
FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial information and notes included in “Accountants’ report” as set out in Appendix I to this document. You should read the whole Accountants’ report as set out in Appendix I to this document and not rely merely on the information in this section. Our consolidated financial information has 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.

OVERVIEW

We are headquartered in Zhejiang Province and were established in 2017. Since our establishment we have developed to become an Automotive Testing Solutions provider in Zhejiang Province and we have, during the Track Record Period, worked with leading domestic and international automotive manufacturers and automotive components manufacturers such as BYD, one of the largest NEV manufacturers in the PRC, and our Customer B, one of the world’s largest engine manufacturers and a global leader in power solutions. Our Automotive Testing Solutions includes (i) automotive testing services, (ii) testing facility solutions and (iii) sales of automotive components business segments.

Our automotive testing services facilitate the research and development exclusively for new models of ICEVs and NEVs and their constituent components and our testing outcomes are used to refine designs, functions and system interoperability so as to ensure that new vehicles models are capable of meeting the relevant performance and regulatory standards. Following our testing, these new vehicles are subject to homologation, which is conducted by other qualified institutions. Since 2022, we have expanded our automotive testing services to cover ADAS testing. ADASs are sophisticated electronic systems integrated into vehicles to enhance driver safety and comfort through utilising a vast array of sensor and camera technology.

Leveraging on our experience and knowledge in automotive testing and to diversify our business and revenue streams, we developed our testing facility solutions business segment which involves providing customised testing solutions to automotive manufacturers, automotive components manufacturers, research institutes and universities to enable them to develop and/or enhance their testing facilities. We have also expanded our business towards the sales of automotive components which involves supplying products such as urea pumps and TCUs as well as the ancillary calibration services.

BASIS OF PREPARATION

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

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

The developments in the PRC's automotive sector, which are beyond our control

We provide our automotive testing mainly to automotive manufacturers and automotive components manufacturers. The demand of our services from our customers are subject to the macroeconomic conditions and automotive sector regulatory requirements. Sustained or escalating competition within the automotive market may lead to continued downward pressure on vehicle and/or component prices on our customer's end. Consequently, our customers may experience reduced profitability or constrained capital allocation flexibility, which may, in turn, adversely affect their demand for our Automotive Testing Solutions or their willingness to maintain existing fee levels. The decrease in our customers outsourced testing budgets, or redirect resources to in-house capabilities may materially and adversely affect our business, financial performance, and profitability.

Relationship with our customers

During the Track Record Period, we derived a substantial portion of our revenue from automotive testing from a limited number of customers. Our revenue is primarily derived from non-recurring projects. Therefore, we typically engage with our customers on a project-by-project basis, which means there is no guarantee of securing new business from our existing customers. The type and number of projects we can secure may vary substantially from year to year. Failure to secure new projects from existing customers or establish relationships with new customers could have a negative impact on our business, financial condition, and operating results.

MATERIAL ACCOUNTING POLICY INFORMATION, JUDGEMENTS AND ESTIMATES

We have identified various accounting policies that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations, details of which are disclosed in Note 2 of the Accountants' Report in Appendix I to this document.

The following paragraphs discuss, among others, our critical accounting policies, estimates and judgments applied in preparing our financial information:

Revenue recognition

Revenue is recognised when control over a product or service is transferred to our customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes. The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

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Further details of our Group's revenue and other income recognition policies are as follows:

(i) Automotive testing

Revenue from automotive testing is recognised upon transfer of test data or data validation to the client.

(ii) Testing facility solutions

Revenue from testing facility solutions is recognised upon the transfer of control to the customer, which occurs when equipment is delivered to the client's designated site and final customer acceptance is obtained.

(iii) Sales of automotive components

Sales of automotive components is recognised when control of the goods transfers to the customer, which occurs upon delivery to the client's site and their acceptance of the goods.

Redemption Liabilities

A contract that contains an obligation to purchase our Company's equity instruments for cash or another financial asset gives rise to a financial liability for the redemption amount, even if our Company's obligations to purchase is conditional on the counterparty exercising a right to redeem. The redemption liability is measured at the highest redemption amount (on a present value basis) our Company could be required to pay from time to time. Any change in the carrying amount of the redemption liability arising from remeasurement of the redemption amount is recognised in profit or loss. The then carrying amount of the redemption liability is reclassified to equity upon a termination of the counterparty's redemption right.

The redemption liability is classified as current as our Company does not have the right at the reporting date to defer settlement of the liability for at least 12 months from the reporting date.

Allowance for impairment of trade and other receivables

Our Group's management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Our Group's management reassesses the loss allowance at each reporting period end.

Depreciation and amortisation

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, after taking into account the estimated residual values. Our Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during the reporting period. The useful lives are based on the industry experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

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DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the year/period indicated.

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	137,763	204,575	74,153	92,858
Cost of sales	(93,135)	(152,983)	(53,246)	(68,452)
Gross profit	44,628	51,592	20,907	24,406
Other net income	1,477	3,874	1,481	5,437
Selling and marketing expenses	(9,827)	(9,995)	(3,885)	(4,160)
General and administrative expenses	(21,175)	(25,776)	(8,026)	(14,906)
Research and development expenses	(10,545)	(11,852)	(3,805)	(4,912)
Reversal of/(provision for) impairment loss on trade receivable and contract assets	38	4,366	3,943	(347)
Profit from operations	4,596	12,209	10,615	5,518
Share of profits less losses of associates	500	632	(167)	(622)
Finance costs	(730)	(2,633)	(2,187)	(1,662)
Changes in carrying amount of redemption liabilities	(27,456)	(29,532)	(14,133)	—
(LOSS)/PROFIT BEFORE TAXATION	(23,090)	(19,324)	(5,872)	3,234
Income tax	(637)	(523)	(1,391)	379
(LOSS)/PROFIT FOR THE YEAR/PERIOD	(23,727)	(19,847)	(7,263)	3,613

Non-IFRS Measures

To supplement our consolidated statements of profit or loss and other income, which are presented in accordance with IFRS Accounting Standards, we use adjusted net profit (non-IFRS measure) as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS Accounting Standards. We believe the presentation of this non-IFRS measure when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from year to year by eliminating the impact of certain items. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss and other income.

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The following table reconciles our calculations of adjusted net profit (non-IFRS measure) with net profit for the year/period, which is presented in accordance with IFRS Accounting Standards:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/profit for the year/period	(23,727)	(19,847)	(7,263)	3,613
Add:				
Equity-settled share-based payment expenses	1,277	–	–	–
Changes in carrying amount of redemption liabilities	27,456	29,532	14,133	–
[REDACTED]	–	7,761	–	4,781
Less:				
Gain on the dilution of interests in an associate	–	–	–	(4,523)
Adjusted net profit (non-IFRS measure)	<u>5,006</u>	<u>17,446</u>	<u>6,870</u>	<u>3,871</u>

The adjustment items included (i) equity-settled share-based payment expenses; (ii) changes in carrying amount of redemption liabilities; (iii) [REDACTED]; and (iv) gain on the dilution of interest in an associate. Equity-settled share-based payment expenses were non-cash items, the redemption liabilities were reclassified to equity in December 2025, [REDACTED] relates to the [REDACTED] of the Company and gain on the dilution of interest and in an associate is non-operating and non-recurring nature.

Revenue

During the Track Record Period, we generated revenue from (i) automotive testing; (ii) testing facility solutions; and (iii) sales of automotive components.

The following table sets forth a breakdown of our revenue by business segments during the Track Record Period.

	Year ended 31 December				Six months ended			
	2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automotive testing								
ICEV testing	57,496	41.7	59,703	29.2	27,367	36.9	32,816	35.3
NEV testing	45,050	32.7	66,841	32.7	37,974	51.2	28,363	30.5
ADAS testing	<u>10,134</u>	<u>7.4</u>	<u>27,415</u>	<u>13.4</u>	<u>5,503</u>	<u>7.4</u>	<u>7,857</u>	<u>8.5</u>
Sub-total	112,680	81.8	153,959	75.3	70,844	95.5	69,036	74.3
Testing facility solutions	21,666	15.7	45,833	22.4	1,070	1.5	23,201	25.0
Sales of automotive components	<u>3,417</u>	<u>2.5</u>	<u>4,783</u>	<u>2.3</u>	<u>2,239</u>	<u>3.0</u>	<u>621</u>	<u>0.7</u>
Total	<u>137,763</u>	<u>100.0</u>	<u>204,575</u>	<u>100.0</u>	<u>74,153</u>	<u>100.0</u>	<u>92,858</u>	<u>100.0</u>

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Our revenue generated from automotive testing accounted for approximately 81.8% and 75.3% of our total revenue for the years ended 31 December 2024 and 2025, respectively, while our revenue generated from testing facility solutions accounted for approximately 15.7% and 22.4% of our total revenue for the years ended 31 December 2024 and 2025, respectively. Our sales of automotive components accounted for approximately 2.5% and 2.3% of our total revenue for the years ended 31 December 2024 and 2025, respectively.

Our revenue generated from automotive testing accounted for approximately 95.5% and 74.4% of our total revenue for the six months ended 30 June 2025 and 2026, respectively, while our revenue generated from testing facility solutions accounted for approximately 1.5% and 25.0% of our total revenue for the six months ended 30 June 2025 and 2026, respectively. Our revenue generated from sales of automotive components accounted for approximately 3.0% and 0.7% of our total revenue for six months ended 30 June 2025 and 2026, respectively.

Automotive testing

We derived our revenue from automotive testing services, which comprised of (i) ICEV testing services; (ii) NEV testing services; and (iii) ADAS testing services.

ICEV testing

Our revenue generated from ICEV testing services amounted to approximately RMB57.5 million and RMB59.7 million for the years ended 31 December 2024 and 2025, respectively, representing approximately 41.7% and 29.2% of our total revenue, respectively.

Our revenue generated from ICEV testing services amounted to approximately RMB27.4 million and RMB32.8 million for the six months ended 30 June 2025 and 2026, respectively, representing approximately 36.9% and 35.3% of our total revenue, respectively.

NEV testing

Our revenue generated from NEV testing services amounted to approximately RMB45.1 million and RMB66.8 million for the years ended 31 December 2024 and 2025, respectively, representing approximately 32.7% and 32.7% of our total revenue, respectively.

Our revenue generated from NEV testing services amounted to approximately RMB38.0 million and RMB28.4 million for the six months ended 30 June 2025 and 2026, respectively, representing approximately 51.2% and 30.5% of our total revenue, respectively.

ADAS testing

Our revenue generated from ADAS testing services amounted to approximately RMB10.1 million and RMB27.4 million for the years ended 31 December 2024 and 2025, respectively, representing approximately 7.4% and 13.4% of our total revenue, respectively.

Our revenue generated from ADAS testing services amounted to approximately RMB5.5 million and RMB7.9 million for the six months ended 30 June 2025 and 2026, respectively, representing approximately 7.4% and 8.5% of our total revenue, respectively.

Testing facility solutions

We also derived our revenue from testing facility solutions which amounted to approximately RMB21.7 million and RMB45.8 million for the years ended 31 December 2024 and 2025, respectively, representing approximately 15.7% and 22.4% of our total revenue, respectively.

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Our revenue from testing facility solutions which amounted to approximately RMB1.1 million and RMB23.2 million for the six months ended 30 June 2025 and 2026, respectively, representing approximately 1.5% and 25.0% of our total revenue, respectively.

Sales of automotive components

We also produced and sold automotive components such as TCUs and urea pumps to our customers. Our revenue generated from sales of automotive components amounted to approximately RMB3.4 million and RMB4.8 million for the years ended 31 December 2024 and 2025, respectively, representing approximately 2.5% and 2.3% of our total revenue, respectively.

Our revenue generated from sales of automotive components amounted to approximately RMB2.2 million and RMB0.6 million for the six months ended 30 June 2025 and 2026, respectively, representing approximately 3.0% and 0.7% of our total revenue, respectively.

For reasons of the fluctuations of our revenue during the Track Record Period, please refer to the paragraph headed “Period-to-Period Comparisons of Results of Operations” in this section.

Revenue by geographical location of customers

We predominantly generated our revenue within China, which is and will remain to be the core focus of our business. Currently, less than 5% of our revenue were generated from overseas, primarily in other Asian countries. The table below details the breakdown of our total revenue during the Track Record Period based on geographical regions as follows:

	Year ended 31 December				Six months ended 30 June			
	2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
The PRC	133,913	97.2	200,730	98.1	74,103	99.9	92,858	100.0
Other Asian countries								
(Note)	3,850	2.8	3,845	1.9	50	0.1	—	—
Total	137,763	100.0	204,575	100.0	74,153	100.0	92,858	100.0

Note: Other Asian countries primarily include Japan and Malaysia.

Our revenue generated from the PRC comprise over 95.0% of our total revenue for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026. Our revenue generated from the PRC amounted to approximately RMB133.9 million for the year ended 31 December 2024. Our revenue generated from the PRC increased to approximately RMB200.7 million for the year ended 31 December 2025, which was mainly due to the increase in NEV testing services provided to our customers in the PRC.

Our revenue generated from the PRC amounted to approximately RMB74.1 million for the six months ended 30 June 2025. Our revenue generated from the PRC increased to approximately RMB92.9 million for the six months ended 30 June 2026, which was mainly due to increase in provision of testing facility solutions in the PRC primarily driven by the growth in revenue from our testing facility solutions.

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Our revenue generated from other Asian countries amounted to approximately RMB3.9 million for the year ended 31 December 2024. Our revenue generated from other Asian countries remained stable of approximately RMB3.8 million for the year ended 31 December 2025, which was mainly due to the provision of testing facility solutions to one of our customer in Japan.

Our revenue generated from other Asian countries amounted to approximately RMB50,000 for the six months ended 30 June 2025 and no revenue generated from other Asian countries recorded for the six months ended 30 June 2026.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by business segments during the Track Record Period:

	Year ended 31 December 2024		Year ended 31 December 2025		Six months ended 30 June 2025		Six months ended 30 June 2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automotive testing								
ICEV testing	39,546	42.5	44,836	29.3	19,208	36.1	25,109	36.7
NEV testing	28,974	31.1	49,426	32.3	27,715	52.0	20,721	30.2
ADAS testing	6,308	6.8	18,106	11.8	3,769	7.1	5,374	7.9
Sub-total	74,828	80.4	112,368	73.4	50,692	95.2	51,204	74.8
Testing facility solutions	15,760	16.9	36,554	23.9	875	1.6	16,890	24.7
Sales of automotive components	2,547	2.7	4,061	2.7	1,679	3.2	358	0.5
Total	93,135	100.0	152,983	100.0	53,246	100.0	68,452	100.0

Our cost of sales consists primarily of (i) raw material costs; (ii) energy costs; (iii) depreciation and amortisation expenses; and (iv) staff costs.

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The following table sets forth a breakdown of our cost of sales by nature during the Track Record Period.

	Year ended 31 December 2024		2025		Six months ended 30 June 2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Energy costs	19,367	20.8	18,385	12.0	9,721	18.2	9,471	13.8
Raw material costs	19,416	20.9	47,144	30.8	5,902	11.1	23,112	33.8
Subcontracting costs	12,501	13.4	27,487	18.0	14,745	27.7	9,744	14.2
Depreciation and amortisation	16,694	17.9	21,907	14.3	11,303	21.2	11,605	17.0
Staff costs	15,308	16.4	17,195	11.2	6,900	13.0	9,372	13.7
Agency service fee	5,100	5.5	13,238	8.7	1,102	2.1	2,238	3.3
Others (Note)	4,749	5.1	7,627	5.0	3,573	6.7	2,910	4.2
Total	93,135	100.0	152,983	100.0	53,246	100.0	68,452	100.0

Note: Others mainly include logistics and courier costs and other amortisation.

Our cost of sales increased by approximately RMB59.8 million or 64.3% from approximately RMB93.1 million for the year ended 31 December 2024 to approximately RMB153.0 million for the year ended 31 December 2025, which was mainly attributable to (i) the increase in raw material costs by approximately RMB27.7 million which was mainly to the growth in revenue from our testing facility solutions; (ii) the increase in subcontracting costs by approximately RMB15.0 million; and (iii) the increase in agency service fee by approximately RMB8.1 million.

Our cost of sales increased by approximately RMB16.3 million or 30.6% from approximately RMB53.2 million for the six months ended 30 June 2025 to approximately RMB68.5 million for the six months ended 30 June 2026, which was mainly attributable to the increase in raw material costs by approximately RMB18.0 million which was mainly due to the growth in revenue from our testing facility solutions.

For reasons of the fluctuations of our cost of sales during the Track Record Period, please refer to the paragraph headed “Period-to-Period Comparisons of Results of Operations” in this section.

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our major cost, being the major components of our cost of sales, on our profit before taxation during the Track Record Period. The percentage adopted in the analysis below is based on the reasonable change in the cost variable with reference to the historical year-on-year fluctuation of our major costs.

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	Increase/(decrease) in profit/(loss) before taxation			
	For the year ended		For the six months	
	31 December		ended	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Hypothetical change in cost of sales				
+5%	(4,657)	(7,649)	(2,662)	(3,423)
+10%	(9,314)	(15,298)	(5,325)	(6,845)
–5%	4,657	7,649	2,663	3,423
–10%	9,314	15,298	5,325	6,845

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the years/period indicated.

	Year ended 31 December				Six months ended 30 June			
	2024		2025		2025		2026	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automotive testing								
ICEV testing	17,950	31.2	14,867	24.9	8,158	29.8	7,707	23.5
NEV testing	16,076	35.7	17,415	26.1	10,260	27.0	7,642	26.9
ADAS testing	<u>3,826</u>	37.8	<u>9,309</u>	34.0	<u>1,734</u>	31.5	<u>2,483</u>	31.6
Sub-total	37,852	33.6	41,591	27.0	20,152	28.5	17,832	25.8
Testing facility solutions	5,906	27.3	9,279	20.2	195	18.2	6,311	27.2
Sales of automotive components	<u>870</u>	25.5	<u>722</u>	15.1	<u>560</u>	25.0	<u>263</u>	42.3
Total	<u>44,628</u>	32.4	<u>51,592</u>	25.2	<u>20,907</u>	28.2	<u>24,406</u>	26.3

Our gross profit amounted to approximately RMB44.6 million for the year ended 31 December 2024, and increased to approximately RMB51.6 million for the year ended 31 December 2025.

Our gross profit amounted to approximately RMB20.9 million for the six months ended 30 June 2025, and increased to approximately RMB24.4 million for the six months ended 30 June 2026.

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Automotive testing

ICEV testing

Gross profit margin generated from ICEV testing services for the year ended 31 December 2024 amounted to approximately 31.2% and decreased to approximately 24.9% for the year ended 31 December 2025.

Gross profit margin generated from ICEV testing services for the six months ended 30 June 2025 amounted to approximately 29.8% and decreased to approximately 23.5% for the six months ended 30 June 2026.

NEV testing

Gross profit margin generated from NEV testing services for the year ended 31 December 2024 amounted to approximately 35.7% and decreased to approximately 26.1% for the year ended 31 December 2025.

Gross profit margin generated from NEV testing services for the six months ended 30 June 2026 amounted to approximately 26.9%, which remained relatively stable as compared with approximately 27.0% for the six months ended 30 June 2025.

ADAS testing

Gross profit margin generated from ADAS testing services for the year ended 31 December 2024 amounted to approximately 37.8% and decreased to approximately 34.0% for the year ended 31 December 2025.

Gross profit margin generated from ADAS testing services for the six months ended 30 June 2025 amounted to approximately 31.5% remained stable as compared with the same of approximately 31.6% for the six months ended 30 June 2026.

Testing facility solutions

Gross profit margin generated from testing facility solutions for the year ended 31 December 2024 amounted to approximately 27.3% and decreased to approximately 20.2% for the year ended 31 December 2025.

Gross profit margin generated from testing facility solutions for the six months ended 30 June 2025 amounted to approximately 18.2% and increased to approximately 27.2% for the six months ended 30 June 2026.

Sales of automotive components

Gross profit margin generated from sales of automotive components for the year ended 31 December 2024 amounted to approximately 25.5% and decreased to approximately 15.1% for the year ended 31 December 2025.

Gross profit margin generated from sales of automotive components for the six months ended 30 June 2025 amounted to approximately 25.0% and increased to approximately 42.3% for the six months ended 30 June 2026.

For reasons of the fluctuations of our revenue during the Track Record Period, please refer to the paragraph headed “Period-to-Period Comparisons of Results of Operations” in this section.

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Other net income

Our other net income consist primarily of government grants, bank interest income and others. Government grants primarily represent reward and subsidies provided to the Group for its contribution to the local innovation and technology growth.

The following table sets forth a breakdown of our other income and gains during the Track Record Period.

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	1,744	2,554	1,420	401
Net gain on disposal of PPE and early termination of lease	—	860	—	—
Interest income	253	28	4	7
Rental income, net	675	594	144	229
Gain on the dilution of interests in an associate	—	—	—	4,523
Others (<i>Note</i>)	(1,195)	(162)	(87)	277
Total	1,477	3,874	1,481	5,437

Note: Others include decommissioning fees and tax in arrears.

Our other net income amounted to approximately RMB1.5 million for the year ended 31 December 2024. Our other net income increased to approximately RMB3.9 million for the year ended 31 December 2025.

Our other net income amounted to approximately RMB1.5 million for the six months ended 30 June 2025 and increased to approximately RMB5.4 million for the six months ended 30 June 2026.

For the reasons of the fluctuations of our other net income during the Track Record Period, please refer to the paragraph headed “Period-to-Period Comparison of Results of Operations” in this section.

Selling and marketing expenses

Our selling and marketing expenses primarily consist of staff costs, business entertainment expenses, membership fees and travel expenses.

The following table sets forth a breakdown of our selling and marketing expenses by nature during the Track Record Period.

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	Year ended 31 December 2024		2025		Six months ended 30 June 2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	6,644	67.7	6,411	64.1	2,824	72.7	3,074	73.9
Business entertainment expenses	1,557	15.8	1,635	16.4	436	11.2	447	10.7
Membership fees	396	4.0	359	3.6	215	5.5	224	5.4
Travel expenses	599	6.1	943	9.4	388	10.0	319	7.7
Others (Note)	631	6.4	647	6.5	22	0.6	96	2.3
Total	9,827	100.0	9,995	100.0	3,885	100.0	4,160	100.0

Note: Others include advertising expenses and tender fees.

Our selling and marketing expenses amounted to approximately RMB9.8 million for the year ended 31 December 2024. Our selling and marketing expenses remained stable of approximately RMB10.0 million for the year ended 31 December 2025.

Our selling and marketing expenses amounted to approximately RMB3.9 million for the six months ended 30 June 2025. Our selling and marketing expenses increased to approximately RMB4.2 million for the six months ended 30 June 2026.

For the reasons of the fluctuations of our selling and marketing expenses during the Track Record Period, please refer to the paragraph headed “Period-to-Period Comparisons of Results of Operations” in this section.

General and administrative expenses

Our administrative expenses primarily consist of staff costs, depreciation and amortisation and legal and professional fees.

The following table sets forth a breakdown of our administrative expenses by nature during the Track Record Period.

	Year ended 31 December 2024		2025		Six months ended 30 June 2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	11,599	54.8	10,031	38.9	4,524	56.4	5,416	36.3
Depreciation and amortisation	2,421	11.4	2,723	10.6	962	12.0	677	4.5
Professional fee	1,157	5.5	1,040	4.0	174	2.2	647	4.3
Office and other expenses (Note)	3,987	18.8	2,112	8.2	1,428	17.8	1,836	12.3
Tax surcharges	995	4.7	931	3.6	611	7.6	873	5.9
Entertainment fee	669	3.2	810	3.2	156	2.0	479	3.2
Labour union fee	347	1.6	368	1.4	171	2.0	195	1.4
[REDACTED]	–	–	7,761	30.1	–	–	4,783	32.1
Total	21,175	100.0	25,776	100.0	8,026	100.0	14,906	100.0

Note: Office and other expenses mainly include office expenses, travel expenses and property management expenses.

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Our general and administrative expenses amounted to approximately RMB21.2 million for the year ended 31 December 2024. Our general and administrative expenses increased by approximately 21.7% to approximately RMB25.8 million for the year ended 31 December 2025.

Our general and administrative expenses amounted to approximately RMB8.0 million for the six months ended 30 June 2025 and increased by approximately 85.7% to approximately RMB14.9 million for the six months ended 30 June 2026.

For the reasons of the fluctuations of our general and administrative expenses during the Track Record Period, please refer to the paragraph headed “Period-to-Period Comparisons of Results of Operations” in this section.

Research and development expenses

Our research and development expenses primarily consist of staff costs and depreciation and amortisation.

The following table sets forth a breakdown of our research and development expenses by nature during the Track Record Period.

	Year ended 31 December 2024		2025		Six months ended 30 June 2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	7,801	74.0	6,890	58.2	3,233	85.0	3,821	77.8
Depreciation and amortisation	1,051	10.0	1,208	10.2	526	13.8	591	12.0
Raw materials costs	633	6.0	3,076	25.9	18	0.5	150	3.1
Contract development fees	847	8.0	136	1.1	—	—	—	—
Others (Note)	213	2.0	542	4.6	28	0.7	350	7.1
Total	10,545	100.0	11,852	100.0	3,805	100.0	4,912	100.0

Note: Others include trial testing fees, equipment testing fees and equipment leasing fees.

Our research and development expenses amounted to approximately RMB10.5 million for the year ended 31 December 2024. Our research and development expenses increased by approximately 12.4% to approximately RMB11.9 million for the year ended 31 December 2025.

Our research and development expenses amounted to approximately RMB3.8 million for the six months ended 30 June 2025 and increased by approximately 29.1% to approximately RMB4.9 million for the six months ended 30 June 2026.

For the reasons of the fluctuations of our research and development expenses during the Track Record Period, please refer to the paragraph headed “Period-to-Period Comparisons of Results of Operations” in this section.

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Reversal of/(provision for) impairment loss on trade receivables and contract assets

We recorded a reversal of impairment loss on trade receivables and contract assets of approximately RMB38,000 for the year ended 31 December 2024. Our reversal of impairment loss on trade receivables and contract assets increased to approximately RMB4.4 million for the year ended 31 December 2025.

We recorded a reversal of impairment loss on trade receivables and contract assets of approximately RMB3.9 million for the six months ended 30 June 2025, while we recorded a provision for impairment loss on trade receivables and contract assets of approximately RMB0.3 million for the six months ended 30 June 2026.

For the reasons of the fluctuations of our reversal of impairment loss during the Track Record Period, please refer to the paragraph headed “Period-Period Comparison Results of Operations” in this section.

Finance costs

The following table sets forth a breakdown of our finance costs by nature during the Track Record Period.

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on interest-bearing borrowings	4,699	5,094	2,697	2,327
Interest on other borrowings	2,679	2,969	1,307	1,171
Interest on lease liabilities	539	407	234	200
Less: interest expense capitalised into construction in progress	(7,187)	(5,837)	(2,051)	(2,036)
Total	730	2,633	2,187	1,662

Our finance costs represented interest on interest-bearing borrowings, interest on other borrowings and interest on lease liabilities, less interest expense capitalised into construction in progress, amounted to approximately RMB0.7 million, RMB2.6 million, RMB2.2 million and RMB1.7 million for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, respectively. For detailed reasons, please refer to the paragraph headed “Period-to-Period Comparison of Results of Operations” in this section.

Changes in carrying amount of redemption liabilities

The Company entered into a series of investment agreements with certain independent investors. The capital contributions from the Pre[REDACTED] Investments give rise to financial liabilities if they are redeemable at the option of the Investors upon occurrence of events that are beyond the control of the Company. At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome, and may change from time to time. Changes in the carrying amount of the financial liabilities are recognised in profit or loss.

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We recorded expenses from changes in the carrying amount of the redemption liabilities of approximately RMB27.5 million and RMB29.5 million for the years ended 31 December 2024 and 2025, respectively. We recorded expenses from changes in the carrying amount of the redemption liabilities of approximately RMB14.1 million and nil for the six months ended 30 June 2025 and 2026, respectively. The redemption rights granted to our Pre[REDACTED] investors were terminated and the redemption liabilities converted into equity in December 2025. For details, please refer to Note 25 to the Accountants' Report in Appendix I to this document.

Income tax expense

Our Group's major components of income tax expenses in each year/period of the Track Record Period were as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax – Provision for the year/period	1,390	2,138	1,195	1,517
Deferred tax – Origination and reversal of temporary differences	(753)	(1,615)	196	(1,896)
Total	637	523	1,391	(379)

Our income tax expense was approximately RMB0.6 million and RMB0.5 million for the years ended 31 December 2024 and 2025, respectively. Our income tax expense was approximately RMB1.4 million for the six months ended 30 June 2025. We recorded an income tax benefit of approximately RMB0.4 million for the six months ended 30 June 2026. Pursuant to the EIT Law, companies established in the PRC is subject to PRC EIT at a standard rate of 25% during the Track Record Period. However, our Company, along with its subsidiaries namely Shanghai Hexia, Shanghai Junzhi and Shanghai Jundao, are qualified as a high and new technology enterprise in the PRC and a lower income tax rate of 15% has been applied during the Track Record Period. Certain subsidiaries of the Group meet the conditions as small-scaled minimal profit enterprise and were qualified for the entitlement of preferential tax treatment of 75% exemption of taxable income and application of income tax rate of 20%. As at the Latest Practicable Date, we did not have any material dispute with any tax authority.

A reconciliation of the tax expense applicable to loss before tax at the statutory tax rates for the jurisdictions in which our Group are domiciled to the tax expense at the effective tax rate is as follows:

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	Year ended 31 December				Six months ended 30 June			
	2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
(Loss)/profit before taxation	<u>(23,090)</u>		<u>(19,324)</u>		<u>(5,872)</u>		<u>3,234</u>	
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the countries concerned	(5,773)	25.0	(4,831)	25.0	(1,468)	25.0	809	25.0
Effect of preferential tax rate	2,466	(10.7)	1,408	(7.3)	514	(8.8)	(380)	(11.8)
Tax effect of non-deductible expenses	4,610	(20.0)	4,849	(25.1)	2,195	(37.4)	55	(1.7)
Tax effect of share of (profits)/losses of associates	(75)	0.3	95	0.5	25	(0.4)	93	2.9
Tax effect of gain on the dilution of interests in an associate	–	–	–	–	–	–	(678)	20.9
Tax effect of super deduction for research and development	(1,387)	6.0	(1,313)	6.8	(418)	7.1	(562)	(17.4)
Tax effect of unused tax losses and deductible temporary differences not recognised	796	(3.4)	505	(2.6)	543	(9.2)	311	9.6
Tax impact of utilisation of unrecognised tax losses in prior year	<u>–</u>	–	<u>–</u>	–	<u>–</u>	–	<u>(27)</u>	(1.0)
Total	<u>637</u>	(2.8)	<u>523</u>	(2.7)	<u>1,391</u>	(23.7)	<u>(379)</u>	(11.7)

For detailed reasons, please refer to the paragraph headed “Period-to-Period Comparison of Results of Operations” in this section.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended 30 June 2026 Compared to Six Months Ended 30 June 2025

Revenue

Our total revenue increased by approximately 25.2% from approximately RMB74.2 million for the six months ended 30 June 2025 to approximately RMB92.9 million for the six months ended 30 June 2026. Such increase was primarily attributable to the increase in revenue in testing facility solution which was partially offset by the decrease in revenue in sales of automotive components and in overall the revenue generated from automotive testing remained relatively stable.

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(i) ICEV testing services

Our revenue generated from ICEV testing services increased by approximately RMB5.4 million or 19.9% from approximately RMB27.4 million for the six months ended 30 June 2025 to approximately RMB32.8 million for the six months ended 30 June 2026. The increase in revenue generated from ICEV testing services was mainly attributable to the increase in revenue generated from Customer B by approximately RMB9.3 million and such increase was partially offset by (i) the decrease in revenue by approximately RMB1.2 million generated from a customer which primarily engaged in production and sales of powertrain, complete vehicle and key components in the PRC and (ii) the decrease in revenue by approximately RMB1.1 million generated from a customer which is manufacturer of vehicles headquartered in Guangzhou in the PRC for the provision of ICEV testing services for the six months ended 30 June 2026.

(ii) NEV testing services

Our revenue generated from NEV testing services decreased by approximately RMB9.6 million or 25.3% from approximately RMB38.0 million for the six months ended 30 June 2025 to approximately RMB28.4 million for the six months ended 30 June 2026, which was mainly due to the decrease in revenue generated from (i) Customer G by approximately RMB4.8 million and (ii) a customer by approximately RMB1.9 million for the provision of NEV testing services for the six months ended 30 June 2026.

(iii) ADAS testing services

Our revenue generated from ADAS testing services increased by approximately RMB2.4 million or 43.6% from approximately RMB5.5 million for the six months ended 30 June 2025 to approximately RMB7.9 million for the six months ended 30 June 2026, which was mainly due to the increase in revenue by approximately RMB4.0 million generated from a customer which primarily engaged in development of software products and provision of ADAS and autonomous driving solutions for passenger vehicles in the PRC.

(iv) Testing facility solutions

Our revenue generated from testing facility solutions increased by approximately RMB22.1 million or 21.1 times from approximately RMB1.1 million for the six months ended 30 June 2025 to approximately RMB23.2 million for the six months ended 30 June 2026, which was mainly due to the contribution by the increase in revenue generated from (i) Zhejiang CFMOTO Power Co., Ltd. by approximately RMB5.4 million for the project of mainly CVT testing bench equipment and transmission and front & rear-axle testing bench equipment; (ii) a customer by approximately RMB4.9 million for the project of construction of full-domain electrical monitoring and digital empowerment system; and (iii) a customer which primarily engaged in the sales of NEV powertrains and automotive electronic control technology in the PRC by approximately RMB3.5 million for the project of new-energy motor & motor-controller aging testing bench facility integration.

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(v) Sales of automotive components

Our revenue generated from sales of automotive components decreased by approximately RMB1.6 million or 72.7% from approximately RMB2.2 million for the six months ended 30 June 2025 to approximately RMB0.6 million for the six months ended 30 June 2026, which was mainly due to the decrease in revenue by approximately RMB0.8 million generated from a customer which primarily engaged in sales of key components of vehicle included NEV and ICEV for the six months ended 30 June 2026 in this segment.

Cost of Sales

Our cost of sales increased by approximately RMB15.3 million or 28.8% from approximately RMB53.2 million for the six months ended 30 June 2025 to approximately RMB68.5 million for the six months ended 30 June 2026, which was mainly due to the increase in (i) raw material costs of approximately RMB17.2 million; (ii) staff costs of approximately RMB2.5 million; and (iii) agency services fee of approximately RMB1.1 million which were generally in line with the increase in revenue during the corresponding period.

Our raw material costs increased by approximately RMB17.2 million or 3.0 times from approximately RMB5.9 million for the six months ended 30 June 2025 to approximately RMB23.1 million for the six months ended 30 June 2026, which was mainly due to the increase in provision of testing facility solution projects, which led to higher raw material cost and our raw material costs may be expected to increase further during the year of 2026 mainly driven by the possible growth of this revenue segment for the six months ended 30 June 2025 and 2026 respectively. Our subcontracting costs represented approximately 27.7% and 14.0% of the cost of sales. Our subcontracting costs decreased by RMB5.0 million or 33.9% which was mainly due to the decrease in reliance on our subcontractors for the projects of NEV testing services which accounted for approximately RMB4.8 million of subcontracting costs during the period ended 30 June 2025. Agency service fee represents the agency fees for customs clearance, vehicle registration, insurance, driver labor costs and other miscellaneous expenses (such as toll fees and charging fees) for our overseas road testing. Our agency service fee increased by approximately RMB1.1 million or 103.1% was mainly attributable to increase in provision of our ADAS testing services which required overseas testing and agencies to provide abovementioned agency services.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately RMB3.5 million or 16.7% from approximately RMB20.9 million for the six months ended 30 June 2025 to approximately RMB24.4 million for the six months ended 30 June 2026. Our gross profit margin decreased from approximately 28.2% for the six months ended 30 June 2025 to approximately 26.3% for the six months ended 30 June 2026.

Automotive testing

ICEV testing services

Gross profit margin generated from ICEV testing services decreased from approximately 29.8% for the six months ended 30 June 2025 to approximately 23.5% for the six months ended 30 June 2026. The decrease in gross profit margin was primarily due to the increase in raw material costs of specific tools required to perform our ICEV testing projects for the six months ended 30 June 2026 and such costs of specific tools amounted to approximately RMB1.4 million.

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NEV testing services

Gross profit margin generated from NEV testing services slightly decreased from approximately 27.0% for the six months ended 30 June 2025 to approximately 26.9% for the six months ended 30 June 2026 which remained relatively stable.

ADAS testing services

Gross profit margin generated from ADAS testing services remained relatively stable of approximately 31.6% for the six months ended 30 June 2026 as compared with the same of approximately 31.5% for the six months ended 30 June 2025.

Testing facility solutions

Gross profit margin generated from testing facility solutions increased from approximately 18.2% for the six months ended 30 June 2025 to approximately 27.2% for the six months ended 30 June 2026. The increase in gross profit margin was mainly due to our top 1, 3, 5 projects with relatively higher gross profit margin of approximately 22.0%, 58.1% and 42.1% respectively which contributed approximately total RMB11.7 million of revenue of this segment for the six months ended 30 June 2026.

Sales of automotive components

Gross profit margin generated from sales of automotive components amounted to approximately 25.0% for the six months ended 30 June 2025 and approximately 42.3% for the six months ended 30 June 2026 where this segment contributed approximately RMB0.6 million of the revenue and RMB0.3 million of the gross profit represented only approximately 0.7% and 1.1% of total revenue and gross profit.

Other net income

Our other net income increased by approximately RMB4.0 million or 267% from approximately RMB1.5 million for the six months ended 30 June 2025 to approximately RMB5.4 million for the six months ended 30 June 2026, primarily due to the increase in dilution gains from interest in associates of approximately RMB4.5 million.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.3 million or 7.7% from approximately RMB3.9 million for the six months ended 30 June 2025 to approximately RMB4.2 million for the six months ended 30 June 2026, primarily due to the increase in staff costs of approximately RMB0.2 million.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB6.9 million or 85.3% from approximately RMB8.0 million for the six months ended 30 June 2025 to approximately RMB14.9 million for the six months ended 30 June 2026, primarily attributable to the one-off [REDACTED] of approximately RMB4.8 million recorded during the period of the six months ended 30 June 2026.

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Research and development expenses

Our research and development expenses increased by approximately RMB1.1 million or 29.1% from approximately RMB3.8 million for the six months ended 30 June 2025 to approximately RMB4.9 million for the six months ended 30 June 2026 which was mainly due to the increase in our salary costs of our research and development staff of approximately RMB0.6 million.

Reversal of/(provision for) impairment loss on trade receivable and contract assets

Our reversal of impairment loss on trade receivable and contract assets decreased from approximately RMB3.9 million for the six months ended 30 June 2025 to an impairment loss of approximately RMB0.4 million for the six months ended 30 June 2026, primarily due to the settlement of trade receivable which was provided impairment of approximately RMB4.4 million during six months ended 30 June 2025, leading to a reversal of the expected credit loss for the six months ended 30 June 2025 and no such reversal had been recognised for the six months ended 30 June 2026.

Finance costs

Our finance costs decreased from approximately RMB2.2 million for the six months ended 30 June 2025 to approximately RMB1.7 million for the six months ended 30 June 2026, primarily due to the decrease in interest on interest-bearing borrowings of approximately RMB0.4 million. Mainly due to the lower borrowing cost in which the interest rate range decreased from 2.7% to 6.95% for the six months ended 30 June 2025 to 2.5% to 6.78% for the six months ended 30 June 2026.

Income tax

The Group recorded income tax expenses of approximately RMB1.4 million for the six months ended 30 June 2025 and income tax credit of approximately RMB0.4 million was recorded for the six months ended 30 June 2026 which was mainly due to the recognition of deferred tax assets of approximately RMB1.9 million recognised during the six months ended 30 June 2026.

Loss/profit for the period

As a result of the foregoing, the Group recorded loss for the period of approximately RMB7.3 million for the six months ended 30 June 2025 and profit for the period of approximately RMB3.6 million was recorded for the six months ended 30 June 2026 which was primarily due to the loss from changes in carrying amount of redemption liabilities recognised of approximately RMB14.1 million during the six months ended 30 June 2025 where the redemption right granted were terminated in December 2025 and no such was occurred during the six months ended 30 June 2026 and the increase in profit from operation as the reasons mentioned above.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2025 Compared to Year Ended 31 December 2024

Revenue

Our total revenue increased by approximately 48.5% from approximately RMB137.8 million for the year ended 31 December 2024 to approximately RMB204.6 million for the year ended 31 December 2025, due to the increase in revenue across all of our business segments, including (i) automotive testing services which include ICEV, NEV, and ADAS testing services; (ii) testing facility solutions; and (iii) sales of automotive components.

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(i) ICEV testing services

Our revenue generated from ICEV testing services increased by approximately RMB2.2 million or 3.8% from approximately RMB57.5 million for the year ended 31 December 2024 to approximately RMB59.7 million for the year ended 31 December 2025. The slight increase in revenue generated from ICEV testing services was mainly attributable to the slowing growth of ICEV testing services as a result of (i) the policy-driven structural shift of investment from ICEVs to NEVs in the automotive testing industry in 2025; and (ii) the shortening of automotive research and development cycles of ICEV due to the maturity of testing techniques in ICEV development.

(ii) NEV testing services

Our revenue generated from NEV testing services increased by approximately 48.4% from approximately RMB45.1 million for the year ended 31 December 2024 to approximately RMB66.8 million for the year ended 31 December 2025, which was mainly due to the improvement in our NEV testing capacity in 2025 as our Jiashan Testing Facility, which focus on NEV testing, has commenced operations in the fourth quarter of 2025 which allowed our Group to cope with the increasing demand for NEV testing services.

(iii) ADAS testing services

Our revenue generated from ADAS testing services increased by approximately 170.5% from approximately RMB10.1 million for the year ended 31 December 2024 to approximately RMB27.4 million for the year ended 31 December 2025, which was mainly due to our growing overseas road testing services which are provided solely to our customers located in the PRC. Our top 2 and top 3 projects in 2025 were overseas road testing projects which contributed approximately RMB8.4 million and RMB5.3 million to our revenue during the year ended 31 December 2025. The revenue generated from overall overseas road testing services was increased by approximately RMB15.9 million or 274.5% for the year ended 31 December 2025 as compared with the same for the year ended 31 December 2024.

(iv) Testing facility solutions

Our revenue generated from testing facility solutions increased by approximately 111.5% from approximately RMB21.7 million for the year ended 31 December 2024 to approximately RMB45.8 million for the year ended 31 December 2025, which was mainly due to the completion of our top 1 project in relation to testing facility solutions provided to Customer F which contributed approximately RMB27.8 million to our revenue during the year ended 31 December 2025.

(v) Sales of automotive components

Our revenue generated from sales of automotive components increased by approximately 40.0% from approximately RMB3.4 million for the year ended 31 December 2024 to approximately RMB4.8 million for the year ended 31 December 2025, which was mainly due to the increase in sales orders of TCUs from 86 units to 2,920 units and urea pumps from 978 units to 2,508 units along with our expansion of business to include the sales of automotive components.

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Cost of Sales

Our cost of sales increased by approximately 64.3% from approximately RMB93.1 million for the year ended 31 December 2024 to approximately RMB153.0 million for the year ended 31 December 2025, which was mainly due to the increase in (i) raw material costs of approximately RMB27.7 million; (ii) subcontracting costs of approximately RMB15.0 million; (iii) agency services fee of approximately RMB8.1 million; (iv) depreciation and amortisation of approximately RMB5.2 million; and (v) staff costs of approximately RMB1.9 million which were in line with the increase in revenue during the corresponding year.

Our raw material costs increased by approximately RMB27.7 million or 142.8% from approximately RMB19.4 million for the year ended 31 December 2024 to approximately RMB47.1 million for the year ended 31 December 2025, which was mainly due to the increase in the use of raw materials primarily used for testing facility solutions because the provision of testing facility solutions involved our supplies of testing systems and equipment to our customers in this segment which required us to procure from our suppliers. Our cost of raw materials generated from the provision of testing facility solutions increased by RMB21.5 million or 151.8% for the year ended 31 December 2025 as compared with the same for the year ended 31 December 2024. Our subcontracting costs represented approximately 13.4% and 18.0% of the cost of sales for the years ended 31 December 2024 and 2025, respectively. Our subcontracting costs increased by approximately RMB15.0 million or 119.9%, which was mainly due to the increase in outsourcing certain automotive testing works to subcontractors. Agency service fee represents the agency fees for customs clearance for our overseas road testing. Our agency service fee increased by approximately RMB8.1 million or 159.6% was mainly attributable to our top 2 project in 2025 which involved overseas road testing and approximately RMB4.2 million of agency fee was incurred for this project.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 15.6% from approximately RMB44.6 million for the year ended 31 December 2024 to approximately RMB51.6 million for the year ended 31 December 2025. Our gross profit margin decreased from approximately 32.4% for the year ended 31 December 2024 to approximately 25.2% for the year ended 31 December 2025.

Automotive testing

ICEV testing services

Gross profit margin generated from ICEV testing services decreased from approximately 31.2% for the year ended 31 December 2024 to approximately 24.9% for the year ended 31 December 2025. The decrease in gross profit margin was primarily due to the reduction in research and development time for ICEVs resulting from technological maturity, the average work order value of our ICEV testing decreased from approximately RMB296,370 per work order for the year ended 31 December 2024 to approximately RMB285,660 per work order for the year ended 31 December 2025. Together with the growing number of projects, this has markedly increased the share of non-billable tasks such as project management and business communication, leading to compressed gross profit margins. As referred to the top 10 projects table in "Business – Top ten projects", our top 3, 7 and 8 projects for the year ended 31 December 2024 which contributed relatively higher gross profit margin of approximately 52%, 76% and 77% respectively and also caused a relatively overall higher gross profit margin for the year ended 31 December 2024 as compared with the same of 31 December 2025 by such larger top projects for the year ended 31 December 2024.

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NEV testing services

Gross profit margin generated from NEV testing services decreased from approximately 35.7% for the year ended 31 December 2024 to approximately 26.1% for the year ended 31 December 2025. The decrease in gross profit margin was mainly due to the increase in outsourced NEV testing projects that the revenue generated from NEV testing services involved subcontracting amounted to approximately RMB27.4 million represented approximately 41.0% of the revenue of this segment, which led to the increase in cost of sales and a corresponding decrease in gross profit margin.

ADAS testing services

Gross profit margin generated from ADAS testing services decreased from approximately 37.8% for the year ended 31 December 2024 to approximately 34.0% for the year ended 31 December 2025. The decrease in gross profit margin was mainly due to the increase in our overseas road testing projects during the year ended 31 December 2025, which that ADAS testing projects conducted overseas generate lower gross profit margin than projects conducted in the PRC mainly resulted from top 2 and 3 projects for the year ended 31 December 2025 with the relative gross profit margin of approximately 25% and 17% respectively. Despite our overseas ADAS testing has higher contract values, it generates lower profit margin as overseas testing requires provision of overseas agency services to arrange necessary resources to perform the overseas testing, which adversely affect out gross profit margin.

Testing facility solutions

Gross profit margin generated from testing facility solutions decreased from approximately 27.3% for the year ended 31 December 2024 to approximately 20.2% for the year ended 31 December 2025. The decrease in gross profit margin was mainly due to our top 1 project in relation to testing facility solutions provided to Customer F generated a lower gross profit margin as Customer F consisting of a local government body and its operating entity has stronger bargaining power.

Sales of automotive components

Gross profit margin generated from sales of automotive components amounted to approximately 25.5% for the year ended 31 December 2024 and approximately 15.1% for the year ended 31 December 2025. The decrease in gross profit margins of sales of automotive components was mainly due to the increase in proportion of sales of TCU which generated a lower gross profit margin as the production of TCU was outsourced to a related party.

Other net income

Our other net income increased by approximately 162.3% from approximately RMB1.5 million for the year ended 31 December 2024 to approximately RMB3.9 million for the year ended 31 December 2025, primarily due to (i) the increase in net gain on disposal of property, plant and equipment and termination of lease of approximately RMB0.9 million; and (ii) the increase in government grants of approximately RMB0.8 million.

Our net gain on disposal of property, plant and equipment and termination of lease increased from nil for the year ended 31 December 2024 to approximately RMB0.9 million for the year ended 31 December 2025 was mainly due to the termination of lease of our Jinshan Testing Facility. Our government grants increased from approximately RMB1.7 million for the year ended 31 December 2024 to approximately RMB2.6 million for the year ended 31 December 2025 was mainly due to the government subsidy received from Zhejiang Provincial Department of Industry and Information Technology* (浙江省經濟和信息化廳).

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Selling and marketing expenses

Our selling and marketing expenses increased by approximately 1.7% from approximately RMB9.8 million for the year ended 31 December 2024 to approximately RMB10.0 million for the year ended 31 December 2025, primarily due to the increase in travel expenses of approximately RMB0.3 million and the increase in business entertainment expenses of approximately RMB78,000, which were in line with the increase in revenue during the corresponding year.

General and administrative expenses

Our general and administrative expenses increased by approximately 21.7% from approximately RMB21.2 million for the year ended 31 December 2024 to approximately RMB25.8 million for the year ended 31 December 2025, primarily attributable to the one-off [REDACTED] of approximately RMB7.8 million recorded during the year ended 31 December 2025.

Research and development expenses

Our research and development expenses remained stable at approximately RMB10.5 million and RMB11.9 million for the years ended 31 December 2024 and 2025 respectively.

Reversal of impairment loss on trade receivable and contract assets

Our reversal of impairment loss on trade receivable and contract assets increased from approximately RMB38,000 for the year ended 31 December 2024 to approximately RMB4.4 million for the year ended 31 December 2025, primarily due to the settlement of a long-aging trade receivable of approximately RMB4.4 million, leading to the reversal of the expected credit loss.

Finance costs

Our finance costs increased from approximately RMB0.7 million for the year ended 31 December 2024 to approximately RMB2.6 million for the year ended 31 December 2025, primarily due to the decrease in interest expense capitalised into construction in progress of approximately RMB1.4 million.

Income tax expense

Our income tax expenses decreased by approximately 17.9% from approximately RMB0.6 million for the year ended 31 December 2024 to approximately RMB0.5 million for the year ended 31 December 2025, primarily due to the increase in deferred tax from approximately RMB0.7 million for the year ended 31 December 2024 to approximately RMB1.6 million for the year ended 31 December 2025.

Loss for the year

As a result of the foregoing, our net loss decreased by approximately 16.4% from approximately RMB23.7 million for the year ended 31 December 2024 to approximately RMB19.8 million for the year ended 31 December 2025. Our Group recorded net loss for the year ended 31 December 2024 and the year ended 31 December 2025 was primarily due to the loss from changes in carrying amount of redemption liabilities recognised of approximately RMB27.5 million and RMB29.5 million for the years ended 31 December 2024 and 2025 respectively. The redemption right granted were terminated in December 2025.

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DISCUSSION OF CERTAIN SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net Current Liabilities

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

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2025 <i>RMB'000</i>	As at 30 June 2026 <i>RMB'000</i>	As at 31 July 2026 <i>RMB'000</i> <i>(unaudited)</i>
Current assets				
Inventories	18,680	27,818	41,030	46,053
Contract assets	69,050	64,438	67,114	65,319
Trade and other receivables	73,783	88,828	84,390	92,666
Income tax recoverable	515	972	1,414	1,414
Cash and cash equivalents	10,316	35,947	16,025	15,723
Restricted cash balances	289	853	—	—
Total current assets	<u>172,633</u>	<u>218,856</u>	<u>209,973</u>	<u>221,175</u>
Current liabilities				
Trade and other payables	75,520	107,733	85,098	84,483
Contract liabilities	24,867	10,348	6,931	7,655
Interest-bearing borrowings	82,434	99,264	114,131	114,095
Income tax payable	1,244	1,988	2,826	2,751
Lease liabilities	3,286	2,005	2,215	2,941
Other borrowings	23,368	33,949	17,340	20,369
Redemption liabilities	247,773	—	—	—
Total current liabilities	<u>458,492</u>	<u>255,287</u>	<u>228,541</u>	<u>232,294</u>
Net current liabilities	<u>(285,859)</u>	<u>(36,431)</u>	<u>(18,568)</u>	<u>(11,119)</u>
Net (liabilities)/assets	<u>(24,467)</u>	<u>254,943</u>	<u>258,504</u>	<u>260,648</u>

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Our net current liabilities decreased from approximately RMB285.9 million as at 31 December 2024 to approximately RMB36.4 million as at 31 December 2025, primarily due to (i) the conversion of redemption liabilities to equity as a result of the termination of the investors' redemption right granted in previous years in December 2025 pursuant to the supplementary agreement signed by our Company and the investors with redemption right; and (ii) the decrease in contract liabilities of approximately RMB14.5 million related to made-to-order service arrangements which our Group receives a deposit for testing facility solutions before work commenced.

Our net current liabilities decreased from approximately RMB36.4 million as at 31 December 2025 to approximately RMB18.6 million as at 30 June 2026, primarily due to (i) a decrease in trade and other payables of approximately RMB22.6 million mainly attributable to settled payments to suppliers during the period; (ii) a decrease in other borrowings of approximately RMB16.6 million; and (iii) a increase in inventories of approximately RMB13.2 million which was partially offset by (iii) a decrease in cash and cash equivalents of approximately RMB19.9 million; and (iv) an increase in interest-bearing borrowings of approximately RMB14.9 million.

Our net current liabilities decreased from approximately RMB18.6 million as at 30 June 2026 to approximately RMB11.1 million as at 31 July 2026, primarily due to (i) an increase in inventories of approximately RMB13.8 million; and (ii) an increase in trade and other receivables of approximately RMB8.8 million which was partially offset by (iii) an increase in trade and other payables of approximately RMB8.7 million; and (iv) an increase in other borrowings of approximately RMB3.0 million.

Our Group turned from a net liability position of approximately RMB24.5 million as at 31 December 2024 to a net asset position of approximately RMB254.9 million as at 31 December 2025, primarily due to (i) the decrease in redemption liability of approximately RMB247.8 million; (ii) the decrease in contract liabilities of approximately RMB14.5 million; and (iii) the increase in property, plant and equipment of approximately RMB27.6 million.

Our Group net assets increased from approximately RMB254.9 million as at 31 December 2025 to approximately RMB258.5 million as at 30 June 2026, primarily due to (i) an increase in inventories of approximately RMB13.2 million; and (ii) a decrease in trade and other payables of approximately RMB22.6 million which was partially offset by (iii) a decrease in cash and cash equivalents of approximately RMB19.9 million; and (iv) an increase in interest-bearing borrowings of approximately RMB14.9 million.

Our Group net assets increased from approximately RMB258.5 million as at 30 June 2026 to approximately RMB260.6 million as at 31 July 2026, primarily due to (i) an increase in inventories of approximately RMB13.8 million; and (ii) an increase in trade and other receivables of approximately RMB8.8 million which was partially offset by (iii) an increase in trade and other payables of approximately RMB8.7 million; and (iv) an increase in other borrowings of approximately RMB3.0 million.

In addition, we intend to further improve our net current liabilities position through various measures as below:

- (i) we plan to use our continuous cash flow from operations to improve our net current liabilities position. Our net cash generated from operating activities increased from approximately RMB10.9 million for the year ended 31 December 2024 to approximately RMB51.4 million for the year ended 31 December 2025;

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- (ii) we plan to improve our net current liabilities position with the internal resources available to us. We had banking facilities of approximately RMB178.8 million, of which approximately RMB8.0 million was committed but unutilized as at 31 July 2026; and
- (iii) we plan to continue implementing effective evaluation system and stringent measures to enhance our trade receivables management. During the Track Record Period, our trade receivables and contract assets turnover days improved from 257 days for the year ended 31 December 2024 to 197.5 days for the year ended 31 December 2025.

Investment property and property, plant and equipment

Our investment property and property, plant and equipment primarily consists of buildings, equipment and machinery, right-of-use assets, construction in progress, leasehold improvements and investment property. The following table sets forth the net carrying amount of our investment property and property, plant and equipment as the dates as indicated:

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2025 <i>RMB'000</i>	As at 30 June 2026 <i>RMB'000</i>
Buildings	28,916	28,811	28,175
Equipment and machinery	197,612	211,127	190,634
Construction in progress	35,325	50,350	68,760
Building and leasehold improvements	6,528	5,650	5,391
Investment properties – Lands	10,734	10,256	10,013
Total	279,115	306,194	302,973

The carrying amount of our investment property and property, plant and equipment increased from approximately RMB279.1 million as at 31 December 2024 to approximately RMB306.2 million as at 31 December 2025, primarily due to the addition of construction in progress of approximately RMB15.0 million.

The carrying amount of our investment property and property, plant and equipment decreased from approximately RMB306.2 million as at 31 December 2025 to approximately RMB303.0 million as at 30 June 2026, primarily due to the decrease in equipment and machinery mainly resulted from the depreciation for the six months ended 30 June 2026.

Right-of-use assets

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

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The carrying amount of our right-of-use assets increased from approximately RMB15.4 million as at 31 December 2024 to approximately RMB16.3 million as at 31 December 2025, which was mainly due to the addition of the lease in respect of our Jiashan Testing Facility which was offset by the termination of the lease in respect of our Jinshan Testing Facility.

The carrying amount of our right-of-use assets increased from approximately RMB16.3 million as at 31 December 2025 to approximately RMB16.6 million as at 30 June 2026, which was mainly due to the addition of (i) the new lease entered into by Singmobility Technology Surveillance Pte Ltd. in February 2026; and (ii) new lease of a promises entered into by Shanghai Hexia.

Impairment assessment of non-financial assets

As of the end of each year/period during the Track Record Period, the Group assessed whether there was any indication that its non-financial assets including investment property, property, plant and equipment, right-of-use assets and intangible assets may be impaired. The Group follows the guidance of IAS 36 to determine whether impairment indicators exist for its investment property and property, plant and equipment and right-of-use assets based on external and internal sources of information. The Directors did not identify any impairment indication for the above-mentioned non-financial assets as of 31 December 2024, 31 December 2025 and 30 June 2026, and no impairment was made for these non-financial assets.

Contract assets and Contract liabilities

Contract assets primarily comprised of (a) amounts recognized for automotive testing revenue upon the transfer of testing data to customers but not yet billed as the amounts to be billed are subject to the agreement of the number of testing hours with the customers. Such amounts are typically reclassified to trade receivables when our Group agrees on the number of testing hours with the customers, which generally coincides with the time when our Group issues the invoices to the customer; and (b) for contracts relating to testing facility solutions retention amounts withheld until the expiration of the quality assurance period. Such amounts are typically reclassified to trade receivables when the quality assurance period expires and the retention amount becomes due.

Contract liabilities primarily arise when the customer pays non-refundable consideration before our Group recognises the related revenue. When our Group receives a prepayment before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised upon the transfer of control to the customer. Our Group typically receives a prepayment on all our Group's system integration contracts before work commences. The amount of the prepayment, if any, was negotiated on a case by case basis with customers.

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The table below sets forth our contract assets and contract liabilities as of the dates indicated:

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2025 <i>RMB'000</i>	As at 30 June 2026 <i>RMB'000</i>
Contract assets			
Arising from performance under contracts with customers	69,498	64,714	67,401
Less: loss allowance	(448)	(276)	(287)
Total	69,050	64,438	67,114
Contract liabilities			
Advance payments from customers	24,867	10,348	6,931

Our contract assets decreased by approximately 6.7% from approximately RMB69.1 million as at 31 December 2024 to approximately RMB64.4 million as at 31 December 2025. The decrease in contract assets was primarily attributable to the decrease in average billing period of our contract assets which was affected by (i) the duration of automotive testing projects; and (ii) the duration of the quality assurance period of testing facility solutions projects. Our Group has no material reversal of contract assets after the end of the respective years.

Our contract assets remained relatively stable of approximately RMB 64.4 million as at 31 December 2025 as compared with approximately RMB67.1 million as at 30 June 2026.

Contract liabilities represent the prepayment received by our Group before the production activities of testing facility solutions commence. Our Group recorded contract liabilities of approximately RMB24.9 million as at 31 December 2024 mainly comprised of prepayment received from Customer F which has been subsequently recognised as revenue during the year ended 31 December 2025. As a result, our contract liabilities decreased to approximately RMB10.3 million as at 31 December 2025.

Our contract liabilities decreased by approximately 33.0% from approximately RMB10.3 million as at 31 December 2025 to approximately RMB6.9 million as at 30 June 2026. The decrease in contract liabilities was primarily attributable to approximately RMB6.3 million of contract liabilities balance as at 31 December 2025 had been recognised as revenue during the six months ended 30 June 2026.

These changes are indicative of the dynamic nature of our project-based business, where contract assets and contract liabilities are influenced by project schedules, customer advance payments, and revenue recognition patterns.

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The following table sets forth an aging analysis of contract assets as at the dates indicated:

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000	As at 30 June 2026 RMB'000
0 to 90 days	26,949	27,190	24,245
91 to 180 days	11,372	15,390	13,345
181 to 365 days	30,729	21,858	29,524
Total	69,050	64,438	67,114

The following table sets forth the average billing period of our contract assets for the dates indicated:

	As at 31 December 2024 (days)	As at 31 December 2025 (days)	As at 30 June 2026 (days)
Average billing period ^(Notes)	148	119	130

Notes:

1. Average billing period was calculated based on the average of opening and closing contract assets as at the relevant year end divided by revenue for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.
2. Average billing period was calculated based on the average of opening and closing contract assets as at the relevant period end divided by revenue for the relevant period, and multiplied by the number of days in the relevant period, being 183 days for the six months ended 30 June 2026.

The average billing period of our contract assets were approximately 148 days, 119 days and 130 days for the years ended 31 December 2024, 31 December 2025 and for the six months ended 30 June 2026, respectively. The subsequent billing by our Group was affected by (i) the duration of automotive testing projects; and (ii) the duration of the quality assurance period of testing facility solutions projects.

As at the Latest Practicable Date, (i) RMB21.8 million or 32.3% of our contract assets as at 30 June 2026 were subsequently billed while the remaining unbilled contract assets of approximately RMB45.6 million is expected to be billed by 31 December 2026; and (ii) RMB0.5 million or 7.0% of our contract liabilities as at 30 June 2026 were subsequently recognised as revenue.

Inventories

Our inventories primarily consist of (i) raw materials which is mainly hydrocarbon fluids; (ii) work in progress consist primarily of (a) testing facility solutions equipments that were not yet delivered to the client's designated site and final customer acceptance was not yet obtained; (b) direct costs incurred in providing overseas road testing services before the services are completed and test data or data validation report is transferred to the customer and (iii) finished goods which are mainly TCUs and urea pumps.

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Our inventories increased from approximately RMB18.7 million as at 31 December 2024 to approximately RMB27.8 million as at 31 December 2025, primarily due to the increase in (i) work in progress by approximately RMB9.7 million and (ii) finished goods by approximately RMB0.6 million. The increase in work in progress was primarily due to the increase in work orders of facility systems solutions, which in turn led to the increase in testing facility solutions equipments that were not yet delivered to the client's designated site and final customer acceptance was not yet obtained. Our inventories increased from approximately RMB27.8 million as at 31 December 2025 to approximately RMB41 million as at 30 June 2026, primarily due to the increase in work in progress by approximately RMB10.2 million mainly resulted from the confirmed orders of our testing facility solutions for which delivery had not yet been completed as at the six months ended 30 June 2026.

The following table sets forth our inventories as at the dates indicated:

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2025 <i>RMB'000</i>	As at 30 June 2026 <i>RMB'000</i>
Raw materials	6,479	5,348	7,509
Work in progress	9,805	19,469	29,679
Finished goods	2,396	3,001	3,842
Total	18,680	27,818	41,030

The following table sets forth an aging analysis of inventories as of the date indicated.

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2025 <i>RMB'000</i>	As at 30 June 2026 <i>RMB'000</i>
Within 1 year	17,177	26,083	40,316
1 to 2 years	1,503	1,735	714
Total	18,680	27,818	41,030

The following table sets forth the number of our inventory turnover days for the dates indicated:

	As at 31 December 2024 (days)	As at 31 December 2025 (days)	As at 30 June 2026 (days)
Inventory turnover days ^(Notes)	44.1	41.5	67.8

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Notes:

1. Inventory turnover days were calculated based on the average of opening and closing inventory balance divided by sales for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.
2. Inventory turnover days were calculated based on the average of opening and closing inventory balance divided by sales for the relevant period, and multiplied by the number of days in the relevant period, being 183 days for the six months ended 30 June 2026.

Our inventory turnover days remained stable of approximately 44.1 days for the year ended 31 December 2024 and approximately 41.5 days for the year ended 31 December 2025.

Our inventory turnover days increased from approximately 41.5 days for the year ended 31 December 2025 to approximately 67.8 days for the six months ended 30 June 2026, which was primarily attributable to relatively higher average inventory levels which was in line with our growth of revenue for the six months ended 30 June 2026 as compared with the corresponding period in 2025.

As at 31 August 2026, our Group was able to utilise approximately RMB7.7 million or 18.7% of our Group's inventories as at 30 June 2026. No impairment had been made for our inventories during the Track Record Period given that our inventories were mainly for the provision of testing facility solutions and automotive testing services to our customers for the confirmed orders and pending for the completion and delivery of such orders to our customers.

Trade receivables

During the Track Record Period, our trade receivables primarily represent receivables from customer for (i) automotive testing; (ii) testing facility solutions; and (iii) sales of automotive components. The credit period granted to our customers was generally 30 days to 120 days from the date of invoice. The following table sets forth our trade receivables as at the dates indicated:

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000	As at 30 June 2026 RMB'000
Trade receivables	36,479	57,571	60,546
Less: Allowance for expected credit losses	(5,177)	(983)	(1,321)
Total	31,302	56,588	59,225

Our trade receivables, net of loss allowance increased from approximately RMB31.3 million as at 31 December 2024 to approximately RMB56.6 million as at 31 December 2025, which is in line with the increase in revenue and recorded approximately RMB59.2 million as at 30 June 2026 which was relatively stable as compared the same of approximately RMB56.6 million as at 31 December 2025.

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The following table sets forth an aging analysis of trade receivables, based on the date of revenue recognition and net loss of allowance as of the date indicated.

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000	As at 30 June 2026 RMB'000
Within 1 year	26,809	52,157	55,151
1 to 2 years	3,320	2,150	2,242
2 to 3 years	1,173	2,281	1,832
Total	31,302	56,588	59,225

We perform an impairment analysis at the end of each of the Track Record Period based on an assessment of the present value of all expected cash shortfalls to measure expected credit losses. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions.

As at 31 August 2026, approximately RMB24.2 million or 39.9% of our trade receivables as at 30 June 2026 had been subsequently settled.

The table below sets forth the overall turnover days of our trade receivables and contract assets for the year indicated:

	As at 31 December 2024 (days)	As at 31 December 2025 (days)	As at 30 June 2026 (days)
Trade receivables and contract assets turnover days ^(Note 1 and 2)	257.0	197.5	243.7
Trade receivables turnover days ^(Note 3 and 4)	108.8	78.4	114.1

Notes:

1. Trade receivables and contract assets turnover days were calculated based on the average of opening and closing trade receivables balance and contract assets divided by revenue for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.
2. Trade receivables and contract assets turnover days were calculated based on the average of opening and closing trade receivables balance and contract assets divided by revenue for the relevant period, and multiplied by the number of days in the relevant period, being 183 days for the six months ended 30 June 2026.
3. Trade receivables turnover days were calculated based on the average of opening and closing trade receivables balance divided by revenue for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.
4. Trade receivables turnover days were calculated based on the average of opening and closing trade receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period, being 183 days for the six months ended 30 June 2026.

Our trade receivables and contract assets turnover days decreased from approximately 257.0 days for the year ended 31 December 2024 to approximately 197.5 days for the year ended 31 December 2025. The decrease in trade receivables and contract assets turnover days was primarily attributable to the decrease in contract assets of approximately RMB4.6

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million. In view of the increasing proportion of the customers with longer settlement cycle, resulted in our prolonged trade receivables and contract assets settlement cycle. As our cash outflow from operating activities mainly consists of payments for staff costs, raw material costs, subcontracting fee and other operating expenses which are normally settled in a relatively shorter period, this creates cash flow mismatch. To mitigate the adverse impact on our liquidity position, our Group will (i) use revolving credit lines to bridge temporary gaps; and (ii) regularly project inflows and outflows to anticipate mismatches and plan accordingly.

Our trade receivables and contract assets turnover days increased from approximately 197.5 days for the year ended 31 December 2025 to approximately 243.7 days for the six months ended 30 June 2026, and our trade receivables turnover days increased from approximately 78.4 days to approximately 114.1 days over the same period. The increase was primarily attributed to the relatively higher opening trade receivables balance i.e. 31 December 2025 for the computation of trade receivables turnover days for the six months ended 30 June 2026 which caused the relatively longer trade receivables and contract assets turnover days for the six months ended 30 June 2026.

Our Group maintains a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and taken into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors and bills receivables are due within 30 to 180 days from the date of billing.

Bill receivables, prepayments and other debtors and deposits

Our bills receivables primarily represent bank bills and commercial bills received from our customers. Our prepayments to suppliers primarily represent prepayments for goods. Our other debtors and deposits primarily represents input value-added tax credit, business deposit and security deposit and advances to employees.

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

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000 (unaudited)	As at 30 June 2026 RMB'000
Bill receivables, carried at amortised cost, net of loss allowance	411	455	–
Bills receivable measured at fair value through other comprehensive income	–	3,772	3,246
Prepayments	22,670	10,996	5,553
Other debtors and deposits	19,400	17,017	16,366
Total	42,481	32,240	25,165

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Our bills receivables, prepayments and other debtors and deposits decreased from approximately RMB42.5 million as at 31 December 2024 to approximately RMB32.2 million as at 31 December 2025, primarily due to the decrease in prepayments which mainly attributable to the completion of system integration solutions projects. Our bills receivables, prepayments and other debtors and deposits decreased from approximately RMB32.2 million as at 31 December 2025 to approximately RMB25.2 million as at 30 June 2026, primarily due to the decrease in prepayments as a result of the decrease in rental of certain testing equipment which required prepayment.

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

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2025 <i>RMB'000</i>	As at 30 June 2026 <i>RMB'000</i>
Input value-added tax credit	10,075	6,632	9,101
Accounts receivable finance	1,826	3,881	1,677
Business deposit and security deposit	4,619	4,944	3,920
Employee advances	2,799	1,466	1,524
Others	81	94	144
Total	19,400	17,017	16,366

Our other debtors and deposit decreased by approximately RMB2.4 million or 12.3% from approximately RMB19.4 million for the year ended 31 December 2024 to approximately RMB17.0 million for the year ended 31 December 2025, which was mainly attributed to the decrease in input value-added tax (“VAT”) credit of approximately RMB3.4 million. The balance of input VAT credit was generated from the company’s historical acquisition or construction of long-term assets (such as machinery and equipment, and construction in progress). As the company commences production and generates output VAT, this previously retained input VAT is used to offset the VAT payable in the current period. As business activities continue, the existing balance of input VAT credit is gradually used, resulting in a corresponding decrease in the balance of input VAT credit.

Our other debtors and deposits in overall remained relatively stable of approximately RMB16.4 million as at 30 June 2026 as compared with the same of approximately RMB17.0 million as at 31 December 2025.

As at 31 August 2026, approximately RMB8.2 million or 50.0% of our bill receivables, prepayments and other debtors and deposits as at 30 June 2026 had been subsequently settled.

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Trade payables

Our trade payables primarily represented amounts payable to our subcontractor for the subcontracting cost and our suppliers for the purchases of our raw materials. Settlement for trade payables is generally made in accordance with the terms specified in the purchase orders governing the relevant transactions. Our suppliers generally grant us with a credit period of 30 to 90 days. The following table sets forth an aging analysis of trade payables based on the invoice date, as at the dates indicated:

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000	As at 30 June 2026 RMB'000
Within 1 year	46,291	71,829	60,041
1 to 2 years	7,800	2,330	3,340
2 to 3 years	116	3,612	1,637
Over 3 years	13	116	961
Total	54,220	77,887	65,979

Our trade payables increased from approximately RMB54.2 million as at 31 December 2024 to approximately RMB77.9 million as at 31 December 2025, which was in line with the increase in cost of sales mainly attributable to (i) the increase in raw materials costs; and (ii) the increase in subcontracting costs as our Group has outsourced more automotive testing works to subcontractors during the corresponding periods.

Our trade payables decreased by approximately 15.3% from approximately RMB77.9 million as at 31 December 2025 to approximately RMB66.0 million as at 30 June 2026. The decrease was primarily attributable to the decrease in trade payables which was due within 1 year from approximately RMB71.8 million as at 31 December 2025 to approximately RMB60.0 million as at 30 June 2026.

As at 31 August 2026, approximately RMB12.6 million or 19.0% of our trade payables as at 30 June 2026 had been subsequently settled.

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

	As at 31 December 2024 (days)	As at 31 December 2025 (days)	As at 30 June 2026 (days)
Trade payables turnover days ^(Notes)	111.4	117.9	141.8

Notes:

- Trade payables turnover days were calculated based on the average of opening and closing trade payables balance divided by cost of sales for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.

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2. Trade payables turnover days were calculated based on the average of opening and closing trade payables balance divided by the cost of sales for the relevant period, and multiplied by the number of days in the relevant period, being 183 days for the six months ended 30 June 2026.

Our trade payable turnover days remain stable of approximately 111.4 days as at 31 December 2024 and approximately 117.9 days as at 31 December 2025.

Our trade payables turnover days increased from approximately 117.9 days for the year ended 31 December 2025 to approximately 141.8 days for the six months ended 30 June 2026. The increase was mainly due to the increase in average trade payables for the six months ended 30 June 2026 as compared with the same for the year ended 31 December 2025 mainly resulted from the relatively lower trade payables balance as at 31 December 2024 which was adopted as opening balance to compute the trade payables turnover days for the year ended 31 December 2025.

Other payables and accruals

Our other payables and accruals primarily comprise of other tax payable, the amounts payable to employees and accrued liabilities. The following table sets out a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000	As at 30 June 2026 RMB'000
Bills payables	1,034	2,850	–
Other tax payable	290	962	1,113
Accrued payroll, welfare and bonus	12,022	12,794	10,533
Payable for [REDACTED]	–	3,706	2,292
Other payables and accrued charges	7,954	9,534	5,181
Total	21,300	29,846	19,119

Our other payables and accruals increased from approximately RMB21.3 million as at 31 December 2024 to approximately RMB29.8 million as at 31 December 2025, primarily due to (i) the increase in payable for [REDACTED] of approximately RMB3.7 million; and (ii) the increase in bill payables of approximately RMB1.8 million.

Our other payables and accruals decreased from approximately RMB29.8 million as at 31 December 2025 to approximately RMB19.1 million as at 30 June 2026, primarily due to (i) the decrease in bills payables of approximately RMB 2.9 million, mainly due to that the Company ceased to use bills payable to settle supplier payments during the six months ended 30 June 2026; and (ii) the decrease in other payables and accrued charges of approximately RMB4.4 million.

As at 31 August 2026, approximately RMB2.7 million or 51.4% of our other payables and accruals as at 30 June 2026 had been subsequently settled.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations primarily through cash generated from our operating activities and bank borrowings. Our use of cash primarily relates to our operating activities, purchases of property, plant and equipment and repayment of bank borrowings. During the Track Record Period and up to the Latest Practicable Date, we were able to repay our borrowings when they became due and to manage our liquidity risks by maintaining adequate reserves of cash and cash equivalents, bank facilities, continuously monitoring our forecasted and actual cash flows, and matching the maturity profiles of our assets and liabilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience material difficulties in obtaining our banking facilities, nor did we experience any liquidity shortage.

We currently expect that there will not be any material change in our sources of cash and use of cash, and additional funds is expected to be available from the [REDACTED] from the [REDACTED] for implementing our future plans as detailed in the section headed “Future Plans and [REDACTED]” in this document. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions and other factors, many of which are beyond our control.

We may need additional cash resources in the future if we experience changing business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, and collaborations of other similar actions. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain extra credit facilities, or sell or issue equity securities, which might result in dilution to the Shareholders.

Cash flow

The table below sets forth the selected cash flow data from the cash flow statements for the years indicated. This information should be read together with the consolidated financial information contained in the Accountants’ Report in Appendix I to this document.

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
			(unaudited)	
Net cash generated from/(used in) operating activities	10,889	51,431	10,022	(2,086)
Net cash used in investing activities	(53,383)	(59,353)	(34,268)	(24,126)
Net cash generated from financing activities	35,374	33,601	22,805	6,342
Net (decrease)/increase in cash and cash equivalents	(7,120)	25,679	(1,441)	(19,870)
Cash and cash equivalents at the beginning of the year/period	17,436	10,316	10,316	35,947
Effect of foreign exchange rate changes	—	(48)	—	(52)
Cash and cash equivalents at the ending of the year/period	10,316	35,947	8,875	16,025

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Cash flows from operating activities

During Track Record Period, our Group derived its cash inflows from operating activities principally from the receipt of payments for the (i) automotive testing services; (ii) testing facility solutions; and (iii) sales of automotive components. Our Group's cash outflow from operating activities is principally for purchases of raw materials.

For the year ended 31 December 2024, our net cash flows generated from operating activities was approximately RMB10.9 million, primarily due to our loss before taxation of approximately RMB23.1 million, as adjusted by (i) non-cash items, which primarily included (a) changes in carrying amount of redemption liabilities of approximately RMB27.5 million and (b) depreciation and amortisation of approximately RMB20.6 million; and (ii) changes in working capital which primarily included (a) increase in contract assets of approximately RMB24.9 million; (b) increase in trade and other payables of approximately RMB11.4 million; and (c) increase in trade and other receivables of approximately RMB9.3 million.

For the year ended 31 December 2025, our net cash flows generated from operating activities was approximately RMB51.4 million, primarily due to our loss before taxation of approximately RMB19.3 million, as adjusted by (i) non-cash items, which primarily included (a) changes in carrying amount of redemption liabilities of approximately RMB29.5 million and (b) depreciation and amortisation of approximately RMB25.8 million; and (ii) changes in working capital which primarily included (a) decrease in contract liabilities of approximately RMB14.5 million; (b) increase in trade and other receivables of approximately RMB10.9 million; (c) increase in inventories of approximately RMB9.1 million; and (d) increase in trade and other payables of approximately RMB49.4 million.

For the six months ended 30 June 2026, our net cash flows used in operating activities was approximately RMB2.1 million, primarily due to our profit before taxation of approximately RMB3.2 million, as adjusted by (i) non-cash items, which primarily included (a) depreciation and amortisation of approximately RMB14.9 million, (b) gain on the dilution of interests in an associate of approximately RMB4.5 million, and (c) finance costs of approximately RMB1.7 million; and (ii) changes in working capital which primarily included (a) increase in inventories of approximately RMB13.2 million; (b) decrease in trade and other receivables of approximately RMB4.1 million; (c) decrease in trade and other payables of approximately RMB2.7 million; and (d) increase in contract assets of approximately RMB2.7 million.

Cash flows used in investing activities

During the Track Record Period, our cash flows used in investing activities primarily consisted of payment for the purchase of property, plant and equipment and the payments for investments in associates.

For the year ended 31 December 2024, our net cash used in investing activities amounted to approximately RMB53.4 million which was mainly due to payment for the purchase of property, plant and equipment of approximately RMB52.7 million.

For the year ended 31 December 2025, our net cash used in investing activities amounted to approximately RMB59.4 million which was mainly due to payment for the purchase of property, plant and equipment of approximately RMB58.9 million.

For the six months ended 30 June 2026, our net cash used in investing activities amounted to approximately RMB24.1 million which was mainly due to payment for the purchase of property, plant and equipment of approximately RMB23.4 million.

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Cash flows generated from financing activities

During the Track Record Period, our cash flows generated from financing activities primarily consisted of proceeds from interest-bearing borrowings, cash received from sale of leaseback transactions. During the same period, our cash outflow from financing activities primarily consisted of repayments of interest-bearing borrowings.

For the year ended 31 December 2024, our net cash flows generated from financing activities amounted to approximately RMB35.4 million which was mainly due to (i) the proceeds from interest-bearing borrowings of approximately RMB72.0 million and (ii) proceeds from other borrowings of approximately RMB46.6 million, which were partially offset by (i) repayments of interest-bearing borrowings of approximately RMB79.5 million and (ii) repayments of other borrowings of approximately RMB16.9 million.

For the year ended 31 December 2025, our net cash flows generated from financing activities amounted to approximately RMB33.6 million which was mainly due to (i) the proceeds from interest-bearing borrowings of approximately RMB97.2 million and (ii) proceeds from other borrowings of approximately RMB40.4 million, which were partially offset by (i) repayments of interest-bearing borrowings of approximately RMB80.0 million and (ii) repayments of other borrowings of approximately RMB36.9 million.

For the six months ended 30 June 2026, our net cash flows generated from financing activities amounted to approximately RMB6.3 million which was mainly due to (i) the repayments of interest-bearing borrowings of approximately RMB120.0 million and (ii) proceeds from other borrowings of approximately RMB15.2 million, which were partially offset by (i) interest paid for interest-bearing borrowings of approximately RMB84.5 million and (ii) repayments of other borrowings of approximately RMB39.2 million.

INDEBTEDNESS

Our indebtedness primarily consist of (i) loans and borrowings; (ii) lease liabilities; and (iii) redemption liabilities. The following table sets forth a breakdown of our indebtedness as at the dates indicated:

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000	As at 30 June 2026 RMB'000	As at 31 July 2026 RMB'000 (unaudited)
Interest-bearing borrowings	118,202	135,370	170,899	170,863
Lease liabilities	11,731	11,432	12,035	13,564
Other borrowings	39,622	43,064	18,989	26,344
Redemption liabilities	247,773	—	—	—
Total	417,328	189,866	201,923	210,771

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Interest-bearing borrowings and other borrowings

Our Group had (i) interest-bearing borrowings of approximately RMB118.2 million, RMB135.4 million, RMB170.9 million and RMB170.9 million; and (ii) other borrowings of approximately RMB39.6 million, RMB43.1 million, RMB19.0 million and RMB26.3 million as at 31 December 2024, 31 December 2025, 30 June 2026 and 31 July 2026 (being the most recent practicable date for the purpose of this indebtedness statement), respectively. We primarily use our interest-bearing borrowings and other borrowings for our operational needs, including but not limited to payments to our suppliers. Our borrowings amount fluctuated during the Track Record Period in accordance with the financing needs in the corresponding periods.

The analysis of the repayment schedule of interest-bearing borrowings is as follows:

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2025 <i>RMB'000</i>	As at 30 June 2026 <i>RMB'000</i>	As at 31 July 2026 <i>RMB'000</i> <i>(unaudited)</i>
Within one year or on demand	82,434	99,264	114,131	114,095
After one year but within 2 years	6,000	12,338	6,000	6,000
After 2 years but within 5 years	20,000	23,768	50,768	50,768
After 5 years	9,768	—	—	—
Total	118,202	135,370	170,899	170,863

Other Borrowings

As at 31 December 2024 and 2025, our Group entered into certain sale and leaseback transactions for financing purpose, under which our Group sold some of its machinery and equipment to external parties and leased them back for terms of 1.5 years to 3 years with a right to repurchase the assets at the end of the leaseback for a minimal consideration. Our Group determined the transfers to buyer-lessor did not satisfy the requirements of IFRS 15 to be accounted for as a sale of the assets, thus our Group continues to recognise the underlying assets, and recognises the sale proceeds as other borrowings. All obligations arising from other borrowings were secured by equipment and machinery.

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At 31 December 2024, 31 December 2025, 30 June 2026 and 31 July 2026, the sale and leaseback transactions liabilities were as follows:

	As at 31 December 2024 RMB'000	As at 31 December 2025 RMB'000	As at 30 June 2026 RMB'000	As at 31 July 2026 RMB'000 (unaudited)
Within 1 year	23,368	33,949	17,340	20,369
After 1 year but within 2 years	9,755	8,720	1,649	5,975
After 2 years but within 5 years	6,499	395	–	–
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(23,368)</u>	<u>(33,949)</u>	<u>(17,340)</u>	<u>(20,369)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>16,254</u>	<u>9,115</u>	<u>1,649</u>	<u>5,975</u>

Our Group’s interest-bearing borrowings and other borrowings were primarily used to finance its working capital requirements during the Track Record Period. Mr. Xia Huipeng and Mr. He Zhisheng, each a Controlling Shareholder, had provided personal guarantee for the Group’s interest-bearing borrowings and other borrowings, which will be either repaid or released on or before [REDACTED] and are to be replaced by the corporate guarantee given by our Company upon [REDACTED]. The effective interest rates on our Group’s interest-bearing borrowings as at 31 December 2024, 31 December 2025 and 30 June 2026 ranged from 3.0% to 5.85% per annum, 2.5% to 4.7% per annum and 2.5% to 4.3% per annum respectively. The effective interest rates on our Group’s other borrowings as at 31 December 2024, 31 December 2025 and 30 June 2026 ranged from 3.1% to 6.95% per annum, 3.0% to 6.45% per annum and 3.00% to 6.78% per annum respectively. As at 31 July 2026, we had banking facilities of approximately RMB178.8 million, of which approximately RMB8.0 million was committed but unutilised.

During the Track Record Period and up to the Latest Practicable Date, our Director confirm that we did not experience any delay, default in repayment of interest-bearing borrowings or breach of covenant nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

Indebtedness statement

Our Directors confirm that there has not been any material change in our indebtedness since 31 July 2026 up to the date of the Document.

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Save as disclosed in this document, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material covenant or undertaking relating to any of our outstanding debts, guarantees, pledges over key assets, or other contingent obligations and there was no breach of covenant during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenants and undertakings in connection therewith as at 31 July 2026, being the indebtedness statement date.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the available cash and cash equivalents, available banking facilities, cash flows generated from our operations and the estimated [REDACTED] from the [REDACTED], and in the absence of unforeseen circumstances, our Directors are of the opinion, and the Sole Sponsor concurs, that our Group has available sufficient working capital for our present requirements for at least 12 months from the date of this document.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our capital expenditures during the Track Record Period consist of expenditures on the additions to property and plant and equipment. We made prepayments for property, plant and equipment during the Track Record Period, and such prepayments were classified as current assets in our statements of financial position, which affected our capital expenditures during the Track Record Period. Our capital expenditures amounted to approximately RMB52.7 million, RMB58.9 million and RMB23.4 million for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2026, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations and bank borrowings.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for the purchase of our testing equipment. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the [REDACTED] from the [REDACTED].

Capital commitments

Our capital commitments primarily relate to purchase of property, plant and equipment. Our capital commitments were RMB7.5 million, RMB2.4 million and RMB4.3 million as at 31 December 2024, 31 December 2025 and 30 June 2026, respectively.

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the year/period or as at the dates indicated.

	As at/For the year ended 31 December 2024	As at/For the year ended 31 December 2025	As at/For the six months ended 30 June 2026
Gross profit margin ⁽¹⁾	32.4%	25.2%	26.3%
Adjusted net profit margin (non-IFRS measure) ⁽²⁾	3.6%	8.5%	4.2%
Current ratio ⁽³⁾	0.4 times	0.9 times	0.9 times
Quick ratio ⁽⁴⁾	0.3 times	0.7 times	0.7 times
Gearing ratio ⁽⁵⁾	(531.1%)	57.6%	70.8%
Adjusted interest coverage (non-IFRS measure) ⁽⁶⁾	8.7 times	7.8 times	3.1 times

Notes:

- (1) Gross profit margin is calculated using gross profit for the year/period by total revenue for the year/period and multiplied by 100%.
- (2) Adjusted net profit margin (non-IFRS measure) equals adjusted net profit (non-IFRS measure) divided by revenue for the year/period and multiplied by 100%.
- (3) Current ratio is calculated by dividing current assets by current liabilities.
- (4) Quick ratio is calculated by dividing current assets less inventories by current liabilities.
- (5) Gearing ratio is calculated as interest-bearing borrowings and lease liabilities divided by total equity as at the end of the respective year/period, multiplied by 100%.
- (6) Adjusted interest coverage (non-IFRS measure) is calculated using adjusted net profit (non-IFRS measure) before interest expenses and income tax divided by finance costs.

See “Period-to-Period Comparison of Results of Operations” in this section for a discussion of the factors affecting our results of operations during the respective periods.

Current Ratio

Our current ratio increased from approximately 0.4 times as at 31 December 2024 to approximately 0.9 times as at 31 December 2025 primarily attributable to the decrease in current liabilities due to the decrease in redemption liabilities of approximately RMB247.8 million due to the conversion of redemption liabilities to equity as a result of the termination of the investors’ redemption right granted in previous years in December 2025 pursuant to the supplementary agreement signed by our Company and the investors with redemption right.

Our current ratio remained at the same level of approximately 0.9 times as at 31 December 2025 and 30 June 2026.

Quick Ratio

Our current ratio increased from approximately 0.3 times as at 31 December 2024 to approximately 0.7 times as at 31 December 2025 primarily attributable to the decrease in current liabilities due to the decrease in redemption liabilities of approximately RMB247.8 million due to the conversion of redemption liabilities to equity.

Our quick ratio remained at the same level of approximately 0.7 times as at 31 December 2025 and 30 June 2026.

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Gearing Ratio

Our Group recorded negative gearing ratio of approximately 531.1% as at 31 December 2024 due to the redemption liabilities of approximately RMB247.8 million which arose due to certain investment agreements we had entered into with Pre-[REDACTED] Investors. Our Group subsequently recorded a positive gearing ratio of approximately 57.7% as at 31 December 2025 due to the decrease in redemption liabilities of approximately RMB247.8 million due to the conversion of redemption liabilities to equity.

Our gearing ratio increased from approximately 57.7% as at 31 December 2025 to approximately 70.8% as at 30 June 2026. The increase was primarily attributable to the increase in total debt of approximately RMB36.1 million from RMB146.8 million as at 31 December 2025 to approximately RMB182.9 million as at 30 June 2026, mainly driven by the increase in current and non-current interest-bearing borrowings, while our total equity remained relatively stable at approximately RMB258.5 million as at 30 June 2026 as compared with approximately RMB254.9 million as at 31 December 2025.

Adjusted Interest Coverage Ratio (non-IFRS measures)

Our adjusted interest coverage ratio (non-IFRS measures) was approximately 8.7 times and 7.8 times for the years ended 31 December 2024 and 2025, respectively, which remained relatively stable.

For the six months ended 30 June 2026, our adjusted interest coverage ratio decreased to approximately 3.1 times compared to 7.8 times for the year ended 31 December 2025. This decrease was primarily attributable to i) the relatively higher level of finance costs for the six months ended 30 June 2026; and ii) decrease in adjusted net profit (non-IFRS measures) for the six months ended 30 June 2026.

CONTINGENT LIABILITIES

As at 31 December 2024, 31 December 2025 and 30 June 2026, we did not have any significant contingent liabilities. If we were involved in material legal proceedings, our Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. As at the Latest Practicable Date, we had no material contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had entered into certain related party transactions. Our Directors confirm that these transactions were conducted in our normal course of business and at prices and terms no less than those charged to and contracted with our other third-party suppliers. Our Directors also consider that these related party transactions did not distort our results during the Track Record Period and did not make our historical results not reflective of our future performance.

For the details of our related party transactions, please refer to Note 31 of the Accountants' Report in Appendix I to this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Directors confirm that we had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

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FINANCIAL RISKS DISCLOSURE

Credit risk

Our credit risk is primarily attributable to trade receivables and contract assets. Our Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors and bills receivable are due within 30 to 120 days from the date of billing.

We performed impairment assessment under expected credit losses (“ECL”) model. For details of information about exposure to credit risk and ECLs for trade receivables, please refer to Note 29(a) to the Accountants’ Report included in Appendix I to this document.

Liquidity risk

Our Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For details of remaining contractual maturities at the end of each Track Record Period of our financial liabilities, please refer to Note 29(b) to the Accountants’ Report included in Appendix I to this document.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group’s interest rate risk arises primarily from cash and cash equivalents, restricted cash balances, interest-bearing borrowings, other borrowings, redemption liabilities and lease liabilities. Borrowings issued at variable rates and cash and cash equivalents expose the Group to cash flow interest rate risk. Cash and cash equivalents and borrowings issued at floating rates expose our Group to fair value interest rate risk.

For details, please refer to Note 29(c) to the Accountants’ Report included in Appendix I to this document.

Currency Risk

Our Group’s business are principally conducted in RMB and most of our Group’s monetary assets and liabilities are denominated in RMB. Accordingly, our Directors consider our Group’s exposure to foreign currency risk is not significant.

DIVIDEND AND DIVIDEND POLICY

No dividends have been paid or declared by the Company during the Track Record Period.

There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider

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relevant. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. Our Board currently do not have plans to establish a dividend policy. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations.

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As advised by our PRC Legal Advisor, dividends may not be distributed while we have accumulated losses.

ACCUMULATED LOSSES

Our Group’s accumulated losses of approximately RMB36.5 million as at 1 January 2024 was mainly attributable to (i) the changes in carrying amount of redemption liabilities; (ii) the equity-settled share-based payment expenses recognized before the Track Record Period; and (iii) [REDACTED]. Our Group recorded a total comprehensive loss of approximately RMB23.7 million and RMB19.9 million for the year ended 31 December 2024 and 31 December 2025 and total comprehensive income of approximately RMB3.6 million for the six months ended 30 June 2026, respectively, which was mainly attributable to (i) the changes in carrying amount of redemption liabilities arising from the investors’ redemption right granted in previous years of approximately RMB27.5 million, RMB29.5 million and nil. The redemption right granted were terminated in December 2025; (ii) equity-settled share-based payment expenses of approximately RMB1.3 million, nil and nil; and (iii) the [REDACTED] of nil, approximately RMB7.8 million and approximately RMB4.8 million during the respective year or period. As a result, our Group recorded accumulated losses of approximately RMB60.2 million, RMB80.1 million and RMB76.4 million as at 31 December 2024, 31 December 2025 and 30 June 2026, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2026, we did not have any distributable reserves.

[REDACTED]

Based on the mid-point [REDACTED] of HK\$[REDACTED] per [REDACTED], the total estimated [REDACTED] in relation to the [REDACTED] is expected to be approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), assuming the [REDACTED] is not exercised. Our total [REDACTED] consist of (i) [REDACTED]-related expenses of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million); and (ii) non-[REDACTED]-related expenses of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), which consist of (a) fees and expenses of legal advisers and Reporting Accountants of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), and (b) other fees and expenses of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million).

During the Track Record Period, we incurred [REDACTED] of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of which HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) were recognized in our statements of profit or loss for the year ended 31 December

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2025 and for the six months ended 30 June 2026 and approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) will be recognized as deduction from equity upon the [REDACTED].

Subsequent to the Track Record Period, we expect to incur [REDACTED] of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) prior to and upon completion of the [REDACTED], of which approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) is expected to be recognized as expenses in our statements of profit or loss for the year ending 31 December 2026, and approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) is expected to be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] to be incurred subsequent to the Track Record Period consist of (i) [REDACTED]-related expenses of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), and (ii) non-[REDACTED]-related expenses of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million).

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save for the estimated non-recurring [REDACTED] as disclosed in the paragraph headed “[REDACTED]” in this section, since 30 June 2026 and up to the date of this document; (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, profitability, cost structure, financial and trading position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in the Accountants’ Report in Appendix I to this document materially and adversely.

DISCLOSURE UNDER THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited [REDACTED] adjusted consolidated net tangible assets, please refer to the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document.