of scale.

The margin improvement was driven by increased sales volume that enhanced economies of scale in core processes such as precision molding, grinding and inspection, which reduced average manufacturing overhead per unit. We also recorded a greater contribution from ceramic ferrules and PKG products used in data centers and 5G equipment with tighter tolerance requirements, which supported process yields after prior qualifications and translated into improved cost efficiency at higher run-rates. Procurement and planning efficiencies associated with higher throughput further contributed to the margin expansion.

Equipment Components

Our gross profit from sales of equipment components increased by 8.8% from RMB319.3 million in 2024 to RMB347.5 million in 2025, primarily due to an increase in revenue. Gross margin from sales of equipment components decreased slightly from 59.5% in 2024 to 57.7% in 2025 primarily as a result of increased per unit costs attributable to the change of specifications in 2025.

Other Products

Our gross profit from the sales of other products decreased by 67.9% from RMB16.6 million in 2024 to RMB5.3 million in 2025, primarily due to a decrease in revenue and gross margin from 3.7% in 2024 to 1.3% in 2025. This was primarily the result of loss of economies of scale as lower sales and fixed manufacturing costs led to increase in per-unit costs.

Other Income, Gains and Losses, Net

Our net other income, gains and losses increased by 12.4% from RMB673.8 million in 2024 to RMB757.1 million in 2025, primarily due to (i) an increase in government grants from RMB240.6 million in 2024 to RMB359.9 million in 2025 due to new government grants received in 2025, (ii) an increase in rental income from RMB23.8 million to RMB37.7 million and (iii) an increase in sales of basic and wasted material, net from RMB81.3 million in 2024 to RMB98.8 million in 2025, which was partially offset by a decrease in others of RMB49.4 million, attributable to increased exchange losses on US dollar and decrease in value-added tax additional deduction.

Selling and Distribution Expenses

	Year ended December 31,		
	2024	2025	% Change
	(in RMB thousands, except for percentages)		
Selling and distribution expenses	79,392	93,199	17.4%
as % of total revenue	*1.1*	*1.1*	

Our selling and distribution expenses increased by 17.4% from RMB79.4 million in 2024 to RMB93.2 million in 2025, primarily due to an increase in staff cost from RMB60.0 million in 2024 to RMB67.8 million in 2025, which in turn due to the increase in salaries and bonus issued to selling and market staffs.

Administrative Expenses

	Year ended December 31,		
	2024	2025	% Change
	(in RMB thousands, except for percentages)		
Administrative expenses	427,223	509,251	19.2%
as % of total revenue	*5.9*	*5.7*	

Our administrative expenses increased by 19.2% from RMB427.2 million in 2024 to RMB509.3 million in 2025, primarily due to an increase in staff cost from RMB218.7 million in 2024 to RMB266.3 million in 2025 as our headcount increased in line with the growth of our business.

Research and Development Expenses

	Year ended December 31,		
	2024	2025	% Change
	(in RMB thousands, except for percentages)		
Research and development expenses	583,072	653,437	12.1%
as % of total revenue	*8.0*	*7.4*	

Our research and development expenses increased by 12.1% from RMB583.1 million in 2024 to RMB653.4 million in 2025, reflecting continued investment in new products and process technologies and higher staff and raw material costs. As a percentage of revenue, research and development expenses decreased from 8.0% to 7.4% due to operating leverage from stronger revenue growth relative to the pace of R&D spending, alongside efficiency measures that optimized project resourcing and procurement.

Reversal of Impairment Loss/(Impairment Loss) on Financial Assets, Net

Our reversal of impairment loss/(impairment loss) on financial assets, net changed from an impairment loss of RMB12.7 million in 2024 to RMB15.4 million in 2025, primarily due to increase in our trade receivables, which was in line with our revenue growth.

Finance Costs

Our finance costs decreased by 26.4% from RMB27.7 million in 2024 to RMB20.4 million in 2025, primarily due to the decrease in principal of borrowings.

Income Tax Expenses

Our income tax expenses increased from RMB328.7 million in 2024 to RMB391.2 million in 2025, primarily due to the increase in taxable profits for the year.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 19.5% from RMB2,190.2 million in 2024 to RMB2,617.0 million in 2025, and our net margin decreased from 30.1% to 29.5%.

Year ended December 31, 2023 Compared to Year ended December 31, 2024

Revenue

	Year ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Electronic and ceramic materials	1,548,700	1,677,233	8.3%
Electronic components	1,572,349	2,298,159	46.2%
Telecom components	1,766,754	2,305,985	30.5%
Equipment components	477,990	536,825	12.3%
Other products	315,736	447,931	41.9%
Total	**5,681,529**	**7,266,133**	**27.9%**

	Year ended December 31,			
	2023		2024	
	Sales volume	Average selling price	Sales volume	Average selling price
	'000 Units(1)	*RMB/Unit(1)*	*'000 Units (1)*	*RMB/Unit(1)*
Electronic and ceramic materials	2,631	588.7	2,444	686.4
Electronic components	24,505	64.2	33,703	68.2
Telecom components	1,574	1,122.3	1,966	1,172.7
Equipment components	8	56,711.5	9	62,249.1

Note:

(1) One unit denotes ten thousand pieces or kilograms.

Our revenue increased by 27.9% from RMB5,681.5 million in 2023 to RMB7,266.1 million in 2024, primarily due to the increase in revenue from electronic components and telecom components. The growth reflected both higher shipment volumes into recovering end markets and a favorable shift in product mix toward higher-specification products in key programs.

Electronic and Ceramic Materials

Our revenue from sales of electronic and ceramic materials increased by 8.3% from RMB1,548.7 million in 2023 to RMB1,677.2 million in 2024, primarily due to an increase in average selling price from RMB588.7 per unit to RMB686.4 per unit, as we increased our selling price in response to a change in product mix and to a lesser extent, an increase in price of raw materials. Sales volume remained stable at 2.6 million units and 2.4 million units, respectively. The mix shift was driven by customer programs in advanced packaging and power electronics that required higher-value formulations and tighter process controls, which supported pricing, while some general-purpose applications saw slower offtake and did not materially contribute to volume growth.

Electronic Components

Our revenue from sales of electronic components increased by 46.2% from RMB1,572.3 million in 2023 to RMB2,298.2 million in 2024, primarily due to the increase in sales volume from 24.5 million units to 33.7 million units, which was driven by increase in our market share of MLCCs in downstream industries, such as consumer electronics, automotive, AI data center and industrial control. The average selling price also increased from RMB64.2 per unit to RMB68.2 per unit, due to favorable product mix change — specifically, a higher proportion of higher-priced MLCCs in our sales. The volume growth reflected improved delivery responsiveness, while the mix uplift was supported by higher content per device in AI and automotive applications.

Telecom Components

Our revenue from sales of telecom components increased by 30.5% from RMB1,766.8 million in 2023 to RMB2,306.0 million in 2024, primarily due to an increase in both sales volume and average selling price, reflecting increase in market demand and favorable product mix. Growth was supported by continued build-out of high-speed optical networks and data-center interconnects, with a greater share of ceramic ferrules and PKG products meeting higher tolerance specifications, which contributed to the improvement in average selling price.

Equipment Components

Our revenue from sales of equipment components increased by 12.3% from RMB478.0 million in 2023 to RMB536.8 million in 2024, primarily due to an increase in average selling price from RMB56,711.5 per unit to RMB62,249.1 per unit, while sales volume increased from 8,000 units in 2023 to 9,000 units in 2024. The growth in average selling price was mainly driven by a higher proportion of advanced piezo microdispensing system and improved product mix, as well as our efforts to develop new customers and new projects.

Other Products

Our revenue from sales of other products increased by 41.9% from RMB315.7 million in 2023 to RMB447.9 million in 2024, primarily due to changes in customer demand of our other products, particularly increased orders for customized products.

Cost of Sales

	Year ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Cost of raw materials	1,974,331	2,485,940	25.9%
Cost of labor	673,311	879,762	30.7%
Cost of manufacturing	794,523	819,646	3.2%
Others[(1)]	85,257	105,523	23.8%
Total	**3,527,422**	**4,290,871**	**21.6%**
as % of total revenue	*62.1*	*59.1*	

Note:

(1) Mainly including taxes and surcharges and impairment losses on inventories.

Our cost of sales increased by 21.6% from RMB3,527.4 million in 2023 to RMB4,290.9 million in 2024, which was generally in line with our business growth during the period.

Gross Profit and Gross Margin

	Year ended December 31,			
	2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin
	(in RMB thousands, except for percentages)			
Electronic and ceramic materials	662,178	42.8%	661,649	39.4%
Electronic components	437,871	27.8%	1,000,328	43.5%
Telecom components	702,715	39.8%	977,356	42.4%
Equipment components	284,975	59.6%	319,317	59.5%
Other products	66,368	21.0%	16,612	3.7%
Total/Overall	**2,154,107**	**37.9%**	**2,975,262**	**40.9%**

Our gross profit increased from RMB2,154.1 million in 2023 to RMB2,975.3 million in 2024. Our gross margin increased from 37.9% in 2023 to 40.9% in 2024.

Electronic and Ceramic Materials

Our gross profit from sales of electronic and ceramic materials was RMB662.2 million in 2023 and RMB661.6 million in 2024, while gross margin decreased from 42.8% to 39.4%. The decrease mainly reflected higher costs of high-purity ceramic and metal powders and certain specialty additives used in higher-spec formulations during 2024, together with a greater proportion of materials supplied for advanced packaging and power electronics programs that involve tighter process controls, smaller batch runs and additional reliability testing. These factors raised per-unit processing costs and offset the benefit from higher average selling prices associated with product mix upgrades. Pricing remained disciplined and supported by ongoing customer qualifications, but could not fully neutralize the input cost increases and the higher manufacturing intensity of premium materials.

Electronic Components

Our gross profit from sales of electronic components increased from RMB437.9 million in 2023 to RMB1,000.3 million in 2024, while gross margin increased from 27.8% to 43.5%. The improvement was driven by a substantial increase in shipment volumes that elevated factory utilization and diluted fixed manufacturing overheads, alongside a richer sales mix. Demand strengthened in automotive, AI and data center and industrial control applications, which typically require higher-reliability grades and larger case sizes with higher unit values. Customer qualifications completed in late 2023 translated into sustained volume orders in 2024, and our MLCC products with wider spectrum of capacitance and voltage specifications enabled us to capture a greater share of orders. These factors supported average selling prices and yields at scale, contributing to the step-up in gross margin.

Telecom Components

Our gross profit from sales of telecom components increased from RMB702.7 million in 2023 to RMB977.4 million in 2024, primarily due to the increase in revenue. Gross margin increased from 39.8% to 42.4%. The margin improvement reflected stronger market demand for ceramic ferrules and PKG products used in data centers and 5G deployments, which supported higher run-rates and improved utilization across precision molding, grinding and inspection

processes. As volumes increased, we achieved better operating efficiency and more stable yields, and a larger share of orders met higher tolerance specifications that carry stronger unit economics, together resulting in margin expansion.

Equipment Components

Our gross profit from sales of equipment components increased from RMB285.0 million in 2023 to RMB319.3 million in 2024, primarily due to the increase in revenue. Gross margin remained stable at 59.6% and 59.5%, respectively.

Other Products

Our gross profit from sales of other products decreased from RMB66.4 million in 2023 to RMB16.6 million in 2024, while gross margin decreased from 21.0% to 3.7%, primarily due to changes in product mix and supply-demand dynamic of our other products as our other products were largely customized with relatively short product life cycles and lower input-output ratio. As the products manufactured vary across different periods depending on project timelines, the product produced in 2024 including ceramic appearance parts had a lower gross margin profile than that in 2023. Specifically, each of our ceramic appearance parts for smartphones and watches projects has distinct selling prices and cost structures. The gross margin of these projects was lower in 2024 than in 2023, primarily because the combined effect of reduced production yield rates and higher per-unit costs on projects executed in 2024 outpaced the increase in selling prices. The projects we executed in 2023 were primarily for smartphone back cover, a subcategory of ceramic appearance parts for smartphones, which had higher gross margin as a result of our stronger bargaining power.

Other Income, Gains and Losses, Net

Our net other income, gains and losses decreased by 3.6% from RMB699.3 million in 2023 to RMB673.8 million in 2024, primarily due to (i) a decrease in government grants from RMB300.1 million in 2023 to RMB240.6 million in 2024; and (ii) a decrease in gain arising from change in fair value of financial assets at FVTPL from RMB111.5 million in 2023 to RMB66.9 million in 2024, which were partially offset by an increase in bank interest income of RMB28.7 million.

Selling and Distribution Expenses

	Year ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Selling and distribution expenses	74,343	79,392	6.8%
as % of total revenue	*1.3*	*1.1*	

Our selling and distribution expenses increased by 6.8% from RMB74.3 million in 2023 to RMB79.4 million in 2024, primarily due to the increase in staff cost from RMB54.2 million in 2023 to RMB60.0 million in 2024.

Administrative Expenses

	Year ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Administrative expenses	435,487	427,223	(1.9)%
as % of total revenue	*7.7*	*5.9*	

Our administrative expenses remained stable at RMB435.5 million in 2023 and RMB427.2 million in 2024.

Research and Development Expenses

	Year ended December 31,		
	2023	2024	% Change
	(in RMB thousands, except for percentages)		
Research and development expenses	545,806	583,072	6.8%
as % of total revenue	*9.6*	*8.0*	

Our research and development expenses increased by 6.8% from RMB545.8 million in 2023 to RMB583.1 million in 2024, primarily due to the increase in staff cost from RMB365.3 million in 2023 to RMB451.1 million in 2024.

Reversal of Impairment Loss/(Impairment Loss) on Financial Assets, Net

Our reversal of impairment loss/(impairment loss) on financial assets, net changed from a reversal of impairment loss of RMB7.6 million in 2023 to an impairment loss of RMB12.7 million in 2024, primarily because our reversal of impairment loss on trade receivables decreased from RMB23.3 million in 2023 to RMB12.5 million in 2024.

Finance Costs

Our finance costs increased by 23.2% from RMB22.5 million in 2023 to RMB27.7 million in 2024, primarily due to the increase in principal of borrowings.

Income Tax Expenses

Our income tax expenses increased from RMB199.7 million in 2023 to RMB328.7 million in 2024, primarily due to the increase in taxable profits for the year. Our effective tax rate increased from 11.2% to 13.0%.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 38.3% from RMB1,583.2 million in 2023 to RMB2,190.2 million in 2024, and our net margin increased from 27.9% to 30.1%.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through a combination of cash generated from operating activities and bank deposits. As of December 31, 2025, we had cash and cash equivalents of RMB2,285.4 million. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operations and net **[REDACTED]** from the **[REDACTED]**.

Taking into account the net **[REDACTED]** from the **[REDACTED]** and cash generated from our operating activities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Document.

Net Current Assets

The table below sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(in RMB thousands)			*(unaudited)*
Current assets:				
Inventories	1,753,598	2,180,711	2,391,722	2,668,633
Trade receivables	1,626,598	1,871,751	2,159,448	2,637,372
Other receivables, deposits and prepayments	562,231	612,155	606,346	679,892
Tax recoverable	15,957	6,603	7,243	4,079
Financial assets at FVTOCI	632,673	814,584	1,100,474	1,044,709
Financial assets at fair value through profit or loss ("**FVTPL**")	3,846,708	5,053,387	3,758,512	3,173,154
Restricted bank deposits	2,038	25,825	17	27
Bank deposits with maturity over three months	1,542,520	1,896,762	772,365	529,073
Bank balances and cash	1,297,057	1,140,258	2,285,396	3,311,588
Total current assets	**11,279,380**	**13,602,036**	**13,081,523**	**14,048,527**
Current liabilities:				
Trade and other payables	1,529,420	1,975,029	2,768,574	3,611,563
Contract liabilities	22,612	30,782	23,886	38,633
Deferred income	124,673	149,286	149,399	160,540
Tax payables	103,232	109,094	144,229	90,376
Borrowings	740,533	474,796	539,468	762,791
Provisions	2,531	1,263	1,090	—
Lease liabilities	4,744	4,552	3,245	4,314
Total current liabilities	**2,527,745**	**2,744,802**	**3,629,891**	**4,668,217**
Net current assets	**8,751,635**	**10,857,234**	**9,451,632**	**9,380,310**

Comparison between April 30, 2026 and December 31, 2025

Our net current assets decreased from RMB9,451.6 million as of December 31, 2025 to RMB9,380.3 million as of April 30, 2026, primarily due to (i) an increase in trade and other payables from RMB2,768.6 million to RMB3,611.6 million, (ii) a decrease in financial asset at FVTPL from RMB3,758.5 million to RMB3,173.2 million, (iii) a decrease in bank deposits with maturity over three months from RMB772.4 million to RMB529.1 million and (iv) an increase in borrowings from RMB539.5 million to RMB762.8 million, partially offset by (i) an increase in bank balances and cash from RMB2,285.4 million to RMB3,311.6 million, (ii) an increase in trade receivables from RMB2,159.4 million to RMB2,637.4 million attributable to revenue and business growth in the four months ended April 30, 2026 and (iii) an increase in inventories from RMB2,391.7 million to RMB2,668.6 million.

Comparison between December 31, 2025 and December 31, 2024

Our net current assets decreased from RMB10,857.2 million as of December 31, 2024 and RMB9,451.6 million as of December 31, 2025, primarily due to (i) a decrease in financial assets at FVTPL from RMB5,053.4 million to RMB3,758.5 million, (ii) a decrease in bank deposits with maturity over three months from RMB1,896.8 million to RMB772.4 million, (iii) an increase in trade and other payables from RMB1,975.0 million to RMB2,768.6 million, partially offset by (i) an increase in bank balances and cash from RMB1,140.3 million to RMB2,285.4 million, (ii) an increase in trade receivables from RMB1,871.8 million to RMB2,159.4 million, (iii) an increase in financial assets at FVOCI from RMB814.6 million to RMB1,100.5 million and (iv) an increase in inventories fro RMB2,180.7 million to RMB2,391.7 million.

Comparison between December 31, 2024 and December 31, 2023

Our net current assets increased from RMB8,751.6 million as of December 31, 2023 to RMB10,857.2 million as of December 31, 2024, primarily due to (i) an increase in financial assets at FVTPL from RMB3,846.7 million to RMB5,053.4 million, (ii) an increase in inventories from RMB1,753.6 million to RMB2,180.7 million and (iii) an increase in trade receivables from RMB1,626.6 million to RMB1,871.8 million, partially offset by an increase in trade and other payables from RMB1,529.4 million to RMB1,975.0 million.

Net Assets

Comparison between December 31, 2025 and December 31, 2024

Our net assets increased from RMB19,871.8 million as of December 31, 2024 to RMB21,663.0 million as of December 31, 2025, primarily due to (i) profit for the year of RMB2,617.0 million, (ii) exchange differences arising on translation of financial statements of foreign operations of RMB75.8 million, partially offset by (iii) dividends recognized as distributions of RMB726.3 million and (iv) repurchase of shares for share option scheme of RMB175.4 million.

Comparison between December 31, 2024 and December 31, 2023

Our net assets increased from RMB18,239.1 million as of December 31, 2023 to RMB19,871.8 million as of December 31, 2024, primarily due to (i) profit for the year of RMB2,190.2 million, partially offset by (ii) dividends recognized as distributions of RMB536.6 million and (iii) exchange differences arising on translation of financial statements of foreign operations of RMB21.1 million.

SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories include raw materials and consumables, work in progress, and finished goods. The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(in RMB thousands)	
Raw materials and consumables	440,465	343,246	406,824
Work in progress	749,325	1,071,370	1,164,704
Finished goods	611,847	840,483	889,989
Less: accumulated provisions	(48,039)	(74,388)	(69,795)
Total	**1,753,598**	**2,180,711**	**2,391,722**

Our inventories increased by 24.4% from RMB1,753.6 million as of December 31, 2023 to RMB2,180.7 million as of December 31, 2024, and further increased to RMB2,391.7 million as of December 31, 2025, primarily due to the continued growth of our revenue.

Aging analysis

The table below sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(in RMB thousands)	
Within 1 year	1,681,693	2,079,630	2,309,000
1−2 years	76,705	126,203	69,913
2−3 years	39,773	36,333	55,627
Over 3 years	3,466	12,933	26,977
Total	**1,801,637**	**2,255,099**	**2,461,517**

During the Track Record Period, we considered adequate provisions for inventory impairment has been made, and no significant recoverability issues have been identified with inventories aged over one year.

Inventories aged over one year mainly comprise electronic components and telecom components (including precious materials such as nickel, copper, and gold), which are stored in temperature- and humidity-controlled environments. Such storage conditions do not affect product quality, and performance testing is re-conducted prior to shipment to ensure product quality upon delivery.

As of April 30, 2026, among inventories aged over one year as of the end of 2024, approximately RMB104.3 million or 59.5% has been utilised, consumed, or sold; and among inventories aged over one year as of the end of 2025, approximately RMB33.9 million or 22.2% has been utilised, consumed, or sold.

We have implemented a inventory monitoring system, including regular stocktaking and inventory risk assessments, to ensure that inventory levels are properly managed. We have established a comprehensive inventory provision policy and have made sufficient provisions for slow-moveing or at-risk inventories identified through the inventory monitoring system.

Turnover days

The table below sets forth the turnover days of our inventories for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days[(1)]	188	167	157

Note:

(1) Inventory turnover days for each year equals the average of the beginning and ending balances of inventory for that year divided by cost of sales for that year and multiplied by 365 days for 2023, 2024, and 2025.

Our inventory turnover days decreased from 188 days in 2023 to 167 days in 2024 and further decreased to 157 days in 2025, primarily due to our efforts to improve inventory turnover through production management measures while we maintain appropriate safety stock to enable rapid fulfillment of customer orders.

Subsequent utilization

As of April 30, 2026, 85.7% of our total inventories as of December 31, 2025, or RMB2,109.6 million, were utilized or sold.

In 2025, our inventory turnover days were 157 days. The pace of subsequent consumption is consistent with our inventory turnover rate during the Track Record Period. Sufficient provision has been made for our inventory. As of December 31, 2025, we recognized a provision for inventory impairment of RMB69.8 million, representing 2.8% of our inventory.

Trade Receivables

Our trade receivables primarily arise from sales of our products on credit. The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(in RMB thousands)	
Trade receivables	1,713,194	1,970,915	2,274,719
Less: Allowance for impairment losses	(86,596)	(99,164)	(115,271)
Total	**1,626,598**	**1,871,751**	**2,159,448**

Our trade receivables increased from RMB1,626.6 million as of December 31, 2023 to RMB1,871.8 million as of December 31, 2024, and further increased to RMB2,159.4 million as of December 31, 2025, primarily due to continued increase in our revenue as a higher sales resulted in a corresponding increase in the receivables balance.

Aging analysis

The table below sets forth an aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(in RMB thousands)	
Within three months	1,333,090	1,681,334	1,938,120
3-6 months	237,375	247,456	253,945
6-12 months	136,389	41,472	80,247
Over one year	6,340	653	2,407
Total	**1,713,194**	**1,970,915**	**2,274,719**

Turnover days

The table below sets forth the turnover days of our trade receivables for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days[(1)]	91	88	83

Note:

(1) Trade receivables turnover days for each year equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 365 days for 2023, 2024, and 2025.

Our trade receivables turnover days decreased from 91 days in 2023 to 88 days in 2024 and further decreased to 83 days in 2025. Our trade receivables turnover days were largely in line with the typical credit period we granted to our customers.

Subsequent settlement

As of April 30, 2026, 94.6% of our total trade receivables as of December 31, 2025, or RMB2,152.7 million, were settled.

There is no material recoverability risk associated with our trade receivables. In 2025, our trade receivables turnover days were 83 days, which is generally in line with the credit terms granted to our customers.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily include wealth management products and structured deposits. For further details, see Note 25 to "Appendix I — Accountants' Report."

We invest surplus cash in low- to moderate-risk wealth management products and structured deposits offered by licensed PRC and international financial institutions to preserve capital, enhance yield and maintain liquidity. Our investment policy sets counterparty eligibility (e.g., licensed institutions with defined credit ratings or equivalent internal assessments), product scope (principal-protected or risk-controlled products with transparent underlying assets and no equity-like leverage), tenor limits (generally within 12 months, with a preference for products that can be redeemed early), concentration caps by counterparty and product type, and minimum liquidity buffers for operations. The finance department performs due diligence on product terms, underlying asset pools, risk disclosures, early-redemption mechanics, expected vs. minimum yields and stress scenarios, and monitors fair value, maturity and counterparty exposure on a continuing basis. We segregate front-office subscription, middle-office risk control and back-office accounting/settlement functions, and maintain dual-control payment approval, post-trade reconciliations and periodic internal audit reviews. Our treasury personnel have relevant experience in cash management and fixed-income products and receive ongoing compliance and product-risk training.

The Board oversees treasury and investment activities through an annually approved investment mandate that sets risk appetite, product admissibility, size limits and approval thresholds. Within the mandate, management may make investments under pre-set limits; any investment outside the mandate or exceeding specified thresholds requires prior Board (or Board committee) approval. We provide the Board with regular reports on positions, performance, compliance with limits and any risk events, and significant matters are escalated promptly.

Following **[REDACTED]**, our investments in wealth management and structured products will be subject to Chapter 14 of the Listing Rules where applicable, and we will comply with the relevant requirements, including classification, size tests, approval, disclosure and, if required, shareholders' approval.

Trade and Other Payables

Our trade and other payables primarily represent amounts due to our suppliers for goods purchased. Our suppliers usually grant us a credit period of 0 to 90 days from invoice date.

The table below sets forth the breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(in RMB thousands)	
Trade payables	738,186	773,823	808,797
Bills payable	402,901	722,603	1,374,674
Deposits	50,047	57,876	94,928
Payroll and welfare payables	267,397	347,731	395,647
Other tax payable	54,479	37,354	69,587
Other payables	16,410	35,642	24,941
Total	**1,529,420**	**1,975,029**	**2,768,574**

Our trade and other payables increased from RMB1,529.4 million as of December 31, 2023 RMB1,975.0 million as of December 31, 2024, and further increased to RMB2,768.6 million as of December 31, 2025, primarily due to our business growth and our continuous effort to promote the use of bank acceptance bills for settlement with suppliers to optimize the efficiency of capital utilization.

Aging analysis

The table below sets forth an aging analysis of trade payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(in RMB thousands)	
Within three months	499,320	453,579	636,641
3-6 months	152,047	134,953	50,184
6-12 months	69,193	148,898	22,111
Over one year	17,626	36,393	99,861
Total	**738,186**	**773,823**	**808,797**

Turnover Days

The table below sets forth the turnover days for the trade payables for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days[(1)]	99	112	126

Note:

(1) Trade payables turnover days for each year equals the average of the beginning and ending balances of trade payables for that year divided by cost of sales for that year and multiplied by 365 days for 2023, 2024, and 2025.

Our trade payables turnover days increased from 99 days in 2023 to 112 days in 2024 and further increased to 126 days in 2025, primarily because our suppliers accepted longer payment cycle in view of our creditworthiness.

Subsequent Settlement

As of April 30, 2026, 73.1% of our trade and other payables outstanding as of December 31, 2025, or RMB2,024.4 million, were settled.

Goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units with goodwill. Estimating the value in use requires our Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Goodwill resulting from the business combinations has been allocated to Vermes Microdispensing GmbH ("**Vermes**") as a single cash-generating unit ("**CGU**") ("**CGU Vermes**").

Our management assessed the impairment on goodwill at the CGU Vermes, which represents the lowest level within us at which the goodwill is monitored for impairment assessment. For the impairment testing of goodwill as at December 31, 2023, 2024 and 2025, the recoverable amounts of the CGU have been determined based on value-in-use calculations. The impairment assessment of goodwill is performed by our management and the value-in-use calculations have been determined using a discounted cash flows model, which is based on financial budgets approved by our management covering a 5-year period. Forecasted cash inflows/outflows have been taken into account of past performance and management's expectations for the market development including revenue growth rate and gross margins. The future cash flows are also highly dependent on the unobservable inputs of forecast volumes and forecast prices.

The key parameters for the value-in-use calculations, which are based on either the past experience or management's expectation for the market development, are as follows:

	As at December 31,		
	2023	2024	2025
Pre-tax discount rate	13.55%	13.13%	14.00%
Revenue growth rate within 5-year	0%−1.21%	0%	0%
Terminal growth rate[(1)]	0%	0%	0%

Note:

(1) Management considered the terminal growth rate is unlikely to fall below 0% based on future economic condition and internal growth initiative.

According to the results of the impairment testing on CGU Vermes, the headroom calculated based on the recoverable amounts deducting the carrying amount allocated for the CGU Vermes as of the respective dates are set out as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Vermes	79,378	110,873	204,846

The recoverable amounts of the CGU Vermes are estimated to exceed its carrying amounts by approximately RMB79.4 million, RMB110.9 million and RMB204.8 million as of December 31, 2023, 2024 and 2025 respectively. As a result of the impairment assessment on goodwill, our management is of the view that there was no impairment on the goodwill as of December 31, 2023, 2024 and 2025.

In addition, the management of our Group performed the sensitivity analysis based on changes of the above-mentioned key parameters and inputs. Had the estimated key assumptions during the forecast period been changed as below while other parameters remained constant, the excess of recoverable amounts of the CGU Vermes over its carrying amounts, as of December 31, 2023, 2024 and 2025 would decrease the amounts set out as below:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Pre-tax discount rate increased by 5%	(27,322)	(27,979)	(41,037)
Revenue within 5-year decreased by 5%	(21,605)	(1,810)	(72,318)

In 2023, 2024 and 2025, increase in pre-tax discount rate to 17%, 18% and 21% respectively would remove the headroom for CGU Vermes. In 2023, 2024 and 2025, our management determined that a reasonably possible change in the key assumptions would not cause the CGU Vermes' carrying amounts to exceed their respective recoverable amounts.

CASH FLOWS

The table below sets forth our cash flows for the years indicated.

	Year ended December 31,		
	2023	2024	2025
		(in RMB thousands)	
Net cash from operating activities	1,718,968	2,403,122	2,877,609
Net cash (used in)/from investing activities	(3,774,925)	(1,353,931)	(824,360)
Net cash generated from/(used in) financing activities	153,936	(1,205,527)	(893,681)
Net (decrease)/increase in cash and cash equivalents	(1,902,021)	(156,336)	1,159,568
Cash and cash equivalents at beginning of the year	3,191,642	1,297,057	1,140,258
Effects of foreign exchange rate changes	7,436	(463)	(14,430)
Cash and cash equivalents at end of the year	1,297,057	1,140,258	2,285,396

Operating Activities

In 2025, we had net cash generated from operating activities of RMB2,877.6 million, primarily consisting of our profit before tax of RMB3,008.2 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) depreciation of property, plant and equipment of RMB712.6 million, (b) government grants of RMB359.9 million and (c) bank interest income of RMB196.9 million, and (ii) changes in working capital, primarily comprising (a) an increase in trade and other payables of RMB399.2 million, (b) receipt of government grants of RMB331.9 million, (c) an increase in financial assets at FVTOCI of RMB286.7 million, (d) an increase in trade receivables of RMB253.1 million and (e) an increase in inventories of RMB206.4 million.

In 2024, we had net cash generated from operating activities of RMB2,403.1 million, primarily consisting of our profit before tax of RMB2,518.9 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) depreciation of property,

plant and equipment of RMB631.1 million, (b) government grants of RMB240.6 million and (c) bank interest income of RMB203.6 million, and (ii) changes in working capital, primarily comprising (a) an increase in financial assets at FVTOCI of RMB605.8 million, (b) increase in inventories of RMB453.5 million, (c) receipt of government grants of RMB421.6 million, (d) increase in trade and other payables of RMB508.2 million and (e) increase in the discounted bill and letter of credit of RMB375.2 million.

In 2023, we had net cash generated from operating activities of RMB1,719.0 million, primarily consisting of our profit before tax of RMB1,782.8 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) depreciation of property, plant and equipment of RMB589.4 million, (b) finance costs of RMB22.5 million, (c) depreciation right-of-use assets of RMB16.1 million and (d) gain on changes in fair value of financial assets at FVTPL of RMB111.5 million, and (ii) changes in working capital, primarily comprising (a) an increase in trade receivables of RMB451.6 million, (b) increase in financial assets at FVTOCI of RMB309.2 million, (c) increase in inventories of RMB180.3 million, (d) increase in trade and other payables of RMB350.5 million and (e) receipt of government grants of RMB447.5 million.

Investing Activities

In 2025, we had net cash used in investing activities of RMB824.4 million, primarily consisting of (i) placement of bank deposit of RMB3,960.9 million and (ii) purchase of financial assets at FVTPL of RMB165,139.7 million, partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB166,510.6 million and (ii) proceeds from bank deposit of RMB2,342.0 million.

In 2024, we had net cash used in investing activities of RMB1,353.9 million, primarily consisting of (i) purchase of financial assets at FVTPL of RMB64,326.6 million and (ii) placement of bank deposit of RMB3,083.7 million, partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB63,185.9 million and (ii) proceeds from bank deposit of RMB3,480.0 million.

In 2023, we had net cash used in investing activities of RMB3,774.9 million, primarily consisting of (i) purchase of financial assets at FVTPL of RMB12,721.5 million and (ii) placement of bank deposit of RMB4,040.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB13,244.8 million.

Financing Activities

In 2025, we had net cash used in financing activities of RMB893.7 million, primarily consisting of (i) dividend paid of RMB726.3 million and (ii) repurchase of shares under share option scheme of RMB175.4 million, partially offset by new borrowings raised of RMB30.0 million.

In 2024, we had net cash used in financing activities of RMB1,205.5 million, primarily consisting of (i) repayment of borrowings of RMB1,122.3 million and (ii) dividend paid of RMB536.6 million, partially offset by new borrowings raised of RMB471.9 million.

In 2023, we had net cash generated from financing activities of RMB153.9 million, primarily consisting of new borrowings raised of RMB1,105.0 million, partially offset by (i) dividend paid of RMB479.1 million and (ii) repayment of borrowings of RMB454.9 million.

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated. See also Note 16 and Note 29 to "Appendix I — Accountants' Report." Our Directors are of the view that there are no material changes in our indebtedness from April 30, 2026 till the Latest Practicable Date.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(in RMB thousands)			
				(unaudited)
Current				
Borrowings	740,533	474,796	539,468	762,791
Lease liabilities	4,744	4,552	3,245	4,314
Non-current				
Borrowings	—	—	24,925	24,925
Lease liabilities	26,574	22,246	18,800	20,337
Total	**771,851**	**501,594**	**586,438**	**812,367**

Borrowings

We had borrowings of RMB740.5 million, RMB474.8 million and RMB564.4 million as of December 31, 2023, 2024 and 2025. The increase in 2023 was primarily due to our new bank borrowings and the decrease in 2024 was due to our repayment of the aforementioned bank borrowings. Our loan agreements generally do not set forth material covenants and undertakings and do not have pledge or contingent obligations. We did not experience any breach of the loan agreements during the Track Record Period and up to the Latest Practicable Date. We have not had any difficulty in obtaining additional debt or equity financing during the Track Record Period and up to the Latest Practicable Date.

As of April 30, 2026, our unutilized banking facilities amounted to RMB11,436.8 million.

Lease Liabilities

We had lease liabilities of RMB31.3 million, RMB26.8 million and RMB22.0 million as of December 31, 2023, 2024 and 2025. The continued decrease during the Track Record Period was primarily due to our continued settlement of lease payments and the amortization of the lease obligations.

Contingent Liabilities

As of December 31, 2023, 2024, 2025 and February 28, 2026, we did not have any significant contingent liabilities. Our Directors confirmed that there had not been any material change in the contingent liabilities of our Company since February 28, 2026 and up to the Latest Practicable Date.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

During the Track Record Period, our capital expenditure was primarily for purchase of right of use assets, property, plant and equipment, and intangible assets. In 2023, 2024 and 2025, capital expenditure amounted to RMB545.9 million, RMB639.0 million and RMB580.1 million, respectively.

We plan to continue capital expenditures to support our business growth and expansion strategy. See "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**." We intend to fund these expenditures with available financial resources, including cash generated from operations, net **[REDACTED]** from the **[REDACTED]**, and potential future equity or debt financing.

Capital Commitments

See Note 43 to "Appendix I — Accountants' Report" for details of our capital commitments.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated.

	Year ended/As of December 31,		
	2023	2024	2025
Gross margin[(1)]	37.9%	40.9%	39.9%
Net margin[(2)]	27.9%	30.1%	29.5%
Return on equity[(3)]	8.7%	11.0%	12.1%
Gearing ratio[(4)]	4.2%	2.5%	2.7%

Notes:

(1) Gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(2) Net margin is calculated as profit for the year divided by revenue for the corresponding year and multiplied by 100%.

(3) Return on equity is calculated based on the profit for the year divided by the ending balance of total equity for the corresponding year and multiplied by 100%.

(4) Gearing ratio is calculated based on the borrowings and lease liabilities divided by the ending balance of total equity and multiplied by 100%.

DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to a variety of financial risks including market risk, credit risk and liquidity risk. See Note 36 to "Appendix I — Accountants' Report."

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not enter into any off-balance sheet arrangements.

DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 — 上市公司現金分紅(2025年修訂)》), and the Articles of Association, after taking into account the characteristics of the industry in which we operate, our stage of development, our business model, profitability, whether there are plans for significant capital expenditure and other factors, we have adopted a formal dividend policy, under which we prioritize cash distributions. The Company shall distribute a cash dividend in any year it is profitable and has distributable profits after making up for previous years' losses and allocating to the required statutory reserves.

Profit distributions shall not exceed the aggregate amount of cumulative distributable profits. In the absence of any material investment plan or significant capital expenditure arrangement, the cash dividends distributed by us shall be no less than 30.0% of the distributable profits realized for that year.

A material investment plan or significant capital expenditure arrangement refers to either of the following circumstances:

(i) The cumulative expenditure on outbound investments, asset acquisitions, equipment purchases or similar transactions planned by the Company within the next 12 months reaches or exceeds 50% of the Company's most recently audited net assets, and the absolute amount exceeds RMB50 million.

(ii) The cumulative expenditure on outbound investments, asset acquisitions, equipment purchases or similar transactions planned by the Company within the next 12 months reaches or exceeds 30% of the Company's most recently audited total assets.

See Note 13 to "Appendix I — Accountants' Report" for our declared dividends during the Track Record Period.

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

DISTRIBUTABLE RESERVE

As of December 31, 2025, our consolidated retained profit amounted to RMB12,534.3 million, which is available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

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

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** commission and fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Our **[REDACTED]** expenses are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]** commission) accounting for **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, assuming that an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** range stated in this document). Among our **[REDACTED]** expenses, approximately HK$**[REDACTED]** is directly attributable to the issuance of Shares and will be charged to equity upon completion of the **[REDACTED]**, and approximately HK$**[REDACTED]** has been or will be charged to our consolidated statement of comprehensive income. The **[REDACTED]** expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK$**[REDACTED]** **[REDACTED]** related expenses and fees (including **[REDACTED]** commissions, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately HK$**[REDACTED]** non-**[REDACTED]**-related expenses and fees including fees for the Sole Sponsor, legal advisors and reporting accountant and approximately HK$**[REDACTED]** for other non-**[REDACTED]**-related fees and expenses. During the Track Record Period, we incurred RMB**[REDACTED]** in **[REDACTED]** expenses, among which RMB**[REDACTED]** was charged to profit and loss and RMB**[REDACTED]** will be charged to equity upon completion of the **[REDACTED]**.

The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE AND RECENT DEVELOPMENTS

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Zhang controlled an aggregate of approximately 36.47% of the total issued share capital of the Company, comprising (i) direct interest of approximately 2.80%, and (ii) indirect interest of approximately 33.67% held by Tririver Investment, in which Mr. Zhang held 59.21% equity interest.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Zhang will, through Tririver Investment, control an aggregate of approximately **[REDACTED]**% of the total issued share capital of the Company. As such, Mr. Zhang and Tririver Investment will together constitute a group of the Controlling Shareholders upon **[REDACTED]** under the Listing Rules.

CLEAR BUSINESS DELINEATION

The Business of the Group

Centered on the core business in ceramic materials, the Group has grown into a globally leading company in electronic ceramic materials and components, according to Frost & Sullivan.

The Group has built a core product matrix across four categories — electronic and ceramic materials, electronic components, telecommunication components and equipment components — forming a business framework that spans foundational materials, critical components and high-end devices and assemblies across key application areas including telecom, AI and data centers, consumer electronics, automotive electronics, semiconductor manufacturing and packaging, new energy and intelligent industrial control.

The Business of the Controlling Shareholders

Tririver Investment is a limited company incorporated in the PRC, primarily engaged in equity investment, real estate development and operation, property management and residential leasing. As of the Latest Practicable Date, Mr. Zhang held 59.21% equity interest in Tririver Investment.

Each of the Controlling Shareholders confirms that, as of the Latest Practicable Date, he/it did not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's principal business that would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKING

The Controlling Shareholders provided a non-competition undertaking in favor of the Group for the purpose of the listing of the A Shares on the Shenzhen Stock Exchange on December 3, 2014 in order to avoid any potential competition between the Group and the Controlling Shareholders (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, Tririver Investment has undertaken that:

(1) Tririver Investment currently does not engage in any business or activities that directly or indirectly compete with the principal business of the Company or its controlled subsidiaries as at the date of the Non-competition Undertaking;

(2) so long as the shares of the Company are listed on a domestic securities exchange, Tririver Investment shall take effective measures and shall cause companies directly or indirectly invested in or controlled by it in the future to take effective measures to refrain from directly or indirectly engaging in any business or activities that constitutes or may constitute direct or indirect competition with the principal business of the

Company and its controlled subsidiaries, or from holding any interest or benefit in such business; it shall not, in any form, support any third party other than the Company and its controlled subsidiaries in engaging in business or activities that constitute or may constitute direct or indirect competition with the current or future principal business of the Company and its controlled subsidiaries;

(3) Tririver Investment shall promptly notify the Company of any business opportunities it becomes aware of that may give rise to competition with the Company;

(4) Tririver Investment shall not exploit its status as a controlling shareholder to engage in any activities that damage or may damage the interests of the Company; and

(5) Tririver Investment agrees to bear and compensate the Company for all losses, damages, and expenses caused by its breach of the above commitments.

Mr. Zhang has undertaken that:

(1) Neither Mr. Zhang nor any company in which he has direct or indirect investment or controlled by him (excluding the Company and its subsidiaries) is currently engaged in any business or activity that constitutes or may constitute direct or indirect competition with the principal business of the Company and its controlled subsidiaries as at the date of the Non-competition Undertaking;

(2) so long as the shares of the Company are listed on a domestic securities exchange, he will take effective measures and ensure that all enterprises he currently or may in the future directly or indirectly invest in or control take effective measures to refrain from directly or indirectly engaging in any business or activity that constitutes or may constitute direct or indirect competition with the principal business of the Company and its controlled subsidiaries, or from holding any interest or benefit in such business or activity; he will not support, in any form, any third party other than the Company and its controlled subsidiaries in engaging in business or activities that constitute or may constitute direct or indirect competition with the current or future principal business of the Company and its controlled subsidiaries;

(3) Mr. Zhang shall promptly notify the Company of any business opportunities he becomes aware of that may give rise to competition with the Company;

(4) Mr. Zhang shall not utilize his position as actual controller to engage in any activities that damage or may damage the interests of the Company; and

(5) Mr. Zhang agrees to bear and compensate the Company for any corresponding losses caused by his breach of the above commitments.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors are satisfied that the Group is capable of carrying on its business independently from the group of the Controlling Shareholders and their respective close associates after the **[REDACTED]**.

Management Independence

The Group's business is managed and conducted by the Board and the senior management. Upon **[REDACTED]**, the Board will consist of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. See

"Directors and Senior Management." The Directors consider that the Board and the senior management are capable of functioning independently of the group of the Controlling Shareholders for the following reasons:

(i) Mr. Zhang, a non-executive Director, does not hold any role as an executive director or member of senior management in Tririver Investment;

(ii) the daily management and operations of the Group are carried out by a senior management team, all of whom have substantial experience in the industry in which the Company is engaged, and will therefore be able to make business decisions that are in the best interest of the Group;

(iii) each Director is aware of her/his fiduciary duties as a director which require, among other things, that she/he must act for the benefit and in the interest of the Company and the Shareholders as a whole, and not allow any conflict between her/his duties as a Director and her/his personal interests;

(iv) the Group has three independent non-executive Directors and the independent non-executive Directors individually and collectively possess the requisite knowledge and experience. They collectively combine experience as independent directors of listed companies, industry insights in non-metalic and functional material sectors and financial expertise, and will be able to provide professional and experienced advice to the Company. In conclusion, the Directors believe that the independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of the Board and protect the interest of the Company and the Shareholders as a whole;

(v) as an A-share listed company, the Group has formulated and adopted a comprehensive internal control and management system in compliance with the relevant requirements of the rules of the Shenzhen Stock Exchange. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which she/he or any of her/his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and

(vi) the Company has adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and the group of the Controlling Shareholders which would support the Group's independent management. See "— Corporate Governance Measures" in this section for further information.

Based on the above, the Directors are satisfied that they are able to perform their managerial roles in the Company independently, and the Directors are of the view that the Group is capable of managing its business independently from the group of the Controlling Shareholders after the **[REDACTED]**.

Operational Independence

The Group has full rights to make business decisions and to carry out its business independently from the group of the Controlling Shareholders. On the basis of the following reasons, the Directors consider that the Company will continue to be operationally independent from the group of the Controlling Shareholders and their respective close associates after the **[REDACTED]**:

(i) the Group has sufficient capital, facilities, equipment and employees to operate our business independently from the group of the Controlling Shareholders;

(ii) the Group has independent access to its customers and suppliers;

(iii) the Group has its own administrative and corporate governance infrastructure, including its independent accounting, legal and human resources departments; and

(iv) none of the group of the Controlling Shareholders or their respective close associates has any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, the Directors believe that the Group is able to operate independently from the group of the Controlling Shareholders.

Financial Independence

The Group has independent internal control and accounting systems. The Group also has an independent finance department responsible for discharging the financial management, accounting, reporting, funding and treasury function of the Group.

The Group is capable of obtaining financing from third parties, if necessary, without reliance on the group of the Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, the Group did not have any outstanding loans granted or guaranteed by any of the group of the Controlling Shareholders or their respective close associates to us.

Based on the above, the Directors are of the view that the Group is capable of carrying on its business independently from, and do not place undue reliance on, the group of the Controlling Shareholders and their respective close associates after the **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

The Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of the minority Shareholders.

The Group has adopted, among other things, the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between the Group and the group of the Controlling Shareholders:

(i) as part of the preparation for the **[REDACTED]**, the Company has amended the Articles of Association to comply with the Hong Kong Listing Rules which will become effective upon the **[REDACTED]**. In particular, the Articles of Association will provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(ii) the Company has established internal control mechanisms to identify connected transactions and related party transactions. Upon the **[REDACTED]**, if the Company enters into connected transactions or related party transactions with the group of the Controlling Shareholders or any of their respective close associates, the Company will comply with the applicable laws and regulations, including the Hong Kong Listing Rules;

(iii) the Company is committed that the Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). The Company has appointed three independent non-executive Directors, and believes that the independent non-executive Directors (a) possess sufficient experiences, (b) are free of any business or other relationship which could interfere in

any material manner with the exercise of their independent judgment, and (c) will be able to provide an impartial and external opinion to protect the interests of the Shareholders as a whole;

(iv) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between the Group and the group of the Controlling Shareholders and their compliance with the Non-competition Undertaking. The group of the Controlling Shareholders will provide all information necessary for the independent non-executive Directors' annual review;

(v) the Company will disclose decisions on matters reviewed by the independent non-executive Directors, including why any business opportunities referred to it by the group of the Controlling Shareholders were not taken up (if applicable), either in its annual reports or by way of announcements as required by applicable laws and regulations, including the Hong Kong Listing Rules;

(vi) where the Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at the Company's expense; and

(vii) the Company has appointed Somerley Capital Limited as the Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance.

Based on the above, the Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between the Group and the group of the Controlling Shareholders, and to protect the minority Shareholders' interests after the **[REDACTED]**.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of the Company was RMB1,916,497,371, comprising 1,916,497,371* A Shares of nominal value RMB1.00 each, all of which are listed on the ChiNext of the Shenzhen Stock Exchange.

Note:

* Including 5,133,800 A Shares repurchased by the Company pursuant to the repurchase mandates approved by the Board, accounting for approximately 0.27% of the total number of A Shares in issue as of the Latest Practicable Date.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the issued share capital of the Company will be as follows:

	Number of Shares	Approximately % of issued share capital
A Shares in issue*	1,916,497,371	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is exercised in full), the issued share capital of the Company will be as follows:

	Number of Shares	Approximately % of issued share capital
A Shares in issue*	1,916,497,371	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

Note:

* Including 5,133,800 A Shares repurchased by the Company pursuant to the repurchase mandates approved by the Board, accounting for approximately 0.27% of the total number of A Shares in issue as of the Latest Practicable Date.

THE SHARES

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

Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between Chinese mainland and Hong Kong. The A Shares can be traded by investors in Chinese mainland, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As the A Shares are eligible securities under the Northbound Trading Link, they can also be traded by Hong Kong and other overseas investors pursuant to the rules and limits of the Shenzhen-Hong Kong Stock Connect. If the H Shares are eligible securities under the Southbound Trading Link, they can also be traded by investors in mainland China in accordance with the rules and limits of the Southbound Trading Link.

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

RANKING

The A Shares and H Shares are regarded as one class of Shares under the Articles of Association and shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document.

APPROVAL FROM A SHAREHOLDERS REGARDING THE [REDACTED]

The Company obtained its A Shareholders' approval to issue H Shares and seek the **[REDACTED]** of H Shares on the Stock Exchange at the extraordinary general meeting of the Company held on December 3, 2025. Such approval is subject to the following conditions:

(i) *Size of the* **[REDACTED]**. The proposed number of H Shares to be **[REDACTED]** shall not exceed **[REDACTED]**% of the total issued share capital enlarged by the H Shares to be issued pursuant to the **[REDACTED]** (before the exercise of the **[REDACTED]**). The number of H Shares to be issued pursuant to the full exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the total number of H Shares to be **[REDACTED]** initially under the **[REDACTED]**.

(ii) *Method of* **[REDACTED]**. The method of **[REDACTED]** shall be by way of an international **[REDACTED]** to institutional investors and a public **[REDACTED]** for **[REDACTED]** in Hong Kong.

(iii) *Target investors.* The H Shares shall be **[REDACTED]** to public investors in Hong Kong under the **[REDACTED]** and international investors, qualified domestic institutional investors in mainland China and other investors who are approved by mainland Chinese regulatory bodies to invest abroad in the **[REDACTED]**.

(iv) **[REDACTED]** *basis.* The **[REDACTED]** of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of the Company, acceptance of investors and the risks related to the **[REDACTED]**, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) *Validity period.* The issue of H Shares and **[REDACTED]** of H Shares on the Stock Exchange shall be completed within 24 months from the date when the Shareholders' meeting was held on December 3, 2025.

As of the Latest Practicable Date, there is no other approved **[REDACTED]** plan for the Shares except the **[REDACTED]**.

GENERAL MEETINGS

For details of circumstance under which general meetings of the Company are required, see "Appendix III — Summary of the Articles of Association — Shareholders and Shareholders' Meeting" to this document.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the following persons will have an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 5% or more of the total issued share capital of the Company.

			Shareholding as of the Latest Practicable Date[1]		Shareholding immediately following the [REDACTED][1]	
Name of shareholder	Capacity and nature of interest	Description of Shares	in A Shares	in total issued share capital	in A Shares	in total issued share capital
Mr. Zhang[2][3]	Beneficial owner	A Share	2.80%	2.80%	2.80%	**[REDACTED]**%
	Interest in a controlled corporation	A Share	33.94%	33.94%	33.94%	**[REDACTED]**%
Tririver Investment[3]. . . .	Beneficial owner	A Share	33.67%	33.67%	33.67%	**[REDACTED]**%
	Interest in a controlled corporation	A Share	0.27%	0.27%	0.27%	**[REDACTED]**%

Notes:

(1) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) As of the Latest Practicable Date, Tririver Investment was held as to approximately 59.21% by Mr. Zhang. By virtue of the SFO, Mr. Zhang is deemed to be interested in the Shares held by Tririver Investment.

(3) By virtue of Part XV of the SFO, since each of Mr. Zhang and Tririver Investment controls one-third or more of the voting power at the general meeting of the Company, each of them is also deemed to be interested in 5,133,800 A Shares repurchased by the Company as treasury shares as of the Latest Practicable Date.

Except as disclosed above, the Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have any interest and/or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

OVERVIEW

Upon **[REDACTED]**, the Board will consist of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

DIRECTORS

The following table sets forth the information about the Directors:

Name	Age	Position	Time of joining the Group	Date of appointment as a Director	Roles and responsibilities
Mr. Zhang Wanzhen (張萬鎮)	76	Non-executive Director	December 1992	December 12, 1992	Assisting with the overall strategic planning and goal setting of the Group
Mr. Li Gang (李鋼)	43	Chairman and executive Director	July 2005	May 10, 2017	Strategic planning and overall management of the Group
Mr. Ma Yanhong (馬豔紅)	42	Deputy chairman, executive Director and general manager	July 2007	June 20, 2023	Assisting with the overall strategic planning and management of the Group and management of the electronic component and the substrate business units of the Group
Mr. Qiu Jihua (邱基華)	50	Executive Director and deputy general manager	July 2000	May 11, 2018	Assisting with the overall strategic planning and management of the Group and management of the R&D and Suzhou Three-Circle
Mr. Jiang Lijun (蔣利軍)	61	Independent non-executive Director	June 2023	June 20, 2023	Supervising and providing independent opinion and judgment to the Board
Mr. Wen Xueli (溫學禮)	80	Independent non-executive Director	June 2013	June 20, 2023	Supervising and providing independent opinion and judgment to the Board
Mr. Su Yanqi (蘇彥奇)	57	Independent non-executive Director	June 2023	June 20, 2023	Supervising and providing independent opinion and judgment to the Board
Ms. Wong Sze Wing (黃斯穎)	48	Independent non-executive Director	[•]	[•]	Supervising and providing independent opinion and judgment to the Board

None of the Directors and senior management of the Company is related to the other Directors or senior management of the Company. Save as disclosed in this section, (i) none of the Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Executive Directors and Non-Executive Director

Mr. Zhang Wanzhen (張萬鎮), aged 76, is a non-executive Director of the Company. Mr. Zhang has been a Director since December 1992, during which he was the chairman of the Board from December 1992 to February 2021. He is primarily responsible for assisting with the overall strategic planning and goal setting of the Group. Since his joining the Group, Mr. Zhang has been dedicated to the research, development, production, and technological innovation of electronic components and their fundamental materials. He has successfully organized and implemented multiple national and provincial key technical development and transformation projects, making significant contributions to the development of the Group.

Mr. Zhang completed his junior high school education and began working at the age of 16, during which he obtained sufficient practical and management experience. Mr. Zhang was honored with the titles of National Model Worker in the Electronics Industry (全國電子工業勞動模範), National Outstanding Manager (全國優秀經營管理者), and Senior Political Engineer (高級政工師).

Mr. Li Gang (李鋼), aged 43, is the chairman of the Board and an executive Director. Mr. Li has been the chairman of the Board since February 2021 and a Director since May 2017. He served as the general manager and deputy general manager of the Group from February 2018 to February 2021 and June 2015 to February 2018, respectively. Mr. Li successively served as the general manager of the MLCC business unit, the general manager of the PKG business unit, director of corporate management department, director of finance department and director of human resources department of the Company from July 2009 to February 2018. He is primarily responsible for the strategic planning and overall management of the Group.

Mr. Li graduated from Wuhan University of Technology (武漢理工大學) in the PRC with specialisation in material physics in June 2005. He was also qualified as a senior engineer by Chaozhou Human Resources and Social Security Bureau (潮州市人力資源和社會保障局) in December 2021.

Mr. Ma Yanhong (馬艷紅), aged 42, is the deputy chairman of the Board, an executive Director and the general manager of the Company. Mr. Ma has been the deputy chairman of the Board and the general manager of the Company since June 2023. Previously, he served as deputy general manager of the Company from December 2015 to June 2023, the general manager of the MLCC business unit from July 2013 to June 2023 and the deputy general manager of the MLCC business unit from January 2011 to June 2013. He also served as a

technician at the MLCC business unit from July 2007 to December 2010. He is primarily responsible for assisting with the overall strategic planning and management of the Group and management of the electronic component and the substrate business units of the Group.

Mr. Ma obtained his bachelor's degree in inorganic non-metallic materials engineering from North University of China (中北大學) in the PRC in July 2005 and accomplished his master's education in material science from Tianjin University (天津大學) in the PRC in June 2007.

Mr. Qiu Jihua (邱基華), aged 50, is an executive Director and the deputy general manager of the Company. He has been serving as an Director of the Company since May 2018, the president of the research institutes since March 2013 and the deputy general manager of the Company since December 2011. Mr. Qiu successively served as deputy general manager of the PKG business unit and vice president of the research institutes from March 2007 to January 2012. Previously, he served as the head of technical division of the MLCC business unit from July 2002 to March 2007 and a technician from August 2000 to July 2002. He is primarily responsible for assisting with the overall strategic planning and management of the Group and R&D and Suzhou Three-Circle of the management of the Group.

Mr. Qiu graduated from Harbin University of Science and Technology (哈爾濱理工大學) in the PRC with specialisation in inorganic non-metallic materials in July 2000.

Independent Non-Executive Directors

Mr. Jiang Lijun (蔣利軍), aged 61, has been serving as an independent Director of the Company since June 2023. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Jiang is currently a Chinese representative of IEA Hydrogen TCP Executive Committee. He has been serving as a vice president of China Renewable Energy Society (中國可再生能源學會) since March 2022, an chief expert of China GRINM Group Corporation Limited (中國有研科技集團有限公司) since May 2020, and a member of the general expert group of National Renewable Energy and Hydrogen Energy Key Project (國家可再生能源與氫能重點專項) since August 2019. Further, Mr. Jiang was appointed as an adjunct professor at Zhejiang University (浙江大學) in 2016.

Mr. Jiang obtained his bachelor's degree in metallic physics from Central South University (中南大學, formerly known as Central-South China Institute of Mining and Metallurgy (中南礦冶學院)) in the PRC in July 1984 and his master's degree in material science from University of Science and Technology Beijing (北京科技大學) in the PRC in June 1990. Mr. Jiang also obtained his doctoral degree in material science and engineering from China GRINM Group Corporation Limited (中國有研科技集團有限公司, formerly known as General Research Institute for Nonferrous Metals (北京有色金屬研究總院)) in the PRC in June 2015. Besides, Mr. Jiang was qualified as a professorate senior engineer by China GRINM Group Corporation (中國有研科技集團) in December 2020.

Mr. Wen Xueli (溫學禮), aged 80, has been serving as an independent Director of the Company since June 2023. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Wen has been serving as the honorary chairman of China Electronic Components Association (中國電子元件行業協會) since October 2017, where he took the position as the president from April 1997 to October 2009 and from November 2013 to September 2017, and vice president and secretary general from November 2009 to October 2013. Previously, he served as an independent director of Shandong Sinocera Functional Material Co., Ltd (山東國瓷功能材料股份有限公司, a company listed on the ChiNext of Shenzhen Stock Exchange, stock code 300285.SZ) from August 2019 to September 2025 and has been an independent director of Dalian Dalicap Technology Co., Ltd. (大連達利凱普科技股份公司, a company listed on the ChiNext of Shenzhen Stock Exchange, stock code 301566.SZ) since August 2020.

Mr. Wen graduated from Tsinghua University (清華大學) in the PRC with specialisation in radio electronics in March 1970.

Shenzhen Shandashi Resistor Co., Ltd. (深圳山達士電阻有限公司, "**Shenzhen Shandashi**") was established in the PRC in September 1987. Shenzhen Kaibao Electronics Co., Ltd. (深圳市凱寶電子有限公司, "**Shenzhen Kaibao**") was established in the PRC in January 1998. Shenzhen Yongzhen Electronics Co., Ltd. (深圳市永振電子有限公司, "**Shenzhen Yongzhen**") was established in the PRC in July 1985. Mr. Wen was the legal representative and chairman of the board of Shenzhen Shandashi, the legal representative and chairman of the board of Shenzhen Kaibao and a director of Shenzhen Yongzhen. Since these companies had no active business operations and were not deregistered in a timely manner, the business licenses of Shenzhen Shandashi, Shenzhen Kaibo and Shenzhen Yongzhen were revoked by the local competent authorities on December 23, 1999, January 31, 2008 and January 16, 2012, respectively.

Mr. Su Yanqi (蘇彥奇), aged 57, has been serving as an independent Director of the Company since June 2023. He is primarily responsible for supervising and providing independent opinion and judgment to the Board.

From December 1999 to June 2020, Mr. Su successively served as the deputy manager of the first department of business, the manager of the second department of business, and an associate chief accountant at Chaozhou Shengde Certified Public Accountants (潮州盛德會計師事務所), where he has been serving as a chief accountant since June 2020.

Mr. Su obtained his bachelor's degree in public finance from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1992. He has also been qualified as a member of the Chinese Institute of Certified Public Accountants since July 1998, a member of the China Appraisal Society since July 2006 and a member of China Certified Tax Agents Association since June 2011.

Ms. Wong Sze Wing (黃斯穎), aged 48, has been an independent non-executive Director of the Company since [•].

Ms. Wong served as the chief financial officer of Orange Sky Entertainment International Holdings Limited (橙天娛樂集團(國際)控股有限公司) from January 2007 to July 2008. She has also been serving as an independent non-executive director of CNGR Advanced Material Co., Ltd. (中偉新材料股份有限公司, a company listed on the Stock Exchange, stock code 2579.HK and on the Shenzhen Stock Exchange, stock code 300919.SZ) since November 2025; an independent director of Wuxi Lead Intelligent Equipment Co., Ltd. (無錫先導智能裝備股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code 300450.SZ) since November

2025; an independent non-executive director of REPT BATTERO Energy Co., Ltd. (瑞浦蘭鈞能源股份有限公司, a company listed on the Stock Exchange, stock code 0666.HK) since December 2023 and an independent non-executive director of Giant Biogene Holding Co., Ltd (巨子生物控股有限公司, a company listed on the Stock Exchange, stock code 2367.HK) since October 2022. Ms. Wong has also been serving as an independent non-executive director at Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司, a company listed on the Stock Exchange, stock code 1526.HK) since June 2016.

Previously, Ms. Wong served as an independent non-executive director of Ganfeng Lithium Group Co., Ltd. (江西贛鋒鋰業集團股份有限公司, a company listed on the Stock Exchange, stock code 1772.HK and on the Shenzhen Stock Exchange, stock code 002460.SZ) from July 2018 to August 2024; an independent director of Wangsu Science & Technology Co Ltd (網宿科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code 300017.SZ) from April 2017 to June 2023, an independent director at Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code 002236.SZ) from May 2017 to August 2020 and an independent non-executive director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司, a company listed on the Stock Exchange, stock code 1132.HK) from April 2010 to June 2026.

Ms. Wong obtained a bachelor's degree in business administration from the University of Hong Kong (香港大學) in Hong Kong in November 2001 and an executive master's degree in business administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in July 2012. In addition, she has been qualified as a Fellow of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

The Group's senior management team is responsible for the day-to-day management and operation of its business. The executive Directors are also members of the Group's senior management. For their biographies, see "— Directors — Executive Directors and Non-executive Directors" above.

Name	Age	Position	Time of joining the Group	Date of appointment as a member of senior management	Roles and responsibilities
Mr. Li Gang (李鋼)	43	Chairman and executive Director	July 2005	June 30, 2015	Strategic planning and overall management of the Group
Mr. Ma Yanhong (馬豔紅)	42	Deputy chairman, executive Director and general manager	July 2007	December 31, 2015	Assisting with the overall strategic planning and management of the Group and management of the electronic component and the substrate business units of the Group
Mr. Qiu Jihua (邱基華).	50	Executive Director and deputy general manager	July 2000	December 26, 2011	Assisting with the overall strategic planning and management of the Group and management of the R&D and Suzhou Three-Circle of the Group

Name	Age	Position	Time of joining the Group	Date of appointment as a member of senior management	Roles and responsibilities
Mr. Liu Jiepeng (劉傑鵬).	47	Deputy general manager	July 2002	September 28, 2018	Assisting with the overall strategic planning and management of the Group and management of the equipment of the Group and Shenzhen Three-Circle
Mr. Liu Dexin (劉德信).	58	Deputy general manager	December 1992	November 15, 2000	Assisting with the overall strategic planning and management of the Group and the sales management of the Group
Mr. Zheng Kecheng (鄭可城).	42	Deputy general manager	July 2008	May 22, 2020	Assisting with the overall strategic planning and management of the Group and management of Sichuan regional operation of the Group
Mr. Sun Jian (孫健)	42	Deputy general manager, president of Nanchong R&D center and executive vice president of research institutes	June 2009	May 6, 2020	Assisting with the overall strategic planning and management of the Group and management of the R&D in Sichuan region of the Group
Mr. Zheng Zhenhong (鄭鎮宏).	42	Deputy general manager and general manager of semiconductor business unit	June 2006	September 28, 2018	Assisting with the overall strategic planning and management of the Group and management of the semiconductor business unit of the Group
Mr. Liu Yan (劉研)	40	Deputy general manager and director of corporate management department	July 2009	January 14, 2025	Assisting with the overall strategic planning and management of the Group and management of the corporate management department and the optical components business unit of the Group
Ms. Wang Hongyu (王洪玉).	42	Finance director	July 2009	January 5, 2018	Financial operations and funds management of the Group
Ms. Wu Xiaochun (吳曉淳).	41	Secretary of the Board and executive vice director of audit department	July 2007	June 20, 2023	Corporate governance, capital operation, investor relations and securities affairs of the Group

Mr. Li Gang (李鋼), aged 43, is the chairman of the Board and an executive Director of the Company. For his biography, see "— Directors — Executive Directors and Non-executive Directors."

Mr. Ma Yanhong (馬豔紅), aged 42 is the deputy chairman of the Board, an executive Director and the general manager of the Company. For his biography, see "— Directors — Executive Directors and Non-executive Directors."

Mr. Qiu Jihua (邱基華), aged 50, is an executive Director and the deputy general manager of the Company. For his biography, see "— Directors — Executive Directors and Non-executive Directors."

Mr. Liu Jiepeng (劉傑鵬), aged 47, has been serving as a deputy general manager of the Company since June 2023. He is primarily responsible for assisting with the overall strategic planning and management of the Group and management of the equipment of the Group and Shenzhen Three-Circle.

Mr. Liu joined the Group in July 2002 and served as a technician until August 2014. He also served in the Group successively as a deputy general manager of the optical components business unit, a deputy general manager of the semiconductor business unit, an executive deputy general manager of the semiconductor business unit, a deputy director of the production and supply department and the general manager of the Company from August 2014 to June 2023.

Mr. Liu graduated from Northwest A&F University (西北農林科技大學) in the PRC with specialisation in mechanical design and manufacturing in July 2002.

Mr. Liu Dexin (劉德信), aged 58, has been serving as a deputy general manager of the Company since November 2000. He is primarily responsible for assisting with the overall strategic planning and management of the Group and the sales management of the Group.

Previously, Mr. Liu successively served in the Group as a workshop technician, a workshop director and the deputy director of the R&D centre from December 1992 to December 2000.

Mr. Liu obtained his bachelor's degree in semiconductor physics from Xiamen University (廈門大學) in the PRC in July 1990. He has also been qualified as a quality engineer by Chaozhou Human Resources and Social Security Bureau (潮州市人力資源和社會保障局) in March 2016.

Mr. Zheng Kecheng (鄭可城), aged 42, has been serving as a deputy general manager of the Company since May 2020. He is primarily responsible for assisting with the overall strategic planning and management of the Group and management of Sichuan regional operation of the Group.

Mr. Zheng joined the Group in July 2008 and served at the general department of the Company until July 2011. He also served in the Group successively as the head of human resources and secretarial division of general affairs department, the head of secretarial division of corporate management department, an assistant director of human resources department, the deputy director of human resources department, the deputy general manager of the MLCC business unit, an employee representative supervisor, the chairman of the board of supervisors, and the director of information security department from November 2011 to May 2023, successively.

Mr. Zheng graduated from Nanchang University (南昌大學) in the PRC with specialisation in Chinese language and literature in July 2008.

Mr. Sun Jian (孫健), aged 42, has been serving as a deputy general manager of the Company and the president of Nanchong R&D center since May 2020. He is primarily responsible for assisting with the overall strategic planning and management of the Group and management of the R&D in Sichuan region of the Group.

Mr. Sun joined the Group in June 2009. From March 2013 to June 2023, Mr. Sun served in the Group successively as an executive vice president, the vice president and a director of the research institutes. Previously, he served as a technician of the Company from June 2009 to March 2013.

Mr. Sun graduated from Central South University (中南大學) in the PRC with specialisation in chemical engineering and technology in June 2006, where he also completed his master's education in material science in May 2009. He was also qualified as a senior engineer by Chaozhou Human Resources and Social Security Bureau (潮州市人力資源和社會保障局) in December 2021.

Mr. Zheng Zhenhong (鄭鎮宏), aged 42, has been serving as a deputy general manager of the Company and the general manager of semiconductor business unit since October 2018. He is primarily responsible for assisting with the overall strategic planning and management of the Group and management of the semiconductor business unit of the Group.

Mr. Zheng joined the Group in June 2006. He successively served as a technician, a production manager, an assistant general manager, a deputy general manager, an executive deputy general manager and the general manager of optical components business unit of the Group from February 2006 to October 2018. Mr. Zheng also served as a supervisor of the Company from January 2017 to September 2018.

Mr. Zheng graduated from Guangdong Ocean University (廣東海洋大學) in the PRC with specialisation in electronic science and technology in June 2006.

Mr. Liu Yan (劉研), aged 40, has been serving as a deputy general manager of the Company since January 2025 and the director of corporate management department since May 2023. He is primarily responsible for assisting with the overall strategic planning and management of the Group and management of the corporate management department and the optical components business unit of the Group.

Mr. Liu joined the Group in July 2009. He successively served as the assistant general manager, deputy general manager and general manager of the optical components business unit, and the assistant of president of the Company from January 2016 to January 2025. Previously, Mr. Liu served as a vice shift supervisor of optical components business unit from September 2015 to January 2016 and a technician from July 2009 to September 2015.

Mr. Liu graduated from Guangdong University of Technology (廣東工業大學) in the PRC with specialisation in polymer materials and engineering in June 2009.

Ms. Wang Hongyu (王洪玉), aged 42, has been serving as the Company's finance director since January 2018. She is primarily responsible for the financial operations and funds management of the Group.

Ms. Wang joined the Group in July 2009. Previously, Ms. Wang Hongyu served as the vice director and executive vice director of the Company's department of finance from January 2011 to June 2017 and from June 2017 to January 2018, respectively.

Ms. Wang obtained her bachelor's degree in business administration from Jilin University (吉林大學) in the PRC in July 2007, where she also obtained her master's degree in quantitative economics in June 2009.

Ms. Wu Xiaochun (吳曉淳), aged 41, is the secretary of the Board and the executive vice director of audit department in the Company. She has been serving as the secretary of the Board since June 2023. She has also been the executive vice director of the audit department since October 2018. She is primarily responsible for the corporate governance, capital operation, investor relations and securities affairs of the Group.

Ms. Wu joined the Group in July 2007. From January 2016 to September 2018, Ms. Wu was an assistant to the director of audit department and served as the representative of securities affairs of the Company from May 2017 to June 2023.

Ms. Wu graduated from China Women's University (中華女子學院) in the PRC with specialisation in law in July 2007.

JOINT COMPANY SECRETARIES

Ms. Guo Hong (郭泓), is the representative of securities affairs, manager of audit department and a joint company secretary. She took the position as a commissioner of the audit department since her joining the Company in 2014 and has served as the representative of securities affairs since June 2023.

Ms. Guo graduated from Guangdong University of Technology (廣東工業大學) in the PRC with specialisation in accounting in June 2014.

Mr. Wong Chun Wing Samuel (黃俊穎), is a joint company secretary of the Company. Mr. Wong is an assistant manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. He has over eight years of experience in the company secretarial field.

He obtained a bachelor's degree of business administration from The Hang Seng University of Hong Kong in November 2017. Mr. Wong is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

OTHER INFORMATION

Rule 3.09D of the Listing Rules

Each of the Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in November 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

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

Rule 8.10(2) of the Listing Rules

Each of the Directors (other than the independent non-executive Directors) confirms that as of the Latest Practicable Date, he or she was not interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business under Rule 8.10(2) of the Listing Rules.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

The Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review financial reports, review and supervise both internal and external auditing process, supervise and assess internal controls system of the Group and provide advice and comments to the Board.

The Audit Committee comprises Mr. Su Yanqi, Mr. Zhang Wanzhen and Ms. Wong Sze Wing, with Mr. Su Yanqi (being an independent non-executive Director with appropriate professional qualifications) as the chairperson.

Nomination Committee

The Board has established the Nomination Committee with written terms of reference in compliance with Rules 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee include establishing the criteria and procedures for appointing and removing directors and senior management members, and to make recommendations to the Board on the appointment and removal of Directors and members of senior management.

The Nomination Committee comprises Mr. Jiang Lijun, Mr. Zhang Wanzhen and Ms. Wong Sze Wing, with Mr. Jiang Lijun as the chairperson.

Remuneration and Appraisal Committee

The Board has established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to establish and review policies on remuneration packages payable to the Directors and other senior management, establish appraisal criteria for Directors and senior management members and veto remuneration policies or plans that are harmful to shareholders' overall benefits.

The Remuneration and Appraisal Committee comprises Ms. Wong Sze Wing, Mr. Zhang Wanzhen and Mr. Su Yanqi, with Ms. Wong Sze Wing (being an independent non-executive Director) as the chairperson.

Strategy Committee

The Board has established the Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to the Board on the Group's long-term development strategies, and advise on major financing plans, capital operation and asset management projects which are subject to the Board's approval.

The Strategy Committee comprises Mr. Li Gang, Mr. Zhang Wanzhen, Mr. Jiang Lijun, with Mr. Li Gang as the chairperson.

Corporate Governance Code

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Company intends to comply with all code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the **[REDACTED]**.

Board Diversity

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

Upon **[REDACTED]**, the Board would consist of one female and six male Directors ranging from 42 to 76 years old with a balanced mix of knowledge and skills, including, but not limited to, overall management and strategic development, accounting and corporate governance in addition to relevant industry experience. They obtained degrees in various majors including engineering, material, physics and finance. Taking into account the Group's existing business model and specific needs, as well as the diverse background of the Directors, the composition of the Board satisfies the board diversity policy.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. The Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its ongoing effectiveness, and will propose any necessary amendments as required, recommending such amendments to the Board for consideration and approval. The Nomination Committee will also include a summary of the board diversity policy in the annual reports.

REMUNERATION

The Directors and senior management who receive remuneration from the Company are paid in forms of salaries, share-based compensation and other benefits in kind.

For the years ended December 31, 2023, 2024 and 2025, the total remuneration paid to the Directors amounted to RMB10.9 million, RMB9.5 million and RMB12.2 million, respectively. None of the Directors waived or agreed to waive any emolument during the Track Record Period.

Under the arrangements in force as of the date of this document, the Company estimates the total remuneration payable to, and benefits in kind receivable by, the Directors by the Group for the year ending December 31, 2026 to be approximately RMB14 million.

The five highest paid individuals of the Group for the years ended December 31, 2023, 2024 and 2025 included 3, 3 and 3 Directors, respectively. During the same year/period, the aggregate amount of remuneration of the five highest paid individuals was RMB11.8 million, RMB12.3 million and RMB14.7 million, respectively.

During the Track Record Period, no remuneration was paid to, or received by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or received by, the Directors, former Directors or the five highest paid individuals for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Save as disclosed above, no other payments have been made or are payable by the Group to the Directors in respect of the Track Record Period.

COMPLIANCE ADVISOR

The Company has appointed Somerley Capital Limited as the Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide the Company with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will, amongst other things, advise the Company in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

(iii) where the Group proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

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

FUTURE PLANS

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

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the midpoint of the range of the **[REDACTED]** stated in this Document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** commissions and other estimated expenses in connection with the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). We intend to use our **[REDACTED]** for the purposes and in the amounts set forth below.

- Approximately **[REDACTED]** or HK$**[REDACTED]** will be invested in new constructions and expansions overseas, as well as in automation, to increase capacity, improve efficiency, and enhance supply resilience. Key initiatives include the following projects in Thailand and Germany, which will support customers' demand, shorten lead times, and strengthen our global service network. We expect site preparation and main equipment ordering to commence within 6−12 months after commencement, installation and pilot runs within 12−24 months thereafter, and commercial ramp-up generally within 24−48 months, subject to permitting and utilities readiness. We expect the projects to commence construction by the end of 2026. These project expansions are estimated to add 36,696 million unit production capacity in aggregate.

  - ***Fuel cell project expansion***: approximately **[REDACTED]** or HK$**[REDACTED]** will fund land acquisition, plant construction, equipment purchases, recruitment, materials purchases, and initial R&D and operating expenses in Thailand. **[REDACTED]** will be used to (i) acquire suitable land parcels that we are currently identifying at an appropriate time based on our actual operational requirements and development progress; (ii) construct new production facilities with an estimated total gross floor area of approximately 43,000 sq.m., which will primarily house specialized workshops for production processes such as tape casting and sintering; (iii) build dedicated lines for electronic and ceramic materials and key ceramic/metallic components, with phased installation of automated forming, sintering, machining and testing systems; (iv) acquire engineering and renovation materials as well as ancillary equipment, such as color steel plates and elevators; and (v) fund initial operating expenses. Civil works and utility fit-out are expected to begin within 6 months after commencement, core equipment delivery within 12−24 months, and pilot production within 24−48 months, followed by staged ramp-up.

    This project expansion intends to address our cutomers' strong demand in clean energy applications: (i) addressing the power supply demand in high-energy consumption scenarios: The accelerated development of high-energy consumption applications, such as data centers and AI computing clusters, has created power demands that traditional electricity systems struggle to meet. According to Frost & Sullivan, the core driver of global core electronic ceramic material market growth comes from the continuous expansion of downstream electronic product demand, iterative demand in new energy products, and technological innovation, particularly fueled by the development of industries such as automotive electronics, AI and data centers, and consumer electronics. Looking forward, the global market is expected to increase from RMB27.8 billion in 2026 to RMB43.1 billion in 2030, representing a CAGR of 11.6%. As one of the preferred solutions for distributed power generation, SOFCs are experiencing continuous growth in demand for related materials. Our SOFC electrolyte sheets are supplied to fuel cell enterprises, who have a strong demand for both supply

chain stability and performance upgrades to the materials they procure; (ii) Indispensable demand driven by the global energy transition: There is a trend of replacement of traditional energy with clean, creating demand for efficient, low-carbon power solutions in applications including distributed power generation and energy storage. With its high energy conversion efficiency, fuel flexibility and low emission characteristics, SOFC has emerged as one of the core technological pathways and the market demand for its critical material, the SOFC electrolyte sheets is consequently expanding; and (iii) Overseas market demand for stable supply: The expansion of the our production base in Thailand is a direct response to the needs of international customers. This strategic move will reduce logistics costs and shorten delivery lead times, aligning with the global fuel cell industry's demand for a stable and reliable supply of core materials.

- ***High precision piezo microdispensing system project expansion***: approximately **[REDACTED]** or HK$**[REDACTED]** will be used to expand our German piezo microdispensing system operations. Investments cover land acquisition, facilities, equipment, recruitment, materials, and initial R&D and operating expenses. **[REDACTED]** will be used to (i) acquire suitable land parcels that we are currently identifying at an appropriate time based on our actual operational requirements and development progress; (ii) construct new production facilities with an estimated total gross floor area of approximately 6,000 sq.m., which will primarily house workshops for production and assembly processes, as well as warehousing space; (iii) procure and upgrade production and assembly equipment and procure ancillary equipment as well as spend on equipment maintenance; and (iv) fund operating expenses including repair and refurbishment as well as administrative costs. We plan to add precision assembly equipment, calibration and metrology systems, and reliability labs, with facility upgrade and expansion works targeted to complete within 6-24 months after **[REDACTED]**.

  This expansion is intended to address strong interest from industrial, electronics and life-science customers for higher-throughput, higher-precision dispensing solutions: (i) advancements in industrial automation: The ongoing transition towards automation and high-end applications in intelligent industrial control, marked by the widespread adoption of industrial robots and smart sensors, has significantly elevated the requirements for precision, efficiency and stability in dispensing processes. According to Frost & Sullivan, the global ceramic equipment components market expanded from RMB39.8 billion in 2021 to RMB55.6 billion in 2025, representing a CAGR of 8.7% during this period. By 2030, the global market is projected to reach RMB98.6 billion, with a CAGR of approximately 11.9% from 2026 to 2030. Piezo microdispensing systems, with their sub-nanoliter dispensing capabilities and high wear resistance, have become core equipment for precision manufacturing in key industries such as electronics, semiconductors and automotive; (ii) Demand from niche applications across multiple sectors: Strong demand for high-throughput, high-precision dispensing solutions is emerging from various specialized applications, including the application of lubricating grease for safety switches and the dispensing of conductive paste for thermocouples in the consumer electronics industry, the chip underfill process in the semiconductor industry, and micro-volume material handling in the medical and pharmaceutical sectors. We have already developed industry-specific customized solutions, serving a customer base covering enterprises across these diverse industries; and (iii) Demand for localized services in the European market: The expansion of the production base in German is intended to strengthen service responsiveness for the European market. This initiative will cater to the precision manufacturing requirements of

international clients in automotive electronics and industrial automation, while also satisfying their demand for local technical support and equipment maintenance. This enhanced local presence is expected to increase customer loyalty and retention.

- ***Data-center-related electronic components project construction:*** approximately **[REDACTED]** or HK$**[REDACTED]** will fund a new production line in Thailand for electronic components serving data center applications. Uses of funds include land, facilities, equipment, talent, materials, and initial R&D and operating expenses. **[REDACTED]** will be used to (i) acquire suitable land parcels that we are currently identifying at an appropriate time based on our actual operational requirements and development progress; (ii) construct new production facilities with an estimated total gross floor area of approximately 20,000 sq.m., which will primarily house workshops for production processes including sintering, testing, and taping and packaging; (iii) procure machinery and equipment primarily includes printing and stacking equipment and inspection and packaging equipment; and (iv) acquire engineering and renovation materials as well as ancillary equipment, such as color steel plates and elevators. We expect to install sintering equipment, testing equipment, packaging equipment, with construction commencement targeted within 12−24 months after commencement, pilot within 24−48 months and mass production thereafter, to support server and data-center demand growth and shorten lead times to Southeast Asia and North America.

  This project construction is intended to satisfy customers' needs: (i) Expansion of computing infrastructure: As AI data centers evolve towards higher power densities, leading to a substantial increase in power density per rack, there is a corresponding surge in demand for electronic components crucial for heat dissipation and power supply stability; (ii) Demand for supporting core components: As AI data centers expand in scale and adopt higher power densities, the increasing power of computing equipment presents significant challenges for heat dissipation and power supply, leading to a markedly increased demand for our electronic components; and (iii) Need for optimized regional delivery efficiency: The Thailand production base will shorten delivery lead times to the Southeast Asian and North American markets, aligning with the requirement for rapid supply chain responsiveness in global data center construction. This proximity reduces customer inventory costs and operational risks, which is consistent with the prevailing trend towards regionalized supply chain layouts. According to Frost & Sullivan, the development of the electronics manufacturing industry has driven rising demand for core ceramic electronic components. From 2021 to 2025, the global market size of core ceramic electronic components increased from RMB162.2 billion to RMB182.1 billion, representing a CAGR of 2.9%.

- ***Telecom components project expansion:*** approximately **[REDACTED]** or HK$ **[REDACTED]** will support capacity additions for ceramic ferrules and sleeves, optical communication ceramic packages and other telecom components in Thailand. Investments cover land acquisition, facilities, equipment, staffing, materials, and initial R&D and operating expenses. **[REDACTED]** will be used to (i) acquire suitable land parcels that we are currently identifying at an appropriate time based on our actual operational requirements and development progress; (ii) construct new production facilities with an estimated total gross floor area of approximately 10,000 sq.m.; (iii) procure machinery and equipment primarily includes grinding equipment and cutting equipment; (iv) acquire engineering and renovation materials as well as ancillary equipment, such as color steel plates

and elevators. We plan to deploy precision molding, grinding, inspection and packaging lines, with construction start within 12−24 months after commencement and commercial ramp-up within 24−48 months. Localizing production in Thailand is expected to deepen our telecom market presence by (i) leveraging Thailand's strategic location to enhance our proximity to emerging 5G and data center markets in Southeast and South Asia, thereby significantly shortening delivery lead times and enabling rapid responsiveness to regional customer demands and technical adaptation requirements, particularly for 5G infrastructure deployment; (ii) providing localized supply chain solutions to deepen strategic ties with global tier-one customers that reduce their inventory costs and operational risks and establishing integrated technical support teams in Thailand; (iii) optimizing supply chain resilience to mitigate global market risks through capacity synergy and complementarity with our domestic production bases; and (iv) strengthening our cost leadership by reducing logistics expenses and optimizing regional procurement through our localized presence in Thailand, which will allow us to capture regional market trends and develop differentiated products, thereby consolidating our global market position and capturing further share in emerging markets.

This project expansion is intended to satisfy customers' needs: (i) Demand for enhanced performance in high-end applications: The requirement for high-density, high-bandwidth connectivity in AI and data centers is driving the evolution of communication components towards miniaturization, lower signal loss and higher consistency. Our telecom components are suitable for the demands of high-speed optical modules and have been integrated into the supply chains of multiple equipment manufacturers, who have expressed clear demand for both production capacity expansion and further performance optimization; (ii) Demand for deployment of 5G/6G infrastructure: The global number of 5G/6G base stations is projected to significantly increase, while the proliferation of gigabit broadband is propelling the upgrade of optical communication networks. This trend elevates the requirements for signal transmission stability and high-speed interconnection, resulting in sustained demand growth for our telecom components; (iii) Demand from communications network construction in emerging markets: The accelerated deployment of 5G infrastructure in regions like Southeast Asia and South Asia has created an urgent need for localized supply chains. The expansion of the production base in Thailand enables closer proximity to these regional markets, allowing for a rapid response to the component needs of customers in emerging markets for their 5G rollouts and shortening delivery lead times. According to Frost & Sullivan, the global core ceramic telecom components market grew from RMB34.9 billion in 2021 to RMB48.3 billion in 2025, with a CAGR of 8.4%. By 2030, the global market size for core ceramic telecom components is expected to reach RMB75.9 billion, with a CAGR of 9.2% from 2026 to 2030.

- Approximately **[REDACTED]** or HK$**[REDACTED]** will be allocated to technology iteration and materials innovation to reinforce our integrated technology moat, support globalization, and advance domestic substitution in critical links.

  - ***Core business technology iteration and product performance optimization:*** approximately **[REDACTED]** or HK$**[REDACTED]** will fund upgrades in our products to meet higher-end application requirements and strengthen multi-category portfolio supply coordination. **[REDACTED]** will be used to (i) upgrade cleanrooms, laboratories and supporting office areas; (ii) procure core R&D raw materials (such as ceramic and metal powders); (iii) acquire key laboratory and pilot equipment (including characterization/analysis, mixing and

classification equipment); (iv) recruit around 400 specialized R&D talents with backgrounds in ceramics, micro-fabrication and reliability engineering; and (v) fund operating expenses such as patent, testing and travel. We will build pilot capabilities around MLCC, optical communication packages, chip inductors and precision ceramic components to support iterative trials and accelerate product performance upgrades.

The implementation of these upgrade plans is expected to span from 2026 to 2030 and will be carried out in phases: (i) In the first phase in 2026, within six to 12 months following the **[REDACTED]**, we plan to commence the upgrading and renovation of our cleanrooms, laboratories and ancillary office areas, establish the procurement framework for core R&D raw materials and initiate the tendering process for the selection of key laboratory and pilot production equipment; in parallel, we plan to launch the recruitment of R&D talent. (ii) In the second phase from 2027 to 2028, within 12 to 24 months following the **[REDACTED]**, we plan to complete the installation, commissioning and acceptance of laboratory and pilot production equipment and establish pilot production capabilities for upgraded core products; we further plan to complete the recruitment of our specialist R&D talents, commence technical iteration and product performance optimization for our core product lines and complete the formulation, process optimization and iterative testing. (iii) In the third phase from 2029 to 2030, we plan to complete customer qualification and volume production ramp-up, continuously optimize product performance and yield rates and enhance our ability to deliver a synergistic and diversified multi-category product portfolio; we further plan to complete our patent filing arrangements and participate in the formulation of relevant industry standards.

- ***Frontier materials innovation and application expansion:*** approximately **[REDACTED]** or HK$**[REDACTED]** will be invested in foundational breakthroughs in new and functional materials and in extending their use to emerging scenarios. **[REDACTED]** will be used to support procurement of specialty raw materials for materials R&D, investment in required experimental equipment (including characterization, mixing and classification units) and recruitment of around 200 researchers, as well as related operating expenses. Programs will focus on materials as the backbone for downstream product iteration and new business incubation.

  The implementation of this plan is expected to span from 2026 to 2030 and will be carried out in phases. (i) In the first phase in 2026, within six to 12 months following the **[REDACTED]**, we plan to commence the planning and construction of our materials R&D laboratory, establish the procurement framework for specialised R&D raw materials and initiate the selection and procurement of dedicated laboratory equipment for materials research; in parallel, we plan to launch the recruitment of R&D personnel. (ii) In the second phase from 2027 to 2028, within 12 to 24 months following the **[REDACTED]**, we plan to complete the installation, commissioning and acceptance of dedicated laboratory equipment for materials research and establish a comprehensive platform for the characterization, analysis and validation of materials; we further plan to complete the recruitment of R&D talents, commence foundational research on novel and functional materials and complete laboratory validation and small-scale trial testing of core material formulations. (iii) In the third phase from 2029 to 2030, we plan to complete the pilot-scale scale-up and volume production process validation of our materials and achieve stable and compliant material performance; in parallel, we plan to advance the exploration of application

scenarios and customer qualification of our materials in emerging fields and complete the commercialization and industrial deployment of our innovative materials.

- Approximately **[REDACTED]** or HK$**[REDACTED]** will be used for working capital and other general corporate purposes, including day-to-day operations and general corporate expenditures.

The additional net **[REDACTED]** that we would receive if the **[REDACTED]** were exercised in full would be HK$**[REDACTED]**. In the event that the **[REDACTED]** is fixed at a higher or lower level compared to the midpoint of the range of the **[REDACTED]** stated in this Document, the net **[REDACTED]** from the **[REDACTED]** will be allocated to the above purposes on a pro rata basis.

In the event that certain parts of our development plans are hindered due to factors such as changes in government policies or force majeure events, our directors will carefully evaluate the situation and may reallocate the net **[REDACTED]** from the **[REDACTED]**. Should there be any significant changes to the intended use of **[REDACTED]**, we will make appropriate disclosures in accordance with the Hong Kong Listing Rules.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will only deposit such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdiction). In such event, we will comply with the appropriate disclosure requirements under the Hong Kong Listing Rules.

[REDACTED]

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHAOZHOU THREE-CIRCLE (GROUP) CO., LTD. AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED

Introduction

We report on the historical financial information of Chaozhou Three-Circle (Group) Co., Ltd. (潮州三環(集團)股份有限公司) (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-[98], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of three years ended December 31, 2025 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-[98] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**Document**") in connection with the **[REDACTED]** of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our

work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [3] have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

SHINEWING (HK) CPA Limited
Certified Public Accountants
[•]
Practising Certificate Number: [•]

Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	5,681,529	7,266,133	8,868,527
Cost of sales		(3,527,422)	(4,290,871)	(5,325,745)
Gross profit		2,154,107	2,975,262	3,542,782
Other income, gains and losses, net	*8*	699,255	673,802	757,122
Selling and distribution expenses		(74,343)	(79,392)	(93,199)
Administrative expenses		(435,487)	(427,223)	(509,251)
Research and development expenses		(545,806)	(583,072)	(653,437)
Reversal of impairment loss (impairment loss) on financial assets, net	*11*	7,610	(12,734)	(15,445)
Finance costs	*9*	(22,488)	(27,700)	(20,396)
Profit before tax		1,782,848	2,518,943	3,008,176
Income tax expense	*10*	(199,697)	(328,710)	(391,196)
Profit for the year	*11*	1,583,151	2,190,233	2,616,980
Other comprehensive income (expense)				
Item that will not be reclassified subsequently to profit or loss:				
Fair value change on financial assets at fair value through other comprehensive income ("**FVTOCI**")		26	161	235
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations		31,637	(21,107)	75,818
Other comprehensive income (expense) for the year		31,663	(20,946)	76,053
Total comprehensive income for the year		1,614,814	2,169,287	2,693,033
Profit (loss) for the year attributable to:				
— Owners of the Company		1,580,986	2,190,449	2,618,384
— Non-controlling interests		2,165	(216)	(1,404)
		1,583,151	2,190,233	2,616,980
Total comprehensive income (expense) for the year attributable to:				
— Owners of the Company		1,612,649	2,169,503	2,694,437
— Non-controlling interests		2,165	(216)	(1,404)
		1,614,814	2,169,287	2,693,033
Earnings per share				
— Basic and diluted *(RMB)*	*14*	0.82	1.14	1.37

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*15*	5,844,534	6,178,750	6,459,594
Right-of-use assets	*16*	419,081	404,989	391,548
Investment properties	*17*	127,813	272,229	255,910
Goodwill	*18*	237,347	227,276	248,711
Intangible assets	*19*	21,719	19,496	17,550
Financial assets at FVTOCI	*20*	2,799	2,960	3,195
Deferred tax assets	*21*	182,164	247,208	163,935
Bank deposits	*26*	3,590,703	2,930,250	5,850,994
Other receivables, deposits and prepayments	*24*	121,424	30,610	33,129
		10,547,584	10,313,768	13,424,566
Current assets				
Inventories	*22*	1,753,598	2,180,711	2,391,722
Trade receivables	*23*	1,626,598	1,871,751	2,159,448
Other receivables, deposits and prepayments	*24*	562,231	612,155	606,346
Tax recoverable		15,957	6,603	7,243
Financial assets at FVTOCI	*20*	632,673	814,584	1,100,474
Financial assets at fair value through profit or loss ("**FVTPL**")	*25*	3,846,708	5,053,387	3,758,512
Restricted bank deposits	*26*	2,038	25,825	17
Bank deposits with maturity over three months	*26*	1,542,520	1,896,762	772,365
Bank balances and cash	*26*	1,297,057	1,140,258	2,285,396
		11,279,380	13,602,036	13,081,523
Current liabilities				
Trade and other payables	*27*	1,529,420	1,975,029	2,768,574
Contract liabilities	*28*	22,612	30,782	23,886
Deferred income	*31*	124,673	149,286	149,399
Tax payables		103,232	109,094	144,229
Borrowings	*29*	740,533	474,796	539,468
Provisions	*30*	2,531	1,263	1,090
Lease liabilities	*16*	4,744	4,552	3,245
		2,527,745	2,744,802	3,629,891
Net current assets		8,751,635	10,857,234	9,451,632
Total assets less current liabilities		19,299,219	21,171,002	22,876,198

	Notes	As at December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Deferred tax liabilities	*21*	278,570	365,702	286,860
Deferred income	*31*	754,975	911,286	882,571
Borrowings	*29*	—	—	24,925
Lease liabilities	*16*	26,574	22,246	18,800
		1,060,119	1,299,234	1,213,156
Net assets		18,239,100	19,871,768	21,663,042
Capital and reserves				
Share capital	*32*	1,916,497	1,916,497	1,916,497
Reserves	*34*	16,316,700	17,949,584	19,742,262
Equity attributable to owners of the Company		18,233,197	19,866,081	21,658,759
Non-controlling interests		5,903	5,687	4,283
Total equity		18,239,100	19,871,768	21,663,042

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*15*	1,880,013	1,633,805	1,470,170
Right-of-use assets	*16*	67,880	64,223	60,392
Investment properties	*17*	3,451	1,764	37
Intangible assets	*19*	19,157	17,123	15,068
Interests in subsidiaries	*32A*	1,034,302	1,045,402	1,044,802
Financial assets at FVTOCI	*20*	2,799	2,960	3,195
Bank deposits	*26*	3,590,703	2,789,199	4,930,583
Other receivables, deposits and prepayments	*24*	15,195	11,172	8,277
		6,613,500	5,565,648	7,532,524
Current assets				
Inventories	*22*	835,018	895,527	899,267
Trade receivables	*23*	1,270,886	1,607,918	1,601,473
Other receivables, deposits and prepayments	*24*	6,199,855	4,894,889	3,420,985
Financial assets at FVTOCI	*20*	318,237	484,738	535,091
Financial assets at FVTPL	*25*	403,475	1,477,192	1,601,319
Restricted bank deposits	*26*	—	25,000	—
Bank deposits with maturity over three months	*26*	1,001,126	1,896,762	750,719
Bank balances and cash	*26*	794,650	466,798	1,602,538
		10,823,247	11,748,824	10,411,392
Current liabilities				
Trade and other payables	*27*	959,549	888,868	1,280,281
Contract liabilities	*28*	41,567	12,445	38,093
Deferred income	*31*	21,228	22,667	27,265
Tax payables		79,433	18,365	57,340
Borrowings	*29*	725,728	451,610	427,226
Lease liabilities	*16*	2,418	2,609	1,447
		1,829,923	1,396,564	1,831,652
Net current assets		8,993,324	10,352,260	8,579,740
Total assets less current liabilities		15,606,824	15,917,908	16,112,264
Non-current liabilities				
Deferred tax liabilities	*21*	98,429	105,620	78,086
Deferred income	*31*	126,307	151,623	172,592
Borrowings	*29*	—	—	24,925
Lease liabilities	*16*	12,415	9,899	8,451
		237,151	267,142	284,054
Net assets		15,369,673	15,650,766	15,828,210
Capital and reserves				
Share capital	*32*	1,916,497	1,916,497	1,916,497
Reserves	*34*	13,453,176	13,734,269	13,911,713
Total equity		15,369,673	15,650,766	15,828,210

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Capital reserve	Fair value reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000 (Note 34(a))*	*RMB'000*	*RMB'000 (Note 34(b))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	1,916,497	6,218,241	2,273	(55,031)	1,131,138	7,886,556	17,099,674	3,738	17,103,412
Profit for the year	—	—	—	—	—	1,580,986	1,580,986	2,165	1,583,151
Change in fair value of financial assets at FVTOCI	—	—	26	—	—	—	26	—	26
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	31,637	—	—	31,637	—	31,637
Total comprehensive income for the year	—	—	26	31,637	—	1,580,986	1,612,649	2,165	1,614,814
Dividends recognised as distributions *(Note 13)*	—	—	—	—	—	(479,126)	(479,126)	—	(479,126)
At December 31, 2023	1,916,497	6,218,241	2,299	(23,394)	1,131,138	8,988,416	18,233,197	5,903	18,239,100

	Attributable to owners of the Company								
	Share capital	Capital reserve	Fair value reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000 (Note 34(a))*	*RMB'000*	*RMB'000 (Note 34(b))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	1,916,497	6,218,241	2,299	(23,394)	1,131,138	8,988,416	18,233,197	5,903	18,239,100
Profit (loss) for the year	—	—	—	—	—	2,190,449	2,190,449	(216)	2,190,233
Change in fair value of financial assets at FVTOCI	—	—	161	—	—	—	161	—	161
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	(21,107)	—	—	(21,107)	—	(21,107)
Total comprehensive income (expense) for the year	—	—	161	(21,107)	—	2,190,449	2,169,503	(216)	2,169,287
Dividends recognised as distributions *(Note 13)*	—	—	—	—	—	(536,619)	(536,619)	—	(536,619)
At December 31, 2024	1,916,497	6,218,241	2,460	(44,501)	1,131,138	10,642,246	19,866,081	5,687	19,871,768

	Attributable to owners of the Company									
	Share capital	Capital reserve	Shares held for share option scheme	Fair value reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Note 34(a))*	*RMB'000*	*RMB'000 (Note 34(b))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025	1,916,497	6,218,241	–	2,460	(44,501)	1,131,138	10,642,246	19,866,081	5,687	19,871,768
Profit (loss) for the year	–	–	–	–	–	–	2,618,384	2,618,384	(1,404)	2,616,980
Change in fair value of financial assets at FVTOCI	–	–	–	235	–	–	–	235	–	235
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	75,818	–	–	75,818	–	75,818
Total comprehensive income (expense) for the year	–	–	–	235	75,818	–	2,618,384	2,694,437	(1,404)	2,693,033
Repurchase of shares for share option scheme	–	–	(175,423)	–	–	–	–	(175,423)	–	(175,423)
Expenses related to repurchase of shares for share option scheme	–	–	(18)	–	–	–	–	(18)	–	(18)
Dividends recognised as distributions *(Note 13)*	–	–	–	–	–	–	(726,318)	(726,318)	–	(726,318)
At December 31, 2025	1,916,497	6,218,241	(175,441)	2,695	31,317	1,131,138	12,534,312	21,658,759	4,283	21,663,042

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	1,782,848	2,518,943	3,008,176
Adjustments for:			
Depreciation of property, plant and equipment	589,387	631,101	712,607
Depreciation of right-of-use assets	16,111	13,999	13,722
Depreciation of investment properties	1,893	10,776	14,640
Amortisation of intangible assets	2,046	3,242	3,183
Finance costs	22,488	27,700	20,396
Loss on disposal of property, plant and equipment	1,601	10,840	2,569
Net gain on early termination of lease contract	—	(33)	—
Changes in fair value of financial assets at FVTPL	(111,538)	(66,870)	(72,153)
Dividend income from financial assets at FVTOCI	(18)	(19)	(18)
(Reversal of) provision for impairment losses on financial assets, net	(7,610)	12,734	15,445
(Reversal of write-down) write-down of inventories	(48,041)	26,349	(4,593)
Bank interest income	(174,943)	(203,598)	(196,880)
Subsidies	(46,132)	(63,003)	(27,469)
Government grants	(300,059)	(240,608)	(359,852)
Operating cash flows before movements in working capital	1,728,033	2,681,553	3,129,773
Decrease (increase) in inventories	180,294	(453,462)	(206,418)
Increase in trade receivables	(451,631)	(264,452)	(253,112)
Increase in bill receivables at FVTOCI	(309,230)	(605,755)	(286,706)
(Increase) decrease in other receivables, deposits and prepayments	(99,236)	(65,013)	31,276
Increase in trade and other payables	350,472	508,235	399,179
Increase (decrease) in contract liabilities	3,989	8,170	(6,896)
Increase (decrease) in provision	1,647	(1,268)	(173)
(Increase) decrease in restricted bank deposits	(120)	1,213	808
Receipt of government grants	447,489	421,618	331,888
(Decrease) increase in the discounted bills	(71,605)	375,200	45,616
Cash generated from operations	1,780,102	2,606,039	3,185,235
Interest received	97,495	88,488	44,552
Income taxes paid	(158,629)	(291,405)	(352,178)
NET CASH FROM OPERATING ACTIVITIES	1,718,968	2,403,122	2,877,609

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	12,779	995	2,047
Proceeds from disposal of right-of-use assets	—	26,950	—
Proceeds from disposal of financial assets at FVTPL	13,244,844	63,185,896	166,510,612
Dividend income of financial assets at FVTOCI	18	19	18
Proceeds from bank deposit	300,000	3,480,000	2,341,962
Placement of bank deposit	(4,039,905)	(3,083,679)	(3,960,926)
Proceeds from disposal of investment properties	1,578	1,513	1,679
Consideration paid for acquisition of subsidiaries	(26,869)	—	—
Purchase of financial assets at FVTPL	(12,721,485)	(64,326,590)	(165,139,660)
Payment for right-of-use assets	(81,904)	—	(340)
Purchases of property, plant and equipment	(448,043)	(638,006)	(578,546)
Purchase of intangible assets	(15,938)	(1,029)	(1,206)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(3,774,925)	(1,353,931)	(824,360)
FINANCING ACTIVITIES			
Dividend paid	(479,126)	(536,619)	(726,318)
New borrowings raised	1,104,969	471,927	30,000
Repayment of borrowings	(454,858)	(1,122,270)	(5,025)
Interest paid on borrowings	(10,809)	(17,041)	(308)
Interest paid on lease liabilities	(1,494)	(1,253)	(1,082)
Principal portion of lease payments	(4,746)	(271)	(3,933)
Repurchase of shares under share option scheme	—	—	(175,423)
Expense related to repurchase of shares under share option scheme	—	—	(18)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
NET CASH FROM (USED IN) FINANCING ACTIVITIES	153,936	(1,205,527)	(893,681)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,902,021)	(156,336)	1,159,568
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,191,642	1,297,057	1,140,258
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	7,436	(463)	(14,430)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,297,057	1,140,258	2,285,396

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Chaozhou Three-Circle (Group) Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") as a joint stock company with limited liability. The Company's A shares have been listed on Shenzhen Stock Exchange since December 3, 2014. The addresses of the registered office of the Company and principal places of business of the Company are as stated in the section headed "Corporate Information" of the Document. In the opinion of the directors of the Company, during the Track Record Period and up to the date of this report, the Company is ultimately controlled by Mr. Zhang Wanzhen (the "**Controlling Shareholders**").

The Company and its subsidiaries are principally engaged in research, development, production and sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

The statutory consolidated financial statements of the Company for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with Accounting Standards for Business Enterprises of the PRC, and which were audited by ShineWing Certified Public Accountants LLP* (信永中和會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

* *English name is for identification purpose*

The Company's subsidiaries are as follows:

Name	Principle place of operation, date of incorporation and type of legal entity	Nominal value of registered and paid-in capital	Proportion of ownership interest attributable to the Company As at December 31, 2023 Direct	2023 Indirect	2024 Direct	2024 Indirect	2025 Direct	2025 Indirect	Principal activities
Shenzhen Sanhuan Technology Co., Ltd* *(note (a))* 深圳三環科技有限公司 (曾用名：深圳三環電子有限公司).	The PRC November 28, 2003, limited liability company	RMB58,175,299	100%	—	100%	—	100%	—	Production and trading
HONG KONG THREECIRCLE ELECTRONIC COMPANY LIMITED* *(note (b))* 香港三環電子有限公司	Hong Kong ("**HK**") August 20, 2007, limited liability company	Hong Kong Dollar ("**HKD**") 541,019,473	100%	—	100%	—	100%	—	Trading
Nanchong THREE-CIRCLE Electronics Co., Ltd* *(note (a))* 南充三環電子有限公司 . . .	The PRC May 11, 2009, limited liability company	RMB60,000,000	100%	—	100%	—	100%	—	Production and trading

Name	Principle place of operation, date of incorporation and type of legal entity	Nominal value of registered and paid-in capital	Proportion of ownership interest attributable to the Company						Principal activities
			As at December 31,						
			2023		2024		2025		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	
Frontier Coöperatief U.A. *(note (k))*	Netherlands May 24, 2017, Dutch Cooperative (Coöperatief UA)	Euro ("**EUR**") 3,260,100	—	100%	—	100%	—	100%	Investment
Singularity Management GmbH *((note (k))*	Germany ("**DE**") February 23, 2017, limited liability company	EUR25,000	—	100%	—	100%	—	100%	Asset management
Dynamics Administration GmbH & Co.KG *(note (k))*	DE July 6, 2017, limited partnership	EUR3,260,100	—	100%	—	100%	—	100%	Asset management
Vermes Microdispensing GmbH* *(notes (c))*	DE September 14, 2009, limited liability company	EUR25,000	—	100%	—	100%	—	100%	Production, trading and maintenance
Vermes Microdispensing (XIAMEN) Co., Ltd.* *(note (i))* 微密斯點膠科技(廈門)有限公司	The PRC February 28, 2014, Wholly foreign-owned enterprise	USD100,000	—	100%	—	100%	—	100%	Production, trading, and maintenance
Vermes Microdispensing (M) SDN. BHD. *(note (d))*	Malaysia ("**MY**") October 3, 2017, private limited company	Malaysian Ringgit ("**MYR**") 617,000	—	100%	—	100%	—	100%	Maintenance
Vermes Microdispensing America Inc. *(note (k))*	United States ("**US**") August 20, 2018, corporation	USD90,000	—	100%	—	100%	—	100%	Trading
Vermes Microdispensing Ltd. *(note (k))*	South Korea ("**KR**") April 16, 2019, limited liability company	South Korean Won ("**KRW**") 100,000,000	—	100%	—	100%	—	100%	Trading
Vermes Microdispensing India Pvt. Ltd. *(note (k))*	India ("**IN**") July 7, 2023, limited liability company	India Yen ("**INR**") 10,000,000	—	99.99%	—	99.99%	—	99.99%	Production and trading
Glory Winner (Thailand) Co., Ltd. *(note (e))*	Thailand ("**TH**") July 12, 2019, limited liability company	Thailand Baht ("**THB**") 200,000,000	—	100%	—	100%	—	100%	Production and trading

Name	Principle place of operation, date of incorporation and type of legal entity	Nominal value of registered and paid-in capital	Proportion of ownership interest attributable to the Company						Principal activities
			As at December 31,						
			2023		2024		2025		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	
Chaozhou Vermes Technology Co., Ltd. *(note (k))* 潮州微密斯科技有限公司	The PRC October 23, 2019, wholly foreign-owned enterprise	EUR1,300,000	—	100%	—	100%	—	100%	Production and trading
Chaozhou Sanhuan Biological New Materials Co., Ltd* *(note (k))* 潮州三環生物新材料有限公司	The PRC November 9, 2023, limited liability company	RMB10,000,000	100%	—	100%	—	100%	—	Production and trading
Deyang Guangsheng Trading Co., Ltd* *(note (k) and note (g))* 德陽光勝貿易有限公司	The PRC December 23, 2023, limited liability company	RMB1,000,000	100%	—	100%	—	—	—	Trading
Shenzhen Sanhuan New Energy Co., Ltd* *(note (k))* 深圳三環新能源有限公司	The PRC March 20, 2024, limited liability company	RMB1,000,000	—	—	100%	—	100%	—	Production and trading
Guangdong Advanced Ceramic Materials Technology Co., Ltd* *(note (j))* 廣東省先進陶瓷材料科技有限公司	The PRC December 11, 2020, other limited liability company	RMB33,400,000	80.84%	5.39%	80.84%	5.39%	80.84%	5.39%	Technical services
Deyang THREE-CIRCLE Technology Co., Ltd* *(note (a))* 德陽三環科技有限公司	The PRC March 26, 2021, limited liability company	RMB200,000,000	100%	—	100%	—	100%	—	Production and trading
Wuhan Sanhuan Trading Co., Ltd* *(note (k))* 武漢三寰貿易有限公司	The PRC June 23, 2021, limited liability company	RMB500,000	100%	—	100%	—	100%	—	Trading promotion
Chengdu Sanhuan Technology Co., Ltd* *(note (a))* 成都三環科技有限公司	The PRC April 1, 2022, limited liability company	RMB100,000,000	100%	—	100%	—	100%	—	Production and trading
Suzhou Sanhuan Technology Co., Ltd* *(note (a))* 蘇州三環科技有限公司	The PRC August 9, 2022, limited liability company	RMB100,000,000	100%	—	100%	—	100%	—	Production and trading

Name	Principle place of operation, date of incorporation and type of legal entity	Nominal value of registered and paid-in capital	Proportion of ownership interest attributable to the Company As at December 31, 2023 Direct	2023 Indirect	2024 Direct	2024 Indirect	2025 Direct	2025 Indirect	Principal activities
Shenzhen Sanhuan Technology Co., Ltd* *(note (h))* 深圳三寰科技有限公司	The PRC October 9, 2019, limited liability company	RMB5,000,000	—	—	—	—	—	—	Production and trading
Suzhou Sanhuan Trade Service Co., Ltd* *(note (f))* 蘇州三寰貿易服務有限公司	The PRC December 24, 2019, limited liability company	RMB500,000	—	—	—	—	—	—	Trading promotion
Chaozhou Sanhuan Environmental Protection Technology Co., Ltd. * *(note (k))* 潮州三環環保科技有限責任公司	The PRC September 15, 2025, limited liability company	RMB1,000,000	—	—	—	—	100%	—	Production and trading
Honghe Sanhuan Technology Co., Ltd. 紅河三環科技有限公司	The PRC March 26, 2026, limited liability company	RMB100,000,000	—	—	—	—	—	—	Production and trading

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

* *English name for identification purpose only*

Notes:

(a) The statutory financial statements of these companies, prepared in accordance with PRC Generally Accepted Accounting Principles, were audited by ShineWing Certified Public Accountants LLP for the years ended December 31, 2023, 2024 and 2025, which is registered in the PRC.

(b) The statutory financial statements of the company, prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities, were audited by Zhi Shan CPA Co., Ltd.* (至善會計師事務所有限公司) for the years ended December 31, 2023 and by Zhang Zhihai CPA Co., Ltd.* (張志海會計師事務所有限公司) for the year ended December 31, 2024, both of which are registered in Hong Kong. No statutory financial statements for the year ended December 31, 2025 have been prepared.

(c) The statutory financial statements of the company, prepared in accordance with IFRS Accounting Standards, were audited by Alpers & Wessel GmbH for the years ended December 31, 2023, 2024 and 2025, which is registered in Germany.

(d) The statutory financial statements of the company, prepared in accordance with International Generally Accepted Accounting Principles, were audited by Mcmillan Woods Mathew, Lau & Partners PLT for the years ended December 31, 2023, 2024 and 2025, which is registered in the MY.

(e) The statutory financial statements of the company, prepared in accordance with IFRS Accounting Standards, were audited by So Audit Company Limited for the year ended December 31, 2023, by Phijikser Audit Co., Ltd. for the year ended December 31, 2024 and by ShineWing (Thailand) Company Limited for the year ended December 31,2025, all of which are registered in Thailand.

(f) Suzhou Sanhuan Trade Service Co., Ltd was deregistered in June 2023.

(g) Deyang Guangsheng Trading Co., Ltd was deregistered in August 2025.

(h) Shenzhen Sanhuan Technology Co., Ltd (深圳三寰科技有限公司) was deregistered in February 2023.

(i) No audited statutory financial statements were prepared for the company for the years ended December 31, 2023 and 2024, where applicable, as there are no statutory audit requirements. The statutory financial statements of the company, prepared in accordance with PRC Generally Accepted Accounting Principles, were audited by ShineWing Certified Public Accountants LLP for the years ended December 31, 2025, which is registered in the PRC.

(j) The statutory financial statements of the company, prepared in accordance with PRC Generally Accepted Accounting Principles, were audited by ShineWing Certified Public Accountants LLP for the years ended December 31, 2023 and 2024, which is registered in the PRC. No audited statutory financial statements were prepared for the company for the year ended December 31, 2025, where applicable, as there are no statutory audit requirements.

(k) No audited statutory financial statements were prepared for these entities for the years ended December 31, 2023, 2024 and 2025, where applicable, as there are no statutory audit requirements.

* *English name is for identification purpose*

2. BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**"). For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2025, throughout the Track Record Period. 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.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to IFRS 9 and IFRS 7	Contracts referencing Nature-dependent Electricity[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11[1]
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[2]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 19	Subsidiaries without Public Accountability: Disclosure[2]

IFRS 20	Regulatory Assets and Regulatory Liabilities[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1. Effective for annual periods beginning on or after January 1, 2026
2. Effective for annual periods beginning on or after January 1, 2027
3. Effective for annual periods beginning on or after January 1, 2029
4. Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, except as described below, the application of the other new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Group.

IFRS 18 — Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted.

The application of the new standard is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group's consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products.

Sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products

Revenue from sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products between the Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognised when the performance obligation has been satisfied at a point in time.

Revenue from local sale of goods is recognised at a point in time when the Group has delivered the products to the customers in accordance with the contract terms, and has received and accepted by the customers.

Revenue from export sale of goods is recognised at a point in time upon completion of export declaration, when control of the goods is transferred.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liabilities are presented as a separate line in the consolidated statements of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statements of financial position.

The Group applies IAS 36 "*Impairment of Assets*" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as operating leases or finance lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Retirement benefits costs and termination benefits

Payments to defined contribution plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment other than construction in progress and freehold lands are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress and freehold lands) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price less the estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statements of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "*Revenue from Contracts with Customers*". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or

deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit losses ("**ECL**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income, gains and losses, net".

Financial assets as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses, net" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial

recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses, net" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 Financial Instruments

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost and lease receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets and other items are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL ("**12m ECL**"), unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 "*Leases*".

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the track record period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period / recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (capital reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

Impairment on property, plant and equipment, right-of-use assets, investment properties and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, investment properties and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of

allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories and value in use of property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value.

Provision for inventories is recorded where events or changes in circumstances indicate that the carrying amount of inventories will not be fully realised. The identification and quantification of inventory provisions requires the use of judgement and estimates. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in technology and competitor actions in response to changes in market conditions. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and write-downs of inventories in the year in which such estimates have been changed. Management reassesses these estimates at the end of each period.

As at December 31, 2023, 2024 and 2025, the carrying amount of the Group's inventories was approximately RMB1,753,598,000, RMB2,180,711,000 and RMB2,391,722,000 respectively, net of accumulated provision for inventories of approximately RMB48,039,000, RMB74,388,000 and RMB69,795,000 respectively.

Impairment losses recognised in respect of trade and other receivables

The impairment provisions for trade and other receivables are measured using ECL model which requires the Group to use judgement in making assumptions and selecting the inputs to the impairment calculation, at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment loss in profit or loss.

The movement of the impairment losses recognised in respect of trade and other receivables are set out in Notes 23 and 24.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units with goodwill. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

As at December 31, 2023, 2024 and 2025, the carrying amount of goodwill was approximately RMB237,347,000, RMB227,276,000 and RMB248,711,000 with accumulated impairment losses of approximately RMB13,095,000, RMB12,539,000 and RMB13,722,000 respectively. Details of the recoverable amount calculation are disclosed in Note 18.

Current and deferred income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

6. REVENUE

An analysis of the Group's revenue for the years are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Sales of goods			
— Electronic and ceramic materials	1,548,700	1,677,233	1,959,378
— Electronic components	1,572,349	2,298,159	3,308,090
— Telecom components	1,766,754	2,305,985	2,594,310
— Equipment components	477,990	536,825	601,753
— Other products	315,736	447,931	404,996
Revenue from contracts with customers within the scope of IFRS 15	5,681,529	7,266,133	8,868,527
Timing of revenue recognition			
At a point of time	5,681,529	7,266,133	8,868,527

The sales contracts are with an original expected duration of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

7. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision makers ("**CODM**"), review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in the sales of electronic and ceramic materials, electronic components, telecom components, equipment components and other products. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available.

Geographical information

The Group's major operations and location of non-current assets are mainly in the Chinese Mainland. Information about the Group's revenue from external customers is presented based on location of the goods delivered. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from the external customers, based on the location of the goods delivered, are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland	4,530,047	5,968,942	7,327,498
Other jurisdictions	1,151,482	1,297,191	1,541,029
Total	5,681,529	7,266,133	8,868,527

Non-current assets based on their locations are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland	6,193,100	6,641,245	6,788,304
DE	345,410	329,304	414,900
Others	111,984	132,191	170,109
Total	6,650,494	7,102,740	7,373,313

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

During the December 31, 2023, 2024 and 2025, no customers contributing over 10% of the total revenue of the Group.

8. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Exchange gains (losses), net	10,044	(1,795)	(46,567)
Bank interest income	174,943	203,598	196,880
Government grant *(note (i))*	300,059	240,608	359,852
Change in fair value of financial assets at FVTPL	111,538	66,870	72,153
Loss on disposal of property, plant and equipment	(1,601)	(10,840)	(2,569)
Net gain on early termination of lease contract *(note 16)*	—	33	—
Donation	(3,299)	(426)	(2,783)
Subsidies *(note (ii))*	46,132	63,003	27,469
Dividend income from financial assets at FVTOCI	18	19	18
Gain on disposal of wasted material, net	39,458	81,316	98,790
Rental income	7,422	23,800	37,662
Others	14,541	7,616	16,217
Total	699,255	673,802	757,122

(i) The government grants were mainly incentives provided by local government authorities in the PRC for various forms of government financial incentives to reward the Group's acquisition of assets and research and development.

(ii) Subsidies represented value-added tax additional deduction to high and new technology enterprises for the production activities by local government authorities in the PRC.

9. FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on:			
— Borrowings	20,994	26,447	19,314
— Lease liabilities *(Note 16(a))*	1,494	1,253	1,082
Total	22,488	27,700	20,396

10. INCOME TAX EXPENSE

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Charge for the year:			
— The PRC	120,746	257,767	330,944
— US	269	1,777	3,462
— HK	129	13	272
— MY	1,174	1,266	1,125
— KR	1,884	1,244	562
— TH	26,818	23,181	15,970
— DE	11,705	12,667	27,181
	162,725	297,915	379,516
Over (under) provision in prior years:			
— The PRC	(4,104)	8,706	7,159
Deferred tax *(Note 21)*	41,076	22,089	4,521
Total	199,697	328,710	391,196

The PRC

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits during the year ended December 31, 2023, 2024 and 2025, based on the existing legislation, interpretations and practices in respect thereof.

The Company and certain of its subsidiaries were eligible for a preferential income tax rate of 15% for a qualification of "High and New Technology Enterprise" during the years ended December 31, 2023, 2024 and 2025.

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Additional Deduction**"). The State Taxation Administration of The People's Republic of China ("**STA**") further announced in March 2021 that manufacturing

enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Additional Deduction since January 1, 2021. The STA further announced in March 2023 that eligible enterprises would entitle to claim 200% of their research and development expenses as Additional Deduction since January 1, 2023. The Group has made its best estimate for the Additional Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended December 31, 2023, 2024 and 2025.

Pursuant to the applicable announcement of State Taxation Administration, certain subsidiaries qualified as "small and micro-profit enterprises", the annual taxable income not exceeding RMB3 million was calculated at a rate of 5%.

Netherlands

Pursuant to the applicable tax laws in Netherlands, the portion of the annual taxable income exceeding EUR200,000 was paid at the rate of 25.8% but the portion not exceeding EUR200,000 was paid at the rate of 19% during the years ended December 31, 2023, 2024 and 2025.

Germany

Pursuant to the applicable tax laws in Germany, the taxable income is subjected to statutory corporate income tax rate of 26.325% during the years ended December 31, 2023 and 2024 and 29.125% during the year ended of December 31, 2025.

Malaysia

Pursuant to the applicable tax laws in Malaysia, the taxable income is subjected to statutory corporate income tax rate of 24% during the years ended December 31, 2023, 2024 and 2025.

Korea

Pursuant to the applicable tax laws in Korea, the portion of the annual taxable income exceeding KRW300 billion was paid at the rate of 24%, the portion of the annual taxable income between KRW20 billion to KRW300 billion was paid at the rate of 21%, the portion of the annual taxable income between KRW200 million to KRW20 billion was paid at the rate of 19% and the portion not exceeding KRW200 million was paid at the rate of 9% for the years ended December 31, 2023, 2024 and 2025.

India

Pursuant to the applicable tax laws in India, the taxable income is subjected to statutory corporate income tax rate of 25% during the years ended December 31, 2023, 2024 and 2025.

Thailand

Pursuant to the applicable tax laws in Thailand, the taxable income is subjected to statutory corporate income tax rate of 20% during the years ended December 31, 2023, 2024 and 2025.

According to the Board of Investment of Thailand policy, the subsidiary in Thailand can enjoy tax exemption not exceeding the investment cost (excluding land and working capital) for 6 years from the date of commencement of commercial operations.

Hong Kong

In accordance with the two-tiered profits tax regime, for a subsidiary entitled to this benefit, Hong Kong profits tax was calculated at 8.25% on the first HK$2 million and 16.5% on the remaining balance of the estimated assessable profits for the years ended December 31, 2023, 2024 and 2025. For other Hong Kong incorporated subsidiaries, Hong Kong profits tax was calculated at 16.5%.

US

Pursuant to the applicable tax laws in US, the taxable income is subjected to statutory corporate income tax rate of 21% during the years ended December 31, 2023, 2024 and 2025.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense for the years ended December 31, 2023, 2024 and 2025 can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	1,782,848	2,518,943	3,008,176
Tax at the domestic income tax rate of 15%	267,427	377,842	451,226
Tax effect of different tax rates of subsidiaries	13,234	15,321	20,777
Tax effect of income not taxable for tax purpose	—	(247)	(171)
Tax effect of expenses not deductible for tax purpose	1,130	515	4,482
Tax effect of tax exemptions granted to a subsidiary operated in Thailand	—	(497)	(10,679)
Under (over) provision in prior years	(4,104)	8,706	7,159
Tax effect of tax losses not recognised	3,713	3,257	8,058
Tax effect of utilisation of tax losses previously not recognised	(688)	(8)	(7)
Additional deduction for qualified research and development expenses	(81,015)	(76,179)	(89,649)
Income tax expense	199,697	328,710	391,196

OECD Pillar Two model rules

The Group is within the scope of the Organization for Economic Co-operation and Development ("**OECD**") Pillar Two model rules. The Group has applied the temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. Under the legislation, the Group is obligated to pay a top-up tax for the difference if the Global Anti-Base Erosion ("**GloBE**") effective tax rate in any jurisdictions that are below the 15% minimum rate. The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group during the Track Record Period. As such, it may not be entirely representative of future circumstances. The management considers that the financial impact of this Pillar Two top-up tax is not material to the Group's financial statements for the Track Record Period.

11. PROFIT FOR THE YEAR

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax has been arrived at after charging (crediting):			
Directors', chief executive's and supervisors' emoluments *(Note 12)*	14,527	12,214	14,944
Salaries, allowance and other benefit (excluding directors', chief executive's and supervisors' emoluments)	1,246,818	1,648,387	1,845,107
Retirement benefits scheme contributions (excluding directors', chief executive's and supervisors' emoluments)	166,620	215,070	242,329
Total staff costs	1,427,965	1,875,671	2,102,380
Less: capitalised as inventories during the year	(741,300)	(1,145,818)	(1,294,005)
	686,665	729,853	808,375
Cost of inventories (included in cost of sales)	3,442,166	4,185,348	5,183,431
Expense related to rental income	5,084	15,774	26,155
Auditor's remuneration	1,948	1,970	2,107
Depreciation of property, plant and equipment	589,387	631,101	712,607
Depreciation of right-of-use assets *(Note 16)*	16,111	13,999	13,722
Depreciation of investment properties	1,893	10,776	14,640
Amortisation of intangible assets	2,046	3,242	3,183
(Reversal of provision) provision for inventories (included in cost of sales)	(48,041)	26,349	(4,593)
(Reversal of) provision for impairment losses on financial assets, net			
— Trade receivables	23,341	12,532	15,697
— Other receivables	(30,951)	202	(252)
	(7,610)	12,734	15,445
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

12. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors', chief executive's and supervisors' emoluments

Details of the emoluments paid to the directors and supervisors of the Company during the Track Record Period disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance are as follows:

	Fees	Salaries and allowances	Performance related bonus	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2023					
Executive directors:					
Mr. Zhang WanZhen	—	713	1,200	—	1,913
Mr. Li Gang *(note (i))*	—	566	2,000	41	2,607
Mr. Ma YanHong *(note (iii))*	—	494	1,860	44	2,398
Mr. Qiu JiHua	—	505	1,730	41	2,276
Ms. Huang XueYun *(note (ii))*	—	383	1,030	32	1,445
Independent non-executive directors:					
Mr. Jiang LiJun *(note (v))*	22	—	—	—	22
Mr. Wen XueLi *(note (v))*	22	—	—	—	22
Mr. Su YanQi *(note (v))*	22	—	—	—	22
Ms. Gu Qun *(note (iv))*	58	—	—	—	58
Mr. Huang WeiKun *(note (iv))*	58	—	—	—	58
Mr. Xu YeJun *(note (iv))*	58	—	—	—	58
Supervisors:					
Mr. Chen GuiXu	30	298	550	41	919
Mr. Ge YunCheng *(note (vii))*	8	316	510	32	866
Mr. Zhang DongYu *(note (vii))*	8	328	550	32	918
Mr. Zhang XiChong *(note (vi))*	22	171	100	24	317
Mr. Li Bo *(note (vi))*	22	229	350	27	628
	330	4,003	9,880	314	14,527

	Fees	Salaries and allowances	Performance related bonus	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2024					
Executive directors:					
Mr. Zhang WanZhen	—	729	800	—	1,529
Mr. Li Gang *(note (i))*	—	592	2,100	43	2,735
Mr. Ma YanHong *(note (iii))*	—	522	1,900	49	2,471
Mr. Qiu JiHua	—	533	1,900	43	2,476
Independent non-executive directors:					
Mr. Jiang LiJun *(note (v))*	80	—	—	—	80
Mr. Wen XueLi *(note (v))*	80	—	—	—	80
Mr. Su YanQi *(note (v))*	80	—	—	—	80
Supervisors:					
Mr. Chen GuiXu	30	349	480	46	905
Mr. Ge YunCheng *(note (vii))*	30	342	520	31	923
Mr. Zhang DongYu *(note (vii))*	30	354	520	31	935
	330	3,421	8,220	243	12,214

	Fees	Salaries and allowances	Performance related bonus	Retirement benefit scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2025					
Executive directors:					
Mr. Zhang WanZhen	—	712	1,990	—	2,702
Mr. Li Gang *(note (i))*	—	591	2,760	46	3,397
Mr. Ma YanHong *(note (iii))*	—	524	2,310	51	2,885
Mr. Qiu JiHua	—	525	2,370	46	2,941
Independent non-executive directors:					
Mr. Jiang LiJun *(note (v))*	80	—	—	—	80
Mr. Wen XueLi *(note (v))*	80	—	—	—	80
Mr. Su YanQi *(note (v))*	80	—	—	—	80
Supervisors:					
Mr. Chen GuiXu	30	323	500	49	902
Mr. Ge YunCheng *(note (vii))*	30	351	500	32	913
Mr. Zhang DongYu *(note (vii))*	30	352	550	32	964
	330	3,378	10,980	256	14,944

Notes:

(i) Mr. Li Gang was the chairman of the board of directors and the chief executive.

(ii) Ms. Huang XueYun, was resigned from executive director on June 20, 2023.

(iii) Mr. Ma YanHong was appointed as executive director on June 20, 2023.

(iv) Ms. Gu Qun, Mr. Huang WeiKun and Mr. Xu YeJun were resigned from independent non-executive directors on June 20, 2023.

(v) Mr. Jiang LiJun, Mr. Wen XueLi and Mr. Su YanQi were appointed as independent non-executive directors on June 20, 2023.

(vi) Mr. Zhang XiChong and Mr. Li Bo were resigned from supervisors on June 20, 2023.

(vii) Mr. Ge YunCheng and Mr. Zhang DongYu were appointed as supervisors on June 20, 2023.

Performance related bonuses are determined based on the Group's performance.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as independent non-executive directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended December 31, 2023, 2024 and 2025.

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, 3, 3 and 3 were directors of the Company whose emoluments are included in the disclosures in Note 12(a) above for the years ended December 31, 2023, 2024 and 2025 respectively. The emoluments of the remaining two individuals were as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other allowances	991	1,025	1,011
Performance related bonuses	3,460	3,500	4,420
Retirement benefit scheme contributions	49	92	92
	4,500	4,617	5,523

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2023	2024	2025
HKD 2,000,001 to HKD 2,500,000	1	1	—
HKD 2,500,001 to HKD 3,000,000	1	1	—
HKD 3,000,001 to HKD 3,500,000	—	—	2
	2	2	2

During the years ended December 31, 2023, 2024 and 2025, no emolument was paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

The dividends declared by the Company during the years ended December 31, 2023, 2024 and 2025 were as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Dividends declared by the Company	479,126	536,619	726,318

On June 20, 2023, the Company's shareholders approved the 2022 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB479,126,000 (inclusive of tax) was subsequently paid in July 2023 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2022 profit distribution plan, which amounted to a dividend of RMB0.25 (inclusive of tax) per share of the Company.

On June 20, 2024, the Company's shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB536,619,000 (inclusive of tax) were subsequently paid in July 2024 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2023 profit distribution plan, which amounted to a dividend of RMB0.28 (inclusive of tax) per share of the Company.

On June 5, 2025, the Company's shareholders approved the 2024 profit distribution plan at an annual general meeting, pursuant to which an aggregate amount of RMB726,318,000 (inclusive of tax) were subsequently paid in June 2025 to the shareholders of the Company on the record date for determining the shareholders' entitlement to the 2024 profit distribution plan, which amounted to a dividend of RMB0.38 (inclusive of tax) per share of the Company.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2025 of RMB0.45 per share (inclusive of tax), in aggregate of RMB860,114,000 (excluding the treasury shares), was approved by shareholders of the Company at the general meeting on April 20, 2026.

14. EARNINGS PER SHARE

(a) The calculations of the basic earnings per share are based on:

	Year ended December 31,		
	2023	2024	2025
Earnings			
Profit for the year attributable to owners of the Company *(RMB'000)*	1,580,986	2,190,449	2,618,384
Number of shares			
Weighted average number of ordinary shares in issue *('000)*	1,916,497	1,916,497	1,913,175
Basic earnings per share *(RMB)*	0.82	1.14	1.37

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue less ordinary shares held by the Group for share option scheme (Note 33).

(b) The diluted earnings per share is same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended December 31, 2023, 2024 and 2025.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold lands	Leasehold land, buildings and plant	Machinery and equipment	Computer and office equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST								
As at January 1, 2023	39,851	1,987,690	5,551,777	156,851	47,974	52,210	690,539	8,526,892
Additions	—	84	132,715	10,519	3,378	2,502	497,499	646,697
Transfer from construction in progress	—	429,721	77,114	—	—	—	(506,835)	—
Transfer to investment properties *(Note 17)*	—	(101,290)	—	—	—	—	—	(101,290)
Disposals	—	—	(111,095)	(3,980)	(2,512)	—	—	(117,587)
Exchange adjustments	1,805	4,624	1,478	187	102	—	—	8,196
As at December 31, 2023	41,656	2,320,829	5,651,989	163,577	48,942	54,712	681,203	8,962,908
Additions	—	—	67,322	30,190	1,922	8,349	1,041,338	1,149,121
Transfer from construction in progress	—	348,792	737,595	—	—	—	(1,086,387)	—
Transfer to investment properties *(Note 17)*	—	(121,580)	—	—	—	—	(42,489)	(164,069)
Disposals	—	(27,665)	(106,079)	(23,767)	(6,126)	—	—	(163,637)
Exchange adjustments	(487)	(2,762)	(464)	(163)	(113)	—	—	(3,989)
As at December 31, 2024	41,169	2,517,614	6,350,363	169,837	44,625	63,061	593,665	9,780,334
Additions	12,342	45,524	381,157	110,216	2,080	4,455	442,088	997,862
Transfer from construction in progress	—	286,755	348,823	—	—	—	(635,578)	—
Disposals	—	—	(83,580)	(2,077)	(5,796)	(37,818)	—	(129,271)
Exchange adjustments	2,958	9,495	3,861	507	222	—	—	17,043
As at December 31, 2025	56,469	2,859,388	7,000,624	278,483	41,131	29,698	400,175	10,665,968

	Freehold lands	Leasehold land, buildings and plant	Machinery and equipment	Computer and office equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
IMPAIRMENT AND DEPRECIATION								
As at January 1, 2023	—	379,122	2,114,061	65,398	25,153	27,533	—	2,611,267
Provided for the year	—	99,294	463,054	14,301	4,641	8,097	—	589,387
Written-off upon disposals	—	—	(80,123)	(1,911)	(1,524)	—	—	(83,558)
Exchange adjustments	—	401	744	108	25	—	—	1,278
As at December 31, 2023	—	478,817	2,497,736	77,896	28,295	35,630	—	3,118,374
Provided for the year	—	121,820	478,113	16,782	4,597	9,789	—	631,101
Written-off upon disposals	—	(21,977)	(88,977)	(23,406)	(5,379)	—	—	(139,739)
Transfer to investment properties *(Note 17)*	—	(7,364)	—	—	—	—	—	(7,364)
Exchange adjustments	—	(239)	(426)	(96)	(27)	—	—	(788)
As at December 31, 2024	—	571,057	2,886,446	71,176	27,486	45,419	—	3,601,584
Provided for the year	—	129,272	541,973	25,244	4,021	12,097	—	712,607
Written-off upon disposals	—	—	(66,920)	(961)	(5,315)	(37,818)	—	(111,014)
Exchange adjustments	—	1,208	1,631	298	60	—	—	3,197
As at December 31, 2025	—	701,537	3,363,130	95,757	26,252	19,698	—	4,206,374
CARRYING VALUES								
As at December 31, 2023	41,656	1,842,012	3,154,253	85,681	20,647	19,082	681,203	5,844,534
As at December 31, 2024	41,169	1,946,557	3,463,917	98,661	17,139	17,642	593,665	6,178,750
As at December 31, 2025	56,469	2,157,851	3,637,494	182,726	14,879	10,000	400,175	6,459,594

The above items of property, plant and equipment, are depreciated on a straight-line basis over the estimated useful lives of the asset less residual values, as follows:

	Useful lives
Leasehold land, buildings and plant	5 – 30 years
Machinery and equipment	5 – 10 years
Computer and office equipment	3 – 10 years
Motor vehicles	4 – 10 years
Leasehold improvement	2 – 5 years

As at December 31, 2023, 2024 and 2025, the Group was still in a process of obtaining the building certificates regarding buildings with the carrying amount of approximately RMB911,520,000, RMB563,148,000 and RMB716,737,000 respectively.

The Company

	Leasehold land, buildings and plant	Machinery and equipment	Computer and office equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
As at January 1, 2023	651,091	2,728,820	111,748	23,740	34,807	248,953	3,799,159
Additions	—	159,931	5,528	802	2,017	131,467	299,745
Transfer from construction in progress	353	51,572	—	—	—	(51,925)	—
Disposals	—	(655,468)	(18,364)	(971)	—	—	(674,803)
As at December 31, 2023	651,444	2,284,855	98,912	23,571	36,824	328,495	3,424,101
Additions	—	76,539	8,081	427	5,329	147,500	237,876
Transfer from construction in progress	—	283,215	—	—	—	(283,215)	—
Transfer to investment properties *(Note 17)*	(4,435)	—	—	—	—	—	(4,435)
Disposals	(27,665)	(370,468)	(25,291)	(4,005)	—	—	(427,429)
As at December 31, 2024	619,344	2,274,141	81,702	19,993	42,153	192,780	3,230,113
Additions	—	98,259	22,876	772	744	47,741	170,392
Transfer from construction in progress	—	105,188	—	—	—	(105,188)	—
Disposals	—	(215,657)	(6,536)	(3,272)	(21,886)	—	(247,351)
As at December 31, 2025	619,344	2,261,931	98,042	17,493	21,011	135,333	3,153,154
DEPRECIATION							
As at January 1, 2023	242,624	1,184,358	53,567	14,700	17,657	—	1,512,906
Provided for the year	35,141	219,693	7,073	1,953	5,532	—	269,392
Written-off upon disposals	—	(232,909)	(4,427)	(874)	—	—	(238,210)
As at December 31, 2023	277,765	1,171,142	56,213	15,779	23,189	—	1,544,088
Provided for the year	32,978	190,711	7,326	1,800	6,584	—	239,399
Written-off upon disposals	(20,325)	(135,358)	(23,417)	(3,644)	—	—	(182,744)
Transfer to investment properties *(Note 17)*	(4,435)	—	—	—	—	—	(4,435)
As at December 31, 2024	285,983	1,226,495	40,122	13,935	29,773	—	1,596,308
Provided for the year	31,484	198,771	8,463	1,668	7,535	—	247,921
Written-off upon disposals	—	(133,498)	(2,679)	(3,182)	(21,886)	—	(161,245)
As at December 31, 2025	317,467	1,291,768	45,906	12,421	15,422	—	1,682,984
CARRYING VALUES							
As at December 31, 2023	373,679	1,113,713	42,699	7,792	13,635	328,495	1,880,013
As at December 31, 2024	333,361	1,047,646	41,580	6,058	12,380	192,780	1,633,805
As at December 31, 2025	301,877	970,163	52,136	5,072	5,589	135,333	1,470,170

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and equipments. Leases of properties and equipments generally have lease terms with from 2 to 10 years.

Land use rights are all located in Chinese Mainland with a lease period of 30 to 70 years when granted.

The Group

(i) Right-of-use assets

	Land use right	Buildings	Equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
As at January 1, 2023	351,195	20,619	32,155	168	404,137
Additions	81,904	1,071	—	—	82,975
Lease modification due to increment of rental payment *(note)*	—	—	124	—	124
Termination	—	(13,969)	—	—	(13,969)
Exchange adjustments	—	(162)	—	—	(162)
As at December 31, 2023	433,099	7,559	32,279	168	473,105
Lease modification due to increment of rental payment *(note)*	—	—	166	—	166
Termination	—	(742)	—	—	(742)
Exchange adjustments	—	—	—	(18)	(18)
As at December 31, 2024	433,099	6,817	32,445	150	472,511
Additions	340	—	—	—	340
Termination	—	(544)	—	—	(544)
Exchange adjustments	—	(59)	—	—	(59)
As at December 31, 2025	433,439	6,214	32,445	150	472,248

Note: Certain machines adjusted the rental expense based on the consumer price index every year.

	Land use right	Buildings	Equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
DEPRECIATION					
As at January 1, 2023	35,255	13,695	2,657	33	51,640
Provided for the year	8,723	4,125	3,229	34	16,111
Termination	—	(13,969)	—	—	(13,969)
Exchange adjustments	—	242	—	—	242
As at December 31, 2023	43,978	4,093	5,886	67	54,024
Provided for the year	9,036	1,691	3,242	30	13,999
Termination	—	(494)	—	—	(494)
Exchange adjustments	—	—	—	(7)	(7)
As at December 31, 2024	53,014	5,290	9,128	90	67,522
Provided for the year	9,042	1,400	3,250	30	13,722
Termination	—	(544)	—	—	(544)
As at December 31, 2025	62,056	6,146	12,378	120	80,700
CARRYING VALUES					
As at December 31, 2023	389,121	3,466	26,393	101	419,081
As at December 31, 2024	380,085	1,527	23,317	60	404,989
As at December 31, 2025	371,383	68	20,067	30	391,548

Lease termination

As at December 31, 2023, 2024 and 2025, the Group terminated lease contracts, decreased right-of-use assets of nil, RMB248,000 and nil and related lease liabilities decreased of approximately nil, RMB281,000 and nil with net gain on early termination of lease contracts of approximately nil, RMB33,000 and nil respectively.

(ii) Lease liabilities

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current	26,574	22,246	18,800
Current	4,744	4,552	3,245
	31,318	26,798	22,045

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts payable under lease liabilities			
Within one year	4,744	4,552	3,245
After one year but within two years	4,616	3,292	3,392
After two years but within five years	10,234	10,752	10,962
After five years	11,724	8,202	4,446
	31,318	26,798	22,045
Less: Amount due for settlement with 12 months (shown under current liabilities)	(4,744)	(4,552)	(3,245)
Amount due for settlement after 12 months	26,574	22,246	18,800

The Group entered into a number of new lease agreements in respect of renting properties and recognised lease liabilities of RMB1,071,000, nil and nil during the years ended December 31, 2023, 2024 and 2025 respectively.

The weighted average incremental borrowing rates applied to lease liabilities range from 2.52% to 7.20% per annum during the years ended December 31, 2023, 2024 and 2025.

(a) Amounts recognised in profit or loss

	Year ended at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Depreciation expense on right-of-use assets *(Note 11)*	16,111	13,999	13,722
Interest expense on lease liabilities *(Note 9)*	1,494	1,253	1,082
Net gain on early termination of lease contract	—	33	—

(b) Others

The Group

During the years ended December 31, 2023, 2024 and 2025, the total cash outflow for leases (excluding for acquisition of land use right) amounted to approximately RMB6,240,000, RMB1,524,000 and RMB5,015,000 respectively.

In addition, total cash outflow for land use right approximately RMB81,904,000, nil and RMB340,000 for the years ended December 31, 2023, 2024 and 2025 respectively.

The Company as a lessee

Land use rights are all located in the PRC with a lease period of 30 to 70 years when granted.

The Company

(i) Right-of-use assets

	Land use right	Buildings	Equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
As at January 1, 2023 and December 31, 2023	70,332	4,604	14,726	89,662
Lease modification due to increment of rental payment *(note)*	—	—	166	166
As at December 31, 2024 and December 31, 2025	70,332	4,604	14,892	89,828

Note: Certain machines adjusted the rental expense based on the consumer price index every year.

	Land use right	Buildings	Equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
DEPRECIATION				
As at January 1, 2023	15,472	1,152	1,349	17,973
Provided for the year	1,186	1,150	1,473	3,809
As at December 31, 2023	16,658	2,302	2,822	21,782
Provided for the year	1,186	1,151	1,486	3,823
As at December 31, 2024	17,844	3,453	4,308	25,605
Provided for the year	1,186	1,151	1,494	3,831
As at December 31, 2025	19,030	4,604	5,802	29,436
CARRYING VALUES				
As at December 31, 2023	53,674	2,302	11,904	67,880
As at December 31, 2024	52,488	1,151	10,584	64,223
As at December 31, 2025	51,302	—	9,090	60,392

(ii) Lease liabilities

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current	12,415	9,899	8,451
Current	2,418	2,609	1,447
	14,833	12,508	9,898

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts payable under lease liabilities			
Within one year	2,418	2,609	1,447
After one year but within two years	2,591	1,447	1,513
After two years but within five years	4,485	4,753	4,971
After five years	5,339	3,699	1,967
	14,833	12,508	9,898
Less: Amount due for settlement with 12 months (shown under current liabilities)	(2,418)	(2,609)	(1,447)
Amount due for settlement after 12 months	12,415	9,899	8,451

17. INVESTMENT PROPERTIES

The Group

	RMB'000
COST	
As at January 1, 2023	39,914
Transfer from property, plant and equipment	101,290
Disposals	(2,269)
As at December 31, 2023	138,935
Transfer from property, plant and equipment	164,069
Disposals	(2,231)
As at December 31, 2024	300,773
Disposals	(2,642)
As at December 31, 2025	298,131
DEPRECIATION AND IMPAIRMENT	
As at January 1, 2023	9,920
Provided for the year	1,893
Written-off upon disposals	(691)
As at December 31, 2023	11,122
Provided for the year	10,776
Transfer from property, plant and equipment	7,364
Written-off upon disposals	(718)
As at December 31, 2024	28,544
Provided for the year	14,640
Written-off upon disposals	(963)
As at December 31, 2025	42,221
CARRYING VALUES	
As at December 31, 2023	127,813
As at December 31, 2024	272,229
As at December 31, 2025	255,910

The investment properties are depreciated on a straight-line basis over 10 – 30 years.

The fair value of the Group's investment properties as at December 31, 2023, 2024 and 2025 was RMB790,005,000, RMB1,636,401,000 and RMB1,391,667,000, respectively. The fair value has been arrived at based on a valuation carried out by the directors of the Company. The valuation was determined by establishing the market value of the properties by using income method. For income method, it estimates the value of the properties on an open market basis by taking into account of the current rent receivables from the existing tenancy agreements and the vacancy rate on potential leasable are as of the investment properties. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 Fair Value Measurement. There were no transfers between levels of fair value hierarchy during the year ended December 31, 2023, 2024 and 2025.

The Company

	RMB'000
COST	
As at January 1, 2023	8,054
Disposals	(2,269)
As at December 31, 2023	5,785
Transfer from property, plant and equipment	4,435
Disposals	(2,231)
As at December 31, 2024	7,989
Disposals	(2,642)
As at December 31, 2025	5,347
DEPRECIATION AND IMPAIRMENT	
As at January 1, 2023	2,679
Provided for the year	346
Written-off upon disposals	(691)
As at December 31, 2023	2,334
Provided for the year	174
Transfer from property, plant and equipment	4,435
Written-off upon disposals	(718)
As at December 31, 2024	6,225
Provided for the year	48
Written-off upon disposals	(963)
As at December 31, 2025	5,310
CARRYING VALUES	
As at December 31, 2023	3,451
As at December 31, 2024	1,764
As at December 31, 2025	37

The fair value of the Company's investment properties as at December 31, 2023, 2024 and 2025 was RMB30,727,000, RMB43,101,000 and RMB34,378,000, respectively. The fair value has been arrived at based on a valuation carried out by the directors of the Company. The valuation was determined by establishing the market value of the properties by using income

method. For income method, it estimates the value of the properties on an open market basis by taking into account of the current rent receivables from the existing tenancy agreements and the vacancy rate on potential leasable are as of the investment properties. The fair value of the investment properties measured at the end of the reporting period was categorised into Level 3 valuation, where fair value was measured using significant unobservable inputs, as defined in IFRS 13 Fair Value Measurement. There were no transfers between levels of fair value hierarchy during the year ended December 31, 2023, 2024 and 2025.

18. GOODWILL

	RMB'000
COST	
As at January 1, 2023	236,539
Exchange adjustments	13,903
As at December 31, 2023	250,442
Exchange adjustments	(10,627)
As at December 31, 2024	239,815
Exchange adjustments	22,618
As at December 31, 2025	262,433
IMPAIRMENT	
As at December 31, 2023	12,368
Exchange adjustments	727
As at December 31, 2023	13,095
Exchange adjustments	(556)
As at December 31, 2024	12,539
Exchange adjustments	1,183
As at December 31, 2025	13,722
CARRYING VALUES	
As at December 31, 2023	237,347
As at December 31, 2024	227,276
As at December 31, 2025	248,711

Goodwill resulting from the business combinations has been allocated to Vermes Microdispensing GmbH ("**Vermes**") as a single cash-generating unit ("**CGU**") ("**CGU Vermes**").

The management of the Group assessed the impairment on goodwill at the CGU Vermes, which represents the lowest level within the Group at which the goodwill is monitored for impairment assessment. For the impairment testing of goodwill as at December 31, 2023, 2024 and 2025, the recoverable amounts of the CGU have been determined based on value-in-use calculations. The impairment assessment of goodwill is performed by the management of the Group and the value-in-use calculations have been determined using a discounted cash flows model, which is based on financial budgets approved by the management of the Group covering a 5-year period. Forecasted cash inflows/outflows have been taken into account of past performance and management's expectations for the market development including revenue growth rate and gross margins. The future cash flows are also highly dependent on the unobservable inputs of forecast volumes and forecast prices.

The key parameters for the value-in-use calculations, which are based on either the past experience or management's expectation for the market development, are as follows:

	As at December 31,		
	2023	2024	2025
Pre-tax discount rate	13.55%	13.13%	14.00%
Revenue growth rate within 5-year	0%−1.21%	0%	0%
Terminal growth rate *(Note 1)*	0%	0%	0%

Notes:

1. Management considered the terminal growth rate is unlikely to fall below 0% based on future economic condition and internal growth initiative.

According to the results of the impairment testing on CGU Vermes, the headroom calculated based on the recoverable amounts deducting the carrying amount allocated for the CGU Vermes as of the respective dates are set out as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Vermes	79,378	110,873	204,846

As a result of the impairment assessment on goodwill, the management of the Group is of the view that there was no impairment on the goodwill as at December 31, 2023, 2024 and 2025.

In addition, the management of the Group performed the sensitivity analysis based on changes of the abovementioned key parameters and inputs. Had the estimated key assumptions during the forecast period been changed as below while other parameters remained constant, the headroom would decrease by the amounts set out as below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Pre-tax discount rate increased by 5%	(27,322)	(27,979)	(41,037)
Revenue within 5-year decreased by 5%	(21,605)	(1,810)	(72,318)

For the years ended December 31, 2023, 2024 and 2025, increase in pre-tax discount rate to 17%, 18% and 21% respectively would remove the headroom for CGU Vermes.

For the years ended December 31, 2023, 2024 and 2025, the management of the Group determined that a reasonably possible change in the key assumptions would not cause the CGU Vermes s' carrying amounts to exceed their respective recoverable amounts.

19. INTANGIBLE ASSETS

The Group

	Software	Patent rights	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
As at January 1, 2023	14,242	20,887	35,129
Additions	15,938	—	15,938
Exchange adjustments	287	—	287
As at December 31, 2023	30,467	20,887	51,354
Additions	1,029	—	1,029
Exchange adjustments	(222)	—	(222)
As at December 31, 2024	31,274	20,887	52,161
Additions	1,206	—	1,206
Disposals	(1,342)	—	(1,342)
Exchange adjustments	503	—	503
As at December 31, 2025	31,641	20,887	52,528
AMORTISATION			
As at January 1, 2023	9,202	18,124	27,326
Provided for the year	1,752	294	2,046
Exchange adjustments	263	—	263
As at December 31, 2023	11,217	18,418	29,635
Provided for the year	2,947	295	3,242
Exchange adjustments	(212)	—	(212)
As at December 31, 2024	13,952	18,713	32,665
Provided for the year	2,889	294	3,183
Written-off upon disposals	(1,342)	—	(1,342)
Exchange adjustments	472	—	472
As at December 31, 2025	15,971	19,007	34,978
CARRYING VALUES			
As at December 31, 2023	19,250	2,469	21,719
As at December 31, 2024	17,322	2,174	19,496
As at December 31, 2025	15,670	1,880	17,550

The Company

	Software	Patent rights	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
As at January 1, 2023	8,026	19,119	27,145
Additions	15,778	—	15,778
As at December 31, 2023	23,804	19,119	42,923
Additions	712	—	712
As at December 31, 2024	24,516	19,119	43,635
Additions	525	—	525
Disposals	(1,342)	—	(1,342)
As at December 31, 2025	23,699	19,119	42,818
AMORTISATION			
As at January 1, 2023	4,559	17,711	22,270
Provided for the year	1,345	151	1,496
As at December 31, 2023	5,904	17,862	23,766
Provided for the year	2,595	151	2,746
As at December 31, 2024	8,499	18,013	26,512
Provided for the year	2,429	151	2,580
Written-off upon disposals	(1,342)	—	(1,342)
As at December 31, 2025	9,586	18,164	27,750
CARRYING VALUES			
As at December 31, 2023	17,900	1,257	19,157
As at December 31, 2024	16,017	1,106	17,123
As at December 31, 2025	14,113	955	15,068

The above intangible assets, have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software	5 to 10 years
Patent rights	5 to 20 years

20. FINANCIAL ASSETS AT FVTOCI

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity instruments	2,799	2,960	3,195
Bills receivables	632,673	814,584	1,100,474
	635,472	817,544	1,103,669

As at December 31, 2023, 2024 and 2025, all the bills receivables are aged within one year.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current	2,799	2,960	3,195
Current	632,673	814,584	1,100,474
	635,472	817,544	1,103,669

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity instruments	2,799	2,960	3,195
Bills receivables	318,237	484,738	535,091
	321,036	487,698	538,286

As at December 31, 2023, 2024 and 2025, all the bills receivables are aged within one year.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current	2,799	2,960	3,195
Current	318,237	484,738	535,091
	321,036	487,698	538,286

The management of the Company have elected to designate the investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

For the details of fair value measurement, please refer to Note 36(c).

21. DEFERRED TAXATION

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	182,164	247,208	163,935
Deferred tax liabilities	(278,570)	(365,702)	(286,860)
	(96,406)	(118,494)	(122,925)

The Group

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Tax losses	Impairment on assets	Depreciation	Financial assets at FVTPL	Deferred income	Unrealised profits between subsidiaries	Right-of-use assets	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	17,441	32,899	(239,927)	(3,002)	7,522	129,460	(5,497)	5,576	(55,528)
(Charge) credit to profit or loss for the year	(6,832)	(7,760)	(21,630)	(14,011)	(2,346)	11,370	946	(813)	(41,076)
Exchange difference	—	198	—	—	—	—	—	—	198
As at December 31, 2023	10,609	25,337	(261,557)	(17,013)	5,176	140,830	(4,551)	4,763	(96,406)
Credit (charge) to profit or loss for the year	27,144	4,412	35,353	(119,212)	17,414	12,650	784	(634)	(22,089)
Exchange difference	—	1	—	—	—	—	—	—	1
As at December 31, 2024	37,753	29,750	(226,204)	(136,225)	22,590	153,480	(3,767)	4,129	(118,494)
(Charge) credit to profit or loss for the year	(27,894)	2,112	(131,813)	116,033	34,107	3,015	746	(827)	(4,521)
Exchange difference	—	90	—	—	—	—	—	—	90
As at December 31, 2025	9,859	31,952	(358,017)	(20,192)	56,697	156,495	(3,021)	3,302	(122,925)

The Company

The deferred tax assets (liabilities) recognised by the Company and movements thereon during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Impairment on assets	Depreciation	Right-of-use assets	Lease liabilities	Financial assets at FVTPL	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	49,030	(165,241)	(2,524)	2,582	—	—	(116,153)
(Charge) credit to profit or loss for the year	(3,729)	35,712	393	(357)	(14,295)	—	17,724
As at December 31, 2023	45,301	(129,529)	(2,131)	2,225	(14,295)	—	(98,429)
Credit (charge) to profit or loss for the year	4,094	6,354	370	(266)	(17,743)	—	(7,191)
As at December 31, 2024	49,395	(123,175)	(1,761)	1,959	(32,038)	—	(105,620)
(Charge) credit to profit or loss for the year	(2,814)	4,187	398	(486)	13,985	12,264	27,534
As at December 31, 2025	46,581	(118,988)	(1,363)	1,473	(18,053)	12,264	(78,086)

The Group

As at December 31, 2023, 2024 and 2025, the Group had estimated unused tax losses of approximately RMB181,587,000, RMB379,769,000 and RMB259,345,000 respectively, available for offset against future profits, among which approximately RMB70,728,000, RMB255,307,000 and RMB82,067,000 of unused tax losses were recognised as deferred tax assets. No deferred tax asset has been recognised in relation to the remaining tax losses amounting to approximately RMB110,859,000, RMB124,462,000 and RMB177,278,000 as at December 31, 2023, 2024 and 2025 respectively, due to the unpredictability of future profit streams. As at December 31, 2023, 2024 and 2025, unrecognised tax losses incurred by subsidiaries in the PRC of approximately RMB45,255,000, RMB56,997,000 and RMB88,422,000 will expire in the next five years. The remaining unrecognised tax losses of approximately RMB65,604,000, RMB67,465,000 and RMB88,856,000 can carry forward indefinitely.

The unrecognised tax losses arising from subsidiaries in the PRC will expire in the follow years:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
2026 for PRC entities	10,128	7,550	7,550
2027 for PRC entities	20,146	17,742	17,742
2028 for PRC entities	14,981	14,799	14,799
2029 for PRC entities	—	16,906	16,894
2030 for PRC entities	—	—	31,437
	45,255	56,997	88,422

22. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	440,465	343,246	406,824
Work in progress	749,325	1,071,370	1,164,704
Finished goods	611,847	840,483	889,989
	1,801,637	2,255,099	2,461,517
Accumulated provision	(48,039)	(74,388)	(69,795)
	1,753,598	2,180,711	2,391,722

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	173,020	151,461	196,298
Work in progress	294,882	346,340	325,392
Finished goods	400,811	455,531	430,064
	868,713	953,332	951,754
Accumulated provision	(33,695)	(57,805)	(52,487)
	835,018	895,527	899,267

Provision for inventories was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value, and was recorded in "cost of sales".

23. TRADE RECEIVABLES

The Group

		As at December 31,		
	Note	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Trade receivables	*(a)*	1,713,194	1,970,915	2,274,719
Less: Allowance for impairment losses		(86,596)	(99,164)	(115,271)
		1,626,598	1,871,751	2,159,448

As at December 31, 2023, 2024 and 2025, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB1,713,194,000, RMB1,970,915,000 and RMB2,274,719,000 respectively.

The gross carrying amount of the Group's trade receivables dominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
USD	338,657	250,792	332,152
HKD	626	507	408
EUR	625	5,986	1,668
Japanese Yen ("**JPY**")	96	101	256

The Company

		As at December 31,		
	Note	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Trade receivables	*(a)*	1,338,736	1,693,174	1,686,695
Less: Allowance for impairment losses		(67,850)	(85,256)	(85,222)
		1,270,886	1,607,918	1,601,473

As at December 31, 2023, 2024 and 2025, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB1,338,736,000, RMB1,693,174,000 and RMB1,686,695,000 respectively.

The gross carrying amount of the Company's trade receivables dominated in currencies other than the functional currency of the Company are set out below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
USD	109,534	192,173	233,709
HKD	626	507	408
EUR	288	378	655
JPY	96	101	256

(a) The Group and the Company generally allows credit period ranging from 30 to 120 days. The Group and the Company do not hold any collateral or other credit enhancements over its trade receivable balances.

The Group

The following is an ageing analysis of trade receivables, net of allowance for impairment losses, presented based on the date of revenue recognition as at December 31, 2023, 2024 and 2025:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within three months	1,266,435	1,597,267	1,841,214
3−6 months	225,506	235,083	241,248
6−12 months	128,973	39,399	75,874
Over one year	5,684	2	1,112
	1,626,598	1,871,751	2,159,448

The Company

The following is an ageing analysis of trade receivables, net of allowance for impairment losses, presented based on the date of revenue recognition as at December 31, 2023, 2024 and 2025:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within three months	888,028	1,059,006	1,338,843
3−6 months	269,317	296,034	165,995
6−12 months	107,860	252,878	95,523
Over one year	5,681	—	1,112
	1,270,886	1,607,918	1,601,473

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the years ended December 31, 2023, 2024 and 2025.

The Group

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

	Weighted average expected loss rates	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
As at December 31, 2023			
Within three months	5.00%	1,333,090	66,655
3–6 months	5.00%	237,375	11,869
6–12 months	5.44%	136,389	7,416
Over one year	10.35%	6,340	656
		1,713,194	86,596

	Weighted average expected loss rates	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
As at December 31, 2024			
Within three months	5.00%	1,681,334	84,067
3–6 months	5.00%	247,456	12,373
6–12 months	5.00%	41,472	2,073
Over one year	99.69%	653	651
		1,970,915	99,164

	Weighted average expected loss rates	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
As at December 31, 2025			
Within three months	5.00%	1,938,120	96,906
3–6 months	5.00%	253,945	12,697
6–12 months	5.45%	80,247	4,373
Over one year	53.80%	2,407	1,295
		2,274,719	115,271

The Company

	Weighted average expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
As at December 31, 2023			
Within three months	5.00%	934,767	46,739
3–6 months	5.00%	283,492	14,175
6–12 months	5.52%	114,165	6,305
Over one year	10.00%	6,312	631
		1,338,736	67,850

	Weighted average expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
As at December 31, 2024			
Within three months	5.00%	1,114,743	55,737
3−6 months	5.00%	311,615	15,581
6−12 months	5.00%	266,187	13,309
Over one year	100.00%	629	629
		1,693,174	85,256

	Weighted average expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
As at December 31, 2025			
Within three months	5.00%	1,409,308	70,465
3−6 months	5.00%	174,732	8,737
6−12 months	5.00%	100,553	5,030
Over one year	47.10%	2,102	990
		1,686,695	85,222

(c) The movements in the allowance for impairment of trade receivables are set out below:

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	63,062	86,596	99,164
Provision for impairment losses	23,341	12,532	15,697
Amount written off as uncollectible	(31)	(4)	—
Exchange adjustments	224	40	410
At the end of the year	86,596	99,164	115,271

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	62,425	67,850	85,256
Provision for (reversal of) impairment losses	5,425	17,406	(34)
At the end of the year	67,850	85,256	85,222

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers	45,773	62,261	75,510
Prepayment to acquisition of property, plant and equipment	121,424	30,610	33,129
Deposits	12,640	18,789	12,237
Advance to staffs	299	205	127
Prepaid tax expense	472,223	521,231	502,196
Consideration receivables for disposal of land use rights	26,950	—	—
Prepayment for **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	4,780	10,298	6,484
	684,089	643,394	639,884
Less: Allowance for impairment losses	(434)	(629)	(409)
	683,655	642,765	639,475
Analysed for reporting purposes as:			
— Non-current assets	121,424	30,610	33,129
— Current assets	562,231	612,155	606,346
	683,655	642,765	639,475

The gross carrying amount of the Group's other receivables dominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
EUR	—	—	469
USD	6,100	2,676	7,326
JPY	1,937	543	5,572
HKD	91	1,472	2,003

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers *(note (i))*	2,774,784	1,714,403	475,622
Prepayment to acquisition of property, plant and equipment	15,195	11,172	8,277
Deposits	5,050	12,506	9,426
Advance to staffs	128	95	61
Amounts due from subsidiaries *(note(ii))*	3,598,770	3,328,452	3,063,960
Prepaid tax expense	82	4,119	12,591
Prepayment for **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	1,139	1,908	2,496
	6,395,148	5,072,655	3,582,634
Less: Allowance for impairment losses	(180,098)	(166,594)	(153,372)
	6,215,050	4,906,061	3,429,262
Analysed for reporting purposes as:			
— Non-current assets	15,195	11,172	8,277
— Current assets	6,199,855	4,894,889	3,420,985
	6,215,050	4,906,061	3,429,262

Notes:

(i) As at December 31, 2023, 2024 and 2025, balance of prepayments to suppliers included prepayments to subsidiaries of approximately RMB2,756,007,000, RMB1,697,779,000 and RMB435,160,000 respectively.

(ii) The balances were interest-free and repayable on demand.

(iii) The gross carrying amount of the Company's other receivables dominated in currencies other than the functional currency of the Company are set out below.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
EUR	—	—	469
USD	1,131	1,535	6,996
JPY	1,937	519	4,854
HKD	80	1,461	1,782

The Group

The movements in the allowance for impairment of other receivables are set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	31,433	434	629
(Reversal of) provision for impairment losses	(30,951)	202	(252)
Exchange adjustments	(48)	(7)	32
At the end of the year	434	629	409

The Company

The movements in the allowance for impairment of other receivables are set out below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	183,795	180,098	166,594
(Reversal of) provision for impairment losses	(3,697)	(13,504)	(13,222)
At the end of the year	180,098	166,594	153,372

25. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	—	200,500	660,200
Structured deposits	3,846,708	4,852,887	3,098,312
	3,846,708	5,053,387	3,758,512

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	—	185,000	600,000
Structured deposits	403,475	1,292,192	1,001,319
	403,475	1,477,192	1,601,319

The financial assets at FVTPL are classified as current as the management expects to realise these financial assets within twelve months after each reporting period.

Details of the fair value hierarchy and major assumptions used in valuation for the financial assets are set out in Note 36(c).

26. BANK DEPOSITED AND BANK BALANCES AND CASH

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank balance and cash	6,432,318	5,993,095	8,908,772
Less:			
Restricted bank deposits	2,038	25,825	17
Bank deposits	5,133,223	4,827,012	6,623,359
Cash and cash equivalents	1,297,057	1,140,258	2,285,396

The Group invested in fixed bank deposit to earn interest income during the years ended December 31, 2023, 2024 and 2025.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank deposits			
Non-current	3,590,703	2,930,250	5,850,994
Current	1,542,520	1,896,762	772,365
	5,133,223	4,827,012	6,623,359

The bank deposits and bank balances and cash are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
USD	115,851	637,774	1,348,377
EUR	4,969	13,814	19,310
HKD	275	1,980	2,171
JPY	22	28	235

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest based on prevailing daily bank deposit rates.

As at December 31, 2023, 2024 and 2025, the bank deposits born interest at prevailing daily deposits rates ranging from 1.50% per annum to 4.13% per annum, 1.40% per annum to 5.20% per annum and 1.55% per annum to 3.25% per annum respectively.

The bank balances are deposited with creditworthy banks with no recent history of default. As at December 31, 2023, 2024 and 2025, the Group has measured the impairment based on the 12m ECL, and has assessed that the ECL are immaterial.

The Company

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	5,386,479	5,177,759	7,283,840
Less:			
Restricted deposits	—	25,000	—
Bank deposits	4,591,829	4,685,961	5,681,302
Cash and cash equivalents	794,650	466,798	1,602,538

The Company invested in fixed bank deposit to earn interest income during the years ended December 31, 2023, 2024 and 2025.

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bank deposits			
Non-current	3,590,703	2,789,199	4,930,583
Current	1,001,126	1,896,762	750,719
	4,591,829	4,685,961	5,681,302

The bank deposits and bank balances and cash are denominated in currencies other than the functional currencies are set out below:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
USD	17,010	285,553	938,044
EUR	1,756	6,846	2,197
HKD	251	1,777	539
JPY	22	28	75

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest based on prevailing daily bank deposit rates.

As at December 31, 2023, 2024 and 2025, the bank deposits born interest at prevailing daily deposits rates ranging from 1.5% per annum to 4.13% per annum, 1.40% per annum to 3.25% per annum and 1.55% per annum to 3.25% per annum respectively.

The bank balances are deposited with creditworthy banks with no recent history of default. As at December 31, 2023, 2024 and 2025, the Company has measured the impairment based on the 12m ECL, and has assessed that the ECL are immaterial.

27. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	738,186	773,823	808,797
Bills payable	402,901	722,603	1,374,674
Deposits	50,047	57,876	94,928
Payroll and welfare payables	267,397	347,731	395,647
Other tax payable	54,479	37,354	69,587
Other payables	16,410	35,642	24,941
	1,529,420	1,975,029	2,768,574

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	350,156	277,985	191,485
Bills payable	305,670	310,042	675,201
Amounts due to subsidiaries *(note)*	149,875	137,778	190,885
Deposit	6,100	7,251	22,324
Payroll and welfare payables	121,967	144,177	155,921
Other tax payable	17,022	2,632	31,996
Other payables	8,759	9,003	12,469
	959,549	888,868	1,280,281

Note: The balances mainly represented interest-free loans granted by the subsidiaries, which were repayable on demand.

The trade payables are non-interest bearing and are normally settled ranged from 0 days to 90 days. The fair value of trade payables approximates to their carrying amount.

The bills payables are non-interest bearing and are normally settled within 1 year.

The Group

The following is an ageing analysis of trade payables presented based on the date of service provided and date of goods acceptance at the end of the reporting period.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	720,560	737,430	708,936
1-2 years	12,042	32,095	75,559
2-3 years	3,650	2,970	21,193
3-4 years	1,934	8	1,923
4-5 years	—	1,320	6
Over 5 years	—	—	1,180
	738,186	773,823	808,797

The trade and other payables are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Australian dollar ("**AUD**")	4	—	—
HKD	3	—	—
EUR	—	18	—
RMB	—	1,219	771
JPY	735	3,385	5,049
USD	12,775	4,184	13,799

The Company

The following is an ageing analysis of trade payables presented based on the date of service provided and date of goods acceptance at the end of the reporting period.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	347,557	259,592	175,827
1-2 years	1,128	16,282	4,288
2-3 years	61	783	9,858
3-4 years	1,410	8	326
4-5 years	—	1,320	6
Over 5 years	—	—	1,180
	350,156	277,985	191,485

The trade and other payables are denominated in the currencies other than the functional currency of the Company are set out below:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
AUD	4	—	—
HKD	3	—	587
EUR	—	18	4,164
JPY	107	2,205	2,554
USD	23,732	3,682	4,230

28. CONTRACT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales of Goods	22,612	30,782	23,886

As at January 1, 2023, contract liabilities amounted to approximately RMB18,623,000.

Contract liabilities include unsatisfied performance obligation for pre-sale electronic and ceramic materials, electronic components, telecom components and equipment components.

As at December 31, 2023, 2024 and 2025, contract liabilities of approximately RMB22,612,000, RMB30,782,000 and RMB23,886,000 are expected to be released to profit or loss within twelve months from the end of each reporting period.

Revenue recognised during the years ended December 31, 2023, 2024 and 2025 that was included in the contract liabilities at the beginning of the year are RMB18,623,000, RMB22,612,000 and RMB30,782,000 respectively in respect of sales of goods. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales of Goods	41,567	12,445	38,093

As at January 1, 2023, contract liabilities amounted to approximately RMB108,660,000.

Contract liabilities include unsatisfied performance obligation for pre-sale electronic and ceramic materials, electronic components, telecom components and equipment components.

As at December 31, 2023, 2024 and 2025, contract liabilities of approximately RMB41,567,000, RMB12,445,000 and RMB38,093,000 are expected to be released to profit or loss within twelve months from the end of each reporting period.

As at December 31, 2023, 2024 and 2025, balance of contract liabilities contains amount due to subsidiaries of approximately RMB26,023,000, nil and RMB27,960,000 respectively.

Revenue recognised during the years ended December 31, 2023, 2024 and 2025 that was included in the contract liabilities at the beginning of the year are RMB108,660,000, RMB41,567,000 and RMB12,445,000 respectively in respect of sales of goods. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

29. BORROWINGS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Discounted bills	86,930	322,056	295,094
Unsecured borrowings	653,603	152,740	269,299
	740,533	474,796	564,393
Analysed for reporting purposes as:			
— Non-current	—	—	24,925
— Current	740,533	474,796	539,468
	740,533	474,796	564,393

As at December 31, 2023, 2024 and 2025, discounted bills carried fixed interest from 0.97% to 2.76%, 0.32% to 1.98% and 0.12% to 2.00% per annum respectively.

As at December 31, 2023, 2024 and 2025, unsecured borrowings carried fixed interest from 1.55% to 2.72%, 1.15% to 2.60% and 1.00% to 1.80% per annum respectively.

During the years ended December 31, 2023, 2024 and 2025, the Group obtained new bank borrowings (exclude discounted bills) approximately in amount of RMB1,104,969,000, RMB471,927,000 and RMB30,000,000 respectively, while the repayment of bank borrowings were approximately RMB454,858,000, RMB1,122,270,000, RMB5,025,000 respectively.

As at December 31, 2023, 2024 and 2025, the repayment terms of discounted bills are all repayable within one year.

Based on the scheduled repayment terms set out in the loan agreements, the maturity of borrowings (exclude discounted bills) would be as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	653,603	152,740	244,374
After 1 year but within 2 years	—	—	50
After 2 years but within 5 years	—	—	24,875
	653,603	152,740	269,299

The unsecured borrowings of approximately RMB24,975,000 are repayable on or before May 2028 and carry at fixed interest rate of 1.8% as at December 31, 2025. As stated in agreement, the Group is required to repay approximately RMB25,000 for every six months. The remaining principal and accrued interest are repaid on May 2028.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Discounted bills	72,125	298,870	190,352
Unsecured borrowings	653,603	152,740	261,799
	725,728	451,610	452,151
Analysed for reporting purposes as:			
— Non-current	—	—	24,925
— Current	725,728	451,610	427,226
	725,728	451,610	452,151

As at December 31, 2023, 2024 and 2025, discounted bills carried fixed interest from 1.05% to 2.76%, 0.56% to 1.98% and 0.12% to 2.00% per annum respectively.

As at December 31, 2023, 2024 and 2025, unsecured borrowings carried fixed interest from 1.55% to 2.72%, 1.15% to 2.60% and 1.00% to 1.80% per annum respectively.

During the years ended December 31, 2023, 2024 and 2025, the Group obtained new bank borrowings (exclude discounted bills) approximately in amount of RMB1,104,969,000, RMB393,350,000 and RMB30,000,000 respectively, while the repayment of bank borrowings were approximately RMB Nil, RMB454,858,000, RMB1,122,270,000 and RMB5,025,000 respectively.

As at December 31, 2023, 2024 and 2025, the repayment terms of discounted bills are all repayable within one year.

Based on the scheduled repayment terms set out in the loan agreements, the maturity of borrowings (exclude discounted bills) would be as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	653,603	152,740	236,874
After 1 year but within 2 years	—	—	50
After 2 years but within 5 years	—	—	24,875
	653,603	152,740	261,799

The unsecured borrowings of approximately RMB24,975,000 are repayable on or before May 2028 and carry at fixed interest rate of 1.8% as at December 31, 2025. As stated in agreement, the Company is required to repay approximately RMB25,000 for every six months. The remaining principal and accrued interest are repaid on May 2028.

30. PROVISIONS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Warranty provision	2,531	1,263	1,090

The provision is determined based on the historical product return rates during the warranty period, the sales volume of products in the current year, and the unit repair or replacement cost, representing the reserve required to be recognised as the end of each reporting period.

31. DEFERRED INCOME

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants:			
Non-current	754,975	911,286	882,571
Current	124,673	149,286	149,399
	879,648	1,060,572	1,031,970

Government grants of approximately RMB361,975,000, RMB361,144,000 and RMB180,586,000 respectively have been received during the years ended December 31, 2023, 2024 and 2025 to support the Group's activities in producing, operating, conducting project research and development. The amount is transferred to income when the Group fulfill conditions

of government grants or over the useful lives of the relevant assets. The Group have recognised income of approximately RMB214,545,000, RMB180,220,000, and RMB206,438,000 respectively for the years ended December 31, 2023, 2024 and 2025.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants:			
Non-current	126,307	151,623	172,592
Current	21,228	22,667	27,265
	147,535	174,290	199,857

Government grants of approximately RMB31,538,000, RMB51,005,000 and RMB71,252,000 respectively have been received during the years ended December 31, 2023, 2024 and 2025 to support the Company's activities in producing, operating, conducting project research and development. The amount is transferred to income when the Company fulfill conditions of government grants or over the useful lives of the relevant assets. The Company have recognised income of approximately RMB84,097,000, RMB24,250,000, and RMB42,935,000 respectively for the years ended December 31, 2023, 2024 and 2025.

32. SHARE CAPITAL

	Number of shares	Share capital
	'000	*RMB'000*
A shares of RMB1 each		
As at January 1, 2023, December 31, 2023, 2024 and 2025	1,916,497	1,916,497

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All ordinary shares rank equally with regard to the Company's residual net assets.

32A. INTERESTS IN SUBSIDIARIES

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interests in subsidiaries, at cost	1,034,302	1,045,402	1,044,802

33. SHARE REPURCHASE

The Company passed a resolution on April 10, 2025 ("**Adoption Date**") authorising to use its internal or self-raised funds, amounting not less than RMB150 million and not more than RMB200 million, to repurchase the A shares listed on Shenzhen Stock Exchange for a period of 12 months starting from the Adoption Date. The repurchased A shares will be used for share option schemes or share award schemes (the "**Scheme**") when appropriate in the future.

During the year ended December 31, 2025, approximately 5,133,800 A shares listed on Shenzhen Stock Exchange, with an average purchase price of approximately RMB34.17 per share were reacquired by the Company. Since the Adoption Date up to December 31, 2025, approximately 5,133,800 shares were acquired by the Company for the Scheme with no awarded shares had been awarded.

If the Company fails to fully utilise the repurchased A Shares within three years after the completion of the repurchase, any remaining unutilised A Shares shall be cancelled in accordance with relevant laws and regulations.

34. RESERVES

The amounts of the Group's reserves and the movements therein during the Track Record Period are presented in the consolidated statements of changes in equity.

(a) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI under IFRS 9 that was held at the end of the reporting period.

(b) Statutory reserve

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

(c) The Company

	Capital reserve	Fair value reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	6,218,309	2,273	1,131,138	5,793,599	13,145,319
Profit for the year	—	—	—	786,957	786,957
Change in fair value of equity instrument designated at FVTOCI	—	26	—	—	26
Total comprehensive income for the year	—	26	—	786,957	786,983
Dividends recognised as distributions *(Note 13)*	—	—	—	(479,126)	(479,126)
As at December 31, 2023	6,218,309	2,299	1,131,138	6,101,430	13,453,176

	Capital reserve	Share held for share scheme	Fair value reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2024	6,218,309	—	2,299	1,131,138	6,101,430	13,453,176
Profit for the year	—	—	—	—	817,551	817,551
Change in fair value of equity instrument designated at FVTOCI	—	—	161	—	—	161
Total comprehensive income for the year	—	—	161	—	817,551	817,712
Dividends recognised as distributions *(Note 13)*	—	—	—	—	(536,619)	(536,619)
As at December 31, 2024	6,218,309	—	2,460	1,131,138	6,382,362	13,734,269
As at January 1, 2025	6,218,309	—	2,460	1,131,138	6,382,362	13,734,269
Profit for the year	—	—	—	—	1,078,968	1,078,968
Change in fair value of equity instrument designated at FVTOCI	—	—	235	—	—	235
Total comprehensive income for the year	—	—	235	—	1,078,968	1,079,203
Repurchase of shares for share award scheme	—	(175,423)	—	—	—	(175,423)
Expenses related to repurchase of shares award scheme	—	(18)	—	—	—	(18)
Dividends recognised as distributions *(Note 13)*	—	—	—	—	(726,318)	(726,318)
As at December 31, 2025	6,218,309	(175,441)	2,695	1,131,138	6,735,012	13,911,713

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, net of cash and cash equivalents and bank deposits, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues and share buy-back as well as the issue of new debts or the redemption of existing debts.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost (including cash and cash equivalents)	8,103,151	7,893,509	11,086,659
Financial assets at FVTOCI	635,472	817,544	1,103,669
Financial assets at FVTPL	3,846,708	5,053,387	3,758,512
	12,585,331	13,764,440	15,948,840
Financial liabilities			
At amortised cost	2,215,474	2,412,471	3,263,380

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost (including cash and cash equivalents)	10,082,354	9,962,044	11,807,884
Financial assets at FVTOCI	321,036	487,698	538,286
Financial assets at FVTPL	403,475	1,477,192	1,601,319
	10,806,865	11,926,934	13,947,489
Financial liabilities			
At amortised cost	1,668,255	1,337,846	1,700,436

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, financial assets at FVTPL, trade receivables, other receivables and deposits, bank deposits, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk related primarily to its fixed-rate restricted bank deposits and bank borrowing.

Sensitivity analysis

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. It is the Group's policy to keep its deposits at floating rate of interests so as to minimise the fair value interest rate risk. The management of the Group considered that the exposure to cash flow in interest rate risk in relation to restricted bank deposits and bank balances are minimal and no sensitivity analysis is presented accordingly.

(ii) Foreign currency risk

The Group is subject to foreign exchange rate risk arising from the assets and liabilities which are denominated in currencies other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in HKD, EUR and USD. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's foreign currency denominated monetary assets and monetary liabilities include trade and other receivables, bank deposits, bank balances and trade and other payables at the end of respective reporting period and the carrying amounts are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	460,608	891,242	1,687,855
HKD	992	3,959	4,582
EUR	5,594	19,800	21,447
JPY	2,055	672	6,063
Liabilities			
AUD	4	—	—
USD	12,775	4,184	13,799
HKD	3	—	—
RMB	—	1,219	771
EUR	—	18	—
JPY	735	3,385	5,049

The Company's foreign currency denominated monetary assets and monetary liabilities include trade and other receivables, restricted bank deposits and bank balances, trade and other payables at the end of respective reporting period and the carrying amounts are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	127,675	479,261	1,178,749
HKD	957	3,745	2,729
EUR	2,044	7,224	3,321
JPY	2,055	648	5,185
Liabilities			
AUD	4	—	—
USD	23,732	3,682	4,230
HKD	3	—	587
EUR	—	18	4,164
JPY	107	2,205	2,554

Sensitivity analysis

The Group

The following table details the Group's sensitivity to a 5%, 5% and 5% increase and decrease in RMB against the relevant foreign currencies for the years ended December 31, 2023, 2024 and 2025, respectively. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number (negative number) below indicates a decrease in post-tax profit (an increase in post-tax profit) where RMB strengthens 5%, 5% and 5% against the relevant foreign currency for the years ended December 31, 2023, 2024 and 2025, respectively. For a 5%, 5% and 5% weakening of RMB against the relevant foreign currency for the years ended December 31, 2023, 2024 and 2025 respectively, there would be an equal and opposite impact on the post-tax profit.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year/period			
USD	18,000	34,243	63,765
HKD	37	149	172
EUR	212	743	806
JPY	50	(102)	38
RMB	—	(46)	(29)

The Company

The following table details the Company's sensitivity to a 5%, 5% and 5% increase and decrease in RMB against the relevant foreign currencies including intra-group balances for the years ended December 31, 2023, 2024 and 2025, respectively. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number (negative number) below indicates a decrease in post-tax profit (an increase in post-tax profit) where RMB strengthens 5%, 5% and 5% against the relevant foreign currency for the years ended December 31, 2023, 2024 and 2025, respectively. For a 5%, 5% and 5% weakening of RMB against the relevant foreign currency for the years ended December 31, 2023, 2024 and 2025, respectively, there would be an equal and opposite impact on the post-tax profit.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year			
EUR	77	270	(32)
HKD	36	140	80
JPY	73	(58)	99
USD	3,898	17,834	44,044

Credit risk and impairment assessment

In order to minimise the credit risk of trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of these balances collectively at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model in accordance with IFRS 9 on trade balances based on provision matrix. For trade receivables, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL. The lifetime ECL provided for the Group's trade receivables are approximately RMB86,596,000, RMB99,164,000 and RMB115,271,000 as at December 31, 2023, 2024 and 2025, respectively, based on historical credit loss experience adjusted by forward-looking estimates. The ECL movement of trade receivables is disclosed on Note 23.

The credit risk of trade receivables, other receivables and deposits are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group performs impairment assessment under ECL model in accordance with IFRS 9 on these outstanding balances.

For other receivables and deposits, the Group measures the loss allowance at 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in likelihood or risk of a default occurring since initial recognition. The balances are monitored on an ongoing basis and the Group's exposure to credit risk is not significant since the Group only trades with creditworthy third parties, and the Group does not require any collateral from other debtors. The ECL movement of other receivables and deposits is disclosed on Note 24.

The credit risk of bank deposit and bank balance is low because the counterparties are banks with credit ratings assigned by credit-rating agencies or state-owned banks in the PRC. The management of the Company consider the probability of default is negligible on the basis of credit-rating as at December 31, 2023, 2024 and 2025.

There has been no significant changes to estimation techniques or assumptions made during the years ended December 31, 2023, 2024 and 2025.

The concentration of credit risk in respect of trade receivables is minimal, as the Group has a large number of customers. The management of the Company continue to monitor and assess the financial status of the counterparties, and they believe the exposure to credit risk on these balances is not significant as the counterparties are of good financial position.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The management of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's operations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. For financial liabilities and lease liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The Group

	Weighted average effective interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023							
Borrowings	2.44%	740,533	—	—	—	740,533	740,533
Trade and other payables	—	1,444,604	20,251	9,951	135	1,474,941	1,474,941
		2,185,137	20,251	9,951	135	2,215,474	2,215,474
Lease liabilities	4.25%	6,025	5,694	12,474	12,545	36,738	31,318

	Weighted average effective interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024							
Borrowings	1.24%	475,759	—	—	—	475,759	474,796
Trade and other payables	—	1,882,812	46,137	7,928	798	1,937,675	1,937,675
		2,358,571	46,137	7,928	798	2,413,434	2,412,471
Lease liabilities	4.34%	5,636	4,193	12,546	8,585	30,960	26,798

	Weighted average effective interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2025							
Borrowings	1.02%	541,423	505	25,039	—	566,967	564,393
Trade and other payables	—	2,579,117	82,694	35,954	1,222	2,698,987	2,698,987
		3,120,540	83,199	60,993	1,222	3,265,954	3,263,380
Lease liabilities	4.51%	4,151	4,140	12,283	4,551	25,125	22,045

The Company

	Weighted average effective interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023							
Borrowings	2.46%	725,728	—	—	—	725,728	725,728
Trade and other payables	—	937,420	1,970	3,002	135	942,527	942,527
		1,663,148	1,970	3,002	135	1,668,255	1,668,255
Lease liabilities	4.49%	3,032	3,094	5,496	5,703	17,325	14,833

	Weighted average effective interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024							
Borrowings	1.25%	452,573	—	—	—	452,573	451,610
Trade and other payables	—	864,631	17,574	3,268	763	886,236	886,236
		1,317,204	17,574	3,268	763	1,338,809	1,337,846
Lease liabilities	4.49%	3,118	1,856	5,569	3,868	14,411	12,508

	Weighted average effective interest rate	On demand or within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2025							
Borrowings	1.17%	429,096	505	25,039	—	454,640	452,151
Trade and other payables	—	1,228,828	5,400	12,877	1,180	1,248,285	1,248,285
		1,657,924	5,905	37,916	1,180	1,702,925	1,700,436
Lease liabilities	4.60%	1,856	1,856	5,569	2,011	11,292	9,898

(c) Fair value of financial assets that are measured at fair value on a recurring basis

The Group

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial instruments	Fair value as at December 31,			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
	2023	2024	2025					
	RMB'000	*RMB'000*	*RMB'000*					
Financial assets at FVTOCI								
– Unlisted investments	2,799	2,960	3,195	Level 3	Asset-based approach adjusted by marketability discount	Marketability discount	December 31, 2023:17.83% December 31, 2024:24.20% December 31, 2025: 26.84%	The lower the marketability discount, the higher the fair value
– Bills receivables	632,673	814,584	1,100,474	Level 2	Discount cash flow	N/A	N/A	N/A
Financial assets at FVTPL								
– Wealth management products	–	200,500	660,200	Level 1	Quoted price from open market	N/A	N/A	N/A
– Structured deposits	3,846,708	4,852,887	3,098,312	Level 2	Discount cash flow	N/A	N/A	N/A

The fair value measurement hierarchy of the investment on unlisted investments included in financial assets at FVTOCI of the Group requires significant unobservable inputs (Level 3). The significant unobservable input used in the fair value measurement is the marketability discount. As at 31 December 2023, 2024 and 2025, it's estimated that with all other variables held constant, a decrease/(an increase) in the estimated discount rate by 1% would result in an increase /(a decrease) in the fair value of the financial assets at FVTOCI by RMB28,000, RMB30,000 and RMB32,000, respectively.

The Company

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial instruments	Fair value as at December 31,			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
	2023	2024	2025					
	RMB'000	*RMB'000*	*RMB'000*					
Financial assets at FVTOCI								
– Unlisted investments	2,799	2,960	3,195	Level 3	Asset-based approach adjusted by marketability discount	Marketability discount	December 31, 2023:17.83% December 31, 2024:24.20% December 31, 2025: 26.84%	The lower the marketability discount, the higher the fair value
– Bills receivables	318,237	484,738	535,091	Level 2	Discount cash flow	N/A	N/A	N/A
Financial assets at FVTPL								
– Wealth management products	–	185,000	600,000	Level 1	Quoted price from open market	N/A	N/A	N/A
– Structured deposits	403,475	1,292,192	1,001,319	Level 2	Discount cash flow	N/A	N/A	N/A

The fair value measurement hierarchy of the investment on unlisted investments included in financial assets at FVTOCI of the Company requires significant unobservable inputs (Level 3). The significant unobservable input used in the fair value measurement is the marketability discount. As at 31 December 2023, 2024 and 2025, it's estimated that with all other variables held constant, a decrease/(an increase) in the estimated discount rate by 1% would result in an increase /(a decrease) in the fair value of the financial assets at FVTOCI by RMB28,000, RMB30,000 and RMB32,000, respectively.

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended December 31, 2023 the Group entered into new lease agreements and recognised right-of-use assets for buildings, equipment and motor vehicles of approximately RMB1,071,000 and lease liabilities of approximately RMB1,071,000.

(ii) During the years ended December 31, 2023 and 2024, there is revision of rental fee and led to an increase in the right-of-use assets and the lease liabilities for equipment of approximately RMB124,000, RMB166,000 respectively.

(iii) During the years ended December 31, 2023, 2024 and 2025, certain rental fee of approximately RMB2,449,000, RMB3,920,000, and RMB816,000, respectively, is paid by using bill receivables.

(iv) During the years ended December 31, 2023, 2024 and 2025, the Group used bill receivables to settle the acquisition of property plant and equipment of approximately RMB267,752,000, RMB419,924,000, and RMB421,835,000 respectively.

(v) During the year ended December 31, 2023, the Group received bills of RMB76,230,000 for settling the consideration receivables for sales of land use rights.

(vi) During the year ended December 31, 2024, the Group transferred bank deposits RMB25,000,000 to restricted bank deposits and transferred back RMB25,000,000 to bank deposit during the year ended December 31, 2025.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Borrowings
	RMB'000	*RMB'000*
As at January 1, 2023	37,365	151,842
Cash flows used in financing activities	(6,240)	639,302
Decrease in the discounted bills	—	(71,605)
Finance cost for the year	1,494	20,994
Non-cash changes *(Note 37(a) (i)-(iii))*	(1,254)	—
Exchange adjustments	(47)	—
As at December 31, 2023	31,318	740,533
Cash flows used in financing activities	(1,524)	(667,384)
Increase in the discounted bills	—	375,200
Finance cost for the year	1,253	26,447
Early termination of lease contract	(281)	—
Non-cash changes *(Note 37(a) (i)-(iii))*	(3,754)	—
Exchange adjustments	(214)	—
As at December 31, 2024	26,798	474,796
Cash flows used in financing activities	(5,015)	24,667
Increase in the discounted bills	—	45,616
Finance cost for the period	1,082	19,314
Non-cash changes *(Note 37(a) (i)-(iii))*	(816)	—
Exchange adjustments	(4)	—
As at December 31, 2025	22,045	564,393

(c) Total cash outflow for leases:

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within investing activities	(81,904)	—	(340)
Within financing activities	(6,240)	(1,524)	(5,015)

38. CONTINGENT LIABILITIES

At the years ended December 31, 2023, 2024 and 2025, the Group and the Company did not have any significant contingent liabilities.

39. OPERATING LEASE AGREEMENTS

The Group as lessor

The properties held by the Group for rental purpose have committed tenants for periods ranging from 1 years to 20 years as at December 31, 2023, 2024 and 2025.

Minimum lease payments receivable on leases are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	13,612	21,495	28,750
In the second year	21,495	26,511	36,972
In the third year	26,511	32,946	36,747
In the fourth year	32,946	31,208	34,543
Over five year	375,572	344,364	349,965
	470,136	456,524	486,977

40. RETIREMENT BENEFITS PLANS

According to the relevant laws and regulations in the PRC, the Group PRC entities are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group PRC entities contribute funds which are calculated on certain percentage of the employee salary to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The Group also operates a number of defined contribution schemes in other overseas locations. Arrangements for these staff retirement benefits vary from country to country and are made in accordance with local regulations and custom.

The Group recognised the retirement benefit contributions of approximately RMB166,934,000, RMB215,313,000, and RMB242,585,000 for the years ended December 31, 2023, 2024 and 2025 respectively.

41. TRANSFERS OF FINANCIAL ASSETS

(a) Transferred financial assets that are not derecognised in their entirety

As at December 31, 2023, 2024 and 2025, contain of the Group's bills receivables were endorsed to settle of trade and other payables or discounted to certain banks to obtain bank borrowings on a full recourse basis. If the bills are not paid on maturity, the suppliers and banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables to its suppliers upon endorsement, it continues to recognise the full carrying amount of bills receivables and has recognised the payables from the endorsement of the bills with full recourse. For bills receivables discounted to banks with full recourse, as the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount of bills receivables and has recognized the bank and other borrowings for the discounted amounts received.

The Group

	As at December 31,					
	2023		2024		2025	
	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	86,932	160,388	322,056	201,122	295,094	255,485
Carrying amount of associated liabilities	86,932	160,388	322,056	201,122	295,094	255,485
Net position	—	—	—	—	—	—

The Company

	As at December 31,					
	2023		2024		2025	
	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	72,125	63,156	298,870	53,418	190,352	61,195
Carrying amount of associated liabilities	72,125	63,156	298,870	53,418	190,352	61,195
Net position	—	—	—	—	—	—

(b) Transferred financial assets that are derecognised in their entirety but have continuing involvement

As at December 31, 2023, 2024 and 2025, the Group had derecognised bills discounted to banks or endorsed to certain suppliers on a full recourse basis amounting to RMB657,925,000, RMB812,998,000 and RMB911,392,000 respectively. These bills were issued by the Company's customers and guaranteed by reputable banks with high credit ratings, therefore the directors of the Company considered the substantial risks in relation to these bills were interest risk as the credit risk arising from these bills were minimal, and therefore the Group had transferred substantially all the risks of these bills to relevant banks or suppliers. However, if the bills cannot be accepted at maturity, the banks or suppliers have the right to require the Group to pay off the outstanding balance. Therefore, the Group continued its involvement in them.

42. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of entity	Relationship
Sageon Investment Co., Ltd.	Immediate holding company
Chaozhou Sanhuan Charity Association*	Some directors and supervisors hold positions in the management of the related company

* English name is for identification purpose

Other than as disclosed elsewhere in the Historical Financial Information, the Group had material transactions during the years ended December 31, 2023, 2024 and 2025, with related parties as follows:

Related party	Nature of transaction	Year ended December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Sageon Investment Co., Ltd.	Lease payment	1,262	1,262	1,262
Chaozhou Sanhuan Charity Association .	Donation	1,500	246	2,500

(b) Compensation of key management personnel

	Year ended December 31, 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Basic salary, allowances and other benefit .	25,809	23,951	30,496
Employer's contribution to pension schemes	618	547	613
	26,427	24,498	31,109

(c) Leases as lessee with other related parties

The following amounts of leases are related to related party

Lease liabilities	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sageon Investment Co., Ltd.	2,401	1,226	—

In June 2022, the Group entered into a one-year lease in respect of certain properties from immediate holding company of the Company. The amount of rent payable by the Group under the lease is RMB105,000 per month. Further to December 2022, a new extension agreement was sign and extend the lease to December 2025 and the rent payable by the Group under the lease is RMB105,000 per month. The lease agreement has renewed subsequently for four years ending 31 December 2029 and the rent payable by the Group under the lease is RMB79,000 per month.

43. COMMITMENTS

As at December 31, 2023, 2024 and 2025, the Group did not have any significant contractual commitments.

44. SUBSEQUENT EVENTS

Saved as disclosed in the report, subsequent to the end of the Track Record Period, the final dividend of RMB0.45 per share (inclusive of tax), in aggregate of RMB860,114,000 (excluding the treasury shares), in respect of the year ended December 31, 2025 was approved by shareholders of the Company at the general meeting on April 20, 2026.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to the year ended December 31, 2025.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF CHAOZHOU THREE-CIRCLE (GROUP) CO., LTD.

Introduction

We have reviewed the interim financial information set out on pages [•] to [•], which comprises the condensed consolidated statement of financial position of Chaozhou Three-Circle (Group) Co., Ltd. (潮州三環(集團)股份有限公司) (the "**Company**") and its subsidiaries (together, the "**Group**") as at March 31, 2026 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three-month period then ended, and other explanatory notes (the "**Condensed Consolidated Financial Information**"). The Condensed Consolidated Financial Information has been prepared by the directors of the Company solely for the purpose of inclusion in the document of the Company dated [•] (the "**Document**") in connection with the **[REDACTED]** of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of this Condensed Consolidated Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on the Condensed Consolidated Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "the **HKICPA**"). A review of the Condensed Consolidated Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Financial Information are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other Matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the three months ended March 31, 2025, and related explanatory notes included in this Condensed Consolidated Financial Information, have not been audited or reviewed.

SHINEWING (HK) CPA Limited
Certified Public Accountants
[•]
Practising Certificate Number: [•]

Hong Kong
[Date]

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended March 31, 2026 RMB'000 (Unaudited)	Three months ended March 31, 2025 RMB'000 (Unaudited)
Revenue	3	2,651,339	1,817,602
Cost of sales		(1,555,787)	(1,107,688)
Gross profit		1,095,552	709,914
Other income, gains and losses, net	5	159,940	175,522
Selling and distribution expenses		(22,237)	(21,232)
Administrative expenses		(147,107)	(100,080)
Research and development expenses		(155,810)	(145,692)
(Impairment loss) reversal of impairment loss on financial assets, net		(16,587)	4,277
Finance costs	6	(6,009)	(4,270)
Profit before tax		907,742	618,439
Income tax expense	7	(116,937)	(85,544)
Profit for the period	8	790,805	532,895
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(52,870)	15,645
Other comprehensive (expense) income for the period		(52,870)	15,645
Total comprehensive income for the period		737,935	548,540
Profit (loss) for the period attributable to:			
— Owners of the Company		790,900	532,651
— Non-controlling interests		(95)	244
		790,805	532,895
Total comprehensive income (expense) for the period attributable to:			
— Owners of the Company		738,030	548,296
— Non-controlling interests		(95)	244
		737,935	548,540
Earnings per share			
— Basic and Diluted (RMB)	10	0.41	0.28

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at March 31, 2026	As at December 31, 2025
		RMB'000 (Unaudited)	*RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	6,492,272	6,459,594
Right-of-use assets		391,907	391,548
Investment properties		252,256	255,910
Goodwill		239,491	248,711
Intangible assets		16,916	17,550
Financial assets at FVTOCI	*12*	3,195	3,195
Deferred tax assets		167,705	163,935
Bank deposits	*17*	6,018,628	5,850,994
Other receivables, deposits and prepayments	*15*	40,410	33,129
		13,622,780	13,424,566
Current assets			
Inventories	*13*	2,609,961	2,391,722
Trade receivables	*14*	2,369,574	2,159,448
Other receivables, deposits and prepayments	*15*	656,159	606,346
Tax recoverable		10,632	7,243
Financial assets at FVTOCI	*12*	1,083,098	1,100,474
Financial assets at fair value through profit or loss ("**FVTPL**")	*16*	2,631,457	3,758,512
Restricted bank deposits	*17*	27	17
Bank deposits with maturity over three months	*17*	485,390	772,365
Bank balances and cash	*17*	3,564,395	2,285,396
		13,410,693	13,081,523
Current liabilities			
Trade and other payables	*18*	2,538,443	2,768,574
Contract liabilities		36,741	23,886
Deferred income		156,026	149,399
Tax payables		160,130	144,229
Borrowings	*19*	516,296	539,468
Provisions		—	1,090
Lease liabilities		4,299	3,245
		3,411,935	3,629,891
Net current assets		9,998,758	9,451,632
Total assets less current liabilities		23,621,538	22,876,198

	Notes	As at March 31, 2026	As at December 31, 2025
		RMB'000 (Unaudited)	*RMB'000* (Audited)
Non-current liabilities			
Deferred tax liabilities		287,325	286,860
Deferred income		887,701	882,571
Borrowings	*19*	24,925	24,925
Lease liabilities		20,610	18,800
		1,220,561	1,213,156
Net assets		22,400,977	21,663,042
Capital and reserves			
Share capital	*20*	1,916,497	1,916,497
Reserves		20,480,292	19,742,262
Equity attributable to owners of the Company		22,396,789	21,658,759
Non-controlling interests		4,188	4,283
Total equity		22,400,977	21,663,042

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2026

	Attributable to owners of the Company									
	Share capital	Capital reserve	Shares held for share option scheme	Fair value reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2026 (audited)	1,916,497	6,218,241	(175,441)	2,695	31,317	1,131,138	12,534,312	21,658,759	4,283	21,663,042
Profit (loss) for the period	—	—	—	—	—	—	790,900	790,900	(95)	790,805
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	(52,870)	—	—	(52,870)	—	(52,870)
Total comprehensive income (expense) for the period	—	—	—	—	(52,870)	—	790,900	738,030	(95)	737,935
At March 31, 2026 (unaudited)	1,916,497	6,218,241	(175,441)	2,695	(21,553)	1,131,138	13,325,212	22,396,789	4,188	22,400,977

FOR THE THREE MONTHS ENDED MARCH 31, 2025

	Attributable to owners of the Company								
	Share capital	Capital reserve	Fair value reserve	Translation reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025 (audited)	1,916,497	6,218,241	2,460	(44,501)	1,131,138	10,642,246	19,866,081	5,687	19,871,768
Profit for the period	—	—	—	—	—	532,651	532,651	244	532,895
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	15,645	—	—	15,645	—	15,645
Total comprehensive income for the period	—	—	—	15,645	—	532,651	548,296	244	548,540
At March 31, 2025 (unaudited)	1,916,497	6,218,241	2,460	(28,856)	1,131,138	11,174,897	20,414,377	5,931	20,420,308

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	907,742	618,439
Adjustments for:		
Depreciation of property, plant and equipment	193,063	176,184
Depreciation of right-of-use assets	3,344	3,434
Depreciation of investment properties	3,654	3,673
Amortisation of intangible assets	1,296	825
Finance costs	6,009	4,270
Loss (gain) on disposal of property, plant and equipment	9,827	(1,089)
Changes in fair value of financial assets at FVTPL	(16,290)	(22,028)
Provision (reversal of) for impairment losses on financial assets, net	16,587	(4,277)
Impairment loss of property, plant and equipment	15,737	—
Write-down of inventories	20,491	—
Bank interest income	(47,284)	(41,336)
Subsidies	(14,500)	(13,690)
Government grants	(69,831)	(72,584)
Operating cash flows before movements in working capital	1,029,845	651,821
(Increase) decrease in inventories	(238,730)	9,675
(Increase) decrease in trade receivables	(217,281)	84,583
Decrease (increase) in bill receivables at FVTOCI	18,430	(104,053)
(Increase) decrease in other receivables, deposits and prepayments	(44,391)	6,892
Decrease in trade and other payables	(302,838)	(350,399)
Increase in contract liabilities	12,855	10,284
Decrease in provision	(1,090)	(603)
Increase in restricted bank deposits	(10)	(30)
Receipt of government grants	76,186	48,977
Decrease in the discounted bills	(79,850)	(73,189)
Cash generated from operations	253,126	283,958
Interest received	11,815	7,572
Income taxes paid	(108,256)	(48,941)
NET CASH FROM OPERATING ACTIVITIES	156,685	242,589

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	2,846	1,160
Proceeds from disposal of financial assets at FVTPL	27,622,050	27,160,871
Proceeds from bank deposit	354,810	—
Placement of bank deposit	(200,000)	(151,194)
Proceeds from disposal of investment properties	—	1,679
Purchase of financial assets at FVTPL	(26,485,908)	(25,256,574)
Payment for right of use assets	—	(340)
Purchases of property, plant and equipment	(187,760)	(98,199)
Purchase of intangible assets	(676)	(287)
NET CASH FROM INVESTING ACTIVITIES	1,105,362	1,657,116
FINANCING ACTIVITIES		
New borrowings raised	51,100	—
Interest paid on borrowings	(162)	—
Interest paid on lease liabilities	(269)	(69)
Principal portion of lease payments	(796)	(217)
[REDACTED]	**[REDACTED]**	**[REDACTED]**
NET CASH FROM (USED IN) FINANCING ACTIVITIES	43,969	(286)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,306,016	1,899,419
Cash and cash equivalent at the beginning of the period	2,285,396	1,140,258
Effect of foreign exchange rate changes	(27,017)	3,433
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,564,395	3,043,110

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Chaozhou Three-Circle (Group) Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") as a joint stock company with limited liability. The Company's A shares have been listed on Shenzhen Stock Exchange since December 3, 2014. The addresses of the registered office of the Company and principal places of business of the Company are as stated in the section headed "Corporate Information" of the Document. In the opinion of the directors of the Company, the Company is ultimately controlled by Mr. Zhang Wanzhen (the "**Controlling Shareholders**").

The Company and its subsidiaries are principally engaged in research, development, production and sales of electronic and ceramic materials, electronic components, telecom components and equipment components and other products.

The condensed consolidated financial information for the three months ended March 31, 2026 is presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated financial information for the three months ended March 31, 2026, has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This condensed consolidated financial information does not include all of the information and disclosures required for a full set of financial statements prepared in accordance with IFRS Accounting Standards. Accordingly, this condensed consolidated financial information should be read in conjunction with the Group's consolidated financial statements as set out in the accountant's report (the "**Accountant's Report**") included in Appendix I to the Company's document dated [•].

The accounting policies adopted in the preparation of this condensed consolidated financial information are consistent with those applied in the preparation of the Group's Accountants' Report, except for the adoption of the following amendments to IFRS Accounting Standards for the first time for the current period's financial information.

Amendments to IFRS 9 and IFRS 7	Amendment to the Classification and Measurement of Financial Instruments
Amendments to IFRS 9 and IFRS 7	Contracts referencing Nature-dependent Electricity
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11

The adoption of the amendments to IFRS Accounting Standards has had no significant financial effects on the Group's condensed consolidated financial information.

3. REVENUE

An analysis of the Group's revenue is as follows:

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
Types of goods or services		
Sales of goods		
— Electronic and ceramic materials	702,680	376,595
— Electronic components	1,065,186	558,377
— Telecom components	679,848	583,510
— Equipment components	145,292	148,971
— Other products	58,333	150,149
Revenue from contracts with customers within the scope of IFRS15	2,651,339	1,817,602
Timing of revenue recognized		
— At a point of time	2,651,339	1,817,602

4. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision makers ("**CODM**"), review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in the sales of electronic and ceramic materials, electronic components, telecom components, equipment components and other products. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available.

Geographical information

The Group's major operations and location of non-current assets are mainly in the Chinese Mainland. Information about the Group's revenue from external customers is presented based on location of the goods delivered. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from the external customers, based on the location of the goods delivered, are as follows:

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
Chinese Mainland	2,114,502	1,497,301
Other jurisdictions	536,837	320,301
Total	2,651,339	1,817,602

Non-current assets based on their locations are as follows:

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Chinese Mainland	6,827,492	6,788,304
Germany	398,323	414,900
Others	167,027	170,109
Total	7,392,842	7,373,313

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. OTHER INCOME, GAINS AND LOSSE, NET

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
Exchange (losses) gains, net	(11,792)	1,422
Bank interest income	47,284	41,336
Government grant *(note (i))*	69,831	72,584
Change in fair value of financial assets at FVTPL	16,290	22,028
(Loss) gain on disposal of property, plant and equipment	(9,827)	1,089
Donation	(99)	(201)
Subsidies *(note (ii))*	14,500	13,690
Gain on disposal of wasted material, net	17,515	10,665
Rental income	10,889	7,150
Others	5,349	5,759
	159,940	175,522

(i) The government grants were mainly incentives provided by local government authorities in the PRC for various forms of government financial incentives to reward the Group's acquisition of assets and research and development.

(ii) Subsidies represented value-added tax additional deduction to high and new technology enterprises for the production activities by local government authorities in the PRC.

6. FINANCE COSTS

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
Interest on:		
— Borrowings	5,740	3,980
— Lease liabilities	269	290
Total	6,009	4,270

7. INCOME TAX EXPENSE

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
Current tax		
Charge for the period		
— The PRC	107,653	55,961
— United States	1,894	1,516
— Malaysia	358	345
— South Korea	244	—
— Thailand	9,679	8,408
— Germany	940	4,359
	120,768	70,589
Deferred tax	(3,831)	14,955
Total	116,937	85,544

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

8. PROFIT FOR THE PERIOD

	Three months ended March 31,	
	2026	2025
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Total staff costs	541,936	434,391
Less: capitalised as inventories during the period	260,837	198,661
	281,099	235,730
Cost of inventories (included in cost of sales)	1,505,962	1,077,828
Expense related to rental income	7,845	5,775
Depreciation of property, plant and equipment	193,063	176,184
Depreciation of right-of-use assets	3,344	3,434
Depreciation of investment properties	3,654	3,673
Amortisation of intangible assets	1,296	825
Impairment loss of property, plant and equipment	15,737	—
Write-down of inventories	20,491	—
Provision (Reversal of) for impairment losses on financial assets, net		
— Trade receivables	16,105	(4,269)
— Other receivables	482	(8)
	16,587	(4,277)
[REDACTED]	**[REDACTED]**	**[REDACTED]**

9. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend in respect of the three months ended March 31, 2026.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2025 of RMB0.45 per share (inclusive of tax), in aggregate of RMB860,114,000 (excluding the treasury shares), was approved by shareholders of the Company at the general meeting on April 20, 2026.

10. EARNINGS PER SHARE

(a) The calculations of the basic earnings per share are based on:

	Three months ended March 31,	
	2026	2025
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(RMB'000)*	790,900	532,651
Number of shares		
Weighted average number of ordinary shares in issue *('000)*	1,911,363	1,916,497
Basic earnings per share *(RMB)*	0.41	0.28

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue less ordinary shares held by the Group for share option scheme.

(b) The diluted earnings per share is same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the three months ended March 31, 2025 and 2026.

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2026, the Group purchased property, plant and equipment of RMB266,688,000 (three months ended March 31, 2025: RMB110,707,000).

During the three months ended March 31, 2026, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB12,673,000 (three months ended March 31, 2025: approximately RMB1,750,000) and resulting in a loss on disposal of approximately RMB9,827,000 (three months ended March 31, 2025: gain on disposal of approximately RMB1,089,000).

During the three months ended March 31, 2026, the Group recognised an impairment loss of approximately RMB15,737,000 on certain property, plant and equipment (three months ended March 31, 2025: nil), driven by the the Group's strategic realignment of certain production lines to optimise efficiency.

12. FINANCIAL ASSETS AT FVTOCI

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Unlisted equity instruments	3,195	3,195
Bills receivables	1,083,098	1,100,474
	1,086,293	1,103,669

As at December 31, 2025 and March 31, 2026, all the bills receivables are aged within one year.

13. INVENTORIES

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Raw materials and consumables	512,329	406,824
Work in progress	1,212,449	1,164,704
Finished goods	975,469	889,989
	2,700,247	2,461,517
Accumulated provision	(90,286)	(69,795)
	2,609,961	2,391,722

14. TRADE RECEIVABLES

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Trade receivables	2,500,511	2,274,719
Less: Allowance for impairment losses	(130,937)	(115,271)
	2,369,574	2,159,448

The Group generally allows credit period ranging from 30 to 120 days. The Group do not hold any collateral or other credit enhancements over its trade receivable balances.

The following is an ageing analysis of trade receivables, net of allowance for impairment losses, presented based on the date of revenue recognition:

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Within three months	2,107,271	1,841,214
3-6 months	204,180	241,248
6-12 months	57,320	75,874
Over one year	803	1,112
	2,369,574	2,159,448

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the three months ended March 31, 2026.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

	Weighted average expected loss rates	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
As at March 31, 2026			
Within three months	5.20%	2,222,804	115,533
3−6 months	5.00%	214,926	10,746
6−12 months	5.00%	60,337	3,017
Over one year	67.14%	2,444	1,641
		2,500,511	130,937
As at December 31, 2025			
Within three months	5.00%	1,938,120	96,906
3−6 months	5.00%	253,945	12,697
6−12 months	5.45%	80,247	4,373
Over one year	53.80%	2,407	1,295
		2,274,719	115,271

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Prepayments to suppliers	98,986	75,510
Prepayment to acquisition of property, plant and equipment	40,410	33,129
Deposits	10,503	12,237
Advance to staffs	80	127
Prepaid tax expense	515,809	502,196
Prepayment for **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	15,896	6,484
	697,442	639,884
Less: Allowance for impairment losses	(873)	(409)
	696,569	639,475
Analysed for reporting purposes as:		
— Non-current assets	40,410	33,129
— Current assets	656,159	606,346
	696,569	639,475

16. FINANCIAL ASSETS AT FVTPL

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Wealth management products	484,500	660,200
Structured deposits	2,146,957	3,098,312
	2,631,457	3,758,512

The financial assets at FVTPL are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

17. BANK DEPOSITED AND BANK BALANCES AND CASH

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Bank balance and cash	10,068,440	8,908,772
Less:		
— Restricted bank deposits	27	17
— Bank deposits.	6,504,018	6,623,359
	3,564,395	2,285,396

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Bank deposits		
— Non-current	6,018,628	5,850,994
— Current	485,390	772,365
	6,504,018	6,623,359

18. TRADE AND OTHER PAYABLES

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Trade payables	790,264	808,797
Bills payable	1,381,906	1,374,674
Deposits	110,426	94,928
Payroll and welfare payables	174,175	395,647
Other tax payable	54,487	69,587
Other payable	27,185	24,941
	2,538,443	2,768,574

The trade payables are non-interest bearing and are normally settled ranged from 0 days to 90 days. The fair value of trade payables approximates to their carrying amount.

The bills payables are non-interest bearing and are normally settled within 1 year.

The following is an ageing analysis of trade payables presented based on the date of service provided and date of goods acceptance at the end of the reporting period.

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Within one year	653,017	708,936
1−2 years	89,844	75,559
2−3 years	44,364	21,193
3−4 years	1,877	1,923
4−5 years	—	6
Over 5 years	1,162	1,180
	790,264	808,797

19. BORROWINGS

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Discount bills	167,678	295,094
Unsecured borrowings	373,543	269,299
	541,221	564,393
Analysed for reporting purposes as:		
— Non-current	24,925	24,925
— Current	516,296	539,468
	541,221	564,393

As at March 31, 2026, discounted bills carried fixed interest from 0.84% to 1.70% per annum (December 31, 2025: 0.12% to 2.00%).

As at March 31, 2026, unsecured borrowing carried fixed interest from 1.02% to 1.80% per annum (December 31, 2025: 1.00% to 1.80%).

During the three months ended March 31, 2026, the Group obtained new bank borrowings (exclude discounted bills) in amount of approximately RMB51,100,000 (three months ended March 31, 2025: nil). There is no material repayment of bank borrowings during the three months ended March 31, 2026 (three months ended March 31, 2025: nil).

As at March 31, 2026, the repayment terms of discounted bills are all repayable within one year (December 31, 2025: repayable within one year).

Based on the scheduled repayment terms set out in the loan agreements, the maturity of borrowings (exclude discounted bills) would be as follows:

	As at March 31, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
Within one year	348,618	244,374
After 1 year but within 2 years	50	50
After 2 years but within 5 years	24,875	24,875
	373,543	269,299

As at March 31, 2026, the unsecured borrowings of approximately RMB24,975,000 (December 31, 2025: RMB24,975,000) are repayable on or before May 2028 and carry at fixed interest rate of 1.8% (December 31, 2025: 1.8%). As stated in agreement, the Group is required to repay approximately RMB25,000 for every six months. The remaining principal and accrued interest are repaid on May 2028.

20. SHARE CAPTIAL

	As at March 31, 2026	As at December 31, 2025
	RMB'000 (Unaudited)	*RMB'000* (Audited)
A shares of RMB1 each		
As at January 1, 2025, December 31, 2025, January 1, 2026 and March 31, 2026	1,916,497	1,916,497

As at March 31, 2026, the Company had treasury share of 5,133,800 shares (December 31, 2025: 5,133,800 shares).

21. FAIR VALUE OF FINANCIAL ASSETS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial instruments	Fair values as at March 31, 2026	Fair values as at December 31, 2025	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
	RMB'000 (Unaudited)	*RMB'000* (Audited)					
Financial assets at FVTOCI							
– Unlisted investments.	3,195	3,195	Level 3	Asset-based approach adjusted by market ability discount	Marketability discount	March 31, 2026: 26.84% (December 31, 2025: 26.84%)	The lower the marketability discount, the higher the fair value
– Bills receivables	1,083,098	1,100,474	Level 2	Discount cash flow	N/A	N/A	N/A
Financial assets at FVTPL							
– Wealth management products . .	484,500	660,200	Level 1	Quoted price from open market	N/A	N/A	N/A
– Structured deposits	2,146,957	3,098,312	Level 2	Discount cash flow	N/A	N/A	N/A

The fair value measurement hierarchy of the investment on unlisted investments included in financial assets at FVTOCI of the Group requires significant unobservable inputs (Level 3). The significant unobservable input used in the fair value measurement is the marketability discount. As at March 31, 2026, it's estimated that with all other variables held constant, a decrease/(an increase) in the estimated discount rate by 1% would result in an increase /(a decrease) in the fair value of the financial assets at FVTOCI by RMB32,000 (December 31, 2025: RMB32,000).

22. RELATED PARTY TRANSACTIONS

As at March 31, 2026, the Group had a lease of certain properties from Sageon Investment Co., Ltd., immediate holding company of the Company and the carrying amount of lease liabilities is RMB3,533,000. The lease contract will be matured until December 31, 2029 and the rent payable by the Group under the lease is RMB79,000 per month.

23. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have occurred subsequent to March 31, 2026.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SHARES

Issuance of Shares

The Shares of the Company shall take the form of share certificates.

The Shares of the Company shall be issued in an open, fair and equal manner, and each share of the same class ranks *pari passu* with each other.

Shares of a class in each issuance shall be issued under the same terms and at the same price. Shares shall be subscribed for at the same price by any subscriber.

Share certificates issued by the Company are denominated in Renminbi, with a nominal value of RMB1 each.

The H Shares issued by the Company shall be primarily deposited in the custodian company under the Hong Kong Securities Clearing Company Limited in accordance with the laws, the securities regulatory rules and the practices of securities registration and depository of the place where the Shares of the Company are listed, or may also be held by shareholders in their own names.

INCREASE, DECREASE AND REPURCHASE OF SHARES

Based on its operating and development needs, the Company may, pursuant to the laws, regulations, the securities regulatory rules of the place where the Company's Shares are listed, and with the approval by resolution at the shareholders' meeting, adopt the following methods to increase its capital:

(I) issuance of Shares to unspecified parties;

(II) issuance of Shares to specific parties;

(III) distributing bonus Shares to existing shareholders;

(IV) converting the reserve funds into additional share capital;

(V) other methods prescribed by laws, administrative regulations, the CSRC and the securities regulatory rules of the place where the Company's Shares are listed.

The Company may decrease its registered capital. The reduction of registered capital shall comply with the Company Law, the securities regulatory rules of the place where the Shares of the Company are listed and other relevant regulations, as well as the procedures stipulated in the Articles of Association.

In any of the following circumstances, the Company may, subject to the laws, administrative regulations, departmental rules and the Articles of Association, repurchase its own Shares:

(I) reducing the registered capital of the Company;

(II) merging with other companies holding Shares of the Company;

(III) using Shares for employee stock ownership plans or as equity incentives;

(IV) any requests for the Company to repurchase Shares from the shareholders who voted against the resolutions adopted at a shareholders' meeting on the merger or division of the Company;

(V) using Shares for conversion of corporate bonds issued by the Company, which are convertible into Shares;

(VI) as the Company considers necessary to safeguard the Company's value and shareholders' rights and interests.

The Company shall not engage in activities of trading in its Shares except in the circumstances described above.

Where the Company repurchase its own Shares, the acquisition shall be conducted through public centralized bidding, or other methods recognized by laws, regulations, the CSRC, and the relevant regulatory authorities of the place where the Company's Shares are listed.

Where the Company acquires its own Shares for the reasons as mentioned in items (III), (V) or (VI) above, it shall be conducted by way of public and centralized transactions.

Where the Company acquires its own Shares under circumstances as mentioned in items (I) and (II) above, it shall be subject to approval at the general meeting. Where the Company acquires its own Shares under circumstances as mentioned in items (III), (V) and (VI) above, it shall, subject to compliance with the securities regulatory rules of the place where the Shares of the Company are listed, be resolved by a Board meeting at which more than two-thirds of Directors are present according to the provisions of the Articles of Association or the authorization of the shareholders' meeting.

Subject to compliance with the securities regulatory rules of the place where the Shares of the Company are listed, if the Company acquires its own Shares in accordance with the above provisions, the Shares acquired under the circumstance of item (I) shall be cancelled within ten days from the date of acquisition; the Shares acquired under the circumstances of items (II) and (IV) shall be transferred or cancelled within six months; the aggregate number of Shares held by the Company shall not exceed 10% of the total issued Shares of the Company, and shall be transferred or cancelled within three years in the circumstances set out in items (III), (V) and (VI).

Where the Company acquires its own Shares, it shall fulfill its information disclosure obligations in accordance with the Securities Law and the securities regulatory rules of the place where the Shares of the Company are listed.

TRANSFER OF SHARES

Shares of the Company shall be transferred in accordance with the laws, regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the provisions of the Articles of Association. All H Shares shall be transferred by way of written

transfer instrument in standard or general form, or any other format acceptable to the Board of Directors (including the standard transfer format or form of transfer as prescribed from time to time by the Hong Kong Stock Exchange); and such transfer document may be signed only by hand or by the valid seal of the company (where the transferor or transferee is a company). In the event that the transferor or transferee is a recognized clearing house ("**Recognized Clearing House**") as defined under the relevant ordinances in effect from time to time in the laws of Hong Kong or its agent, the transfer document may be signed by hand or in a machine-printed form. All the transfer instruments shall be kept at the legal address of the Company or an address designated by the Board of Directors from time to time.

The Company shall not accept its Shares as security under a pledge.

The A Shares issued prior to the public issue by the Company shall not be transferred within one year from the date when the A Shares of the Company are listed and traded at the stock exchange.

Directors and senior management of the Company shall report to the Company their shareholdings in the Company and the respective changes. During his/her term of office determined upon appointment, no Shares exceeding 25% of his/her total shareholding in the Company shall be transferred each year, except for changes in shares caused by judicial enforcement, inheritance, bequest, lawful division of property, etc.; and no transfer of Shares held by him/her shall be allowed within one year from the date when the Shares of the Company are listed and traded. The aforesaid personnel shall not transfer the Shares of the Company held by him/her within half a year after leaving his/her office.

Any gains from the sale of the Company's Shares or other securities with equity nature by Directors, senior management, and shareholders holding more than 5% of the Shares of the Company, within six months after their purchase of the same, and any gains from the purchase of the Shares or other securities with equity nature by any of the aforesaid parties within six months after their sale of the same, shall belong to the Company and the Company's Board of Directors shall recover such gains, except for the circumstance that a securities company holds more than 5% of the Company's Shares as a result of purchase of the unsold underwritten Shares and other circumstances stipulated by the securities regulatory rules of the place where the Company's Shares are listed.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

General Provisions for Shareholders

The Company shall establish its register of members in accordance with the certificates issued by the securities registration and clearing agency of the place where the Company's Shares are listed. The register of members shall be sufficient evidence of the shareholders' shareholding in the Company. The original register of members of H shares listed in Hong Kong shall be kept in Hong Kong. However, the Company may suspend registration of shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed. Shareholder shall enjoy rights and assume obligations according to the class of shares held by them; shareholders who hold Shares of the same class shall enjoy the equal rights and assume the equal obligations.

When the Company convenes a shareholders' meeting, distributes dividends, commences liquidation and participates in other activities which require the verification of the identities of shareholders, the Board of Directors or the convener of the shareholders' meeting shall decide the date of record. The shareholders whose names are registered on the register of members at the close of trading on the date of record shall be entitled to the relevant rights.

The shareholders of the Company shall be entitled to the following rights:

(I) the right to dividends and other distributions in proportion to the number of Shares held;

(II) the right to lawfully request to convene, preside over, attend or appoint a proxy to attend shareholders' meeting and to speak and exercise the relevant voting right at shareholders' meeting, unless required by the securities regulatory rules of the place where the Company's Shares are listed to abstain from voting on individual matters;

(III) the right to supervise the operations of the Company and to put forward proposals and raise inquiries;

(IV) the right to transfer, donate or pledge Shares held by them in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and provisions of the Articles of Association;

(V) to inspect and copy the Articles of Association, register of members, minutes of shareholders' meeting, resolutions of meetings of the Board of Directors and financial accounting reports; shareholders who are in compliance with the provisions may inspect the Company's accounting books and accounting evidence;

(VI) in the event of termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in proportion to the number of Shares held;

(VII) with respect to shareholders who voted against any resolution adopted at the shareholders' meeting on the merger or division of the Company, to request the Company to repurchase the Shares held by them;

(VIII) other rights prescribed by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed, or the Articles of Association.

The shareholders of the Company shall be obliged to:

(I) comply with laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the Articles of Association;

(II) contribute to the share capital according to the number of Shares subscribed and the method of subscription;

(III) not to withdraw its share capital, except for the circumstances stipulated by laws and regulations;

(IV) not to abuse its rights as a shareholder against the interests of the Company or other shareholders;

(V) not to abuse the legal personality of the Company and the limited liability of shareholders against the interests of creditors;

(VI) other obligations in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the Articles of Association.

The Controlling Shareholders and Actual Controllers

The Controlling Shareholders and actual controllers of the Company shall exercise rights and perform obligations and safeguard the interests of the listed company in accordance with the laws, administrative regulations, and requirements of the securities regulator where the Company's Shares are listed.

General Provisions of Shareholders' Meetings

The shareholders' meeting is the organ of the authority of the Company, which exercises the following functions and powers in accordance with laws:

(I) to elect and replace Directors who are not representatives of the employees and decide on matters concerning Directors' remuneration;

(II) to consider and approve reports of the Board;

(III) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(IV) to make resolutions on the increase or decrease of the registered capital of the Company;

(V) to make resolutions on the issuance of corporate bonds;

(VI) to make resolutions on matters such as the merger, division, dissolution, liquidation, or change of corporate form of the Company;

(VII) to amend the Articles of Association;

(VIII) to make resolutions on the appointment and dismissal of an accounting firm engaged in the audit work of the Company;

(IX) to consider and approve the guarantees under the Articles of Association;

(X) to consider matters relating to the purchases and disposals of material assets, which exceed 30% of the latest audited total assets of the Company, within one year;

(XI) to consider and approve any change of the use of proceeds raised;

(XII) to consider equity incentive plans and employee stock ownership plans;

(XIII) to consider such other matters which shall be resolved at the shareholders' meeting as required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The shareholders' meeting may authorize the Board of Directors to make resolutions on the issuance of corporate bonds.

The following external guarantees by the Company are subject to the consideration and approval of the shareholders' meeting:

(I) a single guarantee of an amount in excess of 10% of the Company's latest audited net assets;

(II) any guarantee provided after the total amount of external guarantees provided by the Company and its controlled subsidiary(ies) exceeds 50% of the Company's latest audited net assets;

(III) a guarantee provided to a party which has an asset-liability ratio in excess of 70%;

(IV) the amount of guarantee provided by the Company exceeds 50% of the latest audited net assets of the Company within twelve consecutive months and the absolute amount exceeds RMB50 million;

(V) any guarantee provided after the total amount of external guarantees provided by the Company exceeds 30% of the Company's latest audited total assets;

(VI) a guarantee provided by the Company to others within one year which exceeds 30% of the Company's latest audited total assets;

(VII) any guarantee provided to the shareholders, the actual controllers and their related parties;

(VIII) other circumstances stipulated by laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Shares of the Company are listed or the Articles of Association.

When considering the guarantee in item (VI) of the preceding paragraph, it shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting.

In any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date of occurrence:

(I) when the number of directors is less than the number prescribed in the Company Law or two-thirds of the number prescribed in the Articles of Association;

(II) when the Company's unrecovered losses amount to one-third of the total paid-in share capital;

(III) when any shareholder(s) holding individually or collectively 10% or more of the Company's Shares request(s) for the convening of an extraordinary general meeting;

(IV) when deemed necessary by the Board of Directors;

(V) when proposed by the Audit Committee;

(VI) Other circumstances stipulated by laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Shares of the Company are listed or the Articles of Association.

The Company shall convene a shareholders' meeting at its domicile or other place as specified in the notice of the meeting. A meeting venue shall be set up and the shareholders' meeting shall be convened by way of on-site meeting. The Company will also provide convenient voting methods via internet, telephone, video, fax, email and other communication channels in accordance with the securities regulatory rules of the place where the Shares of the Company are listed, and the specific ways and requirements shall be subject to the provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association.

In addition to being held on-site at a venue, the shareholders' meeting may also be held simultaneously by means of electronic communication.

Convening of Shareholders' Meeting

The Board of Directors shall convene the shareholders' meeting in a timely manner within the prescribed time limit.

With the approval by a majority of all independent Directors, an independent Director has the right to propose to the Board to convene an extraordinary general meeting. In respect to the proposal by the independent Director for convening an extraordinary general meeting, the Board shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association, furnish a written reply stating its agreement or disagreement to such proposal for convening an extraordinary general meeting within 10 days upon receipt of such proposal. Where the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be given within 5 days after the Board resolution is passed; if the Board of Directors disagrees to convene an extraordinary general meeting, it shall state the reasons and make an announcement.

The Audit Committee has the right to propose to the Board in writing to convene an extraordinary general meeting. The Board shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association, furnish a written reply stating its agreement or disagreement to such proposal for convening an extraordinary general meeting within 10 days upon receipt of such proposal. In the event that the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be given within 5 days after the relevant Board resolution is passed and consent of the Audit Committee shall be obtained in case of any changes to the original proposal in the notice. In the event that the Board disagrees to convene an extraordinary general meeting or does not furnish any reply within 10 days upon receipt of such proposal, the Board is deemed to be unable or to have failed to perform the duty of convening a shareholders' meeting, in which case the Audit Committee may convene and preside over such meeting by itself.

Any shareholders individually or jointly holding 10% or more of the Shares of the Company have the right to request in writing the Board to convene an extraordinary general meeting. The Board shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association, furnish a written reply to such shareholders stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days upon receipt of such requisition. In the event that the Board agrees to convene an extraordinary general meeting, a notice for convening such a meeting shall be given within 5 days after the relevant Board resolution is passed and consent of the relevant shareholders shall be obtained in case of any changes to the original requisition in the notice. In the event that the Board disagrees to convene an extraordinary general meeting or does not furnish any reply within 10 days upon receipt of such requisition, shareholder(s) individually or jointly holding 10% or more of the Shares of the Company shall have the right to make a request in writing when proposing to the Audit Committee to convene the extraordinary general meeting. In the event that the Audit Committee agrees to convene an extraordinary general meeting, a notice for convening such a meeting shall be given within 5 days upon receipt of such requisition and consent of the relevant shareholders shall be obtained in case of any changes to the original proposal in the notice. In the event that the Audit Committee fails to issue any notice of a shareholders' meeting within the prescribed period, the Audit Committee is deemed not to convene and preside over such meeting, in which case the shareholder(s) individually or jointly holding 10% or more of the Shares of the Company for over 90 consecutive days may convene and preside over such a meeting in person.

Proposals and Notices of Shareholders' Meeting

When the Company convenes a shareholders' meeting, the Board, the Audit Committee, and shareholders individually or jointly holding 1% or more of the Shares of the Company shall have the right to put forward proposals to the Company.

Shareholder(s) individually or jointly holding 1% or more of the Shares of the Company may submit written provisional proposals to the convener 10 days before the shareholders' meeting is convened. The convener shall issue a supplementary notice of the shareholders' meeting within 2 days after receiving the proposal, announcing the content of the provisional proposal, and submit the provisional proposals to the shareholders' meeting for consideration. However, provisional proposals that violate laws, administrative regulations, or the Articles of Association, or that do not fall within the terms of reference of the shareholders' meeting, shall be excluded. If,

according to the securities regulatory rules of the place where the Company's Shares are listed, the shareholders' meeting must be postponed due to the issuance of a supplementary notice, the meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's Shares are listed.

Save as specified in the aforementioned provisions, the convener shall not change the proposals set out in the notice of the shareholders' meeting or add any new proposal after the shareholders' meeting notice is issued.

The shareholders' meeting shall not vote or make resolutions on proposals not listed in the shareholders' meeting notice or proposals that do not satisfy the provisions prescribed in the Articles of Association.

The convener shall notify the shareholders in writing (including by announcement) at least 21 days prior to the convening of the annual general meetings, or at least 15 days prior to the convening of the extraordinary general meetings.

A notice of the shareholders' meeting shall include:

(I) the time, venue, and duration of the meeting;

(II) the matters and proposals to be put forward for consideration at the meeting;

(III) a conspicuous statement that all shareholders of ordinary shares are entitled to attend the shareholders' meeting, and the shareholders may appoint proxy(ies) in writing to attend and vote at the shareholders' meeting, and that such proxy(ies) need not be a shareholder(s) of the Company;

(IV) the date of record for determining the shareholders who are entitled to attend the shareholders' meeting;

(V) names and telephone numbers of the standing contact persons who handle the meeting affairs;

(VI) the time and procedure of voting via the internet or any other manner;

(VII) Other content required to be included in notices as stipulated by relevant laws, regulations, rules, normative documents, securities regulatory rules of the place where the Shares of the Company are listed, and the Articles of Association.

After the notice of the shareholders' meeting is issued, the shareholders' meeting shall not be adjourned or cancelled without a proper reason, and the proposals stated in the notice of the shareholders' meeting shall not be cancelled. In the case of any adjournment or cancellation of the meeting, the convener shall make a public announcement stating the reasons therefor at least 2 business days prior to the date originally scheduled for convening the meeting. Where the securities regulatory rules of the place where the Shares of the Company are listed provide otherwise in respect of the procedures for adjournment or cancellation of a shareholders' meeting, such provisions shall prevail, provided that they do not contravene the regulatory requirements of Chinese Mainland.

Holding of Shareholders' Meeting

All shareholders registered on the record date or their proxies shall be entitled to attend the shareholders' meeting. They have the right to speak and exercise voting rights at the meeting in accordance with relevant laws, regulations, the securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association (unless individual shareholders are required to abstain from voting on certain matters under the securities regulatory rules of the place where the Shares of the Company are listed). Shareholders may attend the shareholders' meeting in person or appoint a proxy to attend and vote on their behalf.

The shareholders' meeting shall be presided over by the chairman of the Board of Directors. Where the chairman of the Board of Directors is unable to perform or fails to perform his/her duties, the meeting shall be presided over by the vice chairman; if the vice chairman is unable to perform or fails to perform his/her duties, more than half of the Directors shall jointly elect a Director to preside over such meeting.

A shareholders' meeting convened by the Audit Committee shall be presided over by the convener of the Audit Committee. Where the convener of the Audit Committee is unable to perform or fails to perform his/her duties, more than half of the members of the Audit Committee shall jointly elect a member of the Audit Committee to preside over such meeting.

The Company shall establish rules of procedure for the shareholders' meeting, which shall detail the procedures for convening and voting at the shareholders' meeting, including notification, registration, review of proposals, voting, counting of votes, announcement of voting results, formation of resolutions, record-keeping and signing, and announcement. The rules shall also specify the principles and specific content of the authorization granted by the shareholders' meeting to the Board of Directors.

Voting and Resolutions at Shareholders' Meeting

The resolutions of the shareholders' meeting shall be classified as ordinary resolutions and special resolutions. Ordinary resolutions adopted by the shareholders' meeting shall be passed by more than one half of the voting rights held by shareholders (including their proxies) attending the shareholders' meeting. Special resolutions adopted by the shareholders' meeting shall be passed by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the shareholders' meeting.

The following matters shall be approved by the shareholders' meeting through ordinary resolutions:

(I) work reports of the Board of Directors;

(II) profit distribution plans and loss recovery plans drafted by the Board of Directors;

(III) appointment or dismissal of the members of the Board of Directors, their remunerations and the payment method;

(IV) other matters other than those approved by special resolution stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed, or the Articles of Association.

The following resolutions shall be adopted as special resolutions at a shareholders' meeting:

(I) increase or reduction of registered capital of the Company;

(II) division, merger, dissolution, liquidation of the Company;

(III) amendments to the Articles of Association;

(IV) the major assets purchased or sold by the Company or the amount of guarantee provided to others within one year exceeding 30% of the Company's latest audited total assets;

(V) equity incentive plans;

(VI) other matters through an ordinary resolution of the shareholders' meeting pursuant to the laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, or the Articles of Association which are determined to materially affect the Company and need to be approved by a special resolution.

DIRECTORS AND BOARD OF DIRECTORS

General Provisions on Directors

The Directors of the Company shall be natural persons, and a person shall not serve as a Director of the Company if he/she falls under any of the following circumstances:

(I) a person who has no civil capacity or has limited civil capacity;

(II) a person who has been imposed a penalty for the offense of corruption, bribery, embezzlement, larceny, disrupting the socialist economic order or has been deprived of political rights because of this conviction, where less than five years have elapsed since the expiry date of the sentence; in the case of probation, less than two years have elapsed since the expiry date of the probationary period;

(III) a person who is a director, factory manager or general manager of a company or enterprise that is bankrupt and liquidated, was personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of bankruptcy and liquidation of such company or enterprise;

(IV) a person who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, where less than three years have elapsed since the date on which the business license of such company or enterprise was revoked or the date of such closure;

(V) a person listed by the people's court as a dishonest judgment debtor, who has a relatively large sum of debt, which was not paid at maturity;

(VI) a person who is prohibited by the CSRC from entering into the securities market, where the prohibition period has not expired;

(VII) a person who is publicly identified by the stock exchange as unfit to serve as a director or senior management of a listed company, where the identification period has not expired;

(VIII) any other person who is otherwise not eligible under laws, administrative regulations or departmental rules, or the securities regulatory rules of the place where the Company's Shares are listed.

Where any Director is elected or appointed in violation of the provisions above, the said election, appointment or engagement shall be invalid. Where any Director falls under any of the circumstances above during his/her term of office, the Company shall remove him/her as a Director and suspend him/her from performing his/her duties.

Non-employee representative Directors shall be elected or changed by the shareholders' meeting, and can be removed before maturity of the term of office by the shareholders' meeting. The Directors shall have a term of three years and may be re-elected upon the expiration of the term of office. Prior to the maturity of his/her term, a Director shall not be removed without reason from his/her office by a shareholders' meeting. If the securities regulatory rules of the place where the Company's Shares are listed have other provisions regarding the re-election of directors, such provisions shall prevail.

The employee representative Directors shall be elected or changed by employees of the Company at the employee representatives' meeting, the employee meeting or by other democratic means. The Directors shall have a term of three years and may be re-elected upon the expiration of the term of office.

The term of office of a Director shall commence on the date when he/she takes up the position until the expiry of the current term of the Board of Directors. If new Directors fail to be elected in a timely manner upon expiry of the term of Directors, the original Directors shall continue to perform the duty of Directors in accordance with laws, administrative regulations, department rules and the Articles of Association before the newly elected Directors take up the position.

The senior management members may hold the position of Director concurrently, but the aggregate number of directors who hold the position of senior management member concurrently and hold the position of employee representative shall not exceed half of the total number of directors of the Company.

Directors may resign before the expiration of their term. Resignation of a Director shall be submitted to the Company in writing. The Board of Directors shall disclose the relevant circumstances within two trading days. Where the number of members of the Board of Directors falls below the quorum due to the resignation of any director, the resignation of an employee representative Director results in the absence of any employee representative Director on the

Board of Directors, the proportion of independent directors in the Board of Directors or its special committees does not meet the requirements of the laws and regulations as well as securities regulatory rules of the places where the Company's Shares are listed or the Articles of Association as a result of resignation of any independent director, or absence of accounting professionals in the independent directors, the resignation report shall not take effect until the successor Director or independent Director fills the vacancy arising from his/her resignation. Prior to the effectiveness of a resignation report, the outgoing directors shall continue to perform their duties in accordance with laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's Shares are listed, and the Articles of Association. Except for the circumstances listed above, the resignation of a Director shall take effect upon the delivery of the resignation report to the Board of Directors.

Board of Directors

The Company shall establish a Board of Directors, which shall consist of 7 Directors, including 1 chairman and 1 deputy chairman. The Board of Directors shall comprise executive directors, non-executive directors, and independent directors. Among them, there shall be no less than 3 independent directors, representing no less than one-third of the total number of Board members (and shall include at least one Director possessing appropriate professional qualifications as required by the Hong Kong Listing Rules or possessing appropriate accounting or related financial management expertise. All independent directors shall meet the independence requirements stipulated in the Hong Kong Listing Rules), and one employee representative director. The chairman and vice chairman shall be elected by the Board of Directors with the approval of a majority of all directors. For the relevant contents stipulated in this provision, if the securities regulatory rules of the place where the Company's Shares are listed have other provisions, it shall also comply with the relevant provisions.

The Board of Directors shall exercise the following functions and powers:

(I) to convene shareholders' meeting, and submit work reports to shareholders' meeting;

(II) to implement resolutions of shareholders' meeting;

(III) to determine business and investment plans of the Company;

(IV) to formulate profit distribution plans and loss recovery plans of the Company;

(V) to formulate proposals for the increase and reduction of registered capital, issuance of bonds or other securities, and the listing of the Company;

(VI) to formulate proposals for material acquisitions, purchase of Shares of the Company, or merger, division, dissolution and change of the corporate form of the Company;

(VII) to decide, within the scope of the authorization of the shareholders' meeting, the Company's external investment, acquisition and sale of assets, asset mortgage, external guarantees, entrusted wealth management, related transactions, external donations and other matters;

(VIII) to make decisions on the establishment of internal management bodies of the Company;

(IX) to appoint or dismiss the general manager, and secretary to the Board of Directors, and decide on their remuneration and matters relating to awards and penalty, and based on the general manager's nominations to appoint or dismiss the deputy general manager, the chief financial officer or other senior management members of the Company and decide on their remuneration and matters relating to awards and penalty;

(X) to formulate the basic management systems of the Company;

(XI) to formulate proposals for any amendments to the Articles of Association;

(XII) to manage the information disclosure of the Company;

(XIII) to propose at shareholders' meeting for the appointment or change of the accounting firms responsible for the auditing for the Company;

(XIV) to hear the work reports of the general manager and inspect the work of the general manager of the Company; and

(XV) other powers conferred by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed, the Articles of Association and the shareholders' meeting.

Matters beyond the scope of such authorization shall be submitted to the shareholders' meeting for consideration.

The Board of Directors shall convene at least four regular meetings per year, called by the chairman, and all directors shall be notified in writing 14 days prior to the meeting. Shareholders representing more than one-tenth of the voting rights, more than one-third of the directors, or the audit committee may propose to convene an extraordinary meeting of the Board of Directors. The chairman shall convene and preside over the Board of Directors meeting within 10 days after receiving the proposal. The Board of Directors shall notify all Directors in writing 3 days prior to the convening of the extraordinary meeting. With the unanimous written consent of all directors of the Company, the notice period stipulated in the preceding paragraph may be waived.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present. Unless otherwise provided by laws, administrative regulations, departmental rules, or the Articles of Association, any resolutions of the Board of Directors must be subject to adoption by a majority of all Directors.

For guarantee and financial assistance matters within the authority of the Board of Directors, they should be agreed upon by more than two-thirds of the directors attending the Board meeting.

A Director shall have one vote when voting on a resolution of the Board of Directors.

Independent Directors

The independent Directors shall perform their duties conscientiously in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Shares of the Company are listed, and the provisions of the Articles of Association, play a role in decision-making, supervision, check and balance, and professional consultation in the Board of Directors, so as to safeguard the overall interests of the Company and protect the legitimate interests of the minority shareholders.

The proportion of independent directors on the members of the Company's Board of Directors shall be no less than one-third and shall comply with the requirements of the securities regulatory rules of the place where the Company's Shares are listed.

The following matters shall be submitted to the Board for deliberation after being approved by more than half of all independent Directors of the Company:

(I) related transactions that shall be disclosed;

(II) programs for change or waiver of commitments by the Company and relevant parties;

(III) decisions made and measures taken by the Board of Directors of a listed company acquired in response to acquisition;

(IV) other matters prescribed by laws, administrative regulations, the securities regulatory rules of the place where the Shares of the Company are listed, and the Articles of Association.

Special Committees of the Board of Directors

The Board of Directors of the Company shall establish an Audit Committee to exercise the functions and powers of the board of supervisors as stipulated by the Company Law and functions and powers as specified in the securities regulatory rules of the place where the Shares of the Company are listed.

The Audit Committee shall be composed of no less than three non-executive Directors not serving as senior management of the Company, among whom independent Directors shall constitute the majority, with the convener (chairperson) being an accounting professional among the independent Directors.

The Audit Committee is responsible for the review of the Company's financial information and its disclosure, supervision and evaluation of internal and external audit as well as internal control. The following matters shall be submitted to the Board of Directors for consideration, subject to the approval of the majority of all members of the Audit Committee:

(I) disclosure of financial information and internal control evaluation report in financial and accounting reports and periodic reports;

(II) engagement or dismissal of the accounting firm in charge of the audit matters of the Company;

(III) engagement or dismissal of the chief financial officer of the Company;

(IV) changes to accounting policies, accounting estimates or correction of major accounting errors for reasons other than changes in accounting standards;

(V) other matters prescribed by laws, administrative regulations, securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association.

The Audit Committee shall convene at least one meeting every quarter. An extraordinary meeting may be convened upon the proposal of two or more members, or when the convener deems it necessary. A meeting of the Audit Committee shall only be held with the attendance of more than two-thirds of the members.

The resolution proposed by the Audit Committee shall be passed by more than half of the members of the Audit Committee. The voting on the resolution of the Audit Committee shall be on a one-person-one-vote basis.

The Audit Committee shall prepare meeting minutes for its resolutions in accordance with the regulations, and the members of the Audit Committee attending the meeting shall sign on the meeting minutes.

The working procedures of the Audit Committee shall be formulated by the Board of Directors.

The Board of Directors of the Company shall establish the Strategy Committee, Nomination Committee, Remuneration and Assessment Committee and other special committees to perform their duties in accordance with the Articles of Association and the authorization by the Board of Directors. Proposals by special committees shall be submitted to the Board of Directors for consideration and decision. The working regulations for special committees shall be formulated by the Board of Directors.

Senior Management

The Company shall have one general manager who shall be appointed or dismissed by the Board.

The Company shall have several deputy general managers who shall be appointed or dismissed by the Board.

The tenure of office for the general manager shall be three years and is renewable upon reappointment.

The general manager is accountable to the Board of Directors and exercises the following functions and powers:

(I) to be in charge of the production, operation and management of the Company, to organize and implement the resolutions of the Board of Directors, and to report to the Board of Directors;

(II) to organize the implementation of the Company's annual business plans and investment plans;

(III) to formulate plans for the establishment of the Company's internal management institutions;

(IV) to formulate the Company's basic management systems;

(V) to formulate the rules and regulations of the Company;

(VI) to propose to the Board of Directors the appointment or dismissal of the deputy general manager and chief financial officer of the Company;

(VII) to decide on the appointment or dismissal of the management officers other than those required to be appointed or dismissed by the Board of Directors;

(VIII) other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager may attend meetings of the Board of Directors.

Secretary to the Board of Directors

The Company shall have a Secretary of the Board, who shall be responsible for preparing shareholders' meetings and Board meetings, maintaining relevant documents, managing shareholder information of the Company, handling information disclosure matters, and other related affairs. The secretary to the Board of Directors shall abide by the relevant provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDITING

Financial and Accounting Systems

The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the provisions stipulated by the relevant national authorities.

Within four months from the date of the expiration of each fiscal year, an annual report shall be submitted to the agency of CSRC and the stock exchange(s) of the place where the Company's Shares are listed respectively and disclosed. Within two months after the first six months of each fiscal year, an interim report shall be submitted to the agency of CSRC and the stock exchange(s) of the place where the Company's Shares are listed respectively and disclosed. If the securities regulatory authority of the place where the Company's Shares are listed has other regulations, it shall also comply with its relevant regulations.

Internal Audit

The Company shall adopt an internal audit system, which clarifies the leadership system, duties and powers, staffing, financial support, application of audit results and accountability for internal audit work. The internal audit system of the Company shall be implemented upon approval by the Board of Directors and disclosed to the public.

The Company's internal audit institution shall monitor and inspect the Company's business activities, risk management, internal control, financial information and other matters.

Appointment of Accounting Firm

The Company shall appoint an accounting firm that complies with the Securities Law and the securities regulatory rules of the place where the Company's Shares are listed to conduct audits of accounting statements, verification of net assets, and other related consulting services, etc., with a term of one year, which is renewable.

The Company's appointment and dismissal of an accounting firm shall be decided by the shareholders' meeting. The Board of Directors shall not appoint an accounting firm prior to the decision made by the shareholders' meeting.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days from the date of the resolution for the merger and shall publish an announcement on the websites or in newspapers designated by the CSRC (such as the

Securities Times), or on the National Enterprise Credit Information Publicity System, the website of the Shenzhen Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange and other medias within 30 days from the date of such resolution. Such creditors may, within 30 days upon the receipt of the notice or, in case he/she fails to receive such notice within 45 days from the date of the announcement, demand the Company to repay its debts or provide guarantees for such debts.

Where there is a division of the Company, its assets shall be divided accordingly. Where there is a division of the Company, a balance sheet and a property list shall be prepared. The Company shall notify its creditors within 10 days from the date of the resolution for the division and shall publish an announcement on the websites or in newspapers designated by the CSRC (such as the Securities Times), or on the National Enterprise Credit Information Publicity System, the website of the Shenzhen Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange and other medias within 30 days from the date of such resolution.

Where the Company reduces its registered capital, it will prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days from the date on which a shareholder resolution to reduce the registered capital is made and shall publish an announcement through media such as the websites or newspapers designated by the China Securities Regulatory Commission (e.g., Securities Times), the National Enterprise Credit Information Publicity System, the Shenzhen Stock Exchange website, or the Hong Kong Stock Exchange's HKEXnews website within 30 days from the date of such resolution. Such creditors may, within 30 days upon the receipt of the notice or, in case he/she fails to receive such notice within 45 days from the date of the announcement, demand the Company to repay its debts or provide guarantees for such debts. When the Company reduces its registered capital, it shall correspondingly reduce its capital contribution or shares in proportion to the shareholdings of its shareholders, except as otherwise provided by law or the Articles of Association.

In the event of a merger or division of the Company, any changes to the registration information shall be registered with the company registration authority in accordance with the law; If the Company is dissolved, it shall go through the deregistration procedures in accordance with the law; If a new company is established, the company establishment registration shall be completed in accordance with the law. If the Company increases or decreases its registered capital, it shall go through the change registration with the company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of the following events:

(I) the expiry of the term of business provided in the Articles of Association or the occurrence of any other cause of dissolution as specified therein;

(II) a resolution on dissolution is passed by a shareholders' meeting;

(III) dissolution is required due to the merger or division of the Company;

(IV) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the law;

(V) where the Company suffers significant hardships in operation and management, and its continued existence would cause significant losses to shareholders' interests, which cannot be resolved through other means, shareholders holding 10% or above of the total voting rights of the Company petition the people's court to dissolve the Company.

In the event that the Company has any of the dissolution causes as prescribed in the preceding paragraph, it shall disclose the causes of dissolution through the National Enterprise Credit Information Publicity System within 10 days.

Where the Company falls under the circumstances specified in item (I) and (II) above and has not distributed its assets to shareholders, it may continue to exist by amending the Articles of Association or by a resolution of the shareholders' meeting.

Where the Articles of Association are amended pursuant to the preceding paragraph or a resolution is made at the shareholders' meeting, it shall be adopted by shareholders holding more than two-thirds of the voting rights present at the shareholders' meeting.

Where the Company is dissolved under the circumstances set out in items (I), (II), (IV) and (V) above, it shall be liquidated. The Directors shall be the liquidation obligors of the Company and shall establish a liquidation committee to carry out the liquidation within 15 days from the date on which the cause of dissolution occurs. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the Articles of Association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the Company or the creditors.

The liquidation group shall exercise the following functions and powers during the liquidation period:

(I) to liquidate the Company's property and respectively prepare balance sheet and list of property;

(II) to notify creditors by notice or public announcement;

(iii) to deal with the outstanding business of the Company involved in the liquidation;

(IV) to pay all outstanding taxes and taxes arising in the course of liquidation;

(V) to liquidate claims and debts;

(VI) to distribute the remaining property of the Company after paying off debts;

(VII) to participate in civil litigations on behalf of the Company.

Amendments to the Articles of Association

The Company shall amend the Articles of Association in any of the following circumstances:

(I) after amendments are made to the Company Law or relevant laws, administrative regulations and the other securities regulatory rules of the place where the Shares of the Company are listed, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws, administrative regulations and the securities regulatory rules of the place where the Shares of the Company are listed;

(II) changes occur in the Company, resulting in inconsistency with the matters set out in the Articles of Association;

(III) the shareholders' meeting has resolved to amend the Articles of Association.

FURTHER INFORMATION ABOUT THE GROUP

Incorporation

The Company was established as a joint stock company with limited liability under the laws of the PRC on December 10, 1992.

The Company has established a place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies and Other Companies to which Part 16 of Ordinance Applies) Regulation (Chapter 622J of the Laws of Hong Kong) on December 16, 2025, with Mr. Wong Chun Wing Samuel appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in "Regulatory Overview" and "Appendix III — Summary of the Articles of Association" in this document, respectively.

Changes in the Share Capital of the Company

Save as disclosed below, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

A repurchase mandate for the repurchase of A Shares for the purpose of the Company's employee stock ownership plans or equity incentives was approved by the Board on April 10, 2025 (the "**Repurchase Mandate**"). The Repurchase Mandate was valid for 12 months from the date of approval by the Board, with a repurchase price of not more than RMB57.79 per A share and a total repurchase amount of RMB150 million to RMB200 million.

As of the Latest Practicable Date, a total of 5,133,800 A Shares were repurchased under the Repurchase Mandate, which are held under the Company's stock repurchase account and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meeting and dividend rights. As of the Latest Practicable Date, the Company has not cancelled any of such repurchased A Shares.

Resolutions of the Shareholders

At the general meeting of the Shareholders held on December 3, 2025, the following resolutions, among other things, were duly passed:

(i) the issue by the Company of the H Shares with a nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Stock Exchange;

(ii) the number of the H Shares to be issued shall be no more than **[REDACTED]** of the total issued share capital of the Company as enlarged by the **[REDACTED]** (before the exercise of the **[REDACTED]**), and the grant of the **[REDACTED]** in respect of no more than **[REDACTED]** of the number of the H Shares issued pursuant to the **[REDACTED]**;

(iii) authorization of the Board or its authorized individuals to handle all matters relating to, among other things, the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares on the Stock Exchange; and

(iv) subject to the completion of the **[REDACTED]**, the conditional adoption of the revised Articles of Association, which shall become effective on the **[REDACTED]**, and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules.

Subsidiaries of the Company

A summary of the corporate information and the particulars of the Company's subsidiaries are set out in Note 1 to the Accountant's Report as set out in Appendix I.

On March 26, 2026, Honghe Three Circle Technology Co., Ltd. (紅河三環科技有限公司) was established in the PRC with an initial registered capital of RMB100,000,000.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this document.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) the **[REDACTED]**.

Intellectual Property

As of the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

Trademarks

As of the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date (yyyy-mm-dd)
1.		1	The Company	The PRC	5410067	2031-06-06
2.		7	The Company	The PRC	5410066	2031-12-20

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date (yyyy-mm-dd)
3.		11	The Company	The PRC	5409741	2031-06-13
4.		42	The Company	The PRC	40456223	2030-04-06
5.		7	The Company	The PRC	40436069	2030-04-06
6.		17	The Company	The PRC	40460379	2030-04-06
7.		9	The Company	The PRC	40445307	2030-04-06
8.		42	The Company	The PRC	42206691	2030-07-27
9.		7	The Company	The PRC	59905928	2032-07-06
10.		1	The Company	The PRC	59912391	2032-07-06
11.		11	The Company	The PRC	59906674	2032-04-06
12.		9	The Company	The PRC	59886310	2032-06-06

Domain Names

As of the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

No.	Domain Name	Registered Owner	Expiry Date (yyyy-mm-dd)
1.	cctc.cc.	The Company	2027-03-13

Patents

As of the Latest Practicable Date, the Group had registered the following patents which are material to its business:

No.	Patent Name	Type	Patent Holder	Place of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
1.	Ceramic ferrule (陶瓷插芯體)	Invention	The Company	PRC	201210197608.9	2032-06-15
2.	A type of fiber optic ferrule (一種光纖插芯)	Utility	Nanchong Three-Circle, the Company	PRC	202122615083.3	2031-10-28
3.	A zirconia-alumina composite ceramic sintered body, its preparation method, and application (一種氧化鋯複合氧化鋁陶瓷燒結體、其製備方法及應用)	Invention	Nanchong Three-Circle, the Company, Deyang Three-Circle	PRC	201910670185.X	2039-07-23
4.	An aluminum nitride sintered body and application (一種氮化鋁燒結體及應用).	Invention	Nanchong Three-Circle, the Company	PRC	201910811486.X	2039-08-29
5.	An aluminum oxide ceramic sintered body, its preparation method and application (一種氧化鋁陶瓷燒結體及其製備方法和應用)	Invention	The Company, Nanchong Three-Circle	PRC	201911216272.4	2039-12-02
6.	A zirconia composite alumina ceramic sintered body and its preparation method and application (一種氧化鋯複合氧化鋁陶瓷燒結體及其製備方法和應用)	Invention	Nanchong Three-Circle, the Company	PRC	202010972402.3	2040-09-16
7.	A kind of large size ceramic substrate (一種大規格的陶瓷基板)	Invention	Nanchong Three-Circle, the Company	PRC	202110037581.6	2041-01-12
8.	A kind of ceramic package body (一種陶瓷封裝體) . .	Invention	The Company	PRC	201810527364.3	2038-05-28

No.	Patent Name	Type	Patent Holder	Place of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
9.	A ceramic package base material composition and its application (一種陶瓷封裝基座材料組合物及其應用)	Invention	The Company	PRC	201911338097.6	2039-12-23
10.	A kind of ceramic package base (一種陶瓷封裝基座).	Invention	The Company	PRC	202110249306.0	2041-03-08
11.	A kind of ceramic package base (一種陶瓷封裝基座).	Invention	Deyang Three-Circle, the Company	PRC	202210882272.3	2042-07-25
12.	A kind of dielectric ceramic, multilayer ceramic capacitors (一種電介質陶瓷、多層陶瓷電容器)	Invention	The Company, Nanchong Three-Circle	PRC	202011480009.9	2040-12-14
13.	A dielectric ceramic composition and its preparation method and application (一種介電陶瓷組合物及其製備方法與應用).	Invention	The Company	PRC	202110804462.9	2041-07-15
14.	A ceramic material and its preparation method and application (一種陶瓷材料及其製備方法與應用) . . .	Invention	The Company	PRC	202110611337.6	2041-06-01
15.	A kind of dielectric ceramic composition and its application (一種電介質陶瓷組合物及其應用)	Invention	The Company, Nanchong Three-Circle	PRC	202210765186.4	2042-06-30
16.	A conductive resin composition and its preparation method and application (一種導電樹脂組合物及其製備方法和應用).	Invention	The Company, Nanchong Three-Circle	PRC	202211672490.0	2042-12-22

No.	Patent Name	Type	Patent Holder	Place of Registration	Patent Number	Expiry Date (yyyy-mm-dd)
17.	A method for improving bending resistance of multilayer ceramic chip capacitors (一種提高多層陶瓷片式電容器抗彎曲性能的方法)	Invention	Deyang Three-Circle, the Company	PRC	202311247061.3	2043-09-26

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors and Chief Executive of the Company

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying shares or debentures of any of the associated corporations of the Company (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the H Shares are **[REDACTED]** on the Stock Exchange, will be as follows:

Interests in the Company

Name of Director or chief executive	Nature of interest	Number and description of Shares or underlying Shares held	Shareholding in A Shares upon completion of the [REDACTED][(1)]	Shareholding in total issued share capital upon completion of the [REDACTED][(1)]
Mr. Zhang[(2)]	Beneficial owner	53,592,000 A Shares	2.80%	**[REDACTED]**%
	Interest in controlled corporation	650,491,656 A Shares	33.94%	**[REDACTED]**%
Mr. Li Gang	Beneficial owner	213,500 A Shares	0.01%	**[REDACTED]**%
Mr. Ma Yanhong[(3)]	Beneficial owner	113,500 A Shares	0.01%	**[REDACTED]**%
	Interest of spouse	75,000 A Shares	0.004%	**[REDACTED]**%
Mr. Qiu Jihua[(4)]	Beneficial owner	176,000 A Shares	0.01%	**[REDACTED]**%

Name of Director or chief executive	Nature of interest	Number and description of Shares or underlying Shares held	Shareholding in A Shares upon completion of the [REDACTED][(1)]	Shareholding in total issued share capital upon completion of the [REDACTED][(1)]
	Interest of spouse	2,000 A Shares	0.0001%	[0.0001]%

Notes:

(1) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) As of the Latest Practicable Date, Tririver Investment was held as to 59.21% by Mr. Zhang as its controlling shareholder. By virtue of the SFO, Mr. Zhang is deemed to be interested in the Shares held by Tririver Investment. For details of the shareholding structure of Tririver Investment and its interests in the Company, see "History and Corporate Structure — Corporate Structure." By virtue of Part XV of the SFO, since Mr. Zhang controls one-third or more of the voting power at the general meeting of the Company, he is also deemed to be interested in 5,133,800 A Shares repurchased by the Company as treasury shares as of the Latest Practicable Date.

(3) Mr. Ma Yanhong and Ms. Liu Jing (劉晶) are spouses, and hence Mr. Ma Yanhong is deemed to be interested in the interest of Ms. Liu Jing under the SFO.

(4) Mr. Qiu Jihua and Ms. Chen Lihong (陳麗紅) are spouses, and hence Mr. Qiu Jihua is deemed to be interested in the interest of Ms. Chen Lihong under the SFO.

Save as disclosed above, so far as the Directors are aware, immediately following the completion of the **[REDACTED]**, no Directors or the chief executive will, directly or indirectly, be interested in the Shares, underlying Shares and debentures of the Company or the shares, underlying shares or debentures of any of the associated corporations of the Company.

Disclosure of Interests of Substantial Shareholders

(i) Interests in the Company

Save as disclosed in "Substantial Shareholders" in this document and "— Disclosure of Interests of Directors and Chief Executive of the Company" in this section, the Directors are not aware of any person who will have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Interests in other member of the Group

Save as disclosed in "— Disclosure of Interests of Directors and Chief Executive of the Company" in this section, the Directors are not aware of any person who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

FURTHER INFORMATION ABOUT THE DIRECTORS

Particulars of the Service Contracts

Each of the Directors [has entered] into a service contract with the Company. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contract with any member of the Group (excluding contracts expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors

For details of the remuneration of Directors, see "Directors and Senior Management — Remuneration" and Note 12 in "Appendix I — Accountants' Report."

Agency Fees or Commissions Received

The **[REDACTED]** will receive an **[REDACTED]** commission in connection with the **[REDACTED]**, as detailed in "**[REDACTED]**." Save in connection with the **[REDACTED]**, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in "— Other Information — Qualifications and Consents of Experts" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this document.

Within the two years immediately preceding the date of this document, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company.

Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

Disclaimers

(a) None of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the **[REDACTED]**, none of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

(c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the **[REDACTED]** or related transactions as mentioned.

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

Litigation

As of the Latest Practicable Date, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the **[REDACTED]** and, so far as the Directors are aware, no material litigation or claim was pending or threatened by or against the Company.

Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive a fee of US$500,000 for acting as the sponsor for the **[REDACTED]**.

Preliminary Expenses

The Company has not incurred any material preliminary expenses.

Promoters

The promoters of the Company are Chaozhou Radio Ceramic Parts Factory (潮州市無線電瓷件廠), Industrial and Commercial Bank of China Guangdong Provincial Trust & Investment Corporation (中國工商銀行廣東省信託投資公司), Chaozhou Jinxin Real Estate Development Industrial Company (潮州市金信房地產開發實業公司), corporate shareholders and internal employees who participated in the private raising.

Within the two years immediately preceding the date of this document, no cash, securities, or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the **[REDACTED]** or the related transactions described in this document.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

Name of Expert	Qualifications
China Galaxy International Securities (Hong Kong) Co., Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants, and Registered Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
JunHe LLP	PRC legal advisor
Jun He Law Offices LLP	Legal advisor as to international sanctions laws and export control laws
JunHe LLP	Legal advisor as to PRC sanctions laws and export control laws
Ernst & Young (China) Advisory Limited Beijing Branch Office	Transfer pricing advisor
Maven Risk Advisory Limited	Internal Control Consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

Save as otherwise disclosed in this document,

(a) within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;

(d) none of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) the Company has no outstanding convertible debt securities or debentures; and

(f) none of the experts listed under "— Qualifications and Consents of Experts":

  (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

  (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the **[REDACTED]**.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about the Business — Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.cctc.cc** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report for the years ended December 31, 2023, 2024 and 2025 and the report on the unaudited **[REDACTED]** financial information prepared by SHINEWING (HK) CPA Limited, the reporting accountants, the texts of which are set out in "Appendix I — Accountants' Report" and "Appendix II — Unaudited **[REDACTED]** Financial Information," respectively;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2023, 2024 and 2025;

(d) the legal opinion from JunHe LLP, the Company's PRC Legal Advisor, in respect of the Group under the PRC laws;

(e) the legal memorandum issued by Jun He Law Offices LLC and JunHe LLP, our legal advisors as to international sanctions laws and export control laws;

(f) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" in this document;

(g) the transfer pricing review report issued by Ernst & Young (China) Advisory Limited Beijing Branch Office, our Transfer Pricing Advisor;

(h) the internal control report issued by Maven Risk Advisory Limited, our Internal Control Consultant;

(i) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association of Listed Companies issued by the CSRC together with their unofficial English translations;

(j) the service contracts between each of the Directors and the Company referred to in "Appendix IV — Statutory and General Information — Further Information about the Directors — Particulars of the Service Contracts";

(k) the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about the Business — Summary of Material Contracts"; and

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

(I) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts."