

The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.

Application Proof of

WOLONG

WOLONG ELECTRIC GROUP CO., LTD.

臥龍電氣驅動集團股份有限公司

(the “Company”)

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

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “**Exchange**”) and the Securities and Futures Commission (the “**Commission**”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsors, overall coordinators, advisers or members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Exchange’s website does not give rise to any obligation of the Company, its sponsors, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the publication of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be published to the public during the offer period.

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

WOLONG

WOLONG ELECTRIC GROUP CO., LTD.

臥龍電氣驅動集團股份有限公司

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

[REDACTED]

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

Joint Sponsors, [REDACTED]



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in “Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display” in this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED] (Hong Kong time) and, in any event, not later than [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED] (Hong Kong time) between the [REDACTED] (on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse. Applicants for [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage of 1%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

Prior to making an investment decision, [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors.”

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.wolong.com.cn not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Please see the section headed “[REDACTED]”

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be [REDACTED], sold, pledged or transferred within the United States or to, or for the account or benefit of US persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an offer to sell or a solicitation of an [REDACTED] to subscribe for or buy any security other than the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] to sell or a solicitation of an [REDACTED] to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not included in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the [REDACTED]. Information contained on our website, located at www.wolong.com.cn, does not form part of this document.

	Page
EXPECTED TIMETABLE	iii
CONTENTS	vii
SUMMARY	1
DEFINITIONS	13
GLOSSARY OF TECHNICAL TERMS	24
FORWARD-LOOKING STATEMENTS	27
RISK FACTORS	29
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES	62
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]	71
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	75
CORPORATE INFORMATION	81
INDUSTRY OVERVIEW	83
REGULATORY OVERVIEW	102

CONTENTS

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE	115
BUSINESS	127
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	205
CONNECTED TRANSACTIONS	211
DIRECTORS AND SENIOR MANAGEMENT	223
SUBSTANTIAL SHAREHOLDERS	236
SHARE CAPITAL	238
FINANCIAL INFORMATION	241
FUTURE PLANS AND [REDACTED]	296
[REDACTED]	300
STRUCTURE OF THE [REDACTED]	312
HOW TO APPLY FOR [REDACTED]	323
APPENDIX I — ACCOUNTANTS’ REPORT	I-1
APPENDIX II — UNAUDITED [REDACTED] FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF ARTICLES OF ASSOCIATION	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY	V-1

SUMMARY

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

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

OVERVIEW

We are a global leader in providing electric drive solutions, committed to delivering green power for a sustainable future through technology-driven innovation. Specializing in the research and development, manufacturing, sales, and service of electric drive products and solutions, we provide five core segments tailored for diverse applications worldwide: explosion-proof electric drive solutions, industrial electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions, and robotic components and system applications.

With over four decades of deep expertise in the electric drive solution industry and driven by technological innovation and digital empowerment, we have built core capabilities in motor and drive technologies to deliver industry leading solutions. At the same time, we are making proactive investments in emerging fields such as electric aviation and embodied intelligence, aiming to capture the next trillion-RMB market through pioneering technologies. Globalization is embedded in our DNA. Through a globally integrated approach to research and development, manufacturing, and branding, we serve customers in over 100 countries and regions with high-performance products and solutions.

We have achieved remarkable milestones set out as below:



SUMMARY

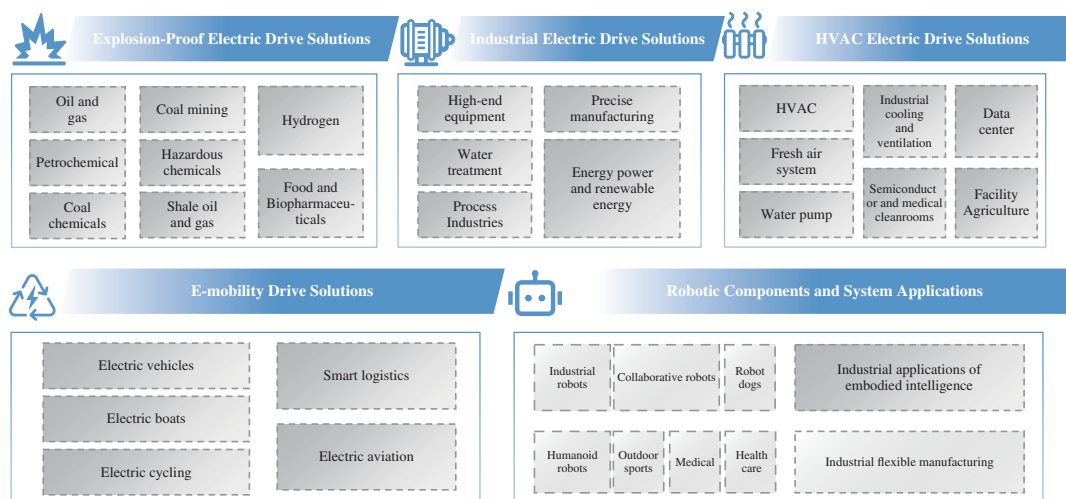
Notes:

- (1) According to Frost & Sullivan, in terms of revenue in 2024.
- (2) According to Frost & Sullivan, in terms of revenue in 2024, we are the world’s largest provider of seven major electric drive products, including (i) Ex d explosion-proof motors, (ii) medium-to-high voltage explosion-proof motors, (iii) low inrush current motors, (iv) air conditioning plastic-encapsulated electric drive systems, (v) livestock ventilation electric drive systems, (vi) industrial vibrator electric drive systems, and (vii) permanent magnet electric drive systems for air compressors.
- (3) According to the annual reports published by us on the Shanghai Stock Exchange, our revenue grew at a CAGR of 21.9% from 2002 to 2024, while our net profit increased at a CAGR of 16.2% from 2002 to 2024, such figures have not been audited or reviewed by the certified public accountant.
- (4) For the six months ended June 30, 2025 or as of June 30, 2025.
- (5) As of June 30, 2025, our products and solutions had been presented across Asia, the Americas, Europe, Oceania, and Africa, spanning more than 100 countries and regions.
- (6) According to Frost & Sullivan, we have established business relationships with the world’s top ten HVAC manufacturers, water pump and air compressor manufacturers, and petrochemical enterprises (based on revenue in 2024).
- (7) As of June 30, 2025, we had over 1,500 patents and we had filed over 2,700 patent applications worldwide.

OUR SOLUTIONS

We are primarily engaged in the research and development, manufacturing, sales, and service of electric drive products and solutions. We offer a comprehensive solution portfolio for customers in diverse and high-growth downstream sectors, addressing their specific needs for equipment operation and motion control across the customer lifecycle. Our business is structured around five segments: (i) explosion-proof electric drive solutions, (ii) industrial electric drive solutions, (iii) HVAC electric drive solutions, (iv) E-mobility drive solutions, and (v) robotic components and system applications.

The following diagram illustrates the major downstream application scenarios of our solutions.



SUMMARY

Each solution is tailored to address the technical, regulatory, and commercial requirements of specific downstream sectors, ranging from HVAC and industrial environments to emerging fields such as electric aviation and intelligent robotics. Among these, explosion-proof, industrial and HVAC electric drive solutions represent our foundational business segments, while E-mobility drive solutions and robotic components and system applications reflect our strategic focus on growth, integration, and software-driven innovation. The following table sets forth a breakdown of our revenue by segment for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Explosion-proof electric drive solutions	4,143,418	29.0	4,688,458	30.1	4,697,282	28.9	2,427,443	30.4	2,459,225	30.6
Industrial electric drive solutions	3,632,266	25.5	4,059,869	26.1	4,063,303	25.0	2,018,885	25.3	2,118,966	26.4
HVAC electric drive solutions	4,647,235	32.6	4,361,071	28.0	4,592,862	28.3	2,331,106	29.2	2,575,131	32.1
E-mobility drive solutions	647,485	4.5	609,169	3.9	389,751	2.4	203,612	2.6	211,268	2.6
Robotic components and system applications	355,526	2.5	406,215	2.6	451,965	2.8	195,848	2.5	217,776	2.7
Others ⁽¹⁾	840,029	5.9	1,442,045	9.3	2,051,877	12.6	801,207	10.0	448,404	5.6
Total	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0

Note:

- (1) Primarily comprises revenue derived from sales of energy storage system, electricity from photovoltaic power generation, and raw materials and components. We completed the disposal of the energy storage and photovoltaic power generation related business in March 2025 to an affiliated entity controlled by our Controlling Shareholders. For details, please refer to “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers” in this document.

OUR STRENGTHS

We believe that the following strengths contribute to our market position, ensuring our success and distinguishing us from our competitors:

- Global leader in electric drive solutions;
- Strategic global expansion driving strong overseas growth;
- Strong research and development capabilities, building an industry-leading technology system;
- Industry leading brands and broad premium customer base;
- Excellent manufacturing and operation, achieving quality and efficiency advantages; and

SUMMARY

- Advanced values and management philosophy.

OUR STRATEGIES

We are dedicated to providing competitive electric drive solutions for customers around the world. Our strategic ambition is to become the global leader in the electric drive solution industry. We plan to pursue the following strategies:

- Target Global No.1 in electric drive solutions;
- Strengthen our global strategy to capture overseas growth opportunities;
- Expand into emerging industries, accelerating the commercialization of electric aviation and embodied intelligence;
- Sustain investment in technology and advance innovation to lead the future of electric drive solutions;
- Advance the digitalization and intelligence of global manufacturing bases; and
- Drive long-term sustainable development strategy.

RESEARCH AND DEVELOPMENT

We are committed to research and development investment, enhancing our technological and talent reserves to lead industry advancements and build a technology-driven enterprise. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, our research and development expenditure (including capitalized amounts) amounted to RMB818.6 million, RMB857.8 million, RMB872.2 million, RMB438.4 million and RMB426.4 million, respectively. As of June 30, 2025, we had over 1,800 research and development staff globally, including 10 top international experts led by IEEE Fellow and more than 200 members with master’s and doctoral degrees. We also operate academician workstations and postdoctoral research stations, providing a strong foundation for technological innovation.

As a national high-tech enterprise with national-level research platforms, we hold over 1,500 patents, have won the Queen’s Award of the United Kingdom more than once and numerous provincial/ministerial science and technology awards, and collaborate deeply with prestigious universities. Backed by this robust system and growing research and development investment, we have achieved significant breakthroughs in electric drive technology, integrated and specialized solutions and emerging industries.

PRODUCTION

As of June 30, 2025, we had 45 factories around the world, including 14 overseas factories in Germany, Poland, Italy, Vietnam, Mexico and other countries and regions, enabling us to provide localized manufacturing support and services to our customers in their respective region. As of June 30, 2025, we had a production team of over 9,600 personnel to support the operation of

SUMMARY

global manufacturing network. Our factories have obtained certifications under international frameworks including ISO 9001 (quality management), ISO 14001 (environmental management), ISO 45001 (occupational health and safety), and IATF 16949 (automotive industry-specific quality management). By leveraging advanced technologies such as industrial IoT, digital twins and data analytics, we optimize production processes, enhance operational efficiency, and enable data-driven decision-making throughout the manufacturing lifecycle.

SALES AND MARKETING

We have established a multi-level customer service network worldwide, providing in-depth support to global high-end users. With over 40 years of industry experience serving customers, we have established strong client relationships and a solid reputation in the global electric drive solution market. As of June 30, 2025, the average partnership duration with our top five customers for the year ended December 31, 2024 exceeded 21 years. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, sales to five largest customers in each year/period during the Track Record Period accounted for approximately 16.1%, 13.8%, 13.8% and 15.7% of our total revenue, respectively, and the sales to our largest customer accounted for approximately 8.1%, 6.9%, 7.3% and 7.8% of our total revenue for the same respective periods.

Our marketing strategy is focused on strengthening customer relationships, enhancing brand influence, and expanding our global market presence through targeted and solution-specific marketing initiatives. Our primary brand, “Wolong”, represents our commitment to quality, innovation, and reliability, serving as a cornerstone of our corporate identity and market positioning. Given our strategic acquisitions of renowned global brands, we have established a dedicated and robust brand management framework to maintain clarity, consistency, and strategic alignment across our diverse portfolio.

Leveraging our global manufacturing and operating capabilities, we are able to serve global customers with localized production, tailored delivery schedules and in-region technical support. We have established three overseas regional headquarters in Asia-Pacific, Europe, and the Americas to support localized marketing, customer engagement, and technical services. The following table sets forth our revenue by geographic locations for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
The PRC	8,724,089	61.2	9,966,838	64.0	10,528,570	64.8	5,013,396	62.9	4,807,368	59.8
Europe, the Middle East and Africa	2,801,541	19.6	2,793,639	17.9	2,551,201	15.7	1,288,249	16.1	1,251,825	15.6
The Americas	1,708,526	12.0	1,988,485	12.8	2,093,277	12.9	1,149,660	14.4	1,210,409	15.1
Asia-Pacific excluding the PRC	1,031,803	7.2	817,865	5.3	1,073,992	6.6	526,796	6.6	761,168	9.5
Total	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0

SUMMARY

RAW MATERIALS AND SUPPLIERS

Our raw materials and components primarily include silicon steel, copper wire, permanent magnetic materials, electrical components and bearings. We place great emphasis on constructing our global supply chain management system, ensuring efficient supply chain operations, cost efficiency and rapid delivery. We adopt a dual-location supply strategy for major materials worldwide, which enables us to switch supply regions flexibly to respond to various emergencies. We believe our stable relationships with our suppliers will continue to ensure a sufficient and reliable supply of raw materials and components, while also helping to mitigate fluctuations in raw materials going forward. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, the aggregate purchases from our five largest suppliers in each year/period during the Track Record Period accounted for approximately 19.1%, 16.8%, 16.7% and 17.1% of our total purchase, respectively, and the purchases from our largest supplier accounted for approximately 6.3%, 5.8%, 5.3% and 5.6% of our total purchase for the same respective periods.

COMPETITIVE LANDSCAPE

We mainly operate in the global electric drive solution market, which is relatively fragmented with a diverse mix of suppliers across motors, drives, controllers and integrated solutions. The market remains competitive, and its dynamic varies by segment and application but generally remain competitive. Leading companies are primarily concentrated in Europe, the United States, China and Japan, where robust manufacturing ecosystems, strong research and development capabilities and supportive policies foster both high-end innovation and large-scale production. According to Frost & Sullivan, in terms of revenue in 2024, we ranked (i) first in the global explosion-proof electric drive solution market, with a market share of approximately 4.5%; (ii) fourth in the global industrial electric drive solution market, with a market share of approximately 2.8%; and (iii) fifth in the global HVAC electric drive solution market, with a market share of approximately 2.0%.

Our competitive strengths stem from our extensive industry experience, leading market position, and ability to deliver comprehensive customer solutions. This market leadership has been further reinforced by our global footprint, diverse solution portfolio, leading industry brands, strong customer relationships, robust research and development capabilities, advanced and efficient production capabilities, and visionary management team. As a result, we are well-positioned to sustain our leading status and capitalize on future growth opportunities in the global electric drive solution market.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Controlling Shareholders, namely Wolong Holding, Wolong Shunyu, Mr. JC Chen and Ms. YN Chen, collectively controlled approximately 38.84% of the total issued share capital of our Company. See “History, Development and Corporate Structure — Our Shareholding and Corporate Structure” for details. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our Controlling Shareholders, comprising Wolong Holding, Wolong Shunyu, Mr. JC Chen and Ms. YN Chen, will collectively control approximately [REDACTED]% of the total issued share capital of our Company.

For further details about our Controlling Shareholders, please refer to the section headed “Relationship with our Controlling Shareholders” in this document.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present the summary of our financial information for the periods or as of the dates indicated, and should be read in conjunction with and the section headed “Financial Information” and our financial information included in the Accountants’ Report in Appendix I to this document, including the notes thereto.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Revenue	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0
Cost of sales	(10,862,275)	(76.1)	(11,841,381)	(76.1)	(12,475,993)	(76.8)	(6,016,743)	(75.4)	(6,052,349)	(75.4)
Gross profit	3,403,684	23.9	3,725,446	23.9	3,771,047	23.2	1,961,358	24.6	1,978,421	24.6
Selling and marketing expenses	(634,055)	(4.4)	(704,073)	(4.5)	(780,321)	(4.8)	(411,550)	(5.2)	(372,594)	(4.6)
Administrative expenses	(1,102,036)	(7.7)	(1,335,540)	(8.6)	(1,305,551)	(8.0)	(650,979)	(8.2)	(653,815)	(8.1)
Research and development expenses	(575,155)	(4.0)	(557,407)	(3.6)	(642,191)	(4.0)	(341,947)	(4.3)	(315,667)	(3.9)
Other income	142,983	1.0	276,609	1.8	199,114	1.2	84,490	1.1	118,405	1.5
Other gains and losses	127,850	0.9	(268,817)	(1.7)	86,180	0.5	(33,395)	(0.4)	66,236	0.8
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(117,373)	(0.8)	(92,225)	(0.6)	(86,608)	(0.5)	(30,427)	(0.4)	(40,034)	(0.5)
[REDACTED] expenses	–	–	–	–	–	–	–	–	(2,449)	0.0
Share of results of associates	29,221	0.2	(24,203)	(0.2)	2,056	0.0	8,652	0.1	8,055	0.1
Finance costs	(276,193)	(1.9)	(252,397)	(1.6)	(253,191)	(1.6)	(122,831)	(1.6)	(103,357)	(1.3)
Profit before tax	998,926	7.0	767,393	4.9	990,535	6.1	463,371	5.8	683,201	8.5
Income tax expense	(160,224)	(1.1)	(214,515)	(1.4)	(158,280)	(1.0)	(54,326)	(0.7)	(135,232)	(1.7)
Profit for the year/period	838,702	5.9	552,878	3.6	832,255	5.1	409,045	5.1	547,969	6.8

For detailed analysis, please refer to “Financial Information — Description of Selected Components of Statements of Profit or Loss” in this document.

SUMMARY

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position for the periods indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Total non-current assets	10,897,716	11,584,236	11,958,935	10,608,830
Total current assets	12,550,992	13,080,249	14,358,368	14,658,147
Total assets	23,448,708	24,664,485	26,317,303	25,266,977
Total non-current liabilities	3,723,615	4,409,775	3,177,702	2,411,828
Total current liabilities	9,583,539	9,552,302	11,740,077	11,837,639
Total liabilities	13,307,154	13,962,077	14,917,779	14,249,467
Net current assets	2,967,453	3,527,947	2,618,291	2,820,508
Total equity	10,141,554	10,702,408	11,399,524	11,017,510

For details of information of key items of our consolidated statements of financial positioned net current assets during the Track Record Period, please refer to “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position” in this document.

Summary of Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Net cash from operating activities . . .	1,322,200	1,438,981	1,450,371	228,841	692,267
Net cash used in investing activities . .	(761,988)	(546,565)	(1,620,616)	(678,371)	(556,115)
Net cash (used in)/from financing activities	(680,441)	(517,132)	395,540	519,012	(100,980)
Cash and cash equivalents at beginning of the year/period	2,058,713	2,010,171	2,458,333	2,458,333	2,675,965
Cash and cash equivalents at end of the year/period	2,010,171	2,458,333	2,675,965	2,510,895	2,791,556

For details, please refer to “Financial Information — Liquidity and Capital Resources — Cash Flows” in this document.

SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/For the year ended December 31,			As of/ For the six months ended June 30,
	2022	2023	2024	2025
				(unaudited)
Gross profit margin	23.9%	23.9%	23.2%	24.6%
Net profit margin	5.9%	3.6%	5.1%	6.8%
Return on equity	9.3%	5.8%	8.2%	5.2%
Return on assets	3.7%	2.3%	3.3%	2.1%
Current ratio	1.31	1.37	1.22	1.24
Gearing ratio	0.62	0.58	0.61	0.62

RISK FACTORS

Our operations involve certain risks and uncertainties. The more significant risks relating to our business and industry include: (i) our businesses are dependent on various downstream industries. A downturn experienced by any of these industries could adversely affect our business; (ii) we face competition in the global electric drive solution industry. If we fail to compete effectively and successfully, our business, results of operations and financial condition may be materially and adversely affected; (iii) our strategic expansion into emerging industries such as electric aviation and embodied intelligence involves substantial upfront investments, execution complexity, and uncertain market acceptance. Failure to manage these strategic expansions may delay or limit our anticipated profitability improvements and competitive advantages; (iv) rapid technological evolution in electric drive solutions demands continuous innovation and substantial investment. Failure to keep pace with technology advancements or industry standards may result in loss of competitive advantage and customer attraction; and (v) changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations.

SUMMARY

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] Range), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses in connection with the [REDACTED], and assuming the [REDACTED] is not exercised. In alignment with our strategies and development plans, we intend to allocate the [REDACTED] for the following purposes:

- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to expand our production capacity and enhance the intelligence, efficiency, and global reach of our production infrastructure.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to enhance our global research and development capabilities, with a view to upgrading our product platforms, driving technology innovation, and sustaining long-term competitiveness across our five-core electric drive solution lines.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to strengthen our investment and presence in emerging fields, primarily electric aviation and robotics components.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) to the development of our global sales and service network, in order to strengthen our brand presence, enhance customer engagement and reinforce distribution capabilities across both domestic and overseas markets.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be reserved for general working capital and operational flexibility, enabling us to respond promptly and prudently to strategic opportunities and unforeseen market change.

For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

RECENT DEVELOPMENT

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since June 30, 2025, which is the end date of the years/period reported in the Accountants’ Report in Appendix I to this document, and there is no event since June 30, 2025 which would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

SUMMARY

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Since 2002, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our listing on the Shanghai Stock Exchange, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Advisers are of the view that the confirmation of our Directors above with regard to our compliance records is accurate and reasonable. Based on the independent due diligence conducted by the Joint Sponsors and our PRC Legal Advisers’ view set out above, nothing has come to the Joint Sponsors’ attention that would cause them to disagree with our Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are issued pursuant to the [REDACTED], (ii) the [REDACTED] is not exercised, and (iii) [REDACTED] Shares (excluding treasury shares) are issued and outstanding following the completion of the [REDACTED].

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalization of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted net	RMB[REDACTED]	RMB[REDACTED]
tangible asset per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization of our Shares is based on [REDACTED] H shares and [REDACTED] A Shares (excluding treasury shares) expected to be in [REDACTED] (representing [REDACTED] Shares expected to be in [REDACTED] and outstanding) immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). For details, please refer to “Share Capital — Upon the Completion of the [REDACTED]” in this document.
- (2) Unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated after making adjustments referred to “Appendix II — Unaudited [REDACTED] Financial Information” in this document.

SUMMARY

DIVIDEND

Pursuant to our Articles of Association, in principle, we distribute cash dividends once a year. Within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting. Future profit distributions may be paid in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends or other methods permitted by laws and regulations. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, we declared and paid cash dividends of RMB196.3 million, RMB195.9 million, RMB129.8 million and RMB194.6 million, respectively.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, and no exercise of the [REDACTED]), representing [REDACTED]% of the [REDACTED] (based on the mid-point of our indicative [REDACTED] range for the [REDACTED] and assuming that the [REDACTED] is not exercised) of the [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which RMB[REDACTED] was charged to the consolidated statements of profit or loss. We expect to incur [REDACTED] expenses of approximately HK\$[REDACTED], including (i) [REDACTED] commission of approximately HK\$[REDACTED] and (ii) [REDACTED] related expenses of approximately HK\$[REDACTED], which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]. The [REDACTED] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this document.

“A Share(s)”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“AI”	artificial intelligence
“Articles” or “Articles of Association”	the articles of association of the Company, which shall become effective on [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“CAGR”	compound annual growth rate

[REDACTED]

“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company” or “the Company”	Wolong Electric Group Co., Ltd. (臥龍電氣驅動集團股份有限公司), formerly known successively as Zhejiang Wolong Group Electric Motor Industry Co., Ltd. (浙江臥龍集團電機工業有限公司), Zhejiang Wolong Electric Motor Co., Ltd. (浙江臥龍電機股份有限公司), Zhejiang Wolong Hi-Tech Co., Ltd. (浙江臥龍科技股份有限公司) and Wolong Electric Group Co., Ltd. (臥龍電氣集團股份有限公司), a PRC company established on December 21, 1995, the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 600580)
“Company Law” or “PRC Company Law”	Company Law of the PRC (《中華人民共和國公司法》) as amended and supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules, refers to Wolong Shunyu, Wolong Holding, Mr. JC Chen and Ms. YN Chen
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China* (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“ESG”	environmental, social and governance
“Extreme Conditions”	extreme conditions caused by a super typhoon or other natural disaster of a substantial scale that seriously affects the working public’s ability to resume work or brings safety concerns as announced by the Government of Hong Kong

[REDACTED]

“Frost & Sullivan” or “F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Frost & Sullivan Report” or “F&S Report”	A commissioned industry report prepared by Frost & Sullivan

[REDACTED]

“Global Research Center”	established by us in 2018 in Shanghai, China, with a primary focus on formulating and advancing strategic research and development plans at the Group level
“Group,” “the Group,” “our Group,” “we,” “our,” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants” or “the Guide”	the Guide for New Listing Applicants published by the Stock Exchange and as amended, supplemented or otherwise modified from time to time
“Hangzhou Bay”	a significant geographical and economic feature located on the eastern coast of China, bordered by the Zhejiang Province and Shanghai

[REDACTED]

DEFINITIONS

“H Share(s)” ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in Hong Kong dollars and to be listed on the Stock Exchange

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“HK\$” or “Hong Kong dollars” or “HK dollars” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“IEEE Fellow”	member of Institute of Electrical and Electronics Engineers, the world’s largest technical professional organization founded in 1963, focusing on fields spanning electrical engineering, electronics, computer science, telecommunications, aerospace, energy, biomedical engineering, and related technical disciplines
“IFRS”	the International Financial Reporting Standards, which as collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	any entity(ies) or person(s) who or which is/are not our connected person(s) within the meaning under the Listing Rules

DEFINITIONS

[REDACTED]

“IP” intellectual property

“IT” information technology

[REDACTED]

“Joint Sponsors” China International Capital Corporation Hong Kong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited and GF Capital (Hong Kong) Limited

DEFINITIONS

“Latest Practicable Date” August 6, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

“Main Board” the Main Board of the Stock Exchange

“Major Subsidiaries” including 16 subsidiaries that we consider are material to our operations and/or contributed to our financial performance during the Track Record Period, details of which are included in “History, Development and Corporate Structure”

“MIIT” Ministry of Industry and Information Technology of the People’s Republic of China

“MOF” Ministry of Finance of the PRC (中華人民共和國財政部)

“MOFCOM” Ministry of Commerce of the PRC (中華人民共和國商務部)

“Mr. JC Chen” Mr. CHEN Jiancheng (陳建成), one of our Controlling Shareholders and father of Ms. YN Chen

“Ms. YN Chen” Ms. CHEN Yanni (陳嫣妮), one of our Controlling Shareholders and daughter of Mr. JC Chen

“Nomination Committee” the nomination committee of our Board

“NDRC” National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

“NPC” National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC GAAP”	generally accepted accounting principles of PRC
“PRC government” or “State”	the Central People’s Government of the People’s Republic of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“PRC Legal Advisers”	JunHe LLP, the legal advisers to our Company as to PRC laws

DEFINITIONS

[REDACTED]

“Province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of our Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SSE”	the Shanghai Stock Exchange (上海證券交易所)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shangyu”	Shangyu District, Shaoxing, Zhejiang Province
“Share(s)”	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including our A Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“STA”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

DEFINITIONS

“State Council”	State Council of the PRC (中華人民共和國國務院)
	[REDACTED]
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy and ESG Committee”	the strategy and ESG committee of our Board
“sq.m”	square meters
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	Codes on Takeovers and Mergers and Share Buy-Backs
“Track Record Period”	the years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025
	[REDACTED]
“United States,” “US” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars,” “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

[REDACTED]

DEFINITIONS

“Wolong Holding”	Wolong Holding Group Co., Ltd. (臥龍控股集團有限公司, formerly known successively as Zhejiang Wolong Holding Group Co., Ltd. (浙江臥龍控股集團有限公司) and Zhejiang Wolong Group Corporation (浙江臥龍集團公司)), a limited liability company established in the PRC on September 25, 1984 and one of our Controlling Shareholders
“Wolong New Energy”	Wolong New Energy Group Co., Ltd. (臥龍新能源集團股份有限公司, formerly known successively as Wolong Real Estate Group Co., Ltd. (臥龍地產集團股份有限公司) and Wolong Resources Group Co., Ltd. (臥龍資源集團股份有限公司)), a PRC company established on July 17, 1993 and listed on Shanghai Stock Exchange (stock code: 600173)
“Wolong Shunyu”	Zhejiang Wolong Shunyu Investment Co., Ltd. (浙江臥龍舜禹投資有限公司), a limited liability company established in the PRC on August 4, 2011 and one of our Controlling Shareholders
“%”	percent

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts [REDACTED] are due to rounding.

For ease of reference, the names of the PRC governmental authorities, institutions, facilities, certificates, titles, nationals, individuals, companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and, in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this document in connection with our Group and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

“AC motor”	a type of motor that converts electrical energy into mechanical motion, featuring a stator, and rotor, and has versatile applications due to its simplicity, reliability, and efficiency.
“BLDC motor” or “brushless DC motor”	a permanent magnet motor that can use semiconductor switching devices instead of brushes to achieve electronic communication
“controller”	component responsible for controlling the motor and its electronic circuits to achieve functions such as starting, braking, speed regulation and protection of the motor. It is usually composed of power semiconductor devices
“CRM”	Customer Relationship Management, an integrated software platform designed to manage a company’s interactions with its current and potential customers
“dB”	decibel, a logarithmic unit used to measure the ratio of two physical quantities, most commonly associated with sound intensity, electrical power, or signal strength
“EC fan”	a fan module driven by EC motor an all-in-one digital electronic drive system with integrated BLDC motors or PMSMs
“EC motor” or “ECM”	an all-in-one digital electric drive solution with integrated BLDC motors or PMSMs with drivers
“electric aviation”	electricity-powered aircrafts including but not limited to large unmanned aerial vehicles, eVTOLs and multi-electric fixed-wing aircrafts
“electric motor” or “motor”	the core unit of the electric drive solution. It uses the principle of electromagnetic induction to generate rotational torque through the interaction between the stator and the rotor
“electric drive solution”	the combination of motor, driver, controller, software and related services

GLOSSARY OF TECHNICAL TERMS

“embodied intelligence”	intelligent robotic systems equipped with physical bodies that interact with the real world through sensing, movement, and decision-making
“ERP”	Enterprise Resource Planning, an integrated software platform used to manage and automate core business processes across an organization. ERP systems consolidate data from various departments, such as finance and supply chain to enhance efficiency and provide a unified view of business operations
“eVTOL”	Electric Vertical Take-off and Landing, a new type of aircraft that is powered by electricity and can take off and land vertically
“Ex d explosion-proof motor”	a type of motor engineered to contain any internal explosion without allowing flame or hot gases to escape and ignite the surrounding atmosphere. It is widely used in explosive atmospheres
“GFA”	gross floor area
“HVAC”	Heating, Ventilation and Air Conditioning (HVAC) system, integrated components used to regulate indoor environment. They are designed to provide thermal comfort and acceptable indoor air quality by controlling temperature, humidity and air flow
“IEC”	an international standard developed by the International Electrotechnical Commission to ensure safety, efficiency, and interoperability in electrical and electronic technologies
“IoT”	Internet of Things, the network of physical objects embedded with sensors, software and other technologies to connect and exchange data with other devices and systems over the internet. These objects range from everyday household items to sophisticated industrial tools. The primary aim of IoT is to enable seamless communication and interaction between devices, enhancing efficiency, automation and data-driven decision-making
“industrial IoT” or “IIOT”	practical application of IoT in industrial and manufacturing environments

GLOSSARY OF TECHNICAL TERMS

“MES”	Manufacturing Execution System, a specialist class of production-oriented software that manages, monitors and synchronizes the execution of real-time physical processes involved in transforming raw materials into intermediate and/or finished goods
“NEMA”	a standard developed by the National Electrical Manufacturers Association for various grades of electrical enclosures typically used in industrial applications
“N·m”	Newton-meter, the unit of torque
“OEM”	Original Equipment Manufacturer, the company that produces components, parts, or complete products based on the specific designs, specifications, or brand requirements of another company
“PLM”	Product Lifecycle Management, an integrated software platform used by companies to manage product-related data. It covers all stages of a product’s development, from initial concept through design, manufacturing, maintenance, and disposal
“PMSMs” or “permanent magnet synchronous motors”	permanent magnet synchronous motors, a type of motor that uses permanent magnets in the rotor to create a steady magnetic field. It is widely used in applications such as electric vehicles and industrial machinery
“rotor”	the rotating part inside the stator that converts electrical energy into mechanical energy
“SOP”	Standard Operating Procedure, a set of step-by-step instructions for performing a routine activity
“SRM”	Supplier Relationship Management, an integrated software platform that ensures partnership between buyer and supplier to sustain and enhance supplier value
“stator”	stationary and generates a rotating magnetic field when electric current is applied
“TMS”	Transportation Management System, a software that helps companies manage logistics of moving physical goods by land, air, or sea/
“VFDs” or “variable frequency drivers”	a type of motor drive used in electromechanical drive systems to adjust AC motor speed and torque by varying motor input frequency. It is used in many different manufacturing and industrial settings, but particularly valuable for controlling pumps

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "intend," "plan," "continue," "seek," "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business strategies and plans to achieve these strategies;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in our customers' preferences, demands and business performance;
- changes in competitive conditions and our ability to compete under these conditions;
- the actions and development of our competitors;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic conditions;
- our future debt levels and capital needs;
- our financial conditions and performance;

FORWARD-LOOKING STATEMENTS

- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The [REDACTED] of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].

Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our businesses are dependent on various downstream industries. A downturn experienced by any of these industries could adversely affect our business.

We provide five core segments tailored for diverse applications worldwide: explosion-proof electric drive solutions, industrial electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions, and robotic components and system applications. Our business operations are interconnected with a variety of downstream industries, including commercial buildings, household appliance, industrial manufacturing, oil and gas, petrochemical, mining, E-mobility, and robotics. The overall performance of these industries plays a critical role in shaping our business outlook. Changes in regulatory frameworks, environmental standards, and government incentives within these industries could constraint our growth. A slowdown or stagnation in the growth of these industries may limit our potential for expansion and adversely affect our operations and financial results.

Our solutions are particularly essential in industries that require highly specialized products, such as our explosion-proof electric drive solutions, which are crucial for the oil and gas, petrochemical, and mining sectors where ignition safety risks are prevalent. These industries are inherently susceptible to global economic fluctuations and energy policies, which could lead to reduced demand for our explosion-proof and industrial electric drive solutions. In recent years, strengthening safety regulations and standards worldwide have been driving the demand of explosion-proof electric drive solutions, including China’s mandatory standards for coal mining and chemical engineering industries, stipulating that hazardous areas such as underground mines and workshops must be equipped with electric drive products and solutions featuring appropriate explosion-proof performance. Any adverse change of regulatory regimes or a slowdown in the pace of technological innovation may reduce the demand of our explosion-proof electric drive solutions and adversely affect our operations of business and financial condition.

RISK FACTORS

Our HVAC electric drive solutions are critical functions within commercial buildings, home appliances, and industrial ventilation sectors, which are shaped by global energy efficiency standards, technological advancements, and evolving customer preferences. For example, driven by the carbon neutrality policy, countries generally require the construction sector to reduce carbon emissions, low-efficiency motors will be gradually withdrawn from the market, and the penetration rate of high-efficiency motors such as permanent magnet synchronous motors and brushless DC motors is expected to increase. Any adverse changes in these factors may reduce the market demand for our HVAC electric drive solutions, which, in turn, could adversely affect our business performance.

Our E-mobility drive solutions serve the E-mobility industry, including new energy vehicles, electric boats, electric cycling and other sectors, which experienced rapid growth during the Track Record Period. Such industry development is heavily influenced by various factors, including vehicle purchase costs, charging infrastructure availability, technological advancement and government subsidies. For example, as the penetration of new energy vehicles continues to rise, future growth in such industry may not continue to sustain its previous rapid pace. Any decelerated industry growth coupled with expanded industry capacity could intensify competition in aspects such as pricing, and thus the demand for our E-mobility drive solutions, which may in turn materially and adversely impact the financial performance of our business.

Similarly, our robotic components and system applications benefit from technological advancements and increasing global automation, with demand growing as robots expand into industrial manufacturing, healthcare, retail, home services and other sectors. However, factors such as slow technological advancements, reduced capital expenditures by end-users or intensifying competition may limit market expansion. In addition, competition in this space is intensifying, and the pace of technological evolution in robotics may outpace our ability to stay ahead, posing risks to our market share in this emerging segment.

In addition, due to our extensive operations across both China and international markets, we are subject to significant complexities arising from different market conditions, and may need to change or adapt our business focuses from time to time, especially in response to the new rules and policies regarding the end markets for our products and solutions. However, we may not be able to do so in a timely and efficient manner. Any new legislations or adverse changes in requirements relating to our downstream industries could have an impact on our business, financial condition and results of operations.

We face competition in the global electric drive solution industry. If we fail to compete effectively and successfully, our business, results of operations and financial condition may be materially and adversely affected.

We primarily operate in the global electric drive solution industry, which is relatively fragmented, with a diverse mix of suppliers across motors, drives, controllers and integrated solutions. The market dynamic varies by segment and application but generally remain competitive. The competitive landscape is intensifying as the industry continues to grow and diversify. To remain competitive, we must prioritize technical innovation, refine integrated and customized solutions and adapt to industry changes and trends. Additionally, we need to optimize our production processes to enhance efficiency and reduce costs, ensuring that we can scale our operations to meet growing demand. Our ability to manage our supply chain effectively and

RISK FACTORS

maintain competitive pricing strategies will also be pivotal in retaining and attracting customers. Failure to effectively address these competitive pressures could materially and adversely impact our profitability, operational results, and financial performance.

Meanwhile, expanding solution portfolio, customer base, and geographical presence will require significant managerial, financial, and human resources to outperform competitors. As we move into emerging sectors, we will face increasing competition from established global players. Many competitors may possess substantial financial and technological resources, which could enable them to develop superior products or adopt new technologies more quickly. Their actions could lead to downward pressure on prices or a decline in our market share, either of which could negatively affect our results of operations.

Furthermore, growing competition from emerging companies may put us under rising pressure to cut down prices to retain market share. These companies may be able to offer products at lower price points or leverage more flexible business models, further straining our profitability. Additionally, the rapid pace of technological development in the electric drive solution industry means that failure to anticipate or respond quickly to shifts in customer requirements or new technological innovations could leave us at a significant disadvantage. There is no assurance that we are always able to secure new customers, maintain existing relationships, or effectively compete on price and technological advancements, all of which could materially affect our financial condition and market standing.

Our strategic expansion into emerging industries such as electric aviation and embodied intelligence involves substantial upfront investments, execution complexity, and uncertain market acceptance. Failure to manage these strategic expansions may delay or limit our anticipated profitability improvements and competitive advantages.

We have been strategically expanding our electric drive solution offerings into emerging high-growth industries, including electric aviation and embodied intelligence. This strategic expansion exposes us to various risks that could delay or limit our anticipated profitability improvements and competitive advantages.

The electric aviation and embodied intelligence sectors are in early stages of development, characterized by evolving technical standards, regulatory frameworks, and market demand. For electric aviation applications, our electric drive solutions shall meet stringent safety, reliability, and performance standards set by global aviation authorities, including, among others, the Civil Aviation Administration of China, Federal Aviation Administration, and European Union Aviation Safety Agency. These standards are still being refined and any delays in the finalization of such regulations or changes to compliance requirements could disrupt our business development timelines, increase certification costs, or even render our existing operations non-compliant. In embodied intelligence sector, technological advancement is driven by breakthroughs in AI, sensor integration, and mechanical design, where innovation cycles are short. Our electric drive solutions must keep pace with demands for higher efficiency, miniaturization, and seamless integration with AI algorithms. If we lag behind competitors in developing compatible technologies, our solutions may become obsolete and lose the competitive edge.

RISK FACTORS

In addition, market acceptance of electric aviation and embodied intelligence sectors remain uncertain. The market growths of these sectors depend on factors including infrastructure development, cost competitiveness, reliability, and perceived safety, which are not yet fully validated at scale. If market demand for electric aviation or embodied intelligence products grows more slowly than expected, or if end-users prefer alternative solutions (such as traditional aircraft or non-electric drive solutions), our investments in the research and development, production capacity, and marketing for these segments may not generate sufficient returns, leading to underutilization of resources and potential impairments of related assets.

Moreover, our expansion into these new segments requires significant upfront investments in research and development, specialized production equipment, and talent recruitment. These investments may strain our cash flow and profitability in the short term, especially if revenue from these segments takes longer to materialize than anticipated. There is no guarantee that our efforts to commercialize electric drive solutions for electric aviation and embodied intelligence will be successful, and failure to achieve meaningful market penetration could have a material adverse impact on our business.

Competition in these emerging industries is intensifying. We face competition from both established manufacturers with extensive resources and specialized startups focused exclusively on electric aviation or embodied intelligence technologies. These competitors may have stronger brand recognition, more advanced technical capabilities, or lower production costs, which could make it difficult for us to gain market share. Additionally, as these industries mature, larger companies may enter through strategic acquisitions or partnerships, further increasing competitive pressures.

Rapid technological evolution in electric drive solutions demands continuous innovation and substantial investment. Failure to keep pace with technology advancements or industry standards may result in loss of competitive advantage and customer attraction.

Our success depends heavily on continuous innovation and the ability to adapt our solutions to meet evolving industry standards and customer requirements. As the electric drive solution industry progresses, we must stay at the forefront of technological developments, ensuring that our solutions remain relevant and competitive. Technological advancements demand substantial and ongoing research and development investment. During the Track Record Period, we made substantial research and development investments. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, our research and development expenditure (including capitalized amounts) amounted to RMB818.6 million, RMB857.8 million, RMB872.2 million, RMB438.4 million and RMB426.4 million, respectively, accounting for 5.7%, 5.5%, 5.4%, 5.5% and 5.3% of our total revenue in the respective periods.

As new technologies and industry standards emerge, we must invest further in technology upgrades, process improvements, and advanced research and development initiatives. If we fail to keep up with the technological evolution or new industry standards, we risk losing our competitive advantage. This could make our solutions less attractive to customers, erode market share, and diminish our ability to maintain leadership in the electric drive solution industry, thereby adversely affecting our results of operations.

RISK FACTORS

However, there are inherent uncertainties in the research and development process. There can be no assurance that our research and development projects will yield the expected results or be completed within the anticipated time frame and budget. Delays in product development, cost overruns, or failure to meet customer expectations could result in substantial sunk costs without achieving the anticipated returns. Even if we successfully launch new products, there is no guarantee that these products will be embraced by the market or achieve the expected sales or profitability. Moreover, our competitors, both existing players and emerging companies, are continuously innovating. These competitors may develop similar or superior products, or they may be able to offer more competitively priced alternatives, potentially diminishing our market share and profitability.

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations.

Our global operations subject us to various applicable sanctions and export controls regulations. We have exported our solutions to a large number of countries and regions and derive significant sales from exporting to these countries and regions. As of June 30, 2025, we operated in over 100 countries and regions worldwide. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, revenue from our overseas operations comprised approximately 38.8%, 36.0%, 35.2%, 37.1% and 40.2% of our total revenue, respectively. During the Track Record Period, there were transactions involving minimal amounts in internationally sanctioned regions, and we have ceased all such transaction. Based on factual information provided and confirmed by the Company, the Company's sanctions counsel has advised that such transactions would not constitute primary sanctioned activities under the sanctions regimes of the relevant jurisdictions, and that the risks of imposition of secondary sanctions based on such activities would be low. In the event that any of the countries or regions which we export or plan to export to imposes additional economic sanctions or enforces import restrictions or tariffs in relation to our solutions, our business and operations may be adversely affected.

Our exports must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments and persons targeted by U.S. sanctions. European Union sanctions also have similar regimes with their respective target list. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results. Recent trade tensions, such as the ongoing U.S.-China trade disputes, have led to high tariffs, export controls and other restrictive measures targeting specific products and products originating from certain countries or regions. These measures could disrupt our supply chain, increase costs and negatively impact our ability to compete in the global market. In May 2025, after a trade meeting in Geneva, the Chinese and the U.S. government released a joint statement announcing, among others, the removal of the additional tariffs announced in April 2025 and a 90-day pause. In August 2025, the United States announced to extend the suspension of tariffs on China for another 90 days. It remains uncertain whether any further tariff restrictions will be implemented. Additionally, policy changes and related uncertainty about policy changes could increase market volatility. Because of these dynamics, we cannot predict the impact of any future changes to the U.S.'s or other countries' trading relationships or the impact of new laws or regulations adopted by the U.S. or other countries on our business.

RISK FACTORS

Historically, tariffs have led to increased trade and political tensions, between not only the U.S. and China, but also between the U.S. and other countries in the international community. There is significant uncertainty as to whether countries will be able to successfully reach any trade deals with the U.S.. Rising political tensions as a result of trade policies could reduce trade volume, investment, and other economic activities between major international economies. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, which in turn can significantly impact our business and results of operations. The current international trade tensions and political tensions, and any escalation of such tensions, may have a material negative impact on our ability to continue to sell to global customers and further grow our customer base. In addition, as our business is closely interrelated with the performance of our customers' end-use products in the marketplace, if our customers are impacted by restrictive measures of trade protection or export control, our performance and income will be adversely affected. Geopolitical conditions may also lead to heightened restrictions on foreign investments, introducing increased compliance requirements and uncertainty for investors.

Furthermore, in recent years, there have been heightened complexities in international relations. Such tensions could reduce levels of international trade, investment, technological exchange and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition and results of operations.

Increases in costs of raw materials and components may adversely affect our results of operations and financial performance.

Our manufacturing processes rely heavily on the procurement of material raw materials and components including silicon steel, copper wire, permanent magnetic materials, electrical components and bearings. The costs of these raw materials and components are subject to fluctuations that can significantly impact our results of operations and financial performance.

The prices of critical raw materials and components are not only affected by global market dynamics but also by factors that are largely beyond our control, including geopolitical tensions, natural disasters, or changes in regulatory policies across different regions. For instance, affected by increased supply and declining raw material prices, the prices of non-oriented silicon steel in China trended downward from 2020 to 2024. Electrolytic copper, as the primary raw material for copper wires, has experienced significant price volatility. Specifically, from 2020 to 2021, electrolytic copper prices rose amid the easing policies implemented by various countries. In 2022, they declined due to the interest rate hikes by the Federal Reserve. From 2023 to 2024, electrolytic copper prices rebounded, driven by reduced copper production in South America. Moreover, the availability and pricing of chips and semiconductors, which are essential for the control systems in our solutions, may also increasingly constrain due to global supply chain fluctuations. Our ability to absorb these price fluctuations is limited. While we strive to pass on price increases to certain customers through price adjustments, this may not always be feasible, especially if customers are sensitive to price changes or if market competition drives down pricing flexibility. Additionally, price increases may lead to reduced volumes, adversely impacting revenue and operating income. We do not fully hedge against fluctuations in the prices of raw materials and components, and the effectiveness of any hedging strategies we implement is uncertain. As a result, unexpected

RISK FACTORS

increases in raw material costs could negatively impact our profit margins, operational efficiency, and overall financial performance.

Moreover, we depend on a network of third-party suppliers to provide us with the raw materials and components. If any of our material suppliers are unable to fulfill our requirements, whether due to production delays, capacity constraints, or financial instability, our ability to manufacture and deliver products on time may be compromised. This could harm our profitability and customer satisfaction. In such cases, the difficulty of finding alternative suppliers on commercially reasonable terms or in a timely manner could lead to disruptions in our production schedules and result in lost revenue opportunities.

Our business depends substantially on the expertise and dedication of our management team and highly skilled personnel on a global scale. We may face challenges in recruiting and retaining such individuals, which could impede our technological advancement and business growth.

We have been, and will continue to be, substantially dependent on the continued services of our management team and highly skilled personnel. Retaining talent in a global business operation involves navigating challenges, including cultural differences that affect employee engagement and satisfaction and intense competition for skilled professionals. Additionally, legal and regulatory compliance varies by country, complicating employment contracts and benefits. We also endeavor to keep communication and integration within our global teams with the implementation of nuanced retention strategies that balance global consistency with local adaptation. However, we cannot assure you that we will continue to successfully retain our management team and skilled personnel. If we lose the services of any key member of them, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

The shortage of skilled professionals could lead to delays in product development, hinder our ability to respond to market demands, and affect our capacity to manage and integrate our international operations effectively. Additionally, the loss of key personnel or the inability to attract new talent could result in a loss of institutional knowledge and expertise, adversely affecting our business operations and future prospects. Failure to address these challenges may negatively impact our business performance, financial condition and our ability to achieve strategic objectives in the rapidly evolving technology sector.

As our business continues to grow globally, the demand for skilled research and development and international management personnel has significantly increased. Our ability to innovate and maintain a competitive advantage relies heavily on attracting and retaining highly qualified professionals in fields where we operate. However, the competition for such talent is intense, and there is a risk that we may not be able to recruit or retain the necessary personnel to support our growth and international expansion strategies.

RISK FACTORS

Failure to maintain and grow our customer base could undermine our business growth and materially impact our operations.

Our success depends, in part, on our ability to retain existing customers of our electric drive solutions, attract new customers and encourage their continued use. By delivering high-quality electric drive solutions that precisely address the evolving customer needs, we have established an excellent reputation in the industry and are able to main long-term relationships with existing customers. As our go-to-market strategy, we enter into a new sector by working with both lighthouse customers and longtail customers to drive revenue growth. We also invest in marketing activities to acquire new customers, and our sales and marketing expenses are expected to increase as we promote our brand and solutions across various sectors.

While our solution offerings are widely recognized by customers in different industry sectors and we have made investment in marketing activities, we may fail to fully understand our customer demand and market trends or achieve anticipated returns. If we cannot retain key customers, or attract new ones in emerging verticals, we may struggle to recover costs or meet sales targets, which could impact our business and financial results. There is no guarantee that our efforts will drive sales growth, and failure to effectively engage customers could slow our expansion and harm our prospects.

Our ability to attract new customers is also highly dependent on our business reputation and on positive recommendations from our existing customers, which is partially attributed to our ability to provide efficient customer maintenance and support. To support our expanding operations and growing customer base, we need to deliver scalable, effective maintenance and support that continuously meets customer need. We may not be able to recruit or retain sufficient qualified support personnel with experience in supporting customers of our electric drive solutions. As a result, we may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support or maintenance assistance. We also may be unable to modify the future scope and delivery of our maintenance services and to compete with changes in the technical services provided by our competitors. Moreover, we may face increased costs in response to increased customer demand for support and maintenance. Any failure to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers, would harm our business, reputation, results of operations, financial condition and prospects.

We may not be able to increase our production capacity and implement other expansions as planned.

We intend to maintain our competitive advantages by, among others, expanding our production capacity and exploring new business opportunities domestically and internationally. Such expansion plans and any other future expansion plans would require significant capital investments in new production facilities and in the engagement of additional qualified personnel. To capture these opportunities, we have begun to expand our existing production facilities as well as establish new production facilities globally. For details, please refer to “Business — Our Production” and “Future Plans and [REDACTED]” in this document. We expect that we will incur substantial additional costs, such as depreciation charges, raw material costs, financial costs and labor costs in relation to the above expansion plans. In addition, the success of our existing and future expansion plans depends on factors beyond our control, such as progress of the construction

RISK FACTORS

conducted by third-party construction companies, local laws and regulations, government support (including the issuance of a relevant operation license for the expanded production capacity) and customer demand for our expanded production capacity. The integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among other things, increase our integration costs, strain our production capacity at other locations, decrease our production efficiency and cause delays in delivery of customer orders. As the success of our business expansion plans depends on various factors, many of which are beyond our control, there can be no assurance that we will be successful in implementing our strategies. Even if our strategies are implemented successfully, there can be no assurance that our strategies will lead to successful achievement of our business objectives.

In addition, if our management, systems, resources and supporting infrastructure fail to effectively keep up with our planned expansion, we may experience difficulties in managing our growth and operations, and our financial condition and results of operations could be materially and adversely affected.

We may encounter difficulty in managing our business and face risks associated with our international operations.

We operate in more than 100 countries and regions around the world. We have: (i) three overseas regional headquarters in Asia-Pacific, Europe, and the Americas; (ii) five research and development centers worldwide in China, the United States, Germany, Japan, and India; and (iii) 45 factories around the world, including 14 overseas factories in Germany, Poland, Italy, Vietnam, Mexico and other countries and regions. To manage our day-to-day operations, we must deal with cultural and language barriers and assimilate different business practices. We must also communicate, monitor and uphold group-wide standards and directives across our global network, including those in relation to our suppliers, subcontractors and other relevant stakeholders. Our failure to manage successfully our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and to enforce compliance with group-wide standards and procedures. The following also sets forth some of the risks associated with our international operations:

- exchange rate fluctuations and foreign exchange regulations;
- expenses associated with understanding and analyzing overseas markets, monitoring regional and local economic, industry and consumer trends and developing and maintaining efficient marketing and selling presences in such markets;
- developing and maintaining customer relations and providing quality customer services and support;
- expenses incurred and challenges in connection with compliance with local commercial and legal requirements, including labor, environment and industry-specific regulations. The laws and regulations to which we are subject can change rapidly and in unexpected directions;
- unanticipated adverse changes in regional and local economic conditions;
- political instability and civil unrest, cultural or regional conflicts and labor disputes;

RISK FACTORS

- trade barriers, such as local content requirements, tariffs, taxes and other restrictions and expenses; and
- unanticipated logistic expenses occurred in transportation, such as sudden surge in transportation cost and shortfall in shipping capacity.

Failure to address any of the foregoing risks or complete such procedures with respect to overseas operations in the course of our overseas expansion may adversely affect our business, financial condition, operations and prospects. Especially, our operations are governed by relevant laws and regulations in China and other jurisdictions where we operate relating to production safety, product quality and environmental protection, among other things. New laws or regulations, changes to laws and regulations, as well as the refinement of interpretations and applications of existing ones, can impose additional compliance costs or require us to change our operations to ensure compliance. The industry in which we operate is still evolving, and laws and regulations may be interpreted and implemented more strictly, or new laws and regulations may be adopted from time to time that require additional approvals, licenses and permits. Failure to obtain, renew or maintain the necessary approvals, licenses and permits required for our operations may render our operations to be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

Our business requires a significant amount of capital expenditure for maintenance, upgrades and expansion of production capacity, and there can be no assurance that we will be able to have enough cash to successfully implement our capital expenditure plans.

Our operations depend on the continuous maintenance, upgrades and expansion of production capacity to meet evolving customer demands and market trends. As a global electric drive solution provider, we require significant capital expenditure to ensure the quality, efficiency and competitiveness of our products and solutions.

During the Track Record Period, our capital expenditures were RMB576.1 million, RMB649.3 million, RMB834.4 million, RMB373.4 million and RMB399.5 million for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. There can be no assurance that we will be able to generate sufficient cash from operations, or at all, to fund our planned capital expenditures. Any delays or failures in securing necessary funding and any unforeseen increases in costs or delays in the implementation of our capital expenditure plans could adversely affect our operations and financial results. Moreover, the development in industries where we operate may require us to make additional, unforeseen investments to remain competitive. If we fail to allocate sufficient resources toward adapting to these technological changes or if our investments do not yield the expected benefits, our market position and profitability may be adversely impacted.

If we fail to maintain an effective quality management system, our business, reputation, financial condition and results of operations may be adversely affected.

Our product quality is critical to our success. Our quality management system may not always identify latent product defects, which could lead to failures during installation or use, resulting in safety hazards or operational issues for our customers. The effectiveness of our quality

RISK FACTORS

management system depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality management policies and guidelines. In the event that the use of end-products incorporating our products and solutions gives rise to unsafe conditions or injuries, particularly in applications involving our explosion-proof electric drive solutions, we may face product liability and warranty claims. Such risks may arise from, among others, failures in our components, manufacturing defects, design flaws, or inadequate disclosure of product-related risks or information. We could be named as a defendant in such claims and any insurance we maintain may be insufficient or may not cover all relevant circumstances. Similarly, our customers could be subjected to claims as a result of such accidents and bring claims against us to hold us accountable. In addition, in the event that our products and solutions fail to perform as expected or such failure results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations and financial condition.

We are required to comply with specific guidelines and standards based on product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. Our safety standards for the inspection are also based on relevant national and industry standards. There can be no assurance that our quality management system will continue to be effective and in compliance with relevant laws, regulations and standards. Any significant failure in, or deterioration of the efficacy of, our quality management system could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our reputation, business and results of operations.

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

The historical financial information included in this document is not expected to be indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods.

Our future growth is, to a certain extent, based upon our forward-looking assessment of market prospects. We cannot guarantee that our assessment will always turn out to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Such factors include changes in the general economic conditions and the competitive landscape of the industries where we operate, as well as the relevant regulations and policies and the supply and demand for our products and solutions.

Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. We also expect to continue to invest in our current and planned production expansion projects as well as research and development activities. All these endeavors entail risks and demand considerable management efforts, skills and significant additional expenditures, which could strain our capacity to enhance our operational, auditing, human resources, financial and management controls. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

Our manufacturing processes are potentially vulnerable to disruptions that can increase our production costs. We may experience potential disruptions in operations due to manufacturing difficulties or potential accidents.

Our manufacturing processes are complex, requiring equipment that is periodically modified and upgraded to improve manufacturing yields and product performance, as well as reduce unit manufacturing costs. From time to time, production difficulties may arise that could cause delivery delays or reduced output. There is no guarantee that we will not encounter manufacturing issues in achieving acceptable output or timely product delivery due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new manufacturing technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations.

Furthermore, our manufacturing processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. Any such incident, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damages due to personal injuries or property damage, thereby adversely impacting our business, financial condition and operational results.

We are exposed to inventory management risks.

Our inventories primarily consist of raw materials, work in progress, finished goods and goods in transit. As of December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, our inventories were RMB3,267.7 million, RMB3,405.0 million, RMB3,617.0 million and RMB3,477.6 million, respectively. Our inventory turnover days for the same periods was 105 days, 103 days, 103 days and 105 days, respectively. If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. We cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. Any of the above may materially and adversely affect our results of operations and financial condition.

On the other hand, if we underestimate demand for our products and solutions, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in a diminished customer base and a decrease in revenue, any of which could harm our business, financial condition and results of operations. We have implemented an inventory management system that requires close internal coordination to ensure that our inventory levels are sufficient to satisfy demand and do not cause any disruptions in production while minimizing carrying costs. For details, please refer to “Business — Inventory Management” in this document. In the event of any damage or deterioration caused by factors beyond our control, including catastrophic events such as outbreak of fire or explosion, we may suffer from losses and such losses may not be compensated in a timely and adequate manner. Our business performance and financial position may thereby be adversely affected.

RISK FACTORS

We may not be able to develop and maintain stable relationships with our distributors, which may materially and adversely affect our business.

We engage distributors to expand our explosion-proof and industrial electric drive solution coverage, particularly where customer demand is fragmented. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our revenue derived from distributorship accounted for approximately 8.4%, 9.4%, 9.0% and 8.7% of our total revenue for the same periods. A distributorship model is inherently risky. We may have limited control over the operations and conducts of our distributors. There can be no assurance as to the performance and selling efforts of our distributors. Distributors may make their own business decisions that are not align with our interests, or not in accordance with our distributorship management policies. Any wrongdoings (such as corruption, bribery or other illegal acts generally considered detrimental to our brand value) committed by them may subject us to reputation risks.

Work stoppages, increases in labor costs and other labor-related matters may adversely affect our business operations.

Our success depends on our ability to hire, train, retain and motive our employees. However, there can be no assurance that any material work stoppages, strikes or other major labor problems will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing labor costs, which may have an adverse effect on our business, financial condition and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. Factors contributing to rising labor costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. We may not be able to pass on these increased costs to customers by increasing the selling prices in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

Our operations rely on the stable, timely and adequate supply of utilities at commercially reasonable prices.

We depend on a stable supply of utilities, primarily including electricity, water and steam, to maintain production. Our production volume and manufacturing costs are affected by the price and supply of utilities. The prices of utilities are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for utilities and local and national regulatory requirements. Furthermore, there can be no assurance that unexpected and serious shortages of utilities will not occur in the future or that we will be able to pass on any cost increases to our customers. Adverse changes in power consumption policies, particularly those leading to higher utility prices, could negatively impact our business, financial condition, operational results and prospects. Significant fluctuations in these costs could materially affect our profitability if we are unable to adjust our product prices accordingly, potentially undermining our

RISK FACTORS

competitive advantages. Failure to pass increased costs onto our customers may lead to a reduction in our profit margins. If the supply of utilities is affected by natural disasters, adverse weather conditions, equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply at commercially reasonable prices or maintain the full utility supply required for production, resulting the reduction or cessation of production capacity. Any such events may have a material adverse effect on our business, financial condition and results of operations.

We could be subject to changes in our tax rates, the adoption of new local or overseas tax legislation or exposure to additional tax liabilities.

The PRC EIT Law imposes an EIT rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. For example, during the Track Record Period, certain of our subsidiaries in China have obtained High and New Technology Enterprises certification, and they were subject to a preferential corporate income tax rate of 15% with a validity period of three years. For details, please refer to “Financial Information — Description of Selected Components of Statements of Profit or Loss — Income Tax Expenses” in this document. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, value-added and other taxes. Non-compliance with China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to China tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. For details, please refer to “Financial Information — Description of Selected Components of Statements of Profit or Loss — Income Tax Expenses” in this document. Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change.

Our effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, our weighted average effective tax rate is 16.0%, 28.0%, 16.0%, 11.7% and 19.8%, respectively. For details, please refer to “Financial Information — Description of Selected Components of Statements of Profit or Loss — Income Tax Expenses” in this document. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. The tax treatments of our transaction arrangements may be subject to interpretation by the respective tax authorities, and there can be no assurance as to the outcome of these examinations. If our weighted average effective tax rate was to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

RISK FACTORS

We may be exposed to credit risks arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our trade and notes receivables primarily include amounts due from our customers for products in the ordinary course of business. As of December 31, 2022, 2023, 2024, and June 30, 2025, our trade and bills receivables amounted to RMB4,678.5 million, RMB5,027.6 million, RMB5,699.5 million and RMB5,439.7 million, respectively. For details, please refer to “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables” in this document.

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, our trade and bills receivables turnover days were 109 days, 114 days, 121 days and 125 days, respectively. We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

Any impairment of goodwill could have a material adverse effect on our results of operations.

During the Track Record Period, we acquired and invested in certain companies in line with our business development and expansion plans. As of June 30, 2025, our goodwill amounted to RMB1,468.3 million. Goodwill is tested for impairment annually. In evaluating the potential for impairment of goodwill, our management makes a number of assumptions, such as the continuity of our businesses, our future operating performance, business trends, and market and economic conditions. This requires us to make subjective assumptions, and there are inherent uncertainties relating to this analysis and our management’s judgment in assessing the recoverability of the goodwill. If any of the assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to write off part or all of our goodwill and record an impairment loss. We incurred substantial goodwill impairment historically, and if there are material and adverse changes in the economy, our customers, industries and market conditions, we may be exposed to the risk of further impairment of goodwill, which may materially and adversely affect our business, financial condition and results of operations.

An inability to protect our intellectual property rights or actual or alleged infringement of a third party’s intellectual property rights could adversely affect our business.

The success of our business depends in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products and solutions in the jurisdictions where we operate. We rely on a combination of patent, trademark, trade secret and laws related to intellectual property in China and other countries to establish and protect our proprietary rights, and yet all of which may provide only limited protection.

We cannot assure you that patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patent issued to us will not be challenged, invalidated or circumvented. Our currently issued patents and any patents that may be issued or registered in the future may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We cannot assure you that the steps we have taken will prevent unauthorized use of our

RISK FACTORS

technology or the reverse engineering of our technology. The confidentiality procedures and contractual restrictions implemented by us may not be sufficient or effective.

Our brand may be counterfeited and imitated. We cannot assure that brand counterfeiting or imitation will not occur in the future or, if it does occur, that we will be able to identify or address the problem effectively or in a timely manner. Any occurrence of counterfeiting or imitation of our products and solutions or other infringement of our brand could adversely affect our reputation and brand.

We may be a party to claims and litigation as a result of infringement by third parties of our intellectual property rights. Even when we sue the parties for such infringement, such lawsuits may have adverse consequences for our business. Any of such lawsuits may be time-consuming and costly to resolve and may divert our management’s time and attention from our business. It could also result in a court or governmental agency invalidating, narrowing the scope of, or rendering our patents or other intellectual property rights involved in such lawsuits unenforceable which may significantly harm our business. Our products and solutions may infringe issued patents of third parties. If any of our products or solutions infringes a valid and enforceable patent, we may be prevented from selling, or choose to cease the sales of related products. Additionally, we may face liabilities to our customers, business partners or third parties for indemnification or other remedies in the event that they are sued for infringement in connection with their use of our products and solutions.

We are dependent upon third parties for services in connection with our business.

We cooperate with third-party service providers in the ordinary course of business, such as logistics and transportation. However, the services delivered by third-party providers may not always be timely or meet satisfactory quality standards. If the third-party service providers fail to perform satisfactorily, substantially reduce the amount and scope of services provided to us, or substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions, which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the provision of services without relevant qualifications, or fail to comply with our requirements or those of our customers or applicable laws and regulations, our reputation in the industry may be adversely affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

There is uncertainty about the applicability or recoverability of our deferred tax assets, which may affect our financial position in the future.

We had deferred tax assets of RMB367.3 million, RMB404.1 million, RMB439.8 million and RMB436.5 million as of December 31, 2022, 2023, 2024 and June 30, 2025, respectively. We recognized deferred tax assets for all deductible temporary differences, the carry forward of any unused tax credits and any unused tax losses to the extent that our management determines that it is probable that we will generate future taxable profit against such deferred tax assets can be utilized. For details, please refer to Note 22 to the Accountants’ Report as set out in Appendix I to this document. Such determination requires significant judgment from our management on the tax treatments of certain transactions as well as assessment on the probability, timing and adequacy of future taxable profits for the deferred tax assets to be recovered. If such judgments turn out to be

RISK FACTORS

imprecise, we may need to adjust our tax provisions accordingly. In addition, when we utilize deferred tax assets against our future taxable profit, we charge them to our income statement accordingly, which in turn would decrease our profit for the year for such future period. Furthermore, we cannot predict any future movements in our deferred tax assets and to what extent they may affect our financial position in the future. Any of these events may have a material adverse effect on our business, financial condition and results of operations.

Any government grants that we enjoy in the regions where we operate may be altered or terminated.

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, we received government grants of RMB119.8 million, RMB191.3 million, RMB78.7 million, RMB34.1 million and RMB46.2 million, respectively. Government grants may be unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets of us, or conditional but with such has been satisfied during the year/period. Our eligibility for government grants may be dependent on various factors, including the conditions we have to meet, the relevant government policies and the availability of funding at different authorities. We cannot guarantee that we will continue to receive similar levels of government grants, or at all. If we no longer receive any government grants in time or at all, or if the amount of government grants, we receive decreases significantly, our business, results of operations and financial condition will continue to be adversely affected.

Anticipated benefits of historical, existing and potential future mergers, acquisitions, joint ventures or strategic alliances may not be realized.

We have invested, and may invest in the future, in mergers, acquisitions, joint ventures or strategic alliances. Endeavors of such kinds are inherently risky, and future ventures of such nature may involve significant risks and uncertainties, which include but not limited to the following:

- challenges related to integration;
- substantial delays or reduction in anticipated synergies;
- events beyond our control, including changes in regulations, technology and economic conditions, which could adversely affect our ability to realize benefits and returns from such transaction;
- potential increase in indebtedness that could constrain our operations;
- exposure to unknown or contingent liabilities that could require significant expenditures and capital injections;
- failure to train, motivate, integrate and retain employees of the other company;
- diversion of management time and attention from our existing operations to address the transactions and related challenges or those associated with integration processes; and
- unanticipated write-offs or charges and impairment of goodwill.

RISK FACTORS

If we fail to address any of the foregoing risks, our business, financial condition and results of operations may be materially and adversely affected.

Divestitures of business and assets may not provide business benefits and may have a material and adverse effect on our business and financial condition.

During the Track Record Period, we disposed of our interests in several subsidiaries. For details, please refer to “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers” in this document. We may undertake in the future, partial or complete divestitures, spin-off or other disposal transactions in connection with certain of our businesses and assets, particularly ones that are not closely related to our core focus areas or might require excessive resources or financial capital, to help us meet objectives. These decisions are largely based on our management’s assessment of the business models and likelihood of success of these businesses. However, our judgment could be inaccurate, and we may not achieve the desired strategic and financial benefits from these transactions. Our financial results could be adversely affected by the impact from the loss of earnings and corporate overhead contribution/allocation associated with divested businesses.

Furthermore, reducing or eliminating our ownership interests in these businesses might negatively affect our operations, prospects, or long-term value. We may lose access to resources or know-how that would have been useful in the development of our own business. Our ability to diversify or expand our existing businesses or to move into new areas of business may be reduced, and we may have to modify our business strategy to focus more exclusively on areas of business where we already possess the necessary expertise. We may sell our interests too early, and thus forego gains that we otherwise would have received had we not sold. Selecting businesses to dispose of or spin off, finding buyers for them (or the equity interests in them to be sold) and negotiating prices for what may be relatively illiquid ownership interests with no easily ascertainable fair market value will also require significant attention from our management and may divert resources from our existing business, which in turn could have an adverse effect on our business operations.

Insurance coverage for our business, products and properties may not be sufficient to protect us from potential losses.

We maintain insurance coverage designed to mitigate key operational and business risks associated with our production activities, assets, personnel and transportation. We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse impact on our business, results of operations and financial condition.

RISK FACTORS

Failure to satisfy our obligations related to our bank loans may materially and adversely affect our business, results of operations and financial condition.

We have used, and may continue to use, bank loans to finance our working capital requirements. As of December 31, 2022, 2023 and 2024 and June 30, 2025, we had bank borrowings of RMB5,952.4 million, RMB5,932.8 million, RMB6,776.2 million and RMB6,685.1 million, respectively. We may also from time to time in the future look for other debt financing opportunities to refinance our existing loans or support our business expansion.

To secure our bank loans, we may grant security interests from time to time. For details, please refer to Note 42 to the Accountants’ Report as set out in Appendix I to this document. We may also grant security interests over our assets in the future. Any failure to satisfy our obligations under these borrowings could lead to foreclosure of the mortgaged assets that secure these borrowings, if any, disruption to business operations, or otherwise damage our reputation in the industry and our relationship with customers, all of which could materially and adversely affect our business, results of operations and financial condition.

We are subject to certain restrictive covenants under the terms of our bank loans, which are commonly found in loan arrangements with financial institutions in China and may restrict or otherwise adversely affect our operations. These covenants may restrict our ability to sell, convey, lease out, remortgage, dispose of, or otherwise utilize the mortgaged assets related to the bank loans as collaterals.

Our financial performance may be affected by share of results of associates.

During the Track Record Period, we invested in certain associates, which were accounted for using the equity method. As of December 31, 2022, 2023, 2024 and June 30, 2025, the balances of our investments in associates were RMB1,189.9 million, RMB621.9 million, RMB454.4 million and RMB468.2 million, respectively. For details, please refer to Note 20 of the Accountants’ Report included in Appendix I to this document.

Our equity investments may be subject to a variety of risks that are beyond our control, including the risks that (i) the investee company incurs liabilities and expenses in excess of expectations and relevant negative matters that we fail to identify in our due diligence; (ii) the investee company is making a loss; (iii) the investee company fails to meet the conditions under which it may declare and pay dividends; or (iv) other shareholders of these associates and joint ventures have economic or business objectives that are inconsistent with ours, suffers financial difficulties, or is unable or unwilling to fulfill its obligations under the investment contract. If any of these events occur, our business, financial condition and results of operations may be adversely affected. We are subject to liquidity risk associated with investments in associates and joint ventures, especially when no dividends are declared by such parties and investments in these vehicles not as liquid as other investment products. Large investment in an associate or a joint venture would require significant financial resources, resulting in significant cash outflow, increased debt financing, or both. As such, we may not be able to readily generate any cash flow from our investment in associates and joint ventures to fund our operations from time to time, or at all.

RISK FACTORS

We are exposed to risks associated with the fair value change in financial assets at fair value through profit or loss and valuation uncertainty regarding the use of observable inputs.

During the Track Record Period, we made investments in both listed and unlisted equity instruments. As of December 31, 2022, 2023, 2024 and June 30, 2025, we had financial assets at fair value through profit or loss (“FVTPL”) of RMB680.2 million, RMB858.4 million, RMB1,109.1 million and RMB1,215.0 million, respectively. For details, please refer to “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Financial Assets and Financial Liabilities at FVTPL” in this document.

Our fair value of our financial assets at FVTPL is estimated by using valuation techniques and on the basis of observable inputs. The use of observable inputs renders valuation uncertain, as changes of observable inputs such as expected rate of return may change the fair value of the financial asset. The fluctuation of our financial assets at FVTPL may continue to affect our results of operations in the future. We cannot assure you that market conditions and regulatory environment will create fair value gains on the financial asset, or we will not incur any fair value losses on our financial asset at FVTPL in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For details, please refer to Note 21 to the Accountants’ Report as set out in Appendix I to this document.

In addition, we may invest in wealth management products, being subject to various risks that are out of our control, including risks relating to macro-economic environment and general market conditions, as well as the risk control and the credit of the issuing banks. We cannot assure you that we will achieve fair value gains on the wealth management products we invest in or we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. There can also be no assurance that the internal financial management policies and guidelines will always be effective, or at all. If we fail to properly manage the risks in relation to our investment in wealth management products, we may incur losses, and as a result, our financial condition may be adversely affected.

The occurrence of a natural disaster, widespread health epidemics or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be adversely affected by natural disasters, epidemics, or other outbreaks. Such outbreaks in mainland China or any other market in which we do business could severely disrupt our business operations by damaging our technology infrastructure or information technology network or impacting the productivity of our workforce, which may adversely affect our financial condition and results of operations.

We face risks related to certain of our owned and leased properties.

As of June 30, 2025, our Company and Major Subsidiaries owned the land use rights of 26 parcels of land in China with an aggregate site area of approximately 2,265,429.46 sq.m. As of June 30, 2025, in China, our Company and Major Subsidiaries owned (i) 73 properties, with an aggregate site area of approximately 1,163,884.14 sq.m, that had obtained the relevant title certificates in China, and (ii) one property, with a site area of approximately 58,725 sq.m, that was still in process of obtaining the relevant title certificate in China as certain parts of the property

RISK FACTORS

was still under construction. This property is primarily used for office premises. As confirmed by our PRC Legal Advisers, our current use of this property does not violate the relevant laws and regulations. For details, please refer to “Business — Properties” in this document. We will apply for the relevant title certificate upon completion of the construction. However, there is a risk that we may not be able to ultimately obtain these title certificates, and thus, our ownership and use of such properties would be affected.

As of June 30, 2025, our Company and Major Subsidiaries leased three properties with an aggregate site area of approximately 25,357.8 sq.m in China, primarily used for production and operations. According to laws and regulations in China, all lease agreements are required to be registered with local housing authorities. As of June 30, 2025, our Company and Major Subsidiaries had not completed such registration for these leased properties. For details, please refer to “Business — Properties” in this document. Although failure to do so does not in itself invalidate the leases, the lessees may be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant government authorities in China. The fine ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. For details, see “Business — Properties” in this document.

Any non-compliance with labor-related laws and regulations of the PRC may subject us to late payments and fines.

Companies operating in China are required to participate in various employee benefit plans, including social insurance, housing provident fund and other welfare-oriented payment obligations. The amounts of contributions should be equal to the prescribed percentages of salaries, including bonuses and allowances, of the employees up to a maximum amount specified by the local governments from time to time, at the locations where the companies operate their businesses. The contributions shall be paid under the company’s own accounts instead of making payments under third-party accounts. According to the relevant PRC laws and regulations, an employer who fails to make social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by social insurance contributions collection institutions to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. In addition, an employer that has not made housing provident fund contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by the housing provident fund management center to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the employer still fails to rectify the failure to make housing provident contributions within the stipulated deadline, it may be subject to the court’s compulsory enforcement. Violation of these laws and regulations could materially and adversely affect our reputation, business, results and operations and financial condition or otherwise divert our resources in handling and legal proceedings, penalties or complaints.

RISK FACTORS

Grants of share-based awards under our stock incentive plans may increase our share-based compensation expenses and negatively impact our future profitability.

We have adopted various stock incentive plans to grant awards to our employees and other designated persons for the purpose of attracting and retaining suitable personnel to enhance our development. For details, please refer to Note 41 to the Accountants’ Report as set out in Appendix I to this document. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees. As a result, we will continue to grant share-based compensation to employees in the future, which may further increase our expenses associated with share-based compensation, cause shareholding dilution to our Shareholders, and in turn materially and adversely affect our business, financial condition, and results of operations.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners, or damage to our brand name or reputation may adversely affect our business and results of operations.

Our brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand name and reputation. The value and reputation of our brands depend on factors such as the quality, design, performance, functionality and durability of our products and solutions, technology innovation and customer experience. We intend to continue making investments in these areas in order to develop, maintain and enhance our brand name. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our selling and marketing expenses amounted to RMB634.1 million, RMB704.1 million, RMB780.3 million, RMB411.6 million and RMB372.6 million, respectively. As a result, costs associated with maintaining our brand name can be significant, and we may further incur substantial expenses to establish our brand name in new markets we have decided to or will enter. However, we cannot assure you that our investments in these areas would be successful, and expenses related to maintaining our brand name may have an adverse impact on our results of operations and financial condition if they do not yield the expected results.

Our brands, reputation and sales could be harmed if, for example, our products and solutions fail to meet the expectations of our customers or contain defects or fail. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand name, undermine customer confidence in us and reduce long-term customer demand.

In addition, negative publicity and allegations involving us, our Shareholders, Directors, officers, employees, business partners and other third parties, as well as the broader industry, can have detrimental effects. Such publicity, regardless of its accuracy, can tarnish our reputation, result in loss of customer trust, decreased sales and challenges in maintaining or establishing business relationships with our customers. It can also result in heightened scrutiny from regulators and stakeholders, potentially leading to increased compliance costs or legal challenges, subsequently impacting our business operations, financial condition, results and future prospects.

Failure to comply with present or future environmental, safety and occupational health regulations and standards may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to regulations and standards relating to environmental, safety and occupational health matters where we operate. Under these laws and regulations, we are required

RISK FACTORS

to maintain safe production conditions and to protect the occupational health of our employees. However, there can be no assurance that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as wastewater, waste gas and industrial solid waste. The discharge of such pollutants from our manufacturing operations into the environment, if in violation of relevant regulations, may give rise to liabilities that may require us to incur costs to remedy such discharge. There can be no assurance that the situations that will give rise to environmental liabilities will be discovered, or that any environmental laws adopted in the future will not affect our operating costs and other expenses. Should stricter environmental protection standards and regulations be imposed in the future, there can be no assurance that we will be able to comply with such new regulations. Any increase in the manufacturing costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

Any non-compliance with applicable anti-money laundering, anti-bribery and anti-corruption laws and other forms of illegal acts and misconduct by our business partners, employees or other parties may materially and adversely affect our reputation and operations.

We are subject to anti-money laundering, anti-bribery and anti-corruption laws, as well as other rules and regulations of the jurisdictions in which we operate, including the United States Foreign Corrupt Practices Act (the “FCPA”). The FCPA prohibits us and our officers, Directors, employees, and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing, or providing anything of value to a “foreign official” for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records, and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. A violation of these laws or regulations could adversely affect our business, financial condition, results of operations, and prospects.

We are also subject to the anti-bribery laws of other jurisdictions. As our business expands, the applicability of the FCPA and other anti-bribery laws to our operations will increase. Our procedures and controls instituted may fail to protect us from reckless or criminal acts committed by our employees or business partners. If any of our Directors, officers, employees, representatives, consultants, agents and business partners engaged in any improper conduct, we may be held responsible. If we, due to either our employees’ deliberate or inadvertent acts or those of others, fail to comply with the applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant compliance expenses, which could have a material adverse effect on our business, financial condition, and results of operations.

Our information technology networks, systems and data may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches. A breach in our cybersecurity, or failure to protect confidential information, may result in legal and financial exposures and reputational damages.

We rely on information technology networks and systems for electronic communications among our personnel, suppliers, customers and other business partners and for synchronization

RISK FACTORS

with our manufacturers and logistics providers on demand forecast, order placements and manufacturing and service status and capacity. Our business involves storage and transmission of data about our business, suppliers, customers and other business partners. Our information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations. If we do not effectively resolve the issues in a timely manner, our business, results of operations and financial condition may be materially and adversely affected, and we could experience delays in reporting our financial results.

Any failure to comply with data privacy and security laws may adversely impact our business, financial condition and results of operations.

We are subject to various laws and regulations concerning data security and privacy. Recently, the governments worldwide have placed increasing emphasis on privacy and data protection regulations. The Chinese government, in particular, has implemented a series of laws, regulations and policies to safeguard personal data. We must comply with applicable laws and regulations throughout the entire life cycle of personal information, including its collection, storage, use, processing, transmission, provision, disclosure and deletion. Failure to comply with the increasingly stringent data and personal information protection laws in the PRC, as well as evolving data security and privacy regulations in other jurisdictions where we operate or plan to operate, could result in significant legal and regulatory penalties, reputational damage, and adverse effects on our business, financial condition, and results of operations.

As data privacy laws and industry standards continue to evolve globally, we will need to implement and maintain robust internal controls, compliance mechanisms, and risk management policies. Ensuring compliance with these requirements may require substantial resources, personnel, and capital investment. The unauthorized access, loss or misuse of data and personal information, whether by our company or our partners, could lead to significant consequences, including increased cybersecurity expenditures, regulatory investigations, enforcement actions, fines, litigation, indemnification obligations, remediation costs, and operational disruptions. In addition, defending against potential legal claims arising from such incidents may result in further financial and reputational exposure. Even unsubstantiated concerns raised by customers, employees, or third parties regarding our handling of data and personal information could harm our reputation and undermine trust in our brand, which may, in turn, negatively impact our business prospects and market perception.

We may be involved in or subject to claims, disputes, lawsuits and other legal proceedings from time to time, which could materially and adversely impact our business.

We may be involved in claims, warning, fines, disputes, lawsuits and various legal and administrative proceedings in the ordinary course of our business and operations in relation to contracts, labor, safety, securities or other matters. We cannot assure you that we will not be involved in various legal and administrative proceedings in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such

RISK FACTORS

proceedings, including fees relating to appraisal, auction, execution and legal advisory services. Such proceedings may lead to inquiries, investigations and actions by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management’s attention from our business operations. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications, regulatory investigations, warning in proceedings against our Shareholders, Directors, officers or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

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

We are a company incorporated under the laws of the PRC, and the majority of our Directors and executive officers reside in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors or executive officers who reside in China, including matters arising under U.S. federal securities laws or applicable state securities laws. On July 3, 2008, the Supreme People’s Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2008 Arrangement**”). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 18, 2019, the Supreme People’s Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region by The Supreme People’s Court of The People’s Republic of China (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a “choice of court agreement in writing” within the meaning of the 2008 Arrangement which is made before the effective date of the 2019 Arrangement.

RISK FACTORS

In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of court between China and the country where the judgment was made.

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

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

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archive management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises by State Taxation Administration (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated November 6, 2008, issued by the STA, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there

RISK FACTORS

were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20%, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 by State Taxation Administration (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the STA, dividends paid to non-PRC resident individual holders of H shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares by Ministry of Finance of the People’s Republic of China and State Taxation Administration (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Guo Shui Han [1998] No. 61) (國稅函[1998]61號) issued by the MOF of the PRC and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Our business may be materially and adversely affected by force majeure events, natural disasters or other issues beyond our control.

Natural and man-made disasters and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people there. An occurrence or recurrence of any of such events could result in disruptions to our operations, which could adversely affect our business, financial condition, results of operations and prospects.

Our business operations could be disrupted if any of our employees is suspected of contracting any epidemic disease, since it could require our offices or facilities to be closed for disinfection or other remedial measures, which would adversely delay or disrupt our production schedule, and we may experience raw material shortages or price surges if the operations of any of our suppliers are disrupted by pandemics.

Moreover, natural disasters, including earthquakes, floods, landslides and droughts, could result in deaths, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters, public health and public security hazards may, among other things, materially and adversely affect or disrupt our operations. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

RISK FACTORS

Foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the current PRC foreign exchange regulation, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of China and Hong Kong.

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

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

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

RISK FACTORS

There has been no prior [REDACTED] for our H Shares, and their liquidity and [REDACTED] may be volatile.

There was no [REDACTED] for our H Shares prior to the [REDACTED]. There can be no guarantee that a [REDACTED] for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, which may not be indicative of the [REDACTED] of our H Shares following the completion of the [REDACTED].

If an active public market for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our H Shares may be materially and adversely affected.

The liquidity, trading volume and [REDACTED] of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to investors.

The price at which our H Shares will trade after the [REDACTED] will be determined by the marketplace, which may be affected by various factors beyond our control, including:

- our financial performance;
- changes in securities analysts’ estimates, if any, of our financial performance;
- the history of, and the prospects for, ourselves and the industry in which we operate;
- an assessment on the prospects for, and timing of, our future revenue and cost;
- structures that independent research analysts may publish, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities;
- general market sentiment regarding the industry we operate in;
- changes in laws and regulations of China;
- our actual or perceived failure to compete effectively in the market; and
- political, economic, financial and social conditions.

In addition, the Stock Exchange has from time to time experienced significant volatility in trading prices and volumes that have affected the [REDACTED] of securities of companies quoted on the Stock Exchange. As a result, [REDACTED] in our H Shares may experience volatility in the [REDACTED] of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

RISK FACTORS

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

Our Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), the Controlling Shareholders will be together entitled to control the exercise of approximately [REDACTED]% of the voting rights and thus remain as Controlling Shareholders of our Company. The interests of our Controlling Shareholders might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholders and our other Shareholders may also materially and adversely affect aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of China, the payment of dividends may be subject to certain limitations. Moreover, the calculation of our profit under the China Accounting Standards for Business Enterprises (“**PRC GAAP**”) may differ in certain respects from the calculation under the International Financial Reporting Standards (“**IFRS Accounting Standards**”). As a result, even if we report a profit for the year under IFRS Accounting Standards, we may not have distributable profits as determined by PRC GAAP. Additionally, the declaration, payment and amount of any future dividends are subject to the discretion of our Directors after taking into account various factors, including our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at a Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of China. For details, please refer to “Financial Information — Dividend” in this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. If the foreign exchange administration system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would affect the remittance of RMB into or out of China.

RISK FACTORS

Should the [REDACTED] be higher than the net tangible book value per Share, subject to pricing, you may experience an immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

If the [REDACTED] of our H Shares is higher than the net tangible book value per Share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] will experience an immediate dilution. Existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible assets value per share of their shares.

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

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

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

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

RISK FACTORS

Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider [REDACTED] and [REDACTED] additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

Certain facts, forecasts and statistics derived from external sources contained in this document may not be reliable and the market opportunity estimates may not be accurate.

We have derived certain facts and other statistics in this document, such as the section headed “Industry Overview” based on information from various public sources, industry associations, independent research institutes and other third-party sources, including the Frost & Sullivan Report that we commissioned. Our Directors and Joint Sponsors have exercised reasonable care in selecting and identifying the information sources, and believe that the sources of such information are appropriate sources for such information. We have taken reasonable care in extracting and reproducing such information. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other data problems, the statistics herein may be inaccurate. In addition, we cannot assure you that information in this document is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere or similar metrics we used, and such information may not be complete or up-to-date. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Market opportunity estimates included in this document, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time and there is no guarantee that our market opportunity estimates will materialize as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this document, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.

RISK FACTORS

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

The [REDACTED] is being made solely on the basis of the information and representations contained in this document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this document should not be relied upon in making an [REDACTED] decision with respect to the securities being [REDACTED].

Prior to the publication of this document, there has been coverage in the media regarding us and the [REDACTED], which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. Investors should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media’s coverage of our Company and the [REDACTED] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets and the demands of advertisers.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought the following from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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

Our Group's management headquarters, senior management, business operations and assets are primarily based outside of Hong Kong. We consider that it would be practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by relocation of our existing executive Directors or by appointment of additional executive Directors. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

- (i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. These two authorized representatives appointed are Mr. PANG Xinyuan, an executive Director and chairman of our Board of our Company, and Mr. NG Tung Ching Raphael, a joint company secretary of our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (ii) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (iii) we will endeavour to ensure that each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iv) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Huatai Financial Holdings (Hong Kong) Limited as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange in addition to our authorized representatives. The compliance advisor will have reasonable access, at all times during their appointment, to our authorized representatives, Directors and other officers of the Company, participate in the communication between the Stock Exchange and the Company and answer inquiries from the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); or (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing “relevant experience,” the Stock Exchange will consider the individual’s: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

We have appointed Ms. DAI Qin (“**Ms. Dai**”) and Mr. NG Tung Ching Raphael (“**Mr. Ng**”) as our joint company secretaries. Biographical information of Ms. Dai and Mr. Ng is set out in the section headed “Directors and Senior Management” in this document. Ms. Dai has served as our secretary of the Board since September 2023. By virtue of Ms. Dai’s substantial experience in corporate governance and her experience and familiarity with our Group, we believe that appointment of Ms. Dai as our company secretary would be beneficial for our Company. Furthermore, the principal business activities of the Group are conducted in China. Ms. Dai, who resides in China, is familiar with and has a thorough understanding of the operations of our internal business. Therefore, we believe that the appointment of Ms. Dai as a joint company secretary is in our Company’s and the Shareholders’ best interests and beneficial to our corporate governance.

Although Ms. Dai does not possess the specified qualification required by Rule 3.28 of the Listing Rules, the Directors believe that considering Ms. Dai’s past experience in capital market related affairs and corporate governance matters, she is capable of discharging the functions of a joint company secretary with the assistance of Mr. Ng, the other joint company secretary of our Company who fully complies with the requirements under Rule 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Dai as our joint company secretary for a three-year period from the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED], in accordance with paragraphs 11 to 17 of Chapter 3.10 of the Guide for New Listing Applicants, on the conditions that: (i) Ms. Dai will endeavor to attend relevant training courses to enhance her knowledge of the applicable Hong Kong laws and regulations as well as the Listing Rules, and comply with the annual professional training requirement under Rule 3.29 of the Listing Rules; (ii) Mr. Ng, a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully complies with the requirements under Rules 3.28 and 8.17 of the Listing Rules, has been appointed to act as the other joint company secretary and will work closely with and to provide assistance to Ms. Dai in the discharge of her duties as a company secretary for an initial period of three years commencing from the [REDACTED] so as to enable Ms. Dai to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to discharge the duties and responsibilities as a company secretary; and (iii) the waiver will be revoked immediately if and when Mr. Ng ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we shall demonstrate to the Stock Exchange's satisfaction and seek its confirmation that Ms. Dai, having had the benefit of Mr. Ng's assistance during the three-year period, has attained the relevant experience within the meaning of Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary so that a further waiver would not be necessary.

WAIVER IN RESPECT OF ALTERATION IN SHARE CAPITAL

Paragraph 26 of Appendix D1A to the Listing Rules requires this document to include the particulars of any alterations in the capital of any member of our Group within the two years immediately preceding the issue of this document.

As of the Latest Practicable Date, we have more than 120 subsidiaries globally. It would be unduly burdensome for us to disclose the required information in respect of all of our subsidiaries as our Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material nor meaningful to investors. The non-disclosure of such information will not prejudice the interests of our Shareholders or potential [REDACTED].

We have identified 16 subsidiaries as Major Subsidiaries that we consider are material to our operations and/or contributed significantly to our financial performance during the Track Record Period. By way of illustration, after intercompany eliminations, as of December 31, 2022, 2023 and 2024 and June 30, 2025, the aggregate assets of our Company and the Major Subsidiaries represent approximately 85.9%, 86.2%, 88.5% and 92.7% of our total assets, and for each of the financial years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the aggregate revenue of our Company and the Major Subsidiaries represents approximately 82.6%, 77.3%, 76.9% and 84.6% of our total revenue, and the aggregate net profits of our Company and the Major Subsidiaries represent approximately 121.5%, 124.5%, 109.3% and 103.8% of the Group's total net profits. None of the other subsidiaries of our Company that are not Major Subsidiaries individually contributes to 5% or more of our Group's total assets as of December 31, 2022, 2023 or 2024 or June 30, 2025, or 5% or more of our Group's revenue or net profits for each of the financial years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025. Accordingly, the remaining subsidiaries of our Group which are not Major Subsidiaries are relatively insignificant to the overall results of our Group.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have disclosed the particulars of the changes in the share capital of our Company and the Major Subsidiaries in the section headed “Appendix IV — Statutory and General Information — A. Further Information About the Company” in this document.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under paragraph 26 of Appendix D1A to the Listing Rules, in respect of disclosing the particulars of any alteration in the capital of any member of our Group within the two years immediately preceding the issue of this document.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [REDACTED]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement requirements as set out in Chapter 14A of the Listing Rules. See “Connected Transactions” in this document for further information of such continuing connected transaction and corresponding waiver.

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. PANG Xinyuan (龐欣元)	No. 1801, Renmin West Road Cao’e Subdistrict Shangyu District, Shaoxing Zhejiang Province, PRC	Chinese (Macau)
Mr. WAN Chuangqi (萬創奇)	Room 104, Building 4 Zhenxingxin Village, Cao’e Subdistrict Shangyu District, Shaoxing Zhejiang Province, PRC	Chinese
Mr. ZHANG Hongxin (張紅信)	Room 2101, Unit 1, Building 16 Tianxiang Huating Shangyu District, Shaoxing Zhejiang Province, PRC	Chinese
Mr. ZHANG Wengang (張文剛)	No. 20, Building 26 No. 213 Zhongjing Road Wancheng District, Nanyang Henan Province, PRC	Chinese
Non-executive Directors		
Mr. MA Yajun (馬亞軍)	Room 1301, Building 9 Wolong Tianxiang West Garden Cao’e Subdistrict, Shangyu District Shaoxing, Zhejiang Province PRC	Chinese
Mr. LI Yinggang (李迎剛)	Room 201, No. 8, Lane 50 Yiminhe Road, Hongkou District Shanghai, PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Independent non-executive Directors		
Mr. ZHAO Rongxiang (趙榮祥)	Room 108, Building 54 Qiushi Village Xihu District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. ZHANG Zhiming (張志銘)	Room 401, No. 39 Haiper Fenghua, Lane 128, Yehuang Road Zhaoxiang Town, Qingpu District Shanghai, PRC	Chinese
Ms. DENG Chunhua (鄧春華)	No. 306, Mudan Garden Shuilan County, Nanhu Road Donghu High-Tech Development Zone Wuhan, Hubei Province PRC	Chinese
Mr. LI Jin (李晉)	Flat A, 19/F, Block 1 Tam Towers 25 Sha Wan Drive Hong Kong	Chinese (Hong Kong)

For further information regarding our Directors, see “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

China International Capital Corporation

Hong Kong Securities Limited

29/F One International Finance Centre

1 Harbour View Street

Central

Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

62/F, The Center

99 Queen’s Road Central

Hong Kong

GF Capital (Hong Kong) Limited

27/F, GF Tower

81 Lockhart Road

Wanchai

Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisers to the Company

As to Hong Kong laws:

Jun He Law Offices

Suites 3701-10, 37/F
Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC laws:

JunHe LLP

26th Floor, HKRI Centre One
HKRI Taikoo Hui
288 Shimen Yi Road
Shanghai 200041
PRC

**Legal Advisers to the
Joint Sponsors and the
[REDACTED]**

As to Hong Kong laws:

King & Wood Mallesons

13/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC laws:

King & Wood Mallesons

18th Floor, East Tower, Global Finance Center
No. 1 East Third Ring Middle Road, Chaoyang District
Beijing
PRC

**Independent Auditor and
Reporting Accountants**

SHINEWING (HK) CPA Limited

Certified Public Accountants
Registered Public Interest Entity Auditor
17th Floor, Chubb Tower
Windsor House, 311 Gloucester Road, Causeway Bay
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

Room 2504, Wheelock Square
1717 West Nanjing Road
Jing'an District
Shanghai, PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	1/F, No. 580 Fuxing West Road Cao’e Subdistrict, Shangyu District Shaoxing, Zhejiang Province PRC
Headquarters and Principal Place of Business in the PRC	No.555 Fuxing West Road Cao’e Subdistrict, Shangyu District Shaoxing, Zhejiang Province PRC
Principal Place of Business in Hong Kong	46/F Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong
Company Website	<u>www.wolong.com.cn</u> <i>(the information contained on this website does not form part of this document)</i>
Joint Company Secretaries	Ms. DAI Qin (戴芩) No.555 Fuxing West Road Cao’e Subdistrict, Shangyu District Shaoxing, Zhejiang Province PRC Mr. NG Tung Ching Raphael (吳東澄) <i>HKACG(PE), ACG</i> 46/F, Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Authorized Representatives	Mr. PANG Xinyuan (龐欣元) No. 1801, Renmin West Road Cao’e Subdistrict Shangyu District, Shaoxing Zhejiang Province, PRC Mr. NG Tung Ching Raphael (吳東澄) 46/F, Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Audit Committee	Ms. DENG Chunhua (鄧春華) (<i>Chairperson</i>) Mr. ZHANG Zhiming (張志銘) Mr. MA Yajun (馬亞軍)

CORPORATE INFORMATION

Nomination Committee

Mr. ZHANG Zhiming (張志銘) (*Chairperson*)
 Ms. DENG Chunhua (鄧春華)
 Mr. LI Yinggang (李迎剛)

Remuneration and Evaluation Committee

Mr. ZHAO Rongxiang (趙榮祥) (*Chairperson*)
 Ms. DENG Chunhua (鄧春華)
 Mr. LI Yinggang (李迎剛)

Strategy and ESG Committee

Mr. PANG Xinyuan (龐欣元) (*Chairperson*)
 Mr. ZHAO Rongxiang (趙榮祥)
 Mr. WAN Chuangqi (萬創奇)
 Mr. ZHANG Hongxin (張紅信)
 Mr. MA Yajun (馬亞軍)

Compliance Adviser

Huatai Financial Holdings (Hong Kong) Limited
 62/F, The Center
 99 Queen’s Road Central
 Hong Kong

[REDACTED]

Principal Banks

Agricultural Bank of China Limited, Shaoxing Shangyu Branch
 No. 497 Middle Section of Renmin Avenue
 Cao’e Subdistrict, Shangyu District
 Shaoxing, Zhejiang Province
 PRC

Industrial and Commercial Bank of China Limited, Shangyu Branch
 No. 2 Jiangyang South Road
 Shangyu District
 Shaoxing, Zhejiang Province
 PRC

Bank of China Limited, Shangyu Branch
 Yongli Building, No. 778 Jiangyang Road
 Baiguan Street, Shangyu District
 Shaoxing, Zhejiang Province
 PRC

China Construction Bank, Shangyu Branch
 No. 666, Shimin Road
 Baiguan Street, Shangyu District
 Shaoxing, Zhejiang Province
 PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted, in part, from various official government sources and a market research report prepared by Frost & Sullivan (the “Frost & Sullivan Report”) and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in selecting and identifying the named information sources, compiling, extracting and reproducing the information, and ensuring no material omission of the information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Neither our Company nor any of the Relevant Persons (which, for the purpose of this paragraph, excludes Frost & Sullivan) has independently verified the information and statistics from official government sources, and no representation is given as to its accuracy.

OVERVIEW OF GLOBAL ELECTRIC DRIVE SOLUTION MARKET

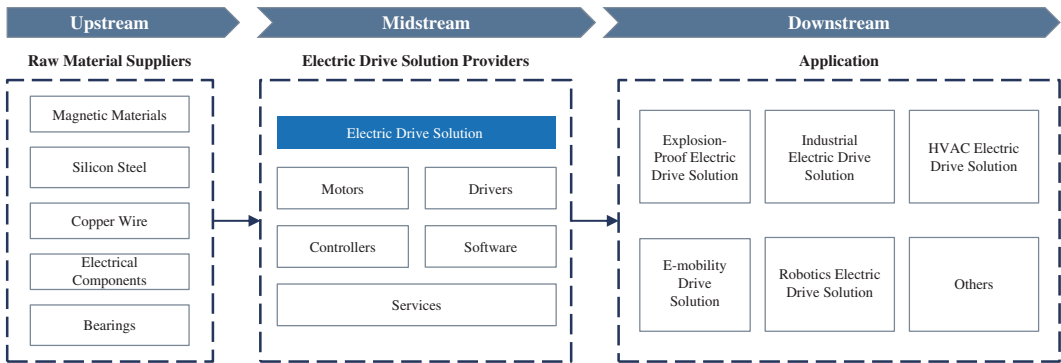
Definition of Electric Drive Solutions

The electric drive solution refers to the combination of motor, driver, controller, software and related service. The motor, as the core transmission unit of the solution, converts electrical energy into mechanical energy to realize rotational or linear motion. The driver adjusts and outputs appropriate electrical energy according to signals to control the operating parameters of the motor. The controller generates control logic based on input signals and formulates operational decisions for the solution. The electric drive solution also includes software, which serves as the core for ensuring efficient, safe, and intelligent operation. It handles multiple aspects such as motor control, energy management, and fault diagnosis. Additionally, the electric drive solution encompasses related services that span the entire lifecycle—from demand analysis and customized design to post-sales operation and maintenance. These services provide comprehensive technical support, maintenance, and value-added solution to ensure efficient, reliable and intelligent system operations.

INDUSTRY OVERVIEW

Electric Drive Solution Industry Chain

The industry chain of the electric drive solution market involves upstream raw material suppliers, midstream electric drive solution providers and downstream applications. The raw materials produced by upstream suppliers provides necessary raw materials and hardware to support the design and manufacture of electric drive solution, which mainly include magnetic materials, silicon steel, copper wire, electrical components and bearings etc. Electric drive solution providers, as the midstream participants, mainly develop, design and manufacture electric drive solution based on their expertise and customer needs. This requires a series of complex interdisciplinary knowledge, including electrical engineering, mechanical design, materials science, control theory, power electronics, and thermal management, among others. In downstream, as the core power solution of electric equipment, the electric drive solution is widely used in various aspects of residential life and industrial production. Particularly against the backdrop of carbon neutrality and energy transition, its application fields are continuously expanding.



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Downstream Application and Category of Electric Drive Solutions

As a core power solution in modern industry and daily life, the electric drive solution is widely applied across various industries, providing efficient and clean power support for the operation of equipment in different fields. According to different downstream application, the following diagram illustrates the main types of electric drives solution, their diverse application scenarios, and specific products.

	Functions	Applications	Specific products
Explosion-proof Electric Drive Solution	Use special structural design and material to eliminate ignition sources such as electric sparks and high temperatures, ensure safe operation of equipment in flammable and explosive environments	- Shale oil & gas equipment - Oil, gas, and petrochemical equipment - Coal mining equipment - Others . . .	- Ex d explosion-proof motor - Low inrush current motor - Explosion-proof actuator - Others . . .
Industrial Electric Drive Solution	Provide high-precision and high-load driving force for industrial scenarios such as manufacturing, production lines, and automation equipment	- Precision manufacturing equipment - Water treatment equipment - Air Compressor equipment - Others . . .	- CNC machine spindle drive system - Conveyor belt drive system - Industrial vibrators - Others . . .
HVAC Electric Drive Solution	Drive compressors, fans, and water pumps to achieve the refrigeration, ventilation, and air circulation for specified space	- Residential HVAC - Commercial HVAC - Industrial ventilation - Data Center cooling - Agricultural and livestock ventilation - Others . . .	- Refrigeration Compressor drive system - Wind-powered drive system - HAVC plastic-sealed Motor - Livestock ventilation drive system - Others . . .
E-Mobility Drive Solution	Replace traditional fuel power and provide zero-emission driving force for electric vehicles, aircraft, ships, and other vehicles	- New energy vehicles - Electric aircrafts - Electric ships - Electric two-wheelers - Others . . .	- Electric vehicle drive system - Electric ship drive system - Electric aircraft drive system - Others . . .
Robotics Electric Drive Solution	Reliaze precise motion control of the robot through servo electric drive system and precision transmission components, and meet the needs for precision operation and flexible movement	- Industrial robots - Service robots - Humanoid robots - Mechanical skeleton - Others . . .	- Exoskeletons and dexterous hands - Embodied intelligence robot components - Hollow-cup motor - Frameless torque motor - Servo motor and controller - Others . . .
Others	Drive moving parts for rotating, oscillating, and linear motion for household appliances, medical equipment and agricultural equipment	- Household appliances - Medical equipment - Agricultural equipment - Others . . .	- Kitchen appliance electric drive components - Endoscope guide motor - Dust and waterproof motor - Others . . .

Source: Frost & Sullivan Report

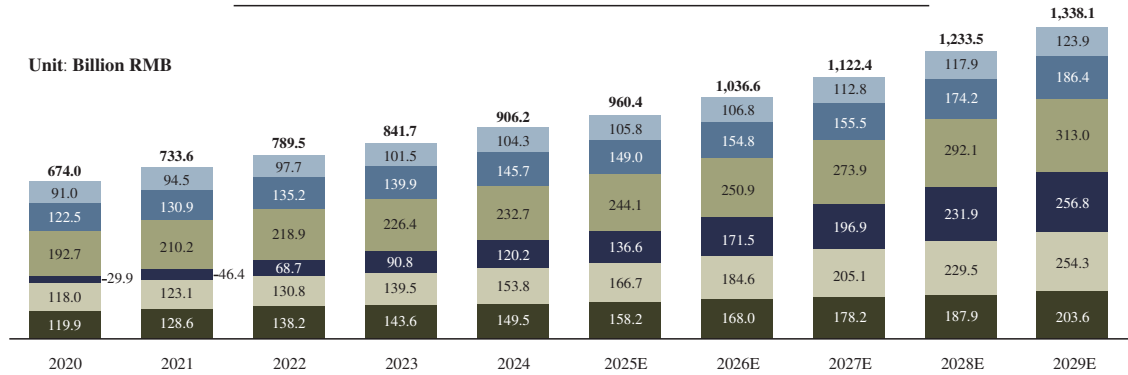
INDUSTRY OVERVIEW

Market Size of Global Electric Drive Solutions by Major Applications

The global electric drive solution market is projected to grow consistently, expanding from RMB674.0 billion in 2020 to RMB1,338.1 billion by 2029, at a CAGR of 7.7% (2020-2024) and 8.1% (2024-2029E). Explosion-proof, industrial and HVAC electric drive solution represent core mature segments of the market, leading in scale and demonstrating steady growth. E-mobility and robotics electric drive solution are experiencing rapid growth. The growing demand for energy efficiency, intelligent motion control and low-emission mobility continues to support the long-term development of the global electric drive solution market.

Market Size of Global Electric Drive Solutions, by Application (2020-2029E)

	CAGR	2020-2024	2024-2029E
Explosion-Proof Electric Drive Solution		3.4%	3.5%
Industrial Electric Drive Solution		4.4%	5.1%
HVAC Electric Drive Solution		4.8%	6.1%
E-Mobility Drive Solution		41.6%	16.4%
Robotics Electric Drive Solution		6.8%	10.6%
Others		5.7%	6.4%
Total		7.7%	8.1%



Source: Expert Interview, Frost & Sullivan Report

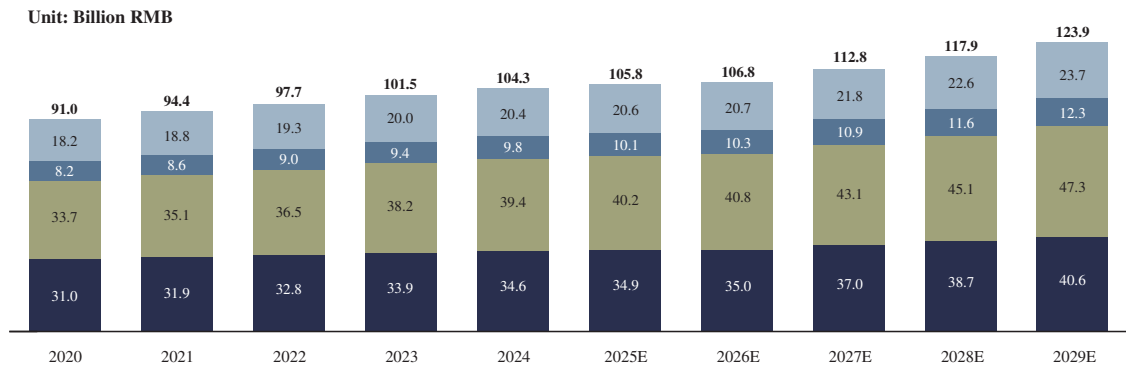
INDUSTRY OVERVIEW

Explosion-Proof Electric Drive Solutions

The global explosion-proof electric drive solution market is valued at RMB104.3 billion in 2024, and is expected to grow steadily to RMB123.9 billion by 2029 at a 3.5% CAGR. As a relatively mature segment, growth is mainly supported by ongoing safety compliance needs in hazardous industries and the steady replacement of traditional systems with more efficient and low-maintenance electric drive solution.

Market Size of Global Explosion-Proof Electric Drive Solutions, by Region (2020-2029E)

	CAGR	2020-2024	2024-2029E
China		2.9%	3.0%
Asia-Pacific (excl. China)		4.3%	4.6%
America		4.1%	3.7%
Europe, the Middle East and Africa		2.8%	3.3%
Total		3.4%	3.5%



Source: Expert Interview, Frost & Sullivan Report

- **Market Drivers and Trends of Explosion-Proof Electric Drive Solutions**
 - *Rising safety regulations bolster explosion-proof electric drive solution adoption*

Tighter safety regulations across coal mining, oil & gas, and chemical sectors are accelerating the adoption of certified explosion-proof electric drive solution. These systems are critical in preventing ignition in hazardous environments and ensuring uninterrupted operations. For example, influenced by the regulatory shifts, the pharmaceutical industry is also emerging as a high-growth application sector for explosion-proof electric drive solution. Driven by increasing safety requirements and global capacity expansion in biopharmaceuticals, the explosion-proof electric drive market in pharmaceutical manufacturing is expected to grow at a CAGR of 13.8% from 2024 to 2029, underscoring the critical role of advanced safety electric drive solution in supporting the industry’s compliant growth.

INDUSTRY OVERVIEW

– *Digital, intelligent, integrated explosion-proof electric drive solutions*

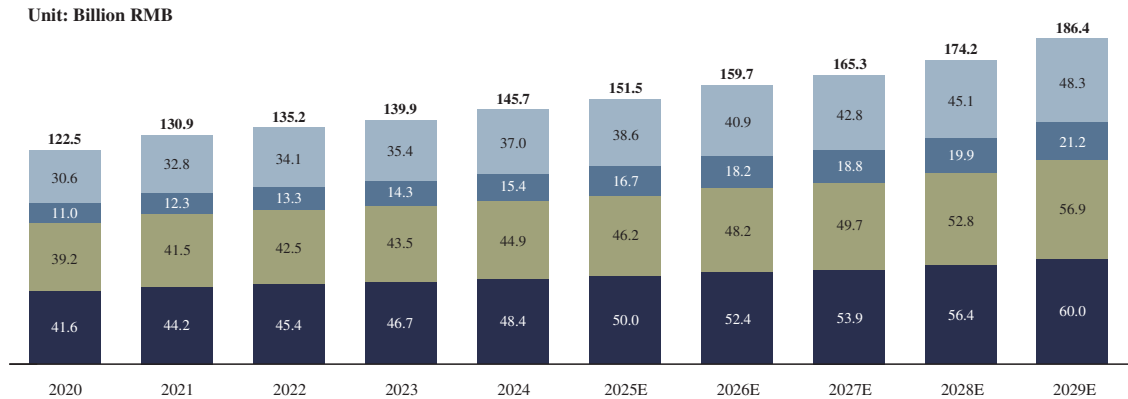
Explosion-proof electric drive solutions are undergoing progressive digitalization, with integrated capabilities for diagnostics, remote monitoring, and predictive fault detection. These intelligent and networked solutions allow centralized control and predictive maintenance, enhancing safety and efficiency across complex operations. Across Asia-Pacific and Latin America, rising modernization needs are prompting broader adoption of intelligent and modular explosion-proof electric drive platforms tailored to evolving industrial applications.

Industrial Electric Drive Solutions

The global industrial electric drive solution market is valued at RMB145.7 billion in 2024, and is expected to grow steadily to RMB186.4 billion by 2029 at a 5.1% CAGR. The growth momentum is primarily driven by ongoing industrial electrification and the demand for cleaner and more efficient solution.

Market Size of Global Industrial Electric Drive Solutions, by Region (2020-2029E)

	CAGR	2020-2024	2024-2029E
China		4.8%	5.5%
Asia-Pacific (excl. China)		8.8%	6.6%
America		3.4%	4.8%
Europe, the Middle East and Africa		3.8%	4.4%
Total		4.4%	5.1%



Source: Expert Interview, Frost & Sullivan Report

INDUSTRY OVERVIEW

- ***Market Drivers and Trends of Industrial Electric Drive Solutions***

- *Accelerating electrification of industrial equipment*

Heavy-load equipment such as pumps, compressors, and cranes, which traditionally relied on diesel engines, pneumatics, or hydraulics, are rapidly converting to electric drive systems. With the cost of motors and variable-frequency drives having dropped by over 30% in the past decade and efficiency gains of 10–15%, manufacturers are achieving finer speed and torque control, cutting energy consumption by up to 20%, and simplifying maintenance regimes. This shift is steadily reinforcing electric drive solution as the preferred solution in modern industrial operations.

- *Electric drive solution evolve for high efficiency, sustainability and precision manufacturing*

In response to global decarbonization targets, manufacturers are adopting next-generation motor and drive platforms designed for minimal energy loss. Key advances include adaptive thermal management that maintains optimal operating temperatures, and predictive control algorithms that modulate power usage in real time—together delivering substantial reductions in lifecycle emissions. Additionally, accelerating equipment replacement cycles driven by aging assets and stringent performance requirements are further fueling demand for these advanced solution. Within this trend, precision manufacturing stands out as a major growth engine, with electric drive solution in this segment expected to grow at a CAGR of 12.8% from 2024 to 2029, supported by the need for highly reliable and accurate systems to enable advanced production processes.

- *Renewable energy expansion fuels demand for precision drive*

The global renewable-energy sector added roughly 585 GW of capacity in 2024, a 15.1% year-on-year increase to 4,448 GW, fueling robust demand for electric drives in solar-tracker arrays, wind-turbine pitch solution and grid-interactive storage pumps. Electric drive solutions now function as core components in solar-tracker arrays and turbine-pitch mechanisms, where they enable maximum energy yield under dynamic environmental conditions while supporting grid-interactive functions such as frequency regulation and demand response.

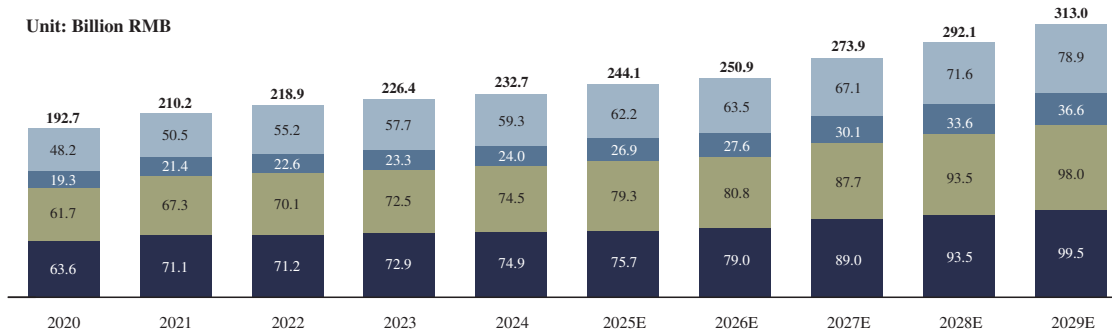
INDUSTRY OVERVIEW

HVAC Electric Drive Solutions

The global HVAC electric drive solution market is valued at RMB232.7 billion in 2024, and is expected to grow to RMB313.0 billion by 2029 at a 6.1% CAGR. The primary growth drivers include the implementation of energy efficiency regulations in the building sector across various countries, urbanization and industrialization in developing nations and regions, the development of semiconductor manufacturing industry, as well as the rapid expansion of the data center industry.

Market Size of HVAC Electric Drive Solutions, by Region (2020-2029E)

	CAGR	2020-2024	2024-2029E
China		5.4%	5.3%
Asia-Pacific (excl. China)		5.6%	8.8%
America		4.8%	5.6%
Europe, the Middle East and Africa		4.2%	4.8%
Total		4.8%	6.1%



Source: Expert Interview, Frost & Sullivan Report

• Market Drivers and Trends of HVAC Electric Drive Solutions

- Stringent global energy efficiency standards are driving increased adoption of high-efficiency motors

To achieve the carbon neutrality goals set by the European Green Deal, the European Union has further tightened energy efficiency requirements for HVAC equipment, household appliances, and other related sectors. The DOE certification, a mandatory energy efficiency compliance system enforced by the U.S. Department of Energy for electronic and electrical products, will undergo another upgrade in 2025, raising overall energy efficiency standards by 15%. Meanwhile, the Chinese government has introduced a household appliance (including household air conditioners) trade-in policy, encouraging consumers to purchase energy-efficient household appliances. These regulations will accelerate the phasing out of low-efficiency motors (IE1/IE2) while boosting the penetration rate of high-efficiency motors such as permanent magnet synchronous motors (PMSMs), brushless DC motors (BLDCs) and electronically commutated motors (ECMs).

INDUSTRY OVERVIEW

- *The industrialization and urbanization in developing countries are driving the demand for HVAC electric drive solutions*

The restructuring of global supply chains is driving manufacturing relocation to Southeast Asia, where the automotive manufacturing and consumer electronics OEM industries are flourishing. Concurrently, India’s industrialization and urbanization are advancing at an accelerated pace, with rapid growth in electronics, automotive manufacturing, textiles, and new energy industries. These factors will collectively boost demand for industrial HVAC drive solution in both Southeast Asian and Indian markets. Africa’s urbanization rate stood at just 43% in 2023 but is projected to reach 50% by 2030. Major infrastructure projects such as Egypt’s New Administrative Capital CBD and Nigeria’s Lekki Free Trade Zone are currently under construction. These combined factors are driving growing demand for both home appliances (including household air conditioners) and HVAC electric drive solution across African markets.

- *Data center boom and semiconductor wafer fab expansion drives growing demand for HVAC electric drive solutions*

The explosive development of the artificial intelligence industry has driven the growth of the data center and semiconductor sector. The global CAGR of newly installed capacity in AI data centers from 2024 to 2029 is projected to reach 40.4%. The stable operation of data centers relies on strict environmental control, including temperature, humidity, and cleanliness. As data centers develop toward higher density and larger scale, the demand for electric drive solution in their supporting equipment such as HVAC system are increasing. The HVAC electric drive solution market in data center industry is expected to grow at a CAGR of 42.3% from 2024 to 2029.

Foundries worldwide are investing in new production lines to expand wafer capacity, 52 new wafer fabs will be constructed globally between 2025 and 2030. Semiconductor cleanrooms are ultra-low-contamination environments for chip manufacturing, ventilation systems play a critical role in maintaining cleanroom conditions by regulating temperature, humidity, and air filtration. As wafer fab capacity expands, the HVAC electric drive solution market in semiconductor manufacturing industry is expected to grow at a CAGR of 14.7% from 2024 to 2029.

INDUSTRY OVERVIEW

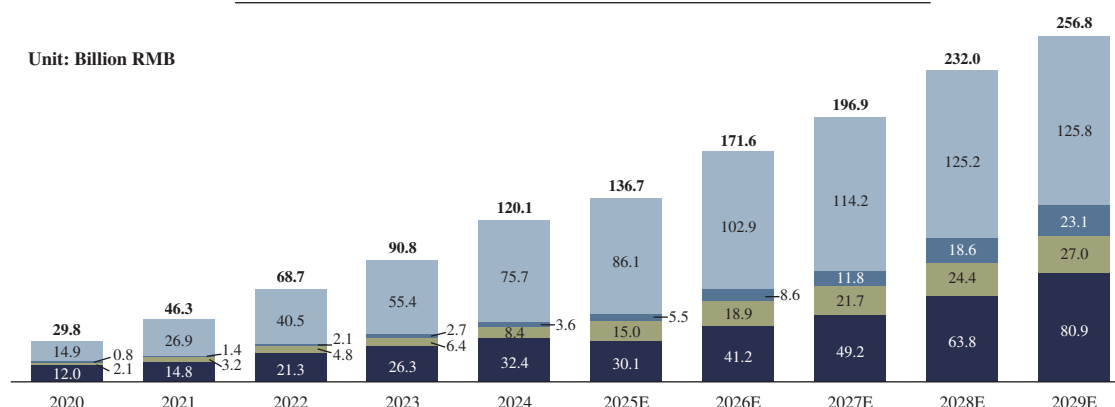
E-Mobility Drive Solutions

The global E-mobility drive solution market is valued at RMB120.1 billion in 2024, and is expected to grow steadily to RMB256.8 billion by 2029 at a 16.4% CAGR. The growth momentum is primarily driven by ongoing advancement of transportation electrification and the demand for more efficient drive solution.

Market Size of E-mobility Drive Solutions, by Region (2020-2029E)

	CAGR	2020-2024	2024-2029E
China		50.1%	10.7%
Asia-Pacific (excl. China)		44.1%	45.0%
America		41.6%	26.2%
Europe, the Middle East and Africa		28.2%	20.0%
Total		41.6%	16.4%

Unit: Billion RMB



Source: Expert Interview, Frost & Sullivan Report

- Market Drivers and Trends of E-Mobility Drive Solutions**
 - The electrification and intelligence of vehicle increase the usage and value of electric drive solutions

From 2020 to 2024, global new energy vehicle (NEV) sales increased from 3.2 million to 19.0 million, and global new energy vehicle penetration increased from 4.1% to 20.6%. The electrification and intellectualization of NEVs are still advancing. The electric drive solution of new energy vehicles is one of the most core sub-solution of the entire vehicle, which determines the core performance of the vehicle and is also the basic carrier for the intelligence and networking of the vehicle. In line with the growing popularity of new energy vehicle, the market size of drive solution is expected to continue to grow.

Electric motorcycles offer users eco-conscious and intelligent user experiences, future models may incorporate advanced functionalities such as autonomous riding, adaptive cruise control, and remote operation—features poised to attract eco-conscious younger consumers and expand market share. China's motorcycle exports primarily target Africa, Asia, and Latin America, where ongoing industrialization and urbanization will drive demand for electric motorcycles. E-bikes provide people with a green, efficient, and convenient mode of transportation. With the growing global awareness of environmental

INDUSTRY OVERVIEW

protection, the E-bike industry is poised to enter a golden era of development. The expansion of electric motorcycle and E-bike markets will generate substantial demand for associated electric drive solution.

– *The commercialization of electric aviation is accelerating*

Electric aircrafts serve as the core platform of electric aviation. Electric aircrafts refer to flying vehicles that use electricity as the primary power source for their propulsion systems. Based on their configurations, they can be classified into electric vertical take-off and landing (eVTOL) aircraft, electric fixed-wing aircraft and electric hybrid-wing aircraft. Among them, eVTOL can be applied in scenarios such as urban air transportation, sightseeing tourism, short-distance passenger transport, and logistics transportation. Electric fixed-wing aircraft can be used in scenarios like regional passenger transport, logistics transportation and pilot training. Electric hybrid-wing aircraft, which combine vertical take-off and landing with fixed-wing cruising, can be applied in fields such as manned transport and freight transport. In the field of electric aircraft, eVTOL currently demonstrates the most promising commercialization potential, and is in the pre-stage of commercialization boom. As the technology advances toward maturity with regulatory liberalization, demand for these emerging mobility solutions is projected to surge across multiple sectors.

As the core power unit of electric aircrafts, the drive solution plays a vital role in the take-off, landing, hovering, and cruising of the electric aircraft. It provides the necessary thrust for the aircraft to ensure the safety and stability of the flight. For example, during the take-off and landing phases, the motor needs to provide strong power and precision control to enable the aircraft to take off quickly and land steadily. When hovering, the motor should accurately control the output power to maintain the stable position of the aircraft. During cruising, the motor needs to continuously output stable power to control the speed and direction of the aircraft.

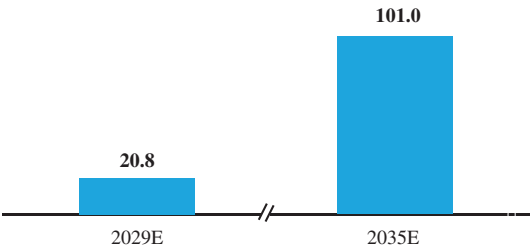
The global electric aviation industry is advancing at a remarkable pace. In 2023, over 150 new electric aircraft models were initiated, and the world’s first commercially operational eVTOL was introduced; by 2024, the global fleet of commercial eVTOLs exceeded 250 units. Currently, a small number of electric fixed-wing aircraft have entered mass production globally, though these remain predominantly small training aircrafts and light sport planes. As more electric aircrafts currently under development worldwide obtain airworthiness certifications, mass production will drive rapid growth in the market scale. The global electric aviation drive solution market is expected to expanded significantly, rising at a CAGR of 110.1% from 2024 to 2029, and further expand to RMB25.3 billion in 2035 at a CAGR of 30.1%.

INDUSTRY OVERVIEW

In addition, Low-altitude Economy, an emerging integrated economy encompassing aircraft design and manufacturing, airport infrastructure development and maintenance, airspace management, and support services, is projected to exceed one trillion RMB in next few years.

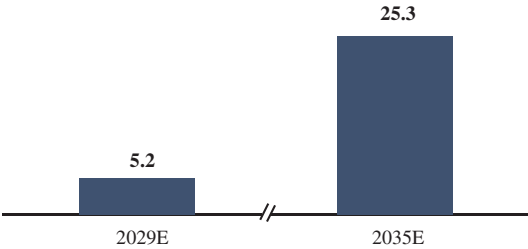
Global Electric Aviation Market Size

Unit: Billion RMB



Global Electric Aviation Drive Solution Market Size

Unit: Billion RMB



Source: Expert Interview, Frost & Sullivan Report

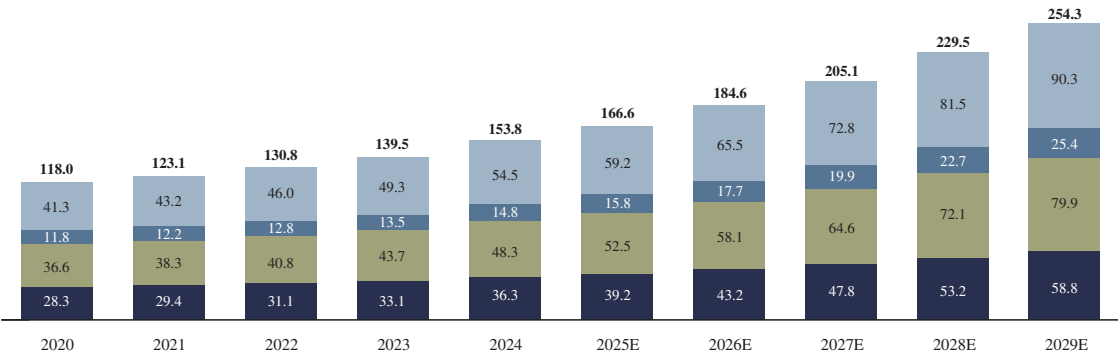
Robotics Electric Drive Solutions

The global robotics electric drive solution market is valued at RMB153.8 billion in 2024, and is expected an accelerated growth to RMB254.3 billion by 2029 at a 10.6% CAGR. The growth momentum is primarily driven by the rapid expansion of automation across manufacturing, logistics, and service industries, alongside the uptake of emerging applications like embodied intelligence.

Market Size of Global Robotics Electric Drive Solutions, by Region (2020-2029E)

CAGR	2020-2024	2024-2029E
China	7.1%	10.6%
Asia-Pacific (excl. China)	5.8%	11.5%
America	7.2%	10.6%
Europe, the Middle East and Africa	6.4%	10.1%
Total	6.8%	10.6%

Unit: Billion RMB



Source: Expert Interview, Frost & Sullivan Report

INDUSTRY OVERVIEW

- ***Market Drivers and Trends of Robotics Electric Drive Solutions***

- *Accelerated adoption of Embodied Intelligence*

An emerging sector—embodied intelligence, has gained traction in recent years and now represent the primary growth driver for the robotics electric drive solution. Embodied intelligence refers to intelligent robotic systems equipped with physical bodies that interact with the real world through sensing, movement, and decision-making. These systems are often designed with human- or animal-like morphologies—such as humanoid robots, quadrupeds, and mobile manipulators—and are capable of operating in complex and unstructured environments to perform generalized tasks.

The global embodied intelligence market is experiencing great expansion, with projections indicating it will reach RMB155.1 billion at a CAGR of 43.8% between 2024 and 2029. By 2035, the market is expected to grow further to RMB1,037.7 billion, achieving a CAGR of 37.3%. Its applications are extensive and continually expanding, covering areas such as industrial automation, medical rehabilitation, logistics, and consumer robotics. Given this diversity, the embodied intelligence market holds immense potential for substantial long-term growth.

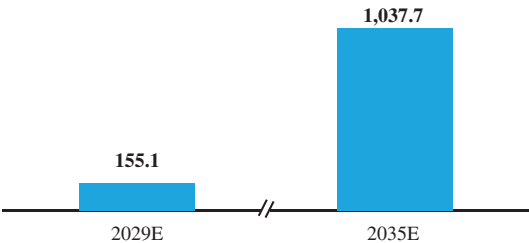
Electric drive solutions enable precise motion and intelligent control in embodied intelligence systems. Servo motors and controllers are widely applied in both rotary and linear joints, enabling accurate torque and speed control for coordinated multi-axis movement, posture stability, and responsive gait adjustment. Gear reducers, such as harmonic and planetary types, convert motor speed into the high torque required for payload handling and balance control. Smart drives, featuring closed-loop encoders and motion algorithms, support rapid acceleration, torque control, and energy feedback. Integrated joint actuators—combining motor, reducer, and drive electronics—simplify wiring and are used in core movement areas like head rotation, limb motion, and leg locomotion. For high-dexterity tasks (e.g. robotic hands), lightweight hollow-cup and frameless torque motors offer smooth and precise control at low speeds while delivering powerful output in a compact, space-saving design. In linear joint applications, ball screw linear actuators are increasingly adopted for their high precision and load capacity, enabling smooth and stable translation in use cases such as robotic arms, exoskeletons, and surgical-assist devices.

INDUSTRY OVERVIEW

The global electric drive solution market for embodied intelligence is expected to expanded significantly, reaching RMB28.7 billion at a CAGR of 43.8% from 2024 to 2029, and further to RMB187.1 billion in 2035 at a CAGR of 36.7%. This strong growth is driven by the maturation of compact and high-performance drive modules and the widening application of embodied intelligent platforms, where high-precision and real-time motion control is essential for unlocking functional versatility and ensuring human-robot collaboration.

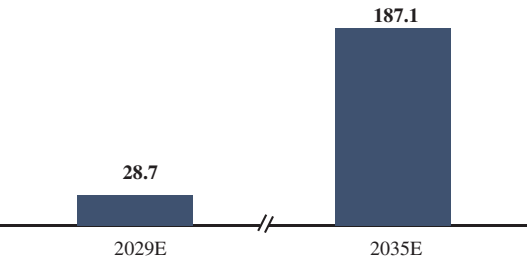
Global Embodied Intelligence Market Size

Unit: Billion RMB



Global Embodied Intelligence Electric Drive Solution Market Size

Unit: Billion RMB



Source: Expert Interview, Frost & Sullivan Report

- *Rising industrial robot penetration fuels electric drive solution demand*

As population aging intensifies and labor costs rise, enterprises are increasingly seeking automated solution to reduce costs and improve production efficiency. Industrial robots, with their advantages of high precision and stability, have become an ideal choice for replacing manual labor. The industrial robot density in manufacturing sectors has climbed from under 200 units to over 330 units per 10,000 workers (2015–2024). This trend will continue in the future. As the core power unit of industrial robots, electric drive solutions are poised for sustained market expansion.

COMPETITIVE LANDSCAPE OF GLOBAL ELECTRIC DRIVE SOLUTION MARKET

Competitive Landscape Overview

The global electric drive solution market is relatively fragmented, with a diverse mix of suppliers across motors, drives, controllers, and integrated solutions. The market dynamic varies by segment and application but generally remain competitive. Leading companies are primarily concentrated in Europe, the United States, China, and Japan, where robust manufacturing ecosystems, strong R&D capabilities, and supportive policies foster both high-end innovation and large-scale production.

Driven by supply-chain security imperatives and rapid technological innovation, Chinese electric-drive solution makers are shedding their “low-cost, low-end” image and climbing the value chain. Through investments in precision machining, advanced materials, and rigorous certification standards, they are increasingly able to compete with foreign incumbents in high-end applications, strengthening local brands, and expanding market share in premium segments.

INDUSTRY OVERVIEW

Ranking in Global Explosion-Proof Electric Drive Solution Market

Global explosion-proof electric drive solution market size in 2024 reached RMB104.3 billion. Our Company ranked 1st in the market, with a market share of 4.5%. The following table presents the ranking of companies in global explosion-proof electric drive solution market, as measured by revenue of explosion-proof electric drive solution in 2024.

<u>Ranking</u>	<u>Company</u>	<u>Headquarter</u>	<u>2024 Revenue</u> (Billion RMB)	<u>Market Share</u>
1	Our Company	China	4.7	4.5%
2	Company A ¹	Germany	4.5	4.3%
3	Company B ²	Brazil	4.2	4.1%
4	Company C ³	Switzerland	3.7	3.5%
5	Company D ⁴	United States	3.3	3.1%
Others			83.9	80.5%
Total			104.3	100.0%

Source: Expert Interview, Frost & Sullivan Report

Our company also lead the market in 3 segments as measured by revenue of applicable products in 2024:

- Our company ranked 1st in terms of the revenue of ex d explosion-proof motors with a market share of 9.5% in 2024. Ex d explosion-proof motors are engineered to contain internal explosions within the equipment enclosure, thereby preventing the ignition of flammable gases or vapors in the surrounding environment.
- Our company ranked 1st in terms of the revenue of medium-to-high voltage explosion-proof motors with a market share of 10.2% in 2024.
- Our company ranked 1st in terms of the revenue of low inrush current motors (starting current $\leq 2.7x$ rated current) with a market share of 12.9% in 2024.

¹ Company A is a private group established in 2019, headquartered in Germany, engaging in the provision of custom-built electric motors, generators, electric drive systems, and related engineering solution for industrial applications.

² Company B is a group established in 1961 and listed on the B3 Stock Exchange in Brazil, headquartered in Brazil, engaging in the provision of electric motors, automation systems, power generation and distribution equipment, industrial coatings, and electric drive systems.

³ Company C is a group established in 1988 and listed on the SIX Swiss Exchange, headquartered in Switzerland, engaging in the provision of electrification products, robotics and automation solution, industrial digital technologies, and electric drive systems.

⁴ Company D is a group formed by the merger of two well-known companies in 2021 and listed on the New York Stock Exchange, headquartered in the US, engaging in the provision of electric drive systems, mechanical transmission components, automation systems, intelligent operation and maintenance systems.

INDUSTRY OVERVIEW

Ranking in Global Industrial Electric Drive Solution Market

Global industrial electric drive solution market size in 2024 reached RMB145.7 billion. Our Company ranked 4th in the market, with a market share of 2.8%. The following table presents the ranking of companies in global industrial electric drive solution market, as measured by revenue of industrial electric drive solution in 2024.

<u>Ranking</u>	<u>Company</u>	<u>Headquarters</u>	<u>2024 Revenue</u> (Billion RMB)	<u>Market Share</u>
1	Company C	Switzerland	11.1	7.6%
2	Company B	Brazil	9.9	6.8%
3	Company A	Germany	6.2	4.2%
4	Our Company	China	4.1	2.8%
5	Company E ⁵	Japan	2.9	2.0%
Others			114.5	78.6%
Total			<u>145.7</u>	<u>100.0%</u>

Source: Expert Interview, Frost & Sullivan Report

Our company also lead the market in 2 segments as measured by revenue of applicable products in 2024:

- Our company ranked 1st in terms of the revenue of industrial vibrator electric drive systems with a market share of 20.8% in 2024. Industrial vibrator systems are designed to enhance material flow, prevent clogging, and improve efficiency in bulk material handling systems such as hoppers, silos, conveyors, and feeders.
- Our company ranked 1st in terms of the revenue of permanent magnet electric drive systems for air compressors with a market share of 10.7% in 2024. Permanent magnet electric drive systems for air compressors are designed to deliver high energy efficiency, reduce operating noise, and improve reliability through precise speed control.

⁵ Company E is a group established in 1973 and listed on the Tokyo Stock Exchange, headquartered in Japan, engaging in the provision of precision motors, drive systems and electronic components. The business spans multiple fields including automotive, home appliances, industrial automation, energy, and IT equipment.

INDUSTRY OVERVIEW

Ranking in Global HVAC Electric Drive Solution Market

Global HVAC electric drive solution market size in 2024 reached RMB232.7 billion. Our Company ranked 5th in the market, with a market share of 2.0%. The following table presents the ranking of companies in global HVAC electric drive solution market, as measured by revenue of HVAC electric drive solution in 2024.

<u>Ranking</u>	<u>Company</u>	<u>Headquarter</u>	<u>2024 Revenue</u> (Billion RMB)	<u>Market Share</u>
1	Company E	Japan	11.5	5.0%
2	Company F ⁶	China	6.7	2.9%
2	Company D	United States	6.2	2.7%
4	Company G ⁷	China	6.0	2.6%
5	Our Company	China	4.6	2.0%
Others			197.0	84.9%
Total			<u>232.7</u>	<u>100.0%</u>

Source: Expert Interview, Frost & Sullivan Report

Our company also lead the market in 2 segments as measure by revenue of applicable products in 2024:

- Our company ranked 1st in terms of the revenue of air conditioning plastic-encapsulated electric drive systems with a market share of 6.0% in 2024.
- Our company ranked 1st in terms of the revenue of livestock ventilation electric drive systems with a market share of 6.7% in 2024.

Competitive Landscape of E-Mobility Drive Solutions

The E-mobility drive solution market comprises multiple distinct segments, including new energy vehicles, electric aviation, electric boats, electric motorcycles, and E-bikes. Different segments exhibit significant variations in product characteristics, supply-demand dynamics, and key market players.

⁶ Company F is a group established in 1994 and listed on the Shenzhen Stock Exchange, headquartered in China, engaging in the provision of HVAC motors, household appliance motors, vehicle air conditioning motors, and industrial and agricultural intelligent equipment.

⁷ Company G is a private group established in 1992, headquartered in China, engaging in the provision of HVAC motors, household appliance motors. The company specializes in eco-friendly, high-efficiency, compact, intelligent and low-noise motor technologies.

INDUSTRY OVERVIEW

Competitive Landscape of Global Robotics Electric Drive Solutions

The market for robotics electric drive solution market is moderately concentrated at the industrial level, while remaining more fragmented across service segments. In industrial robotics, the market is shaped by a small group of suppliers that dominate shipments, with most high-precision motors and drives sourced from mature automation ecosystems in Asia, Europe, and North America. Service robotics involve a broader variety of use cases, leading to a more diverse and less consolidated supplier base.

ENTRY BARRIERS OF GLOBAL ELECTRIC DRIVE SOLUTION MARKET

Technical Barriers

Manufacturers need to have the ability to design high-performance electric drive solution, and products need to adapt to various complex working conditions and meet the special needs of different industries.

Market Access Barriers

The customer verification period is relatively long, and there are special certification standards in some special industries such as petrochemical, oil & gas extraction and mining industries.

Patent Barriers

Leading companies have core technology patents, and new entrants need to pay high patent licensing fees.

Customer Barriers

Customers attach importance to the reliability of products, the stability of the supply chain and the technological innovation ability of the supplier. Major customers usually establish long-term cooperation with existing suppliers, and new entrants face difficulties in acquiring new customers.

Production Quality Management Barriers

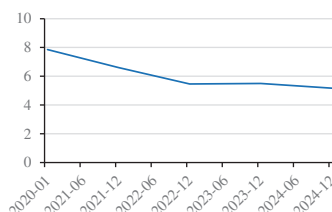
Manufacturers need to have the ability to comprehensively manage production process, quality inspection, supply chain, and production cost in order to improve market competitiveness.

INDUSTRY OVERVIEW

• Price Trends of Major Raw Materials

Affected by the increase in supply and the decline in raw material prices, China’s non-oriented silicon steel prices declined from 2020 to 2022, and remain relatively stable after 2022. Electrolytic copper is the main raw material of copper wire, and its price fluctuates greatly. From 2020 to 2021, affected by the easing policies of various countries, the price of electrolytic copper rose. In 2022, affected by the Federal Reserve’s interest rate hike, the price of electrolytic copper fell. From 2023 to 2024, the price of electrolytic copper rebounded due to the impact of the reduction of copper production in South America. NdFeB (Neodymium Iron Boron) is the main permanent magnet material used in motors. Affected by the changes in rare earth prices, the price of sintered NdFeB in China fluctuated greatly from 2020 to 2024, showing a trend of first rising and then declining.

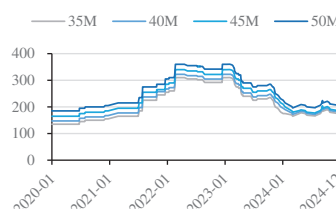
Non-oriented silicon steel No. 800 market price, Shanghai, Thousand RMB/ton, 2020-2024



Electrolytic copper market price, China, Thousand RMB/ton, 2020-2024



Sintered NdFeB market price, China, RMB/kg, 2020-2024



Source: Mysteel, Frost & Sullivan Report

• Price Trends of Final Products

The price of electric drive solutions is simultaneously influenced by raw material costs and specific application scenarios. With extensive applications and a wide range of models and types, notable price variations exist among different electric drive solutions. Overall, the prices of various electric drive solutions have remained stable over the past five years.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

We engaged Frost & Sullivan for preparing an independent industry report in respect of the [REDACTED]. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB280,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-effort basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing government statistics, industry association publication, company reports, independent research reports and data based on its own research database.

REGULATORY OVERVIEW

REGULATIONS RELATING TO COMPANIES

The *Company Law of the PRC* (《中華人民共和國公司法》) was promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on December 29, 1993 and implemented since July 1, 1994, and last amended on December 29, 2023 and came into effect on July 1, 2024. Under the Company Law of the PRC, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The major amendments to the latest Company Law of the PRC, which came into effect on July 1, 2024, include improving the company establishment and exit regime, optimizing the organizational structures of companies, improving the capital system of companies, strengthening the responsibilities of controlling shareholder and management, and reinforcing the corporate social responsibilities, among others.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in China by foreign investors are principally regulated by (i) the *Catalog of Industries for Encouraging Foreign Investment* (《鼓勵外商投資產業目錄》) (the “**Encouraging Catalog**”), (ii) the *Special Administrative Measures for Access of Foreign Investment* (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”), each of which was promulgated and amended from time to time by the Ministry of Commerce of the PRC (the “MOFCOM”) and the National Development and Reform Commission of the PRC (the “NDRC”), and (iii) the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which was adopted by the National People’s Congress on March 15, 2019, and became effective on January 1, 2020, as well as their respective implementation rules and ancillary regulations.

GUIDANCE CATALOG OF INDUSTRIES FOR FOREIGN INVESTMENT

The Encouraging Catalog and the Negative List lay out the basic framework governing foreign investment in China, classifying businesses into three categories, namely the “encouraged” category, the “restricted” category, and the “prohibited” category, based on the level of participation allowed to and conditions required of foreign investment.

On October 26, 2022, the MOFCOM and the NDRC released the *Catalog of Industries for Encouraging Foreign Investment* (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraging Catalog 2022**”), which became effective on January 1, 2023 and replaced the previous Encouraging Catalog. On September 6, 2024, the MOFCOM and the NDRC released the *Special Administrative Measures for Access of Foreign Investment* (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List 2024**”), which became effective on November 1, 2024 and replaced the previous Negative List. Any industry not listed on the Negative List 2024 is a permitted industry and generally accessible to foreign investment unless specifically prohibited or restricted by any PRC laws or regulations.

REGULATORY OVERVIEW

The Foreign Investment Law

The Foreign Investment Law is formulated to further expand the opening-up of the Chinese economy, vigorously promote foreign investment and safeguard the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, a foreign investment means any foreign investor’s direct or indirect investment in China, including: (i) establishing foreign-invested enterprises (the “**FIEs**”) in China either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares or other similar interests in Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations or by the State Council of the PRC (the “**State Council**”). Foreign investments are entitled to pre-entry national treatment and are subject to the Negative List. The pre-entry national treatment means that the treatment accorded to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The State implements special administrative procedures for access to foreign investment in specific fields and foreign investors shall not invest in any prohibited fields stipulated in the Negative List and shall meet the conditions stipulated in the Negative List before investing in any restricted fields.

The investment, earnings and other legitimate rights and interests of a foreign investor within the territory of China shall be protected in accordance with the law, and all national policies supporting the development of enterprises shall apply equally to FIEs. The State guarantees that FIEs are able to participate in the formulation of standards in an equal manner and government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. The State may levy or expropriate the investment of foreign investors in accordance with the law for the public interest. The expropriation and requisition shall follow legal procedures and timely and reasonable compensation shall be given. In business activities, FIEs shall comply with applicable rules and regulations on labor protection, social insurance, tax, accounting, foreign exchange and other matters prescribed by law.

On December 26, 2019, the State Council promulgated the *Implementation Regulations on the Foreign Investment Law* (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020, and further requires that FIEs and domestic enterprises be treated equally with respect to policy making and implementation.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation of the PRC (the “**SAMR**”) jointly issued the *Measures for Reporting of Foreign Investment Information* (《外商投資信息報告辦法》) (the “**Foreign Investment Information Measures**”), which came into effect on January 1, 2020 and replaced the *Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》). Starting from January 1, 2020, foreign investors and FIEs in the PRC shall submit information relating to their investment through the Enterprise Registration System and the National Enterprise Credit Information Publicity System established by the SAMR by submitting initial reports of establishment, reports on changes to the investment, reports on termination of the investment and annual investment reports in accordance with the Foreign Investment Information Measures. Where a foreign investor or a FIE fails to submit any required information or make any correction or resubmission when directed by the competent authority, it may be subject to a fine of up to RMB300,000 (or RMB500,000 in the event of serious violations).

REGULATORY OVERVIEW

REGULATIONS RELATING TO OVERSEAS INVESTMENT

The *Measures for Overseas Investment Management* (《境外投資管理辦法》) was promulgated by the MOFCOM on March 16, 2009, which was amended on September 6, 2014 and came into effect on October 6, 2014. As defined therein, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration.

The *Administrative Measures for Outbound Investment by Enterprises* (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be complied with, including approval and record-filing of overseas investment projects, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the *Catalog of Sensitive Sectors for Outbound Investment* (2018 Edition) (《境外投資敏感行業目錄(2018年版)》) on January 31, 2018 and came into effect on March 1, 2018, to list the current sensitive industries in detail.

According to (i) the *Foreign Exchange Administration Rules on Outbound Direct Investment of the PRC Organizations* (《境內機構境外直接投資外匯管理規定》) promulgated by the State Administration of Foreign Exchange (the “SAFE”) on July 13, 2009 and became effective on August 1, 2009 and (ii) the *SAFE Notice of the Policies on Further Simplifying and Improving the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated on February 13, 2015 and became effective on June 1, 2015, which was partially abolished by the SAFE, a PRC enterprise which has completed the approval or filing procedures at the outbound investment regulatory authorities shall make the registration with SAFE through its designated banks in connection with its outbound direct investment and obtain a corresponding SAFE registration certificate. With the approval or filing certificate issued by the outbound investment regulatory authorities and the SAFE registration certificate, the PRC enterprise can remit funds outside the PRC through the designated banks for the purpose of outbound direct investment. In the event of changes to certain basic information of the offshore company registered at SAFE’s system, the PRC enterprise shall make the alteration registration with SAFE through its designated banks.

Pursuant to the *Notice on Issues concerning Foreign Exchange Administration Pertaining to Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), promulgated by the SAFE with immediate effect on December 26, 2014, domestic companies listed overseas shall submit the registration documents for their overseas listings to domestic banks to open designated foreign exchange accounts regarding their initial or follow-on offerings and share repurchases, and handle the exchange, transfer and remittance of relevant funds through such designated accounts, and the proceeds raised from overseas listings of a domestic company may be remitted into the PRC or deposited overseas, and the use of such proceeds shall be consistent with those set out in the prospectus or other publicly disclosed documents such as the corporate bonds offering

REGULATORY OVERVIEW

documentations, board resolutions or shareholders’ resolutions. On May 23, 2025, the People’s Bank of China and the SAFE issued the *Notice of the Management of Funds Raised by Overseas Listings of Domestic Enterprises (Draft for Comments)* (《中國人民銀行國家外匯管理局關於境內企業境外上市資金管理有關問題的通知(徵求意見稿)》), with a deadline of June 22, 2025 for feedback. On the date of formal implementation of the Draft for Comments, the *Notice on Issues concerning Foreign Exchange Administration Pertaining to Overseas Listing* will be abolished.

REGULATIONS RELATING TO PRODUCTION SAFETY

On June 29, 2002, the Standing Committee of the National People’s Congress (the “SCNPC”) promulgated the *Production Safety Law of the PRC* (《中華人民共和國安全生產法》) (the “**Production Safety Law**”), which was recently amended by the SCNPC on June 10, 2021 and became effective on September 1, 2021. According to the Production Safety Law, enterprises that are engaged in production and business activities shall abide by the relevant laws and regulations concerning work safety, strengthen work safety management, establish and improve the all-staff work safety responsibility system and work safety rules and regulations, increase investment in funds, materials, technologies and personnel for work safety, improve the conditions for work safety, strengthen the standardized and information technology development of work safety, establish a dual prevention mechanism of graded management and control of safety risks and the screening and handling of hidden dangers, improve the risk prevention and resolution mechanism, and improve the level of work safety so as to ensure workplace safety. The safety facilities of a producer or business operator for engineering projects to be built, renovated or expanded shall be designed, constructed, and put into operation and use simultaneously with the principal part of the projects. Investments in safety facilities shall be included in the budgetary estimates for the construction projects. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

REGULATIONS RELATING TO PRODUCT QUALITY

According to the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and recently amended with immediate effect on December 29, 2018, producers shall: (i) be responsible for the quality of the products they produce; (ii) not produce products that have been explicitly eliminated by the state; (iii) not forge the place of origin, forge or falsely use the name and address of another person’s factory; and not forge or fraudulently use quality marks such as certification marks; (iv) not produce or market adulterated products or use fake goods as genuine or sub-standard products as standard; and (v) ensure that the packaging quality of fragile, flammable, explosive, toxic, corrosive, radioactive and other dangerous goods, products that cannot be inverted during storage and transportation and other products with special requirements meets the corresponding requirements, and make warning signs or warning instructions in Chinese, or indicate matters needing attention during storage and transportation. If a defect in the product causes damage to the person or property of others, the victim may claim compensation from the producer of the product or from the seller of the product. Producers or sellers who produce or sell substandard products will be ordered to cease production and sales, the illegally produced or sold products will be confiscated, and a fine will be imposed. If there is any illegal income, the illegal income will also be confiscated. If the circumstances are serious, the business license shall be revoked. If a crime is constituted, criminal responsibility shall be investigated in accordance with law.

REGULATORY OVERVIEW

According to the *Civil Code of the PRC* (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and became effective on January 1, 2021, if a defect of a product causes damage to another person, the infringed person may claim compensation against the manufacturer or the seller of the product. If the infringer knows that the product is defective and still produces or sells it, or fails to take effective remedial measures in accordance with the provisions of the *Civil Code of the PRC*, resulting in the death of another person or serious damage to the health of another person, the infringed person shall be entitled to claim corresponding punitive damages. If a product is defective due to the fault of a third party, such as a transporter or warehouseman, and causes damage to another person, the producer or seller of the product shall have the right to recover compensation from the third party after making compensation to the infringed person.

REGULATIONS RELATING TO THE IMPORT AND EXPORT OF GOODS AND TECHNOLOGY

According to the *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994, which was recently amended with immediate effect on 30 December 2022, and the *Notice of the Department of Enterprise Management and Inspection on Matters Related to the Record-filing of Consignors and Consignees of Import and Export Goods* (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) published by the General Administration of Customs of the PRC with immediate effect on January 3, 2023, if consignors and consignees of import and export goods apply for record-filing, they shall obtain the market entity qualification and are not required to obtain the record-filing of foreign trade business operators. For technologies that fall under the category of free import and export, the contract record-filing and registration formalities shall be handled with the foreign trade department in charge under the State Council or the institutions entrusted by it.

REGULATIONS RELATING TO ANTI-MONOPOLY AND ANTI-UNFAIR COMPETITION

Anti-Monopoly

According to the *Anti-Monopoly Law of the PRC* (《中華人民共和國反壟斷法》) (the "Anti-Monopoly Law") promulgated by the SCNPC on August 30, 2007 and implemented since August 1, 2008, and last amended on June 24, 2022 and implemented since August 1, 2022, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in the PRC as well as the monopolistic practices outside the PRC which have exclusion or restriction effects on domestic market competitions. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. The anti-monopoly law enforcement agency of the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions thereof. The anti-monopoly law enforcement authorities of the State Council may, depending on the needs of their work, authorize the corresponding authorities of the people's governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law shall be ordered by the anti-monopoly law enforcement authority to stop the illegal act and may be imposed a fine.

REGULATORY OVERVIEW

Anti-Unfair Competition Law

According to the *Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”) promulgated by the SCNPC on September 2, 1993 and implemented since December 1, 1993, and last amended on April 23, 2019 and came into effect on the same date, operators shall comply with the principle of voluntariness, equality, fairness, integrity and abide by laws and business ethics in market transactions. Under the Anti-Unfair Competition Law, unfair competition refers to disruption on market competition or order by an operator in violation of the provisions under the Anti-Unfair Competition Law in the production and operating activities, which cause damage to the legitimate rights and interests of other operators or consumers. Operators who violate the Anti-Unfair Competition Law shall bear corresponding civil, administrative and criminal responsibilities depending on the specific circumstances.

REGULATIONS RELATING TO CONSTRUCTION AND ENVIRONMENTAL PROTECTION

According to the *Urban and Rural Planning Law of the PRC* (《中華人民共和國城鄉規劃法》) which was promulgated by the SCNPC with effect from January 1, 2008 and recently amended with immediate effect on April 23, 2019, the *Construction Law of the PRC* (《中華人民共和國建築法》) which was promulgated by the SCNPC with effect from March 1, 1998 and recently amended with immediate effect on April 23, 2019, the *Measures for Administration of Construction Permits for Construction Projects* (《建築工程施工許可管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on June 25, 2014 and recently amended with immediate effect on March 30, 2021, and the *Regulation on Quality Management of Construction Projects* (《建設工程質量管理條例》) which was promulgated on January 30, 2000 and amended with immediate effect on April 23, 2019, the construction activities carried out in the built-up areas of cities, towns and villages as well as areas that must be under planning control for urban and rural construction and development shall be in compliance with the relevant requirements of the *Urban and Rural Planning Law of the PRC*. The construction entity shall obtain the construction land planning permit and the construction project planning permit from the competent department of urban and rural planning under the people’s government at the county level, and shall obtain the construction permit from the competent department of housing and urban and rural construction under the people’s government at municipal and county level or above of the place of the construction project before commencement of construction. After receiving the construction project completion report, the construction entity shall organize the entities of design, construction, project supervision and other relevant entities to complete the acceptance.

According to the *Regulations on the Administration of Approval and Filing of Enterprise Investment Projects* (《企業投資項目核准和備案管理條例》), which was promulgated by the State Council on November 30, 2016 and came into effect on February 1, 2017, projects related to national security, major productivity distribution, strategic resource development and major public interests are subject to approval management. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalog of investment projects approved by the government.

REGULATORY OVERVIEW

According to the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and became effective on January 1, 2015, the *Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and recently amended with immediate effect on December 29, 2018, the *Regulations on the Administration of Environmental Protection for Construction Project* (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998, which was amended on July 16, 2017 and became effective on October 1, 2017, the *Administration Regulations on Record-filing of the Environmental Impact Registration Forms of Construction Projects* (《建設項目環境影響登記表備案管理辦法》) promulgated by the Ministry of Environmental Protection on November 16, 2016 and came into effect on January 1, 2017, the *Interim Measures on Environmental Protection Acceptance of Construction Projects* (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the Ministry of Environmental Protection with immediate effect on November 20, 2017 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through the environmental impact assessment procedure accordingly. The construction projects which may have a significant impact on the environment shall prepare an environmental impact report with a full assessment of their impact on the environment while those projects which have a less severe environmental impact are required to prepare an environmental impact report regarding analysis or specific assessment of the environmental impacts, and those projects which have a slight impact on the environment are not required to conduct environmental impact assessment but need to complete the environmental impact registration form.

Regulations Relating to Pollutant Discharge Permits

According to the *Regulations on the Administration of Pollutant Discharge Permits* (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and came into effect on March 1, 2021, enterprises, institutions and other producers and operators subject to pollutant discharge permit management should apply for and obtain pollutant discharge permits in accordance with the provisions of the regulations. Those who have not obtained pollutant discharge permits are not allowed to discharge pollutants.

According to the *Classified Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution* (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and became effective on the same day, a pollutant discharge entity subject to registration management is not required to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention and control measures adopted, and other information.

REGULATORY OVERVIEW

REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor Contract

According to the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, which was and recently amended on December 28, 2012 and became effective on July 1, 2013, and the *Implementation Rules of the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council with immediate effect on September 18, 2008, a written employment contract shall be entered into to create an employment relationship. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is created, the employer must enter into a written employment contract with the employee and pay the employee an amount equal to twice such employee's salary for the period from the day following the lapse of one month from the date of the creation of the employment relationship to the day prior to the execution of the written employment contract. These rules also require compensation to be paid by the employer in certain events as a result of the termination. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of any restrictive period after the termination or expiry of the labor contract. In most cases, employers are also required to provide severance payment to their employees after their employment relationships are terminated.

Social Insurance and Housing Provident Fund

According to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and amended with immediate effect on December 29, 2018, the *Administrative Regulations on Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and recently amended with immediate effect on March 24, 2019 and the *Provisional Regulations on Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and amended with immediate effect on March 24, 2019, a domestic enterprise shall pay a premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears. And if the employer fails to pay the housing fund within the prescribed time, it may be ordered to pay within a certain period of time, and if it still fails to pay, compulsory enforcement by the court can be applied.

REGULATORY OVERVIEW

According to the *Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees* (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) which was promulgated by the State Council with immediate effect on March 6, 2019, the PRC facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment. According to the *Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council and Effectively Doing a Good Job in Stabilizing the Collection of Social Insurance Premiums* (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) which was promulgated by the Ministry of Human Resources and Social Security with immediate effect on September 21, 2018, it is strictly prohibited to independently organize centralized collection and clearance of enterprises’ historical arrears of social insurance premiums. Those that have already carried out centralized collection and clearance should immediately correct it and properly handle the follow-up work.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the *Patent Law of the PRC* (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984 and recently amended on October 17, 2020 and became effective on June 1, 2021, and the *Implementation Rules of the Patent Law of the PRC* (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, which was recently amended on December 11, 2023 and became effective on January 20, 2024, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of the provincial, autonomous regions or municipal governments are responsible for the administration of patents within their respective administrative areas. They provide for three types of patents, namely “inventions,” “utility models” and “designs.” Invention patents are valid for twenty years, utility model patents are valid for ten years and design patents are valid for fifteen years, in each case from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who file the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

REGULATORY OVERVIEW

Trademark

According to the *Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, which was recently amended on April 23, 2019 and became effective on November 1, 2019, the Trademark Office of the State Administration for Industry and Commerce Authority (the predecessor of the SAMR), under the State Council is responsible for the registration and administration of trademarks in China. The SAMR has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for 10 years from the date the registration is approved. A registrant may apply to renew a registration within 12 months before the registration expiration date. If the registrant fails to apply in a timely manner, a grace period of 6 additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for 10 years. On April 29, 2014, the State Council issued the revised *Implementing Regulations of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》), which specifies the requirements for the application of trademark registration and renewal.

Copyright

On September 7, 1990, the SCNPC promulgated the *Copyright Law of the PRC* (《中華人民共和國著作權法》) (the “**Copyright Law**”), which was recently amended on November 11, 2020. The latest amendment took effect on June 1, 2021 and extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China. According to the Copyright Law, Chinese citizens, legal persons and organizations shall own copyright to their copyrightable works, regardless of whether such works are published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including the right of publication, right of authorship and right of reproduction. An infringer of copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owner. An infringer of copyrights may also be subject to fines and/or administrative or criminal liabilities under certain circumstances.

In order to further implement the *Regulations on Computer Software Protection* (《計算機保護條例》), promulgated by the State Council on June 4, 1991, which was recently amended on January 30, 2013 and became effective on March 1, 2013, the National Copyright Administration issued the *Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) on February 20, 2002, which specifies detailed procedures and requirements with respect to the registration of software copyrights.

REGULATORY OVERVIEW

Domain Names

According to the *Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of “first come, first served” applies to domain name registration services. The *Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATIONS RELATING TO EIT AND VALUE-ADDED TAX

According to the EIT Law recently amended by the SCNPC and became effective on December 29, 2018, and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) recently amended by the State Council on December 6, 2024, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of the foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

According to the *Interim Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993, and recently amended with immediate effect on November 19, 2017, and the *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993, which was and recently amended on October 28, 2011 and became effective on November 1 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise. On December 25, 2024, the SCNPC promulgated the *Value-Added Tax Law of the PRC* (《中華人民共和國增值稅法》), which will become effective on January 1, 2026, and the *Interim Regulations of the PRC on Value-Added Tax* will be abolished. According to the Notice on Adjusting Value-added Tax Rate (《關於調整增值稅稅率的通知》) jointly issued by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, the tax rates of 17% and 11% originally applicable to any taxpayer who makes VAT taxable sales or imports goods were adjusted to 16% and 10% respectively. According to the Announcement on Relevant Policies for Deepening Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was jointly promulgated by the MOF, the STA and the General Administration of Customs on March 20, 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers who make VAT taxable sales or import goods were adjusted to 13% and 9%, respectively.

REGULATORY OVERVIEW

REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulation

The Securities Law, which was promulgated by the SCNPC on December 29, 1998, and was recently amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the mainland China securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listing

On February 17, 2023, the CSRC promulgated the *Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) and circulated five supporting guidelines (collectively, the “**Filing Rules**”), which has become effective on March 31, 2023. The Filing Rules has comprehensively improved and reformed the regulatory regime for overseas offering and listing of the PRC domestic companies’ securities and regulate both direct and indirect overseas offering and listing of the PRC domestic companies’ securities by adopting a filing-based regulatory regime. The Filing Rules apply to all overseas equity financing and listing activities of PRC domestic companies, including initial and follow-on offerings of shares, depository receipts, convertible corporate bonds, or other equity instruments and trading of securities in overseas market.

The Filing Rules provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Filing Rules stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within 3 working days after the occurrence and public disclosure of (i) a change of control thereof; (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities; (iii) changes of listing status or

REGULATORY OVERVIEW

transfers of listing segment; and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the *Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises* (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which has become effective on March 31, 2023. Pursuant to the *Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises*, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of mainland China by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of mainland China. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

OTHER REGULATIONS

Information Disclosure

A listed company shall establish a sound information management system in accordance with the regulatory requirements of the securities authorities, market practice, its specific circumstances, and the general information disclosure requirements for listed companies, such as the *Administrative Measures for the Disclosure of Information of Listed Companies* (《上市公司信息披露管理辦法》) promulgated by CSRC on January 30, 2007, which was most recently amended on March 26, 2025 and is effective since July 1, 2025.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a global leader in providing electric drive solutions, specializing in the research and development, manufacturing, sales, and service of advanced electric drive products and solutions across diverse, high-growth downstream sectors. The business of our Group can be traced back to 1984 when our electric motor business was started by the predecessor of Wolong Holding. In 1995, Zhejiang Wolong Group Electric Motor Industry Co., Ltd. (浙江臥龍集團電機工業有限公司), our predecessor, was established in Shaoxing, Zhejiang Province by Wolong Holding to operate our electric drive solution business.

In October 1998, our Company was converted into a joint stock limited company and renamed as Zhejiang Wolong Electric Motor Co., Ltd. (浙江臥龍電機股份有限公司), and subsequently changed its name to Wolong Electric Group Co., Ltd. See “— Major Shareholding Changes of our Company” below for details. In June 2002, the A Shares of our Company were listed on the Shanghai Stock Exchange (stock code: 600580).

OUR KEY MILESTONES

The following is a summary of our key corporate and business development milestones.

Year	Milestones
1995	Our predecessor, Zhejiang Wolong Group Electric Motor Industry Co., Ltd. was established.
1998	Zhejiang Wolong Group Electric Motor Industry Co., Ltd. was converted into a joint stock limited company and renamed as Zhejiang Wolong Electric Motor Co., Ltd.
2002	Our Company was officially listed on the Shanghai Stock Exchange (stock code: 600580).
2010	We made our presence into the robotic component sector.
2011	We acquired ATB Group, the third largest motor manufacturer in Europe, strengthening our business network in Europe and the Middle East.
2013	We launched integrated products of electric drive systems such as BLDC motors and servo motors.
2014	We launched E-mobility drive solutions, marking our presence into the E-mobility sector.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestones
2015	We acquired Wolong Nanyang Group and became China’s leading brand of explosion-proof motors. We made our presence in the industrial robotic system application sector.
2016	We launched ECMs, EC fans and other HVAC electric drive solutions.
2018	We acquired General Electric’s low-to-medium voltage motor business, strengthening our commercial deployment in North American markets. We established our manufacturing base in Vietnam, which is our largest in Asia excluding China.
2019	We strategically developed our presence in the electric aviation sector.
2021	We launched our industrial Internet digital platform, providing lifecycle service solutions.
2023	We expanded our presence in the development and industrial application of robotic components for embodied intelligence.
2024	We established three overseas regional headquarters in Asia-Pacific, Europe and the Americas, to optimize our global resources.
2025	We established our embodied intelligence innovation center in Hangzhou Bay to develop our presence in the humanoid robot sector. We launched our vertical large model of embodied intelligence for industrial scenarios, Shunzao GRP01 (舜造GRP01).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

The following entities were our major subsidiaries which had made a material contribution to our results of operation during the Track Record Period and up to the Latest Practicable Date.

Name of subsidiary	Place of incorporation	Date of incorporation	Equity interest attributable to our Group	Principal business activities
Wolong Electric Nanyang Explosion-proof Group Co., Ltd. (臥龍電氣南陽防爆集團股份有限公司) (“ Wolong Nanyang Group ”) . . .	PRC	March 3, 1998	100.00%	R&D, manufacturing and sales of electric drive products
Wolong Electric Group Supply Chain Management Co., Ltd. (臥龍電氣集團供應鏈管理有限公司) (“ Wolong Supply Management ”)	PRC	February 22, 2018	100.00%	Procurement and sales of main materials for electric drive products
Wolong Nanyang Explosion-proof Group Industrial Drive Co., Ltd. (臥龍電氣南陽防爆集團工業驅動有限公司) (“ Wolong Nanyang Industrial ”)	PRC	March 31, 1998	100.00%	R&D, manufacturing and sales of electric drive products
HongKong Wolong Holding Group Co., Limited (香港臥龍控股集團有限公司) (“ Wolong HK Holding ”)	Hong Kong	August 29, 2011	100.00%	Investment holding
Wolong Electric (Jinan) Motor Co., Ltd. (臥龍電氣(濟南)電機有限公司) (“ Wolong Jinan ”)	PRC	January 30, 1994	70.00%	R&D, manufacturing and sales of electric drive products

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of subsidiary	Place of incorporation	Date of incorporation	Equity interest attributable to our Group	Principal business activities
Shaoxing OLI-Wolong Vibrator Co., Ltd. (紹興歐力-臥龍振動機械有限公司) (“ Shaoxing OLI ”) . . .	PRC	June 30, 1999	95.86%	R&D, manufacturing and sales of electric drive products
Wolong Electric Huaian Qingjiang Motor Co., Ltd. (臥龍電氣淮安清江電機有限公司) (“ Wolong Huaian ”) . .	PRC	August 7, 2003	100.00%	R&D, manufacturing and sales of electric drive products
Wolong Electric America LLC (“ Wolong Electric US ”)	United States	February 15, 2018	100.00%	Investment holding and sales of electric drive products
Wolong Italy Holding Group S.R.L (“ Wolong Italy Holding ”)	Italy	October 20, 2015	100.00%	Investment holding
Wolong (Zhejiang) Enterprise Headquarters Management Co., Ltd. (臥龍(浙江)企業總部管理有限公司) (“ Wolong Enterprise Management ”)	PRC	October 19, 2022	100.00%	Corporate services
Wolong ZF Automotive Motor Co., Ltd. (臥龍采埃孚汽車電機有限公司) (“ Wolong ZF Auto ”)	PRC	December 18, 2020	74.00%	R&D, manufacturing and sales of electric drive products
Wolong Electric Group Liaoning Rongxin Electric Drive Co., Ltd. (臥龍電氣集團遼寧榮信電氣傳動有限公司) (“ Wolong Liaoning ”) .	PRC	February 22, 2011	100.00%	R&D, manufacturing and sales of converters

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Equity interest attributable to our Group</u>	<u>Principal business activities</u>
Wolong America Holding LLC (“ Wolong US Holding ”)	United States	February 15, 2018	100.00%	Investment holding
Wolong Electric Industrial Motors, S. DE R.L. DE C.V. (“ Wolong Electric Mexico ”)	Mexico	April 7, 1995	100.00%	R&D, manufacturing and sales of electric drive products
OLI S.P.A.	Italy	July 31, 1998	91.00%	R&D, manufacturing and sales of electric drive products
Wolong Electric (Vietnam) Co., Ltd. (“ Wolong Vietnam ”) .	Vietnam	December 4, 2017	100.00%	R&D, manufacturing and sales of electric drive products

Certain of the above Major Subsidiaries were previously acquired by us, and we held majority equity interests in the above Major Subsidiaries throughout the Track Record Period. See “Appendix IV — Statutory and General Information — A. Further Information about the Company — 3. Changes in the Share Capital of our Major Subsidiaries” for more details on share capital changes of the Major Subsidiaries.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Early Development of Our Company

In 1995, our predecessor, Zhejiang Wolong Group Electric Motor Industry Co., Ltd. (浙江臥龍集團電機工業有限公司) was established in Shaoxing, Zhejiang Province, with an initial registered capital of RMB12.0 million. At the time of establishment, our Company was owned as to 90.0% by Zhejiang Wolong Group Corporation (浙江臥龍集團公司), the processor of Wolong Holding, and as to 10.0% by Zhejiang Wolong Group Commercial Development Corporation (浙江臥龍集團商貿發展總公司), which was a subsidiary of Zhejiang Wolong Group Corporation.

Upon the completion of several rounds of share transfers and capital injection, in August 1998, the registered share capital of our Company increased to RMB74,104,261, with Zhejiang Wolong Group Corporation, Shangyu State-Owned Assets Management Corporation (上虞市國有資產經營總公司), Zhejiang Rural Economic Investment Co., Ltd. (浙江農村經濟投資股份有限公司), Mr. JC Chen and 12 other individuals holding 65.38%, 6.75%, 4.72%, 6.63% and 16.52% of the equity interests in our Company, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Conversion into Joint Stock Limited Company and Listing on the Shanghai Stock Exchange

In October 1998, our Company was converted from a limited liability company to a joint stock limited company. In August 2000, our Company was renamed as Zhejiang Wolong Technology Co., Ltd. (浙江臥龍科技股份有限公司).

In June 2002, we completed the listing of our A Shares on the Shanghai Stock Exchange (stock code: 600580) (the “**A-Shares Listing**”). We issued a total of 35,000,000 A Shares during the A-Shares Listing, representing 32.08% of our Company’s then issued share capital immediately following the A-Shares Listing. Upon completion of the A-Shares Listing, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares	Shareholding Percentage
Zhejiang Wolong Group Corporation	48,445,391	44.40%
Shangyu State-Owned Assets Management Corporation	5,000,000	4.58%
Mr. JC Chen	4,910,800	4.50%
Zhejiang Rural Economic Investment Co., Ltd. . . .	3,500,000	3.21%
12 other individuals ⁽¹⁾	12,248,070	11.23%
Public A Shareholders	35,000,000	32.08%
Total	109,104,261	100.00%

Note:

- (1) Each of the individual shareholder held no more than 2% of our Shares at that time and was an independent third party as of the Latest Practicable Date.

Other Major Shareholding Changes

As approved by the Shareholders in May 2006 and the CSRC in June 2006, our Company conducted a private placement of its A Shares to raise funds for technological upgrading, capacity expansion, and the industrialization of proprietary intellectual property projects. A total of 48,080,000 A Shares, representing approximately 18.67% of then share capital, were issued in the placement to eight investors, all of whom are independent third parties. The placement raised net proceeds of approximately RMB259.8 million.

In 2010, our Company completed a public issuance of 54,670,000 A Shares, representing approximately 12.85% of then enlarged share capital, raising total proceeds of RMB969.8 million, which were primarily used to upgrade production technologies, enhance product specifications, and expand manufacturing capacity.

In 2013, our Company acquired 100% of the equity interests in Wolong HK Holding from Wolong Shunyu at an aggregate consideration of RMB2,089.1 million, among which, 85% of the consideration was satisfied by way of issuance of 422,798,480 A Shares in August 2013 to Wolong

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shunyu at the issue price of RMB4.20 per Share, representing 38.07% of then enlarged share capital, and 15% of the consideration was paid by cash and fully settled in September 2013. Upon completion of the share issuance, Wolong Shunyu and Wolong Holding directly held 38.07% and 15.83% of then issued share capital of our Company, respectively.

As approved by the Shareholders in January 2015 and the CSRC in December 2015, our Company conducted a private placement of its A Shares to raise funds for various development initiatives, including expanding business through acquisitions, developing new business lines and increasing investment in R&D projects. A total of 178,372,350 A Shares, representing approximately 13.84% of then enlarged share capital, were issued in the placement to nine investors, including Wolong Holding and Mr. JC Chen. The placement raised net proceeds of approximately RMB1,579.0 million.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period, our Group had disposed certain subsidiaries to align with our business focus on provision of electric drive solutions. The following table sets forth details of our major disposal transactions during the Track Record Period.

<u>Date of completion</u>	<u>Equity interests disposed</u>	<u>Principal business activities of the targets</u>	<u>Transferee</u>	<u>Amount of consideration</u>
March 10, 2025 .	43.21% equity interests in Zhejiang Longneng Power Technology Co., Ltd. (浙江龍能電力科技股份有限公司) (“Zhejiang Longneng”)	R&D of photovoltaic power technology and sale of electricity from photovoltaic power generation	Wolong New Energy	RMB607,530,000
March 4, 2025 . .	80% equity interests in Zhejiang Wolong Energy Storage System Co., Ltd. (浙江臥龍儲能系統有限公司) (“Zhejiang Chuneng”)	Manufacturing and sale of energy storage system	Wolong New Energy	RMB98,720,000
March 7, 2025 . .	51% equity interests in Wolong Enapter (Zhejiang) Hydrogen Energy Technology Co., Ltd. (臥龍英耐德(浙江)氫能科技有限公司) (“Zhejiang Enapter”)	R&D of hydrogen power technology, manufacturing and sales of hydrogen power storage system	Wolong New Energy	RMB13,250,000

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

<u>Date of completion</u>	<u>Equity interests disposed</u>	<u>Principal business activities of the targets</u>	<u>Transferee</u>	<u>Amount of consideration</u>
March 3, 2025 . .	70% equity interests in Shaoxing Shangyu Shunfeng Electric Power Co., Ltd. (紹興上虞舜豐電力有限責任公司) (“ Shaoxing Shunfeng ”)	Wind power technology services	Wolong New Energy	RMB6,530,000
February 16, 2022	100% equity interests in Wolong Mining (Shanghai) Co., Ltd. (上海臥龍礦業有限公司) (“ Shanghai Mining ”)	Sales of metal ores	Wolong New Energy	RMB68,000,000

Our core business is the provision of electric drive solutions, whereas the business of Zhejiang Longneng, Zhejiang Chuneng, Zhejiang Enapter and Shaoxing Shunfeng focuses on new-energy sectors including photovoltaic power, hydrogen power and wind power industries and Shanghai Mining focuses on sale of metal ores, which are different from our business in both vertical market and business model. After disposal of such entities, we will be able to concentrate on our core business, channel resources to strengthen and enhance these areas, accelerate overall business upgrade, optimize our financial structure, and improve asset efficiency, thereby laying a solid foundation for long-term development.

Moreover, our Company has, for many years, been strategically positioned in cutting-edge fields. In the face of emerging technologies and new scenarios, we need to ramp up our R&D investment. The proceeds we received from the disposal of such entities enable us to enhance proprietary product development capabilities and to equip the critical facilities required for industrialization to meet the business demands.

The above disposal transactions will not create any competition between our Group and our Controlling Shareholders, and such disposals have no impact on our operational independence. The consideration for the disposals was determined through arm’s length negotiations based on valuation reports prepared by an independent external appraiser. In addition, the divested businesses contributed only a small portion to our financial performance during the Track Record Period.

Our PRC Legal Advisers confirmed that, all necessary approvals, permits and licenses required under PRC laws and regulations in connection with the above mentioned disposals have been obtained.

Save as disclosed above, we did not carry out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date. We did not conduct any acquisition during the Track Record Period which would require disclosure under Rule 4.05A of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since 2002, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our listing on the Shanghai Stock Exchange, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Advisers are of the view that the confirmation of our Directors above with regard to our compliance records is accurate and reasonable. Based on the currently available information, our PRC Legal Advisers’ view set out above and the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with our Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

Our Company seeks to be [REDACTED] on the Hong Kong Stock Exchange in order to raise further capital for the development and expansion of our business, further strengthen our brand profile, and better attract overseas investors. See “Business — Strategies” and “Future Plans and [REDACTED]” for more details.

PUBLIC FLOAT

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

So far as our Directors are aware, assuming (i) [REDACTED] H Shares are [REDACTED] and [REDACTED] in the [REDACTED], and (ii) the [REDACTED] is not exercised, an aggregate of [REDACTED] H Shares will count towards the public float of our Company upon the completion of the [REDACTED], representing [REDACTED]% of the total issued Shares (excluding treasury Shares) of our Company upon the completion of the [REDACTED]. Accordingly, the Company is expected to satisfy the public float requirement under Rule 19A.13A of the Listing Rules.

FREE FLOAT

Under Rule 19A.13C of the Listing Rules, a PRC issuer with other [REDACTED] shares at the time of [REDACTED] must ensure that a portion of the total number of its issued shares [REDACTED] on the Stock Exchange (namely H shares) that are not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of [REDACTED] (i) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of [REDACTED] of not less than HK\$50,000,000, or (ii) have a market capitalization of at least HK\$600,000,000.

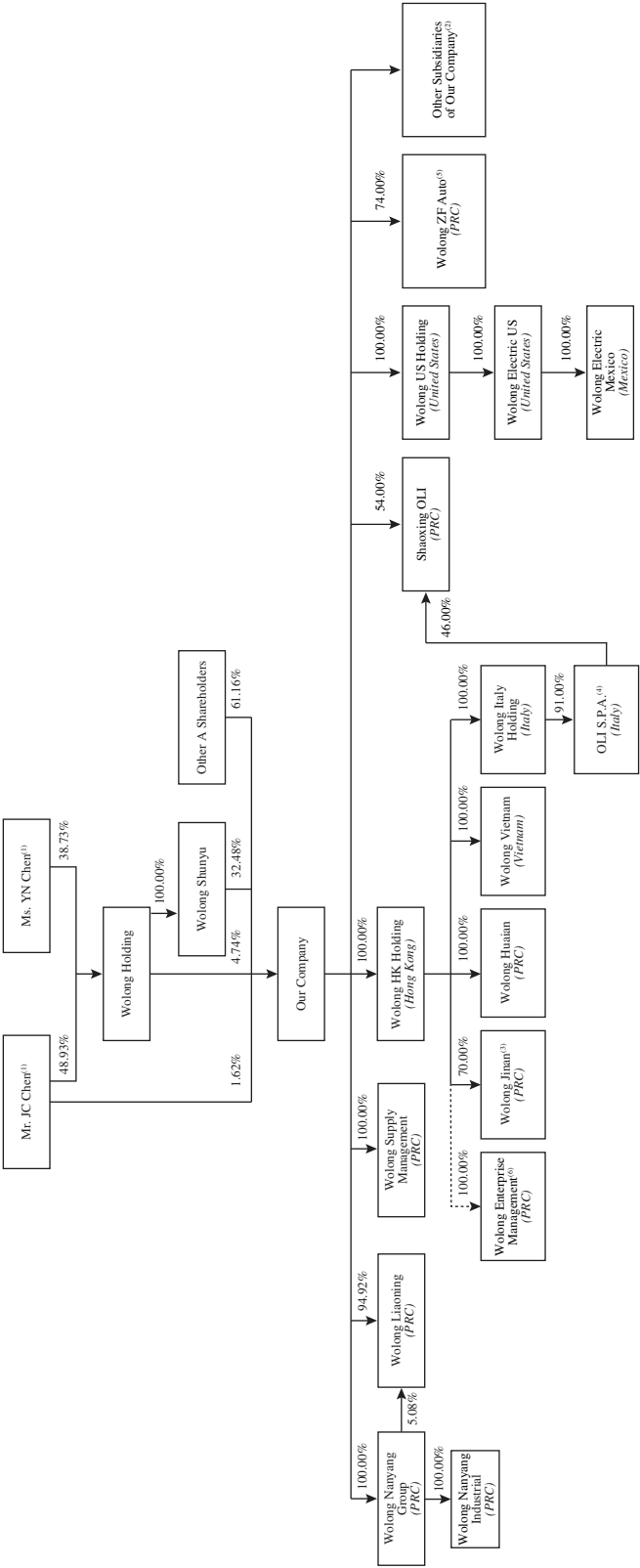
It is expected that immediately following completion of the [REDACTED], the market capitalization of the H Shares [REDACTED] on the Stock Exchange that are not subject to any disposal restrictions at the time of the [REDACTED] is not less than HK\$[REDACTED] (based on the bottom end of the [REDACTED] Range and assuming the [REDACTED] is not exercised). Accordingly, our Company will be able to satisfy the requirements under Rule 19A.13C of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately Before the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of our Group as of the Latest Practicable Date and immediately before the [REDACTED]:



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

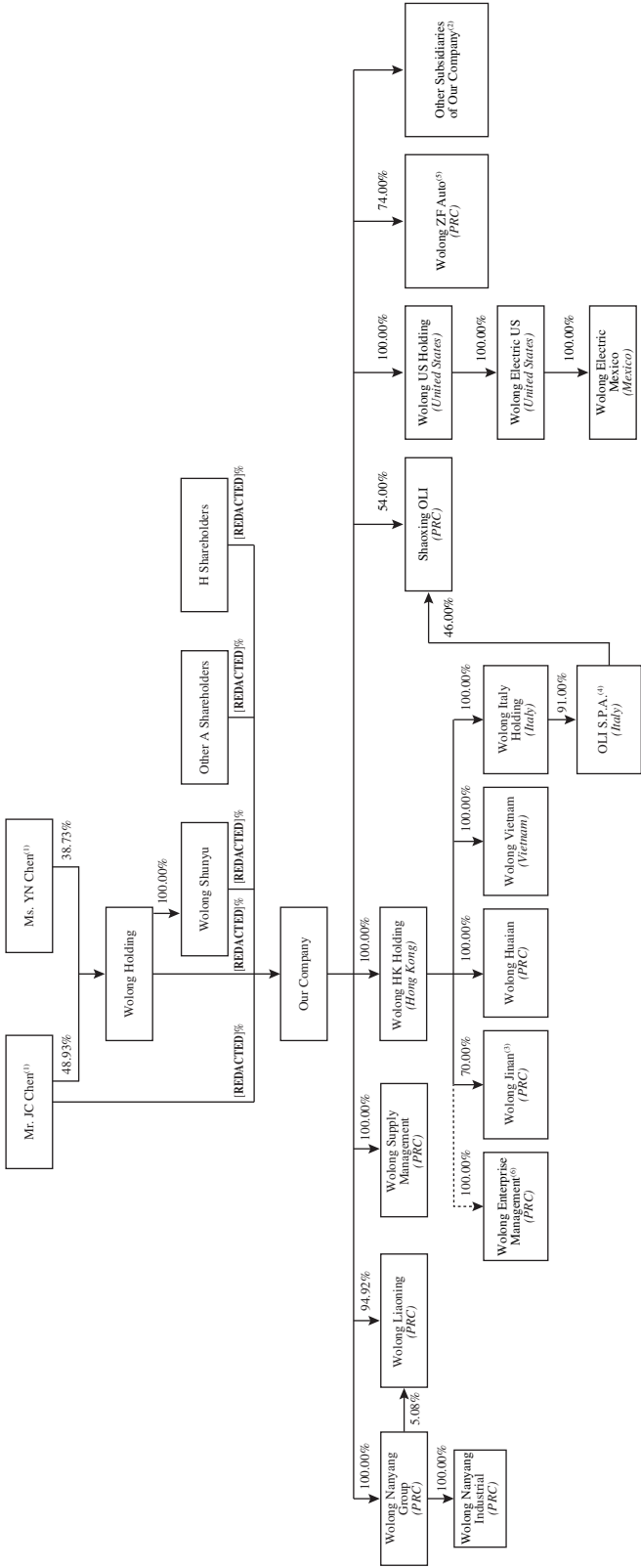
Notes:

- (1) Mr. JC Chen is the father of Ms. YN Chen. As of the Latest Practicable Date, the remaining interests in Wolong Holding were held by five other shareholders (each being an independent third party), none of which holds more than 5% of the interests in Wolong Holding. As of the Latest Practicable Date, Ms. YN Chen also directly held 48,516 A Shares.
- (2) Other subsidiaries include, in aggregate, over 100 subsidiaries established in various jurisdictions.
- (3) As of the Latest Practicable Date, the remaining 30.00% interests in Wolong Jinan was held by Haier Smart Home Co., Ltd (海爾智家股份有限公司).
- (4) As of the Latest Practicable Date, the remaining 9.00% interests in OLI S.P.A. was held as to 8.00% by WAMGROUP SPA and as to 1.00% by Gavioli Giorgio, each being an independent third party.
- (5) As of the Latest Practicable Date, the remaining 26.00% interests in Wolong ZF Auto was held by ZF (China) Investment Co., Ltd. (采埃孚(中國)投資有限公司), an independent third party.
- (6) As of the Latest Practicable Date, Wolong Enterprise Management was wholly owned by Wolong (Zhejiang) New Material Technology Co., Ltd. (臥龍(浙江)新材料科技有限公司), and in turn wholly owned by Wolong HK Holding.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately Following the [REDACTED]

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



Notes:

(1) to (6): Please refer to the corresponding notes to the corporate structure of the Company under “— Our Shareholding and Corporate Structure — Shareholding and Corporate Structure Immediately Before the [REDACTED]” in this document for more information.

BUSINESS

OVERVIEW

Who We Are

We are a global leader in providing electric drive solutions, committed to delivering green power for a sustainable future through technology-driven innovation. Specializing in the research and development, manufacturing, sales, and service of electric drive products and solutions, we provide five core segments tailored for diverse applications worldwide: explosion-proof electric drive solutions, industrial electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions, and robotic components and system applications.

With over four decades of deep expertise in the electric drive solution industry and driven by technological innovation and digital empowerment, we have built core capabilities in motor and drive technologies to deliver industry leading solutions. At the same time, we are making proactive investments in emerging fields such as electric aviation and embodied intelligence, aiming to capture the next trillion-RMB market through pioneering technologies. Globalization is embedded in our DNA. Through a globally integrated approach to research and development, manufacturing, and branding, we serve customers in over 100 countries and regions with high-performance products and solutions.

We have achieved remarkable milestones set out as below:



Notes:

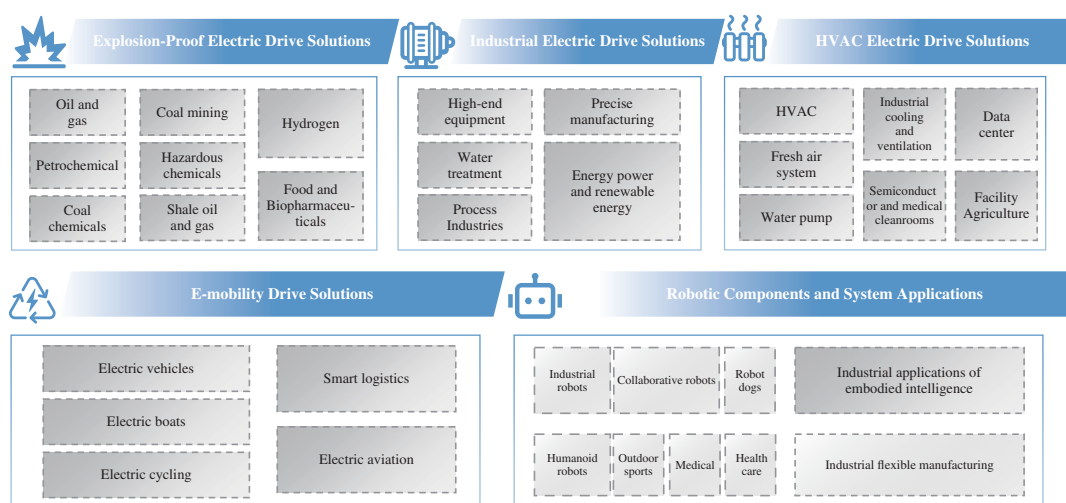
- (1) According to Frost & Sullivan, in terms of revenue in 2024.
- (2) According to Frost & Sullivan, in terms of revenue in 2024, we are the world's largest provider of seven major products, including (i) Explosion-proof motors, (ii) medium-to-high voltage explosion-proof motors, (iii) low inrush current motors, (iv) air conditioning plastic-encapsulated electric drive systems, (v) livestock ventilation electric drive systems, (vi) industrial vibrator electric drive systems, and (vii) permanent magnet electric drive systems for air compressors.
- (3) According to the annual reports published by us on the Shanghai Stock Exchange, our revenue grew at a CAGR of 21.9% from 2002 to 2024, while our net profit increased at a CAGR of 16.2% from 2002 to 2024 (such figures have not been audited or reviewed by a certified public accountant).
- (4) For the six months ended June 30, 2025 or as of June 30, 2025.

BUSINESS

- (5) As of June 30, 2025, our products and solutions had been presented across Asia, the Americas, Europe, Oceania, and Africa, spanning more than 100 countries and regions.
- (6) According to Frost & Sullivan, we have established business relationships with the world’s top ten HVAC manufacturers, water pump and air compressor manufacturers, and petrochemical enterprises (based on revenue in 2024).
- (7) As of June 30, 2025, we had over 1,500 patents and we had filed over 2,700 patent applications worldwide.

Our Solutions

Our solution portfolio encompasses five core segments: explosion-proof, industrial, HVAC, E-mobility, and robotic components and system applications.



- **Explosion-proof electric drive solutions:** Our explosion-proof electric drive solutions are deeply focused on the energy sector and specialized industrial fields, offering tailored, safe, reliable, and efficient electric drive solutions for key applications in oil and gas, petrochemicals, coal chemicals, coal mining, hazardous chemicals, shale oil and gas, hydrogen energy, food and biopharmaceuticals.

As a global leader in providing explosion-proof electric drive solutions, we have built an industry-leading technology solution focused on safety, reliability, and high performance through continuous innovation. We have played a key role in the development of 210 international, national, and industry standards and were among the world’s first to pioneer the IE5 efficiency explosion-proof motor, making “Wolong Explosion-Proof” synonymous with global explosion-proof electric drive technology. We offer the most comprehensive solution portfolio in the global explosion-proof electric drive market. According to Frost & Sullivan, in terms of revenue in 2024, we ranked first globally in the explosion-proof electric drive solution; and we are the largest provider of Ex d explosion-proof motors, medium-to-high-voltage explosion-proof motors and low inrush current motors.

BUSINESS

- **Industrial electric drive solutions:** We have a strong presence in the industrial electric drive solutions sector, with products widely applied across industries such as high-end equipment, process industries, energy and power, renewable energy, water treatment, and precision manufacturing. Our industrial electric drive solutions meet the full range of specifications required for industrial applications.

We continue to lead the industry in energy efficiency upgrades and we were among the first in the world to launch asynchronous and permanent magnet motors that comply with IEC and NEMA high energy efficiency standards. Additionally, we were the first in China to introduce a full range of switched reluctance synchronous motors, obtaining energy efficiency certifications. According to Frost & Sullivan, we ranked fourth globally and first in China in the industrial electric drive solution sector in terms of revenue in 2024.

- **HVAC electric drive solutions:** Our HVAC electric drive solutions provide comprehensive electric drive solutions for global residential, commercial air conditioning, and industrial ventilation systems, applied in heating, ventilation and air conditioning, fresh air systems, industrial cooling and ventilation, water pumps, data centers, semiconductor and medical cleanrooms, and facility agriculture, as well as other advantageous and emerging growth areas.

Leveraging smart IoT and artificial intelligence technologies, we deliver intelligent HVAC electric drive solutions. By integrating high-efficiency, low-noise, custom chips with advanced precision control, constant temperature and current, and group control technologies, we deliver accurate, efficient, and comfortable application experiences to users. According to Frost & Sullivan, we ranked fifth globally and third in China in the HVAC electric drive solution market in terms of revenue in 2024.

- **E-mobility drive solutions:** Our E-mobility drive solutions focus on green transportation, offering efficient, reliable, and high-performance electric drive solutions for electric vehicles, electric ships, electric cycling, smart logistics, electric aviation, and other related applications.

We are actively expanding in the electric aviation sector, developing high-performance electric drive solutions characterized by high power density, lightweight architecture, and superior reliability. We have already established strategic partnership with major industry participants including leading electric aviation companies such as AEROFUGIA and Starair.

BUSINESS

- **Robotic components and system applications:** We have established a business structure comprising both robotic components and industrial application of robotic systems.

In the area of robotic components, leveraging our strong foundation in research, development and manufacturing of electric drive solutions, we provide industrial and embodied intelligence robots with high-precision, rapid-response and energy-efficient components such as joint modules, dexterous hands, and exoskeletons. We have established business relationships with leading companies such as AgiBot, Siasun, and Lenovo Technologies. In the industrial application of embodied intelligence, we utilize our advanced industrial automation capabilities to develop proprietary vertical domain model of industrial embodied intelligence. Through collaboration with ecosystem partners, we continue to drive the commercialization of industrial embodied intelligence robots globally, enhancing the digital and flexible transformation of the manufacturing industry.

Our Growth Opportunities

With the global wave of technological revolution, advancements in artificial intelligence, and the ongoing shift toward low-carbon transformation, the electric drive solution industry is experiencing rapid development opportunities. According to Frost & Sullivan, the global electric drive solution market is projected to grow from RMB906.2 billion in 2024 to RMB1,338.1 billion by 2029, with a CAGR of 8.1%. Electric aviation and embodied intelligence are witnessing explosive industry growth. According to Frost & Sullivan, within the next ten years, these industries will form a trillion-RMB market, opening new opportunities for electric drive solutions. Against the backdrop of a rapidly shifting global industrial landscape, leading companies with technological innovation capabilities and global operational advantages are poised to gain strategic commanding heights in the future competition.

Seizing industry opportunities, we implement a three-pillar development strategy of “technology leadership, deliverables first and global operations” as below:

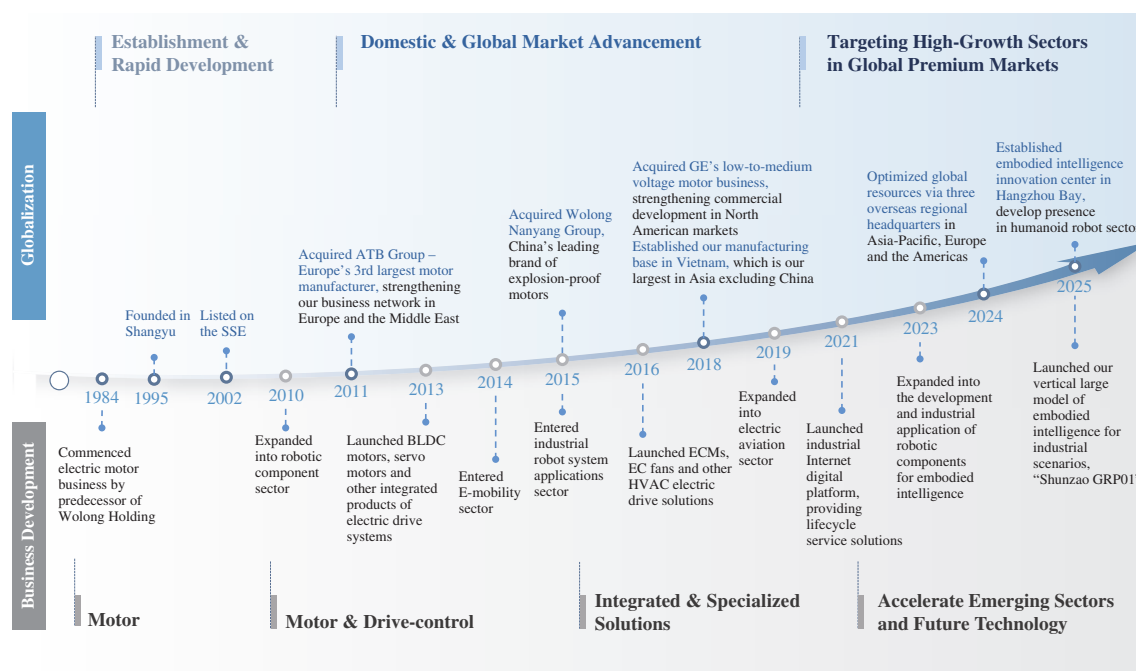
- **Technology leadership:** We will leverage our Global Research Center’s innovation platform to increase investment in digitalization and intelligence, continuously strengthening our technological leadership. We are also focusing on cutting-edge technologies, rapidly advancing business breakthroughs in electric aviation, embodied intelligence, and other emerging sectors, establishing the next growth trajectory.
- **Deliverables first:** To serve global premium customers, we continue to drive high-end, customized, and high-value solutions iterations. We have integrated hardware, software, and services, delivering a solution-based model to enhance product and solution competitiveness and market share.

BUSINESS

- Global operations: Anchored in our globalization strategy, we are expanding our global research and development infrastructure, smart manufacturing facilities, integrated supply chains, and sales service network. We aim to deepen strategic collaborations with key customers and accelerate expansion into strategic markets in North America, Asia-Pacific, and the Middle East, continuously enhancing our global brand influence and operational capabilities.

Our Journey

The following outlines our development milestones:



Our Financial Performance

Since our listing on the main board of the Shanghai Stock Exchange in 2002, we have consistently created value for our Shareholders through exceptional performance growth. From 2002 to 2024, our revenue and net profit have achieved CAGR of 21.9% and 16.2%, respectively, demonstrating our long-term sustainable value creation capabilities. Since going public, we have distributed a total of approximately RMB2.1 billion in cash dividends.

BUSINESS

STRENGTHS

Global Leader in Electric Drive Solutions

As the global leader in electric drive solutions provider in China, we deploy innovation-driven technologies across over 100 countries and regions worldwide. For the year ended December 31, 2024, our revenue reached RMB16.2 billion, with a CAGR of 21.9% since our listing on the Shanghai Stock Exchange, consistently outpacing the industry.

According to Frost & Sullivan, we are one of the largest, most comprehensive, and widest-reaching electric drive solution providers globally, maintaining a dominant position in the global electric drive solution industry. According to Frost & Sullivan, in terms of revenue in 2024, we ranked first in the global explosion-proof electric drive solution market, fourth in the global industrial electric drive solution market, and fifth in the global HVAC electric drive solution market. As advised by Frost & Sullivan, we are the world’s largest provider of seven major electric drive products in terms of revenue in 2024, including (i) Explosion-proof motors, (ii) medium-to-high voltage explosion-proof motors, (iii) low inrush current motors, (iv) air conditioning plastic-encapsulated electric drive systems, (v) livestock ventilation electric drive systems, (vi) industrial vibrator electric drive systems, and (vii) permanent magnet electric drive systems for air compressors.

As the demand for efficient electric drive solutions continues to rise amid global energy transitions and industrial automation, we are poised to benefit from the burgeoning trillion-RMB markets of electric aviation and embodied intelligence, driving future growth through our strong technological foundation and industry leadership.

Strategic Global Expansion Driving Strong Overseas Growth

As a pioneer in global electric drive solutions, we continuously deepen our international presence through strategic collaboration, technology integration, and regional specialization. To navigate the complexities of international markets, we adhere to a “global localization” approach, strengthening our position through overseas strategic partnerships and localized operations, which enhance our global influence. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, our overseas revenue reached RMB5.5 billion, RMB5.6 billion, RMB5.7 billion, RMB3.0 billion and RMB3.2 billion, respectively.

We have established a comprehensive global research and development, manufacturing, and sales service solutions, supported by strong operational capabilities.

- **Global research and development system:** We have set up five major research and development centers in China, the United States, Germany, Japan, and India, focusing on cutting-edge technology trends and regional market demands. By integrating global resources, we create technological synergies to enhance innovation. Our extensive global research and development network, along with regional research and development centers, ensure that our technological development reflects market needs.

BUSINESS

- **Global manufacturing system:** As of June 30, 2025, we operated 45 factories around the world, including 14 overseas factories in Germany, Poland, Italy, Vietnam, Mexico and other countries and regions. We have established a global manufacturing system of “regional markets, regional manufacturing, and regional services” and respond quickly to customer needs and ensure efficient delivery.
- **Global sales and service network:** We have built a global sales and service network spanning over 100 countries and regions, with three overseas regional headquarters in the Asia-Pacific, Europe, and the Americas. As of June 30, 2025, we employed more than 4,000 overseas staff, accounting for over 25% of our total workforce, ensuring seamless delivery and service to our international customers.

Strong Research and Development Capabilities, Building an Industry-Leading Technology System

We are committed to research and development investment, enhancing our technological and talent reserves to lead industry advancements and build a technology-driven enterprise. For the years ended December 31, 2022, 2023, 2024, and the six months ended June 30, 2024 and 2025, our research and development expenditure (including capitalized amounts) amounted to RMB818.6 million, RMB857.8 million, RMB872.2 million, RMB438.4 million and RMB426.4 million, respectively. As of June 30, 2025, we had over 1,800 research and development staff globally, accounting for over 10% of our total workforce, including 10 top international experts led by IEEE Fellow and more than 200 members with master’s and doctoral degrees. We also operate academician workstations and postdoctoral research stations, providing a strong foundation for technological innovation.

We have established a three-tier research and development system comprising the “Research Center — Business Units — Factories,” enabling full-chain collaboration from frontier technology exploration, customized development, to industrialization. The Global Research Center focuses on future technological breakthroughs, the business unit research and development centers conduct customer-driven customized development and the factories ensure the conversion of technological research into production processes. As a national high-tech enterprise and a model for technological innovation, we have established several national-level research platforms, including a recognized corporate technology center and a national new material production application demonstration platform. We have obtained more than 1,500 authorized patents and won the Queen’s Award of the United Kingdom more than once. Our technological achievements have also received numerous provincial and ministerial-level science and technology awards. Through deep industry-academia collaborations with prestigious universities such as Northeastern University, we accelerate the integration of technological innovation with industry development.

BUSINESS

Based on a robust research and development system and continuous growth in research and development investment, we have achieved significant breakthroughs in key areas:

- **Electric drive technology:** With a century-long brand history, we have built a solid technological foundation in electric drive solutions, developing core capabilities in high-performance and high-efficiency motor design and simulation, intelligent variable frequency drive system design, and high-precision motor control algorithms. We have established a comprehensive technology platform integrating both hardware and software development. We continue to increase investments in proprietary chip design and software technology development, driving the digitalization and intelligence upgrades of electric drive technology.
- **Integrated solutions:** With deep insight into customer needs, our technology and solution portfolio extend downstream to load modules and upstream to converters and control systems. We provide customized and specialized solutions that integrate hardware, software, and services.
- **Expansion into emerging industries:** Leveraging our deep expertise in electric drive technology, supported by a vertically integrated technological architecture, a global research and development network, and our quick response to frontier technologies, we continuously expand our solution portfolio and deepen our technological capabilities into emerging industries such as electric aviation and embodied intelligence.

In the field of electric aviation, we were among the first to master core technologies for high-power density, high-reliability aviation electric drive solutions. We have become a key supplier of power systems for eVTOLs globally. Through establishing a joint venture with AEROFUGIA, we are advancing manned aviation electric drive system flight verification, establishing our leadership in the aviation electric drive solution sector. In the field of embodied intelligence, in robotic components, we focus on joint modules, dexterous hands, and exoskeleton products, integrating motor, control, and reducer designs. We are expanding into humanoid robots, collaborative robots, and special-purpose robots markets. In industrial applications, we have developed proprietary vertical domain model of industrial embodied intelligence and are driving the commercial application of industrial embodied intelligence globally.

Industry Leading Brands and Broad Premium Customers Base

We have developed a dual-driven brand strategy of “independent innovation + international expansion,” creating a comprehensive brand matrix covering all product and solution categories. We not only own leading domestic brands such as Wolong and Nanyang Explosion-Proof, but have also expanded internationally by acquiring renowned European industrial brands with over a century of history, including Brook Crompton, Schorch, Morley, and Laurence Scott.

BUSINESS

Leveraging the strengths of our international brands and leading solution technologies, we have deeply engaged with top global customers. We have established a multi-level customer service network worldwide, providing in-depth support to global high-end customers. To better serve the downstream value chain, we have created a Global Key Accounts (“GKA”) management mechanism, forming a “triangle team” of sales, technical, and delivery support personnel as our core operational unit.

With over decades of global expansion, we have built strong, stable relationships with blue-chip clients and earned a reputable brand image. In the industrial and energy sectors, we have established long-term partnerships with global leaders such as Baker Hughes, Ingersoll Rand, and KOBELCO, and have consistently served world-leading companies. In the HVAC sector, we have established stable partnerships with internationally renowned brands such as Haier, GREE, Hisense HITACHI, Johnson Controls, Carrier, Daikin, Grundfos, and Emerson. In the new energy transportation sector, we have formed a joint venture with a renowned company in Germany to provide core electricdrive solution components for premium automakers, and have built strategic partnerships with top-tier automotive manufacturers such as King Long.

We are committed to long-term partnerships and in-depth services for our customers. As of June 30, 2025, the average partnership duration with our top five customers for the year ended December 31, 2024 exceeded 21 years. These long-standing collaborations enable us to deeply engage in the entire product lifecycle, from technology advancement to market expansion, strengthening our industry influence and client recognition. This further enhances customer recognition and loyalty.

Excellent Manufacturing and Operation, Achieving Quality and Efficiency Advantages

As a premium provider of global electric drive solutions, we have built exceptional operational management capabilities across multiple countries and regions, focusing on intelligent manufacturing, supply chain resilience, cross-regional collaboration, and end-to-end quality control.

- **Intelligent manufacturing:** Leveraging advanced manufacturing capabilities and a global production network, we achieve seamless coordination between domestic and international manufacturing to efficiently serve global markets. We place a strong emphasis on the digitalization and informatization of our manufacturing processes, including optimizing production resources through AI-based scheduling systems and digital twin technologies. Furthermore, by integrating core systems such as PLM, CRM, ERP, MES, and SRM, we ensure a fully data-driven closed-loop management system from customer demand to product delivery. Several of our industry-leading manufacturing bases have been selected as smart manufacturing demonstration factories in China, setting the industry benchmark for intelligent manufacturing.

BUSINESS

- **Resilient supply chain management:** We have established a “global + regional” supply network, balancing global efficiency with regional resilience through an intelligent procurement platform and dynamic inventory management system. By utilizing digital technologies to monitor supply chain status in real time, we have built a three-tier emergency response mechanism to ensure the stable and secure supply of raw materials and effectively manage global supply chain risks.
- **International collaborative operations:** During our global expansion, we have implemented an “brand integration + technology empowerment” operational model. We have formed cross-cultural management teams that deeply integrate the technological advantages and market channels of overseas subsidiaries, aligning their research and development capabilities, manufacturing processes, and global supply chain systems with our overall strategy. This approach allows us to enhance the value of each overseas brand within the Wolong system by building a unified operational management platform.
- **End-to-end quality control:** We have developed a modern quality management system based on “design — implementation — digital empowerment.” At the headquarters level, we set a unified quality standards framework, while each manufacturing unit formulates detailed management rules tailored to its business characteristics. By incorporating a digital quality traceability system, we manage the entire product lifecycle from raw material procurement to product delivery and post-service, aiming to create an industry benchmark for zero defects and high-quality standards.

Advanced Values and Management Philosophy

We uphold responsibility and cultural confidence, guided by Wolong’s core values of “Integrity, Harmony, Innovation” and a shared mission, vision, and aspiration among all Wolong employees, striving to make the world a better place. We are committed to long-termism and a global perspective, integrating and adopting advanced management concepts into our global expansion, and establishing a more robust corporate governance structure. This provides critical support for maintaining our industry-leading competitive edge and ensuring sustainable and rapid future growth.

Over the course of our development, Mr. JC Chen, our founder, has led us to become a global leader in the electric drive solution industry, combining exceptional entrepreneurial spirit, keen business insight, and extensive experience accumulated within the industry. We have built a management team with global operational capabilities. Our core management team members possess decades of industry experience and an international forward-looking vision, forming a collaborative advantage in areas such as technology development, international market expansion, and supply chain management. The decision-making and efficient execution capabilities of our management team enable us to accurately seize opportunities in global operations and emerging industries amid complex and changing market environments.

BUSINESS

STRATEGIES

Target Global No. 1 in Electric Drive Solutions

Our strategic ambition is to become the global leader in the electric drive solution industry. We aim to strengthen technological innovation across all fronts, expand the boundaries of industrial applications, enhance global manufacturing and supply chain resilience, and establish a comprehensive global operational system to solidify our leadership in the industry.

We are dedicated to providing long-term service to premium global customers, pursuing a strategy of deepening our penetration in key accounts while expanding into emerging markets. Our goal is to build trust and loyalty with customers through a “joint research and development, rapid service, and ecosystem collaborations” model, enhancing market share. We intend to continue enhancing our capabilities across the entire value chain of research and development, manufacturing, sales and services, striving to achieve global leadership in the electric drive industry in terms of scale, technological prowess, and operational efficiency, and to guide the development of the industry.

Strengthen Our Global Strategy to Capture Overseas Growth Opportunities

Globalization is at the core of our strategy. With a global network of three overseas regional headquarters, five research and development centers, and 45 factories, we will continue to focus our resources on strategic markets, high-growth industries, and key customers to drive exponential growth in our international business.

- Focusing on strategic markets: We aim to leverage the influence of our overseas bases to strengthen our sales and service networks in key regions such as North America, Asia-Pacific, and the Middle East. By adopting a regional specialization approach, we plan to achieve rapid growth in priority overseas markets.
- Focusing on high-growth industries: We will continue to deepen our presence in high-growth sectors such as data centers, semiconductors, biopharmaceuticals, high-end equipment, renewable energy, shale oil and gas, and smart logistics. Leveraging our global research and development resources, we will optimize solution portfolio in these industries, driving rapid growth and establishing leadership in each of these segments.
- Focusing on key customers: We are committed to strengthening our deep collaborations with global GKAs, expanding our key account manager team, and reinforcing joint research and development innovation, we aim to foster scalable global growth.

Expand into Emerging Industries, Accelerating the Commercialization of Electric Aviation and Embodied Intelligence

We aim to seize market development opportunities and accelerate the research, development, and commercialization of electric aviation and embodied intelligence, positioning ourselves to capture the trillion-RMB markets of electric aviation and embodied intelligence.

BUSINESS

In the electric aviation sector, we are strategically focused on the development of core frontier technologies and airworthiness certification, providing specialized solutions to support the global transformation to electric aviation. By fostering collaborative innovation among industry, academia, research, and applications, we will accelerate the commercialization of technological achievements. Through deep business relationships with core players in the supply chain, such as AEROFUGIA and Starair, we aim to rapidly establish market channels and capitalize on our first-mover advantage to seize emerging market opportunities.

In the field of embodied intelligence robotic components, our strategic goal is to become the leading global tier-1 supplier. We will fully leverage the platform’s versatility and modular capabilities, extending our reach into key areas such as frameless torque motors, hollow cup motors, controllers, joint modules, and dexterous hands. This will form the foundation for a comprehensive core component solution system for next-generation robots. In embodied intelligence industrial applications, we will leverage our manufacturing industry advantages to continuously iterate and train vertical domain model of embodied intelligence, achieving industry-first applications in flexible manufacturing.

Sustain Investment in Technology and Advance Innovation to Lead the Future of Electric Drive Solutions

As a global leader in providing electric drive solutions, we have demonstrated comprehensive and in-depth capabilities in both technological development and solution portfolio. We continue to make breakthroughs across multiple technological dimensions, including high-efficiency, intelligence, new materials structures and digitalization and simulation.

We intend to continue driving industry advancement through the following technological focus areas.

- **High efficiency:** We remain focused on advancing high-efficiency electric drive products and solutions across asynchronous, permanent magnet, synchronous reluctance motor platforms and converters, while also exploring next-generation products such as axial flux motors to provide diversified high-efficiency solutions.
- **Intelligence:** We are actively developing technologies in mechatronic integration, predictive maintenance, and advanced control algorithms. At the same time, we are exploring the industrial application of embodied intelligence in flexible manufacturing to enhance the intelligence level of our products and solutions.
- **New materials and structures:** We continue to push boundaries in core and magnetic materials, winding technologies, thermal management, carbon fiber applications, silicon carbide (“SiC”) technologies, and magnetic and air-bearing technologies, strengthening the foundational and platform technologies that power Wolong’s leadership in the electric drive solution industry.

BUSINESS

- Digitalization and simulation: We are increasing investments in digital research capabilities such as computer-aided design, multiphysics simulation analysis, bench validation and expert systems, as well as artificial intelligence and digital twin technologies, to deliver more precise and efficient solutions for our customers.

Advance the Digitalization and Intelligence of Global Manufacturing Bases

We are committed to investing in the digitalization and intelligent upgrades of our global manufacturing bases, aiming to build modern factories with global competitiveness and solidify our world-class high-end manufacturing capabilities.

Building on our 45 factories worldwide, including 14 factories in Germany, Poland, Italy, Vietnam, Mexico, and other countries and regions, we will continue to expand our global production capacity, deeply integrating regional manufacturing with global collaboration. This operational model enables us to better meet the needs of overseas market customers and establish a solid production foundation for sustainable growth in our global business.

We will continue to promote the construction of intelligent factories, comprehensively enhancing the levels of automation, digitalization, intelligence, and flexibility in production. By introducing advanced manufacturing systems and intelligent equipment, we will optimize production processes to improve quality and efficiency. At the same time, we will deepen the digital transformation of the entire production-to-testing process, using technologies such as industrial internet and digital twin to create world-class intelligent factories, setting the industry standard for smart manufacturing.

Drive Long-Term Sustainable Development Strategy

We integrate sustainability into the core of our corporate strategy, driving global energy-saving and environmentally friendly product transformations, establishing a clean and low-carbon energy system, and enhancing ESG value creation.

We are building a systematic sustainability strategy, focusing on the following areas.

- Low-carbon and clean energy: We are advancing clean production and the utilization of renewable energy, increasing investment in energy-saving, emission reduction, and low-carbon technologies. We are also focusing on green projects such as zero-carbon factories and participating in international green certifications.
- Social responsibility and employee welfare: We are improving our employee development system, ensuring labor rights, and promoting the construction of a green supply chain.
- Risk management and corporate governance: We continue to improve our risk management and internal control systems, ensuring a comprehensive management approach to risk prevention, response, and monitoring.

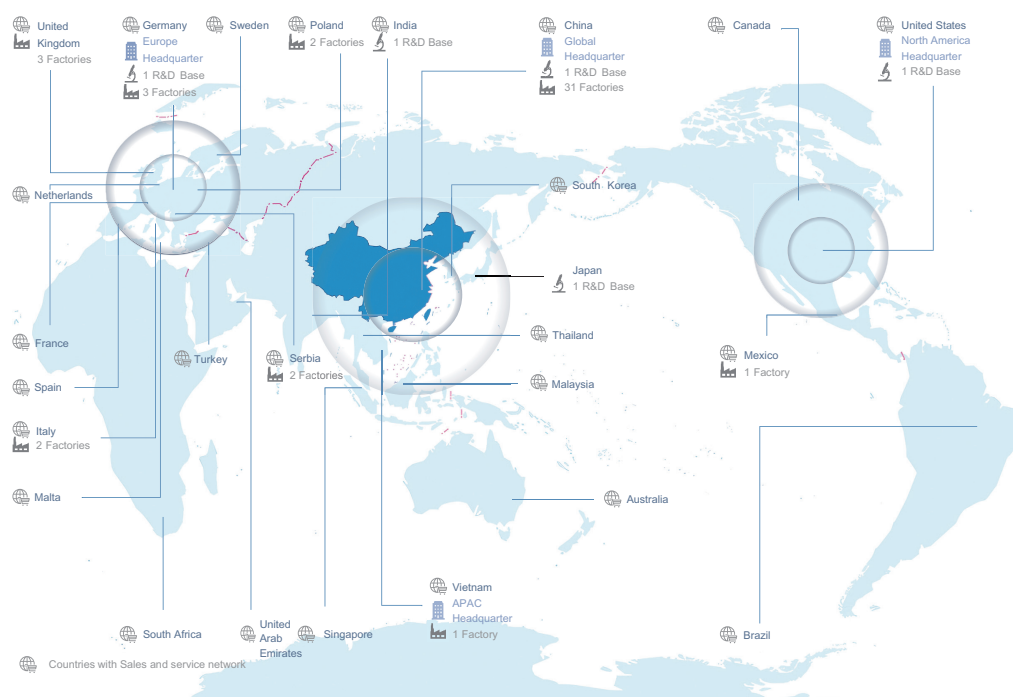
BUSINESS

OUR BUSINESS MODEL

We are a global leader in providing electric drive solutions, specializing in the research and development, manufacturing, sales, and service of electric drive products and solutions across diverse, high-growth downstream sectors. We offer a comprehensive solution portfolio for customers in diverse and high-growth downstream sectors, addressing their specific needs for equipment operation and motion control across the customer lifecycle. Our long-standing expertise in motor and drive technology with focus on the integration of our solutions, has positioned us as a global leader in the industry. According to Frost & Sullivan, in 2024, we ranked:

- first in the global explosion-proof electric drive solution market in terms of revenue, with a market share of approximately 4.5%;
- fourth in the global industrial electric drive solution market in terms of revenue, with a market share of approximately 2.8%; and
- fifth in the global HVAC electric drive solution market in terms of revenue, with a market share of approximately 2.0%.

Globalization forms the core of our corporate strategy. Through a globally integrated research and development system, international manufacturing capabilities, and a brand network spanning over 100 countries and regions, we stay close to our clients, dedicated to delivering the word-class products and solutions to customers worldwide.



BUSINESS

Our business is structured around five segments: (i) explosion-proof electric drive solutions, (ii) industrial electric drive solutions, (iii) HVAC electric drive solutions, (iv) E-mobility drive solutions, and (v) robotic components and system applications. Each solution is tailored to address the technical, regulatory, and commercial requirements of specific downstream sectors, ranging from HVAC and industrial environments to emerging fields such as electric aviation and intelligent robotics. Among these, explosion-proof, industrial and HVAC electric drive solutions represent our foundational business segments, while E-mobility drive solutions and robotic components and system applications reflect our strategic focus on growth, integration, and software-driven innovation.

The following table sets forth a breakdown of our revenue by segment for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Explosion-proof electric drive solutions	4,143,418	29.0	4,688,458	30.1	4,697,282	28.9	2,427,443	30.4	2,459,225	30.6
Industrial electric drive solutions	3,632,266	25.5	4,059,869	26.1	4,063,303	25.0	2,018,885	25.3	2,118,966	26.4
HVAC electric drive solutions	4,647,235	32.6	4,361,071	28.0	4,592,862	28.3	2,331,106	29.2	2,575,131	32.1
E-mobility drive solutions	647,485	4.5	609,169	3.9	389,751	2.4	203,612	2.6	211,268	2.6
Robotic components and system applications	355,526	2.5	406,215	2.6	451,965	2.8	195,848	2.5	217,776	2.7
Others ⁽¹⁾	840,029	5.9	1,442,045	9.3	2,051,877	12.6	801,207	10.0	448,404	5.6
Total	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0

Note:

- (1) Primarily comprises revenue derived from sales of energy storage system, electricity from photovoltaic power generation, and raw materials and components. We completed the disposal of the energy storage and photovoltaic power generation related business in March 2025 to an affiliated entity controlled by our Controlling Shareholders. For details, please refer to “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers” in this document.

During the Track Record Period, we primarily generated revenue through the sale of electric drive solutions. We adopt a sales model combining direct sales and distributors to form a multi-level sales network, with each aligned with our business segments and customer types. To further enhance our competitiveness, we continuously invest in research and development to support the synergies among our solutions. The synergies between our diverse solutions enable us to address complex, multi-dimensional challenges in the industries we serve. By integrating hardware, software, and services, we aim to provide customized solutions that enhance operational efficiency, reduce costs, and improve long-term performance for our customers.

BUSINESS

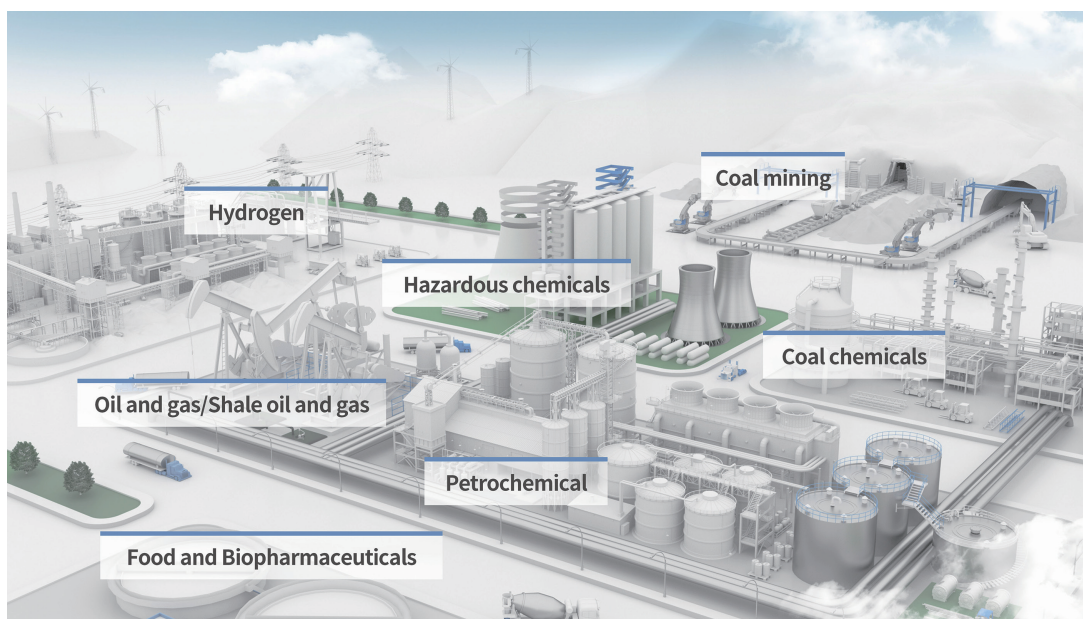
OUR SOLUTIONS

We offer integrated and specialized electric drive solutions across five core business segments, namely explosion-proof electric drive solutions, industrial electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions, and robotic components and system applications.

Explosion-proof Electric Drive Solutions

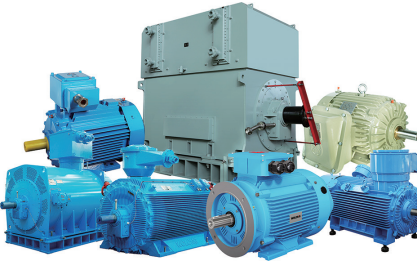
Our explosion-proof electric drive solutions comprise integrated systems of explosion-proof motors, converters, controller, software, and services tailored for hazardous environments such as oil and gas, petrochemicals, mining, and chemical manufacturing. Designed according to IEC, UL, GB, and other global and domestic standards, these solutions feature multiple protection mechanisms. These include controlling surface temperatures to not exceed the ignition point of combustible substances in the environment, using flameproof enclosures to block the propagation of internal explosions, and reducing starting currents through our own design as well as technologies such as soft starting and variable-frequency starting. These measures serve to limit ignition sources such as sparks, electric arcs and high temperatures during operation, prevent such ignition sources from coming into contact with hazardous environments, and thereby prevent explosions. Integrated with smart control and frequency conversion technologies, they offer precise speed adjustment, real-time diagnostics, and remote monitoring, ensuring stable and continuous operation of critical equipment like pumps and compressors. According to Frost & Sullivan, we ranked first in the global explosion-proof electric drive solutions in terms of revenue in 2024, capturing a market share of approximately 4.5%.

The following diagram illustrates the application of our explosion-proof electric drive solutions:



BUSINESS

Set below are the key offerings within our explosion-proof electric drive solutions:

Solutions	Description
Explosion-proof control systems 	Designed for safe electrical control in hazardous environments using reinforced enclosures, protective circuits, and real-time monitoring, these systems meet international explosion-proof standards and can be customized for specific industry requirements.
Explosion-proof motors 	These motors are designed to operate safely in explosive environments by preventing sparks or high temperatures from igniting gases or dust. Their robust designs ensure long life, low maintenance, and high adaptability to harsh environments. We possess extensive industry experience in the explosion-proof motor sector, with a wide range of product models and specifications, among which numerous categories hold leading positions in the industry. In particular, our Ex d explosion-proof motors strictly comply with flameproof standards such as IEC Ex d, ATEX II 2G, and GB 3836.2. They are adaptable to harsh environments such as dusty and humid conditions, ensuring stable and reliable operation. According to Frost & Sullivan, we were the largest provider in the field of Ex d explosion-proof motors in terms of revenue in 2024. Compliance with IEC and GB3836 standards, our medium-to-high-voltage explosion-proof motors are designed specifically for explosive hazardous environments with 6kV and 10kV medium-to-high-voltage power supply scenarios. According to Frost & Sullivan, we were the largest provider in field of medium-to-high-voltage explosion-proof motors in terms of revenue in 2024.

BUSINESS

Solutions

Description

Special-purpose explosion-proof motors

These motors are designed and customized for different special-purpose scenarios.



For coal mining scenarios, we provide motors with enclosures made of high-strength materials and manufactured through special processes, which can withstand internal explosion pressure and prevent flame spread, ensuring safe underground operations and significantly reducing accident risks.

For scenarios with less power supplies such as offshore oil platforms and ships, we provide low inrush current motors. Through special electromagnetic and structural designs, we limit inrush current to within 2.7 times the rated current. According to Frost & Sullivan, we were the largest provider in the field of low inrush current motors in terms of revenue in 2024.

Explosion-proof integrated units

These integrated units combine a motor and a frequency converter in one enclosure, reducing installation space and improving energy efficiency. Compact and explosion-proof, these units reduce installation complexity, save 60% on space and wiring, and improve energy efficiency by 15% to 30%. They support remote monitoring and meet IP66 protection standards.



Integrated and specialized solutions

Integrated with smart control and frequency conversion technologies, our explosion-proof electric drive solutions address various customized customer needs, including:

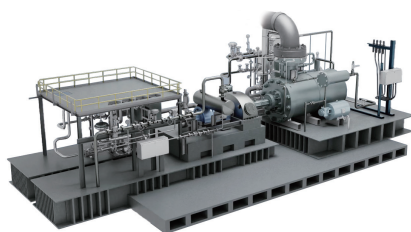
- **Explosion-proof intelligent ventilation electric drive systems:**

These systems combine explosion-proof fans, asynchronous and permanent magnet motors, smart controls and online monitoring systems to regulate airflow in mines and chemical plants. These systems are able to collect real-time data, adjust airflow and issue safety alerts, significantly enhancing safety and efficiency in mining operations.



BUSINESS

Solutions



Description

- **Explosion-proof energy efficiency enhancement:**

These solutions provide systematic energy efficiency improvement for existing low-energy-efficiency explosion-proof equipment. They are commonly applied in oil pipelines and petrochemical plants. Integrating ultra-efficient explosion-proof motors, vector frequency drives, and intelligent control systems to deliver over 40% reliability improvement and at least 28% energy efficiency optimization. Applicable to core equipment in industries such as petrochemicals and oil pipelines

- **Safety upgrade solutions for explosion-proof areas:**

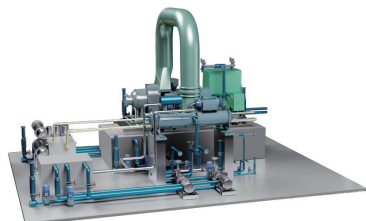
These solutions retrofit hazardous zones with upgraded explosion-proof equipment and smart monitoring to reduce safety risks in industries such as petroleum and metallurgy. Providing explosion-proof retrofits for hazardous zones in accordance with international and domestic safety standards. Incorporating intelligent monitoring for proactive risk management in petroleum, chemical, metallurgy, and powder processing sectors.

- **Steam-to-electric conversion solutions:**

These solutions replace steam-driven systems with electric drive solutions, cutting emissions and improving energy efficiency in industries such as textiles and food processing. Replacing traditional steam-powered systems with electric drive solutions, improving energy efficiency by 30% to 50%, reducing emissions, and lowering operational costs by 40%, especially in textile, paper, and food industries.

BUSINESS

Solutions



Description

- **Waste heat and pressure power generation:**

These solutions convert waste heat and pressure into electricity using turbine and organic Rankine cycle technologies, improving energy use and reducing carbon emissions in steel, chemical, and cement plants. These systems are able to increase energy utilization by over 30% and enabling carbon reduction for industries such as steel, chemicals, and cement.

Below is a typical case that demonstrates how our technology-driven explosion-proof electric drive solutions have successfully addressed client challenges.

Case study

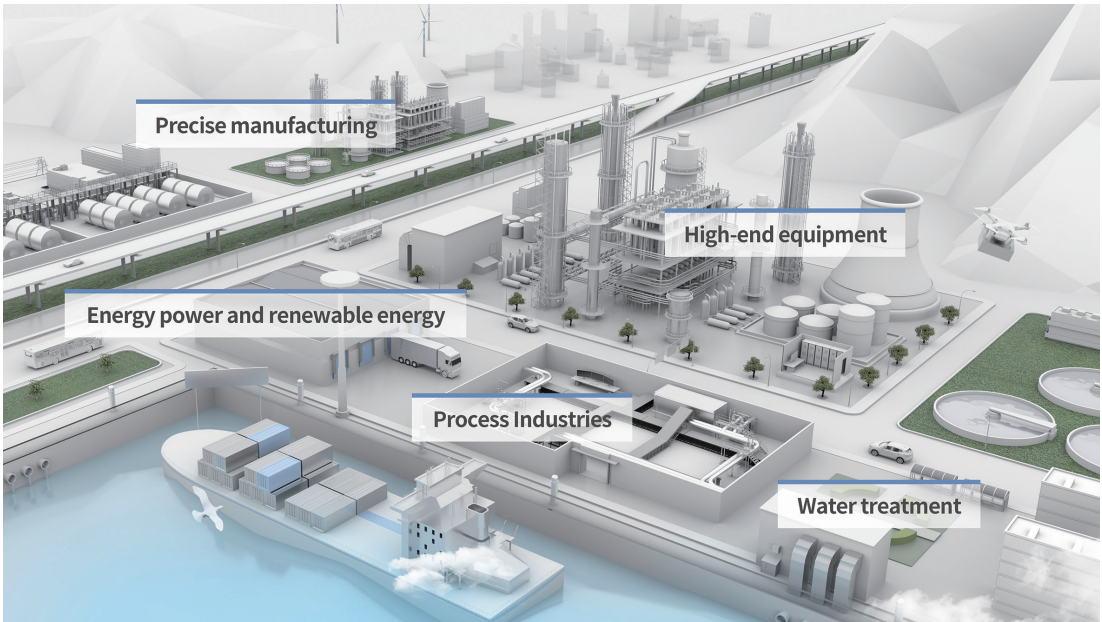
In response to rising energy costs and carbon emission mandates, a major coal chemical producer initiated a “steam-to-electric (汽改电)” retrofit project, replacing its traditional turbine-driven compressors and blowers with high-efficiency electric drive systems. We delivered a turnkey explosion-proof electrification solution consisting of permanent magnet synchronous motors, flameproof variable frequency drives, and centralized control systems. Compared to the original steam turbines, our motor-based system improved overall energy efficiency by 10% to 40%, with individual components reaching 91% to 94% in rated efficiency, while significantly reducing system complexity, footprint, and maintenance workload. Intelligent drive integration enabled smooth variable-speed control, frequent start-stop operations, and seamless communication with the client’s SCADA and DCS platforms. The simplified architecture also enhanced equipment reliability and uptime. By adopting our solution, the customer achieved substantial reductions in operating costs and carbon emissions, and improved system responsiveness and long-term maintainability in a demanding Class I, Division 1 explosion-prone environment.

Industrial Electric Drive Solutions

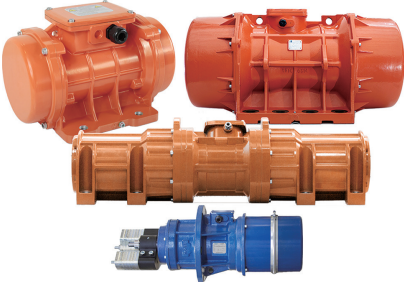
Our industrial electric drive solutions form the foundation of our business, supported by over a century of global expertise in motor engineering and system integration. Our industrial electric drive solutions encompass the execution, drive, control, and industrial IOT layers. Tailored to various industrial application scenarios, including high-end equipment, water treatment, process industry, precision manufacturing, energy and power, and renewable energy, these solutions deliver comprehensive and intelligent functionality. Through continuous innovation and a strong commitment to reliable and energy-saving solutions, our industrial electric drive solutions business has achieved significant global growth and influence. According to Frost & Sullivan, we ranked fourth in the global industrial electric drive solution market in terms of revenue in 2024, capturing a market share of approximately 2.8%. For the avoidance of doubt, our industrial electric drive solutions segment does not include industrial applications that are categorized under our other segments: explosion-proof electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions and robotic components and system applications.

BUSINESS

The following diagram illustrates the application of our industrial electric drive solutions:



Set below are the key offerings within our industrial electric drive solutions:

Solutions	Description
Industrial controllers and IIoT systems 	These controllers connect machines with digital system platforms, enabling smart monitoring, real-time control, and life-cycle management for industrial equipment. Offering digital interfaces and multiple communication protocols, our PLCs and HMIs enable seamless integration between motor drives and cloud platforms. Equipped with low-code software and digital twin technology, they support lifecycle management and intelligent operations.
Vibration drive systems 	These systems create controlled vibration, commonly used in industries such as mining and construction to move, compact, or separate materials efficiently. Our vibration drive systems feature IP65 protection, temperature monitoring, and robust design for high-vibration environments. With adjustable excitation force and wide voltage/frequency compatibility, it serves concrete, mining, and machinery applications. According to Frost & Sullivan, we were the largest provider in the field of industrial vibrator electric drive systems in terms of revenue in 2024.

BUSINESS

Solutions

Description

Precision drive systems



These systems are mainly used in computer numerical control (CNC) machines and woodworking equipment, providing quiet, precise, and stable performance for high-accuracy manufacturing. Ceramic bearings, flexible tool change mechanisms, and low-noise operation ensure high compatibility and reliability.

Industrial synchronous reluctance drive systems



These systems do not rely on rare-earth materials, offering customers power output of high energy efficiency. Free of rare-earth materials, these motors deliver >95% efficiency and low maintenance. With broad speed ranges and high startup torque, it offers cost-effective and sustainable solutions for fluid applications.

Industrial permanent magnet drive systems



Featuring IE6+ efficiency and high-power density, these systems are ideal for fans, pumps, and compressors. Low noise, long service life, and optimized converter matching make it a high-performance solution for industrial electrification. According to Frost & Sullivan, we were the largest provider in the field of permanent magnet electric drive systems for air compressors in terms of revenue in 2024.

BUSINESS

Solutions

Description

Industrial NEMA drive systems .



These systems are designed for the North American market, in accordance with NEMA MG-1 standards and North American grid requirements (480V/60Hz), our systems offer high starting torque, robust durability, and flexible installation options. Integrated converter diagnostics enhance system performance.

Industrial IEC drive systems . . .



Compliant with IEC standards, these systems feature high energy efficiency (IE3/IE4/IE5), global interchangeability, and reliable operation in harsh environments. Integrated motor-converter diagnostics enable superior performance and control precision.

Below is a typical case that demonstrates how our industrial electric drive solutions have successfully addressed client challenges and delivered energy efficiency and superior performance.

Case Study

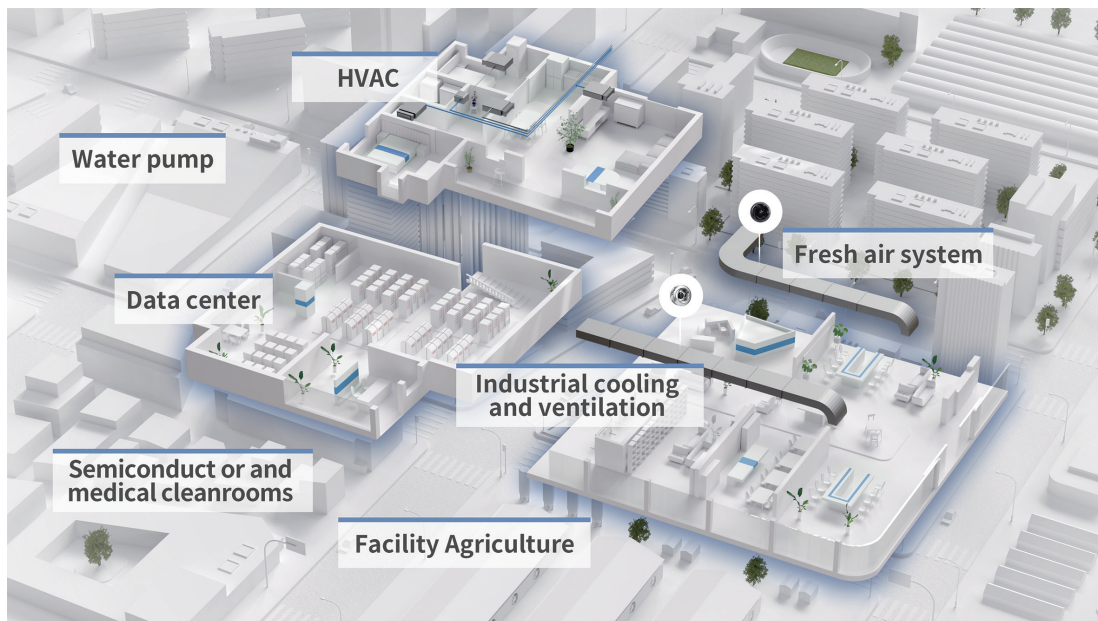
A leading EPC contractor in the Middle East required a highly reliable and energy-efficient power supply system to support a large-scale infrastructure project, where stringent safety standards and harsh desert operating conditions posed significant challenges. The client faced difficulties in ensuring stable voltage and continuous operation under fluctuating grid conditions, while also meeting rigorous regulatory and environmental requirements. Leveraging our industrial solutions, we delivered a complete package of variable frequency power supply and high-performance motor drive systems, designed for continuous operation in extreme temperatures and dusty environments. Our solution incorporated modular converter units with advanced control algorithms and customized cooling systems, ensuring consistent performance with over 98% power conversion efficiency and enhanced protection against voltage disturbances. The project was successfully commissioned on schedule, enabling the client to achieve uninterrupted power delivery across multiple critical facilities. This case highlights our proven capability in addressing complex cross-border power supply challenges through technically advanced, localized industrial drive solutions.

BUSINESS

HVAC Electric Drive Solutions

We are a global leader in providing advanced, comfortable, energy-efficient, and intelligent electric drive solutions for residential, commercial, and industrial HVAC and ventilation applications. According to Frost & Sullivan, we ranked fifth in the global HVAC electric drive solution market in terms of revenue in 2024, capturing a market share of approximately 2.0%. Leveraging IoT and AI technologies, we develop intelligent HVAC electric drive solutions that offer precise control, enhanced comfort, and exceptional efficiency. Our HVAC electric drive solutions offer single-unit or grouped configurations and are equipped with functions tailored to our customers' needs, such as centralized management, real-time local and remote monitoring, precise speed regulation, immediate fault alerts, and predictive maintenance. Our intelligent group-control technology and advanced energy-saving algorithms ensure each fan operates optimally, automatically adjusting airflow and system pressure, achieving energy savings exceeding 30%. The modular structure allows customizable configurations, facilitating uniform and comfortable airflow with compact, easily maintained designs.

The following diagram illustrates the application of our HVAC electric drive solutions:



BUSINESS

Set out below is our core offerings for the HVAC electric drive solutions.

Solutions	Description

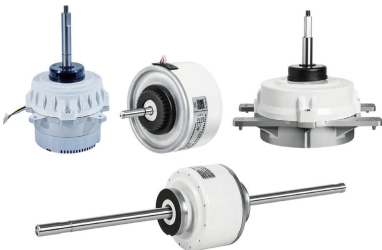
EC motors and EC fans



Our EC motors and fans are crucial for commercial HVAC, industrial refrigeration, semiconductor and medical cleanrooms, data centers, and agricultural facilities, delivering core capabilities for precise temperature control and air purification, offering precise speed control and high energy efficiency.

Equipped with advanced digital communication technology, our EC products offer unparalleled speed accuracy (± 1 rpm) and control precision, underpinned by our industry-leading direct flux vector control technology with numerous international and domestic patents. Featuring active power factor correction, ultra-high-power factor, and minimal current harmonic distortion, our EC motors surpass IE5 efficiency standards, with select models reaching IE6 levels, and exhibit superior protection capabilities and adaptability across diverse environmental conditions.

BLDC motors



Our BLDC motors primarily serve residential and commercial HVAC systems and fresh air systems, providing a wide range of variable speed control for optimal airflow comfort. These motors are widely used in residential and commercial air conditioning and ventilation systems, providing smooth airflow and quiet operation. Leveraging our self-developed chips, we also provide high-performance drivers for brushless DC motors, enabling excellence in noise reduction, vibration control, energy consumption, and cost efficiency.

In the sector of BLDC motors, our air conditioning plastic-encapsulated electric drive systems feature high performance and exceed industry standards. According to Frost & Sullivan, we are the largest provider of air conditioning plastic-encapsulated electric drive systems in terms of revenue in 2024.

BUSINESS

Solutions	Description

Group control solutions



Comprising of EC fans and intelligent controllers, these solutions can automatically adjust the fan speed according to the data of ambient wet-bulb temperature and inlet water temperature, control the outlet water temperature within the set range, and avoid invalid and high-frequency operation of the fan. If any fans ($\leq 20\%$) in the air wall fail, the remaining fans will automatically increase their operating speed to make up for the air volume loss, to improve system stability and reduce fault downtime. These solutions are widely used in scenarios such as livestock ventilation, data center and cooling tower. According to Frost & Sullivan, in terms of revenue in 2024, we are the world’s largest provider of livestock ventilation electric drive systems.

Permanent magnet electric drive solution for water pumps and compressors



Derived from our advanced electric drive technology, these solutions are designed to power and control water pumps and compressors using permanent magnet motor technology.

These solutions adopt high-performance permanent magnets and a high-power density design, with the motor volume being up to 50% smaller than that of asynchronous motors. The entire series meets IE5 efficiency standards, leading the industry in energy-saving standards. A flux-weakening control design is employed to ensure that the motors operate in the high-efficiency zone for over 90% of the time. These solutions utilize air cooling and liquid cooling, which deliver excellent cooling effects, resulting in low temperature rise in motors and a long service life.

Below is one typical case that demonstrates how our technology-driven HVAC electric drive solutions have successfully addressed client challenges and delivered measurable improvements in energy efficiency and solution performance.

BUSINESS

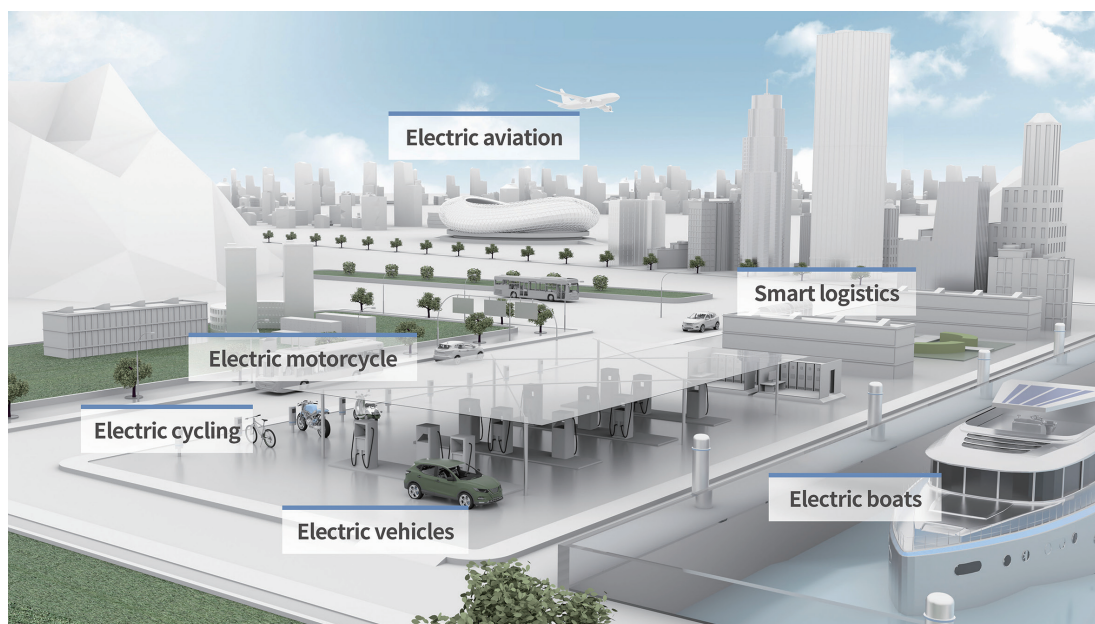
Case study

A leading global display panel manufacturer sought to retrofit its cooling tower system to meet enhanced energy efficiency standards, targeting a minimum 30% reduction in energy consumption. After conducting a comprehensive performance evaluation of the existing fan system, we proposed a full-system replacement solution that deployed a wall of 12 EC fans and a centralized control cabinet, replacing the original single large asynchronous motor and frequency converter setup. The retrofit process included original fan dismantling, design and installation of modular EC fan assemblies, integration with customized power and control cabinets, and commissioning of an intelligent group-control system. Post-upgrade testing confirmed that airflow volume, noise levels, and cooling delta temperature met or exceeded original specifications. Power consumption dropped from 35.83 kW to 14.48 kW in total, achieving a 59.6% energy saving. Through real-time control and monitoring, each EC fan automatically adjusts speed based on water temperature, delivering optimal ventilation and thermal regulation. The modular fan-wall architecture enabled uniform airflow distribution, simplified maintenance, and significantly enhanced long-term system reliability, winning high recognition from the customer.

E-mobility Electric Drive solutions

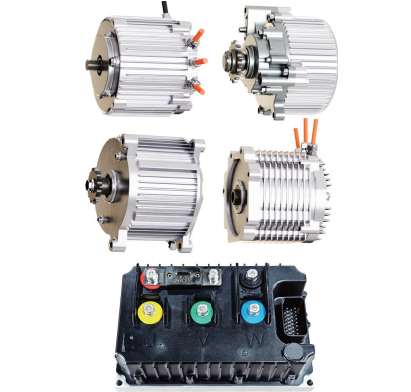
To meet the evolving demands of electric transportation, including higher power density, enhanced environmental adaptability, extreme light-weighting, ultra-high efficiency and reliability, and intelligent control, we provide integrated E-mobility electric drive solutions. Our solution offerings include single-unit and grouped configurations of high-performance motors, SiC-based power electronics, and modular electric control units, as well as value-added process services such as thermal/fluid simulation, reliability verification under extreme environments, customized assembly technologies, and support for automated production. These solutions are tailored to enable the electrification of various vehicles, including electric cars, motorcycles, two-wheelers, boats, and aircraft.

The following diagram illustrates the application of our E-mobility drive solutions:



BUSINESS

Set below are the key offerings within our E-mobility drive solutions:

Solutions	Descriptions
Electric aviation propulsion systems. 	Based on distributed electric propulsion platforms, these systems integrate high-density aviation-grade PMSMs, 800V SiC controllers, and advanced heat management. Suitable for eVTOL and UAV applications requiring extreme reliability and lightweight performance. These systems have been successfully adopted by high-end customers for firefighting drones, urban air mobility, and cargo delivery drones. We were among the first to overcome the core challenges in high-power density motors and intelligent electronic control, establishing ourselves as a core supplier of power system for global eVTOLs.
Electric vehicle drive systems . . . 	These systems feature a complete lineup of permanent magnet and asynchronous motors using both round and flat wire winding, along with integrated three-in-one drive assemblies. Through multiphysics simulation and structural optimization, these system offer high efficiency, compact design, strong performance in noise, vibration and harshness, and superior reliability. Ideal for a range of passenger and commercial vehicles.
Electric motorcycle drive systems 	These systems offer mid-mounted PMSMs solutions with integrated controllers tailored for scooters, motorcycles, and recreational vehicles, and deliver high torque, low noise, and smooth response across varied terrains. Modular design ensures broad compatibility and efficient system integration.

BUSINESS

Solutions

Descriptions

Electric E-bike drive systems . . .

These systems are designed for high-end outdoor electric bicycles, equipped with our high-torque and lightweight mid-drive motors, an intelligent assist algorithm, and precision-tuned control for smooth power delivery. These systems provide riding comfort and low-carbon urban mobility.



Electric boat propulsion systems

These systems are composed of battery, motor, propeller, driver, operation console, monitoring applications and others. These systems can realize the full electrification propulsion of boats and offer maintenance-free operation, low noise (<55dB), and smart connectivity features. These systems are well applied in fishing boats, inflatable boat, and patrol boats with expanding adoption in Europe and China.



Below is one typical case that demonstrates how our E-mobility drive solutions have successfully delivered energy efficiency, reliability and lightweight performance.

Case study

In response to the increasing global demand for safe, lightweight, and high-efficiency eVTOL aircraft, we delivered a fully integrated propulsion system for a leading electric aviation OEM. Traditional systems in the market predominantly relied on low-integration, coil-wound motors using round wires and conventional magnet configurations, limiting improvements in power density and efficiency. To address these constraints, we adopted a series of advanced technologies, including flat wire winding, Halbach array magnetization, and dual-winding motor redundancy design. These innovations significantly improved slot filling rates, reduced copper loss, and enhanced magnetic utilization.

Our motor and controller were designed as a compact and tightly integrated assembly, with a shared cooling system that minimized structural components while improving thermal stability. The stator components were fully encapsulated using high-grade potting materials, ensuring insulation and chemical resistance. The drive module employed silicon carbide switching devices, reducing switching loss and increasing control accuracy. In terms of structural materials, we adopted magnesium-aluminium alloys and titanium alloys which offered high strength-to-weight ratios and excellent heat resistance. The resulting propulsion system achieved a rated torque density of not less than 24 N·m/kg, a peak torque density of over 40 N·m/kg, and an overall system

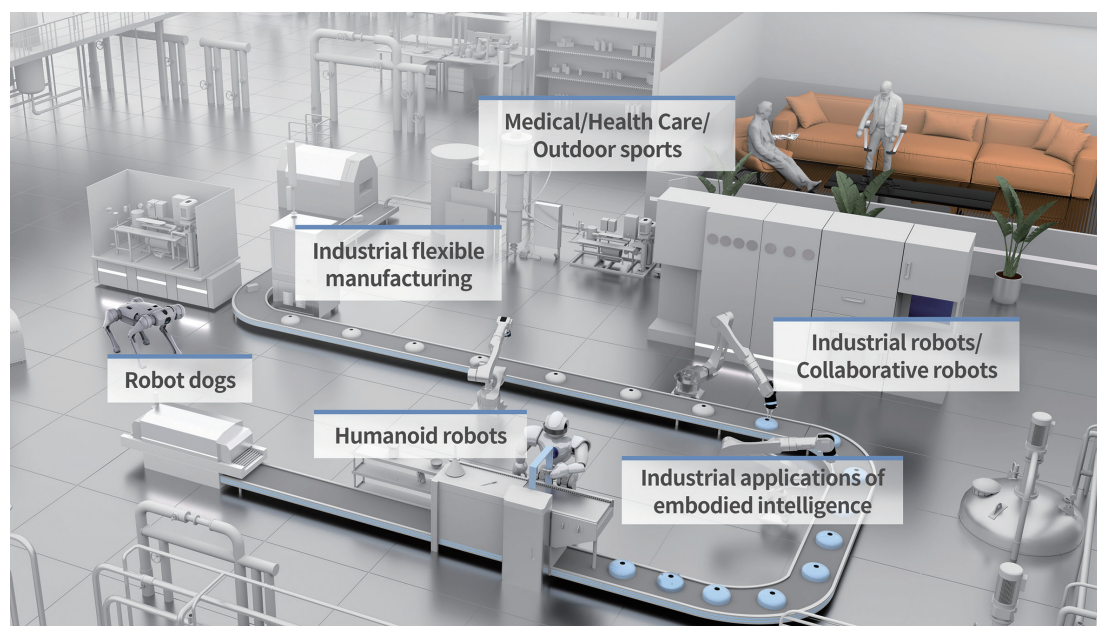
BUSINESS

efficiency of no less than 94%. The solution delivered superior environmental adaptability, low vibration, and low noise, and supported stable and wide-range torque output in narrow speed bands, making it suitable for various mission-critical scenarios such as firefighting drones, urban air mobility, and cargo delivery aircraft. The project demonstrates our leadership in megawatt-class electric aviation propulsion and our ability to fulfill the extreme requirements of next-generation air mobility.

Robotic Components and System Applications

We have established a dual-engine business structure under our robotic components and system applications segment, focusing on both (i) the research, development, and manufacturing of robotic components and (ii) the commercial deployment of embodied intelligence in industrial scenarios. In terms of robot components, we primarily provide a variety of industrial servo and controller products for industrial robots. Leveraging the advantages of platform versatility and modular capabilities, we have expanded into areas such as frameless torque motors, coreless motors, controllers, joint modules, dexterous hands, and exoskeletons, forming comprehensive solution portfolio for core components of humanoid robots. In terms of industrial embodied intelligence applications, we integrate our capabilities in industrial automation from sectors such as new energy and automotives to develop proprietary industrial-scale AI models. Working with robotic system integrators and upstream developers, we have also formed ecosystem collaborations through both strategic and capital partnerships to promote the commercial use of embodied intelligence in global industrial manufacturing, aiming to improve intelligence, agility, and efficiency across production lines.

The following diagram illustrates the application of our robotic components and system applications:



BUSINESS

Set below is the summary of our key offerings with our robotic components and system applications.

Solutions	Descriptions
Dexterous hands and exoskeletons 	These high-flexibility dexterous hands offer precise gripping and real-time force feedback, providing over ten degrees of freedom, featuring precise gripping functionality and real-time force feedback. Exoskeleton integrate multimodal sensors and human-in-the-loop algorithms, supporting posture correction and mobility enhancement with over 20% load reduction for hip joints, and can be used in fields such as outdoor sports, elderly care, health preservation and healthcare.
Joint modules 	Joint modules integrate frameless torque motors, reducers, encoders, and servo controllers into compact, plug-and-play units suitable for multi-degree-of-freedom humanoid robotic electric drive systems.
Servo motors and controllers . . . 	Our servo motors and controllers form the core of industrial robotic execution units, offering high precision, fast response, and real-time motion control. They enable stable performance in robotic arms and industrial automation through proprietary hardware and advanced algorithms, to provide full-stack advantages from hardware to control software across multiple domains.

BUSINESS

Solutions

Descriptions

Robotic system applications



These solutions integrate robotic systems with machine vision and AI models for vertical industrial sectors to achieve higher flexibility, efficiency, and safety. They are applied in automated inspection, precision assembly, and intelligent logistics systems within the fields of industrial flexible production and smart manufacturing.

Below is one typical case that demonstrate how our robotic components and system applications have successfully delivered flexible, efficient and safe performance.

Case study

In support of leading domestic OEMs developing next-generation humanoid and quadruped robots, we delivered a fully integrated solution comprising high-performance joint modules and intelligent dexterous hands. These robots demand high torque density, low weight, robust anti-impact performance, and precise motion control in multi-degree-of-freedom environments.

Leveraging our proprietary frameless torque motors, advanced servo control algorithms, and modular mechatronic design, we co-developed joint actuators featuring dual-winding architectures, optimized thermal management, and high dynamic response. Our components passed multiple rounds of mechanical shock and thermal stress testing and were formally inducted into the core supplier systems of flagship humanoid robot programs. In parallel, we provided tailored joint solutions for a quadruped robotics customer, reducing the concept-to-delivery cycle by 30%, and meeting demanding performance thresholds under rapid movement and shock load conditions.

To enable human-robot collaboration and high-precision manipulation, we further delivered an intelligent dexterous hand system built on deep-learning-based adaptive control. Each hand integrates over 90 pressure sensing points with sub-millisecond response time and force resolution of 1/1,000N. The fingers deliver active force above 30N per digit, with total grip exceeding 100N, ensuring robust and safe object handling across diverse tasks. The integrated system has been deployed in batch pilots across top-tier robotic customers, demonstrating superior accuracy, environmental adaptability, and multi-scenario operability in advanced automation and collaborative environments.

This project showcases our end-to-end capabilities from component-level co-design to system integration, and positions us as a key enabling partner for the commercialization of embodied intelligence in industrial-grade robotics.

BUSINESS

RESEARCH AND DEVELOPMENT

We place significant emphasis on investments in research and development, while comprehensively strengthening our technological capabilities and talent reserves. As of June 30, 2025, we employed over 1,800 research and development personnel, accounting for over 10% of our total workforce. Our team includes professionals in mechanical engineering, power electronics, embedded software, and intelligent control systems, many of whom have more than 10 years of experience in electric drive technologies and related applications, including 10 top international experts led by IEEE Fellow and more than 200 members with master’s and doctoral degrees. Our internal research is structured around a matrix model that integrates solution-specific development streams with shared global technology platforms for software, sensors, and control algorithms. During the Track Record Period, we maintained significant investment in research and development, with expenditures (including capitalized amounts) amounting to approximately RMB818.6 million, RMB857.8 million, RMB872.2 million, RMB438.4 million, and RMB426.4 million, for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, representing 5.7%, 5.5%, 5.4%, 5.5% and 5.3% of our total revenue for the same periods.

We operate a three-tier research and development system encompassing “Research Center-Business Units-Factories,” enabling full-chain collaboration from frontier technology exploration, customized development, to industrialization. Our Global Research Center was established in 2018, with a primary focus on formulating and advancing strategic research and development plans. Our five research and development centers located in China, the United States, Germany, Japan, and India, are strategically positioned to support local innovation, customer collaboration, and product customization. Each of our 45 factories, including 14 overseas factories in Germany, Poland, Italy, Vietnam, Mexico and other countries and regions, is responsible for order fulfillment and improvement to production process technologies. We also operate academician workstations and postdoctoral research stations, providing a strong foundation for technological innovation.

Leveraging our qualifications as a National High-Tech Enterprise and a National Demonstration Enterprise for Technological Innovation, we have established national-level research platforms including a State-Recognized Enterprise Technology Center and a National Demonstration Platform for Production and Application of New Materials. As of June 30, 2025, we have obtained over 1,500 authorized patents.

Core Technologies

Our technology portfolio encompasses key innovations across the electric drive system value chain, with a focus on advanced motor control, high-efficiency design, and specialized solutions.

Direct flux control (“DFC”) algorithm

The DFC algorithm is a real-time vector control method that regulates the magnetic flux of an electric motor, ensuring precise torque output. Integrated with a proportional-integral (“PI”) controller, the system adjusts voltage to manage load fluctuations and minimize torque ripple, and enhancing energy efficiency. It also includes multi-level protection functions such as anti-stall recovery and undervoltage restart, improving reliability and reducing downtime.

BUSINESS

Wolong Chip (臥龍芯)

The Wolong Chip is a custom-designed chip that integrates key components such as control chips and high voltage integrated circuits, reducing space and cost while optimizing performance. It employs sensorless vector control for smooth operation and high efficiency, and minimizes noise and vibration during startup. Wolong Chip is primarily used in HVAC systems, air conditioners, and industrial fans. Its market competitiveness is enhanced by a 99.6% production yield, a 50% increase in production capacity, and ongoing optimization through over-the-air updates, resulting in a 70% reduction in onsite failures.

Reluctance control

Reluctance motor technology delivers high efficiency without the use of rare-earth elements, achieving IE6-level efficiency at a lower cost than permanent magnet motors. Its dynamic pole-boosting self-adaptive control ensures excellent torque and speed precision across various operational conditions. Widely used in applications like fans, pumps, and compressors, reluctance motors offer improved efficiency, stable performance, and reduced energy consumption.

High-density integrated design for electric aviation

This technology, applied to the high-density integrated design of electric aviation power systems, consists of three core technologies: (i) high torque design, which uses Halbach array permanent magnet configuration to improve the air-gap magnetic flux density, which enhances torque density, especially at low speeds; (ii) dual three-phase winding structure, which can enhance the system’s fault tolerance and power density; and (iii) control integration design, which integrates the drive and control systems, monitors the system’s performance parameters in real-time, and is equipped with intelligent protection functions.

Embodied large models

The embodied robot system is powered by our vertical large model of embodied intelligence for industrial scenarios, Shunzao GRP01 (舜造GRP01). It can integrate real machine data for training, enabling rapid few-shot generalization. At its core, the system uses the Vision-Language-Latent-Action architecture, which combines a vision-language model for scene perception and language understanding, and a Mixture of Experts (“**MoE**”) system for precise action execution. The latent planner in MoE uses video data to understand actions, while the action expert applies real machine data to perform actions with high precision, enabling rapid adaptation to new tasks with minimal training data.

Collaborative Research and Development

We actively pursue strategic collaboration with external partners to accelerate innovation, access frontier technologies, and co-develop next-generation electric drive solutions. Key collaborative research and development initiatives include:

Embodied intelligence innovation center

We established an embodied intelligence innovation center in 2025 in Hangzhou Bay with a well-known smart productivity enterprise and a state-owned enterprise in the form of joint venture

BUSINESS

to jointly develop research and development projects in the fields of artificial intelligence, humanoid robotics, and industrial intelligent automation. Under this tripartite agreement, fixed assets are provided by the state-owned enterprise, while we and the other party contribute technical coordination and share management. Any data assets and intellectual property rights generated in the course of cooperation shall be owned by the joint venture, with each party entitled to the right of use.

Collaborative development with well-known universities

We focus on engaging in industry-university-research collaboration with top-tier domestic and international universities. For instance, we have established a joint laboratory with a leading domestic university to conduct collaborative research and development on green and low-carbon operation technologies, production processes, intelligent equipment manufacturing, process control, and industrial operations for industries including mining, metallurgy, and steel. Additionally, the joint laboratory will provide support for our design of electric drive solutions. Both parties have made joint investments, with us primarily responsible for contributing premises, equipment, and research and development expenses, and the university primarily responsible for contributing personnel, technologies, and relevant software and hardware platforms. Intellectual property rights arising from the collaboration shall be jointly owned by both parties, and each party shall be entitled to independently utilize such intellectual property rights.

INTELLECTUAL PROPERTIES

We depend on our proprietary technologies and production know-how to maintain our competitive position in the markets in which we operate, and we create intellectual property through our extensive research and development activities. Our general policy is to apply for patents on an ongoing basis, in China and other appropriate jurisdictions, on patentable developments that are considered to have commercial significance. Our portfolio of patents covers our proprietary technologies used in products as well as many aspects of our product design and manufacturing processes.

We seek to protect our core intellectual property and proprietary rights primarily through a combination of copyrights, trademark, trade secret, confidentiality policies and internal control policies. We hold a robust portfolio of intellectual property rights in both China and overseas. As of June 30, 2025, we had more than 1,500 patents and 200 trademarks around the world.

OUR PRODUCTION

Production Facilities

We currently operate an extensive global network of production facilities that form the manufacturing backbone of our global electric drive solution operations. As of June 30, 2025, we had 45 factories worldwide, including 14 factories in Germany, Poland, Italy, Vietnam, Mexico, and other countries and regions. Our factories have obtained certifications under international frameworks including ISO 9001 (quality management), ISO 14001 (environmental management), ISO 45001 (occupational health and safety), and IATF 16949 (automotive industry-specific quality management). On top of our 45 factories, we have developed 21 manufacturing bases. These bases, consisting of factories, warehouses, and logistic centers, are designed to provide localized

BUSINESS

manufacturing support and services to markets and customers in their respective regions. As of June 30, 2025, we had a production team of over 9,600 personnel to support the operation of global production network. We prioritize hiring locally for our production team, which allows us to tap into the local talent pool and contribute to the economic development of the communities where we operate.

The following table sets forth details of our nine principal manufacturing bases as of June 30, 2025. These nine major manufacturing bases cover our major production, with their combined revenue accounting for over 85% of our total revenue.

Manufacturing base	Location	Aggregate GFA	Primary business segments
China			
Shaoxing manufacturing base .	Shaoxing, Zhejiang Province	737,685 sq.m	Industrial electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions and robotic components and system applications
Nanyang manufacturing base	Nanyang, Henan Province	281,665 sq.m	Explosion-proof electric drive solutions
Jinan manufacturing base	Jinan, Shandong Province	80,730 sq.m	HVAC electric drive solutions
Anshan manufacturing base	Anshan, Liaoning Province	45,607 sq.m	Explosion-proof electric drive solutions
Europe			
German manufacturing base	Northeim, Monchengladbach, and Stuttgart, Germany	210,345 sq.m	Explosion-proof electric drive solutions and industrial electric drive solutions
Poland manufacturing base	Tarnow, Poland	76,419 sq.m	Industrial electric drive solutions
Italy manufacturing base	Modena, Turin, and Cesena, Italy	61,105 sq.m	Industrial electric drive solutions, robotic components and system applications, and E-mobility drive solutions
Asia-Pacific (excluding China)			
Vietnam manufacturing base	Hai Phong, Vietnam	49,254 sq.m	Industrial electric drive solutions and HVAC electric drive solutions
The Americas			
Mexico manufacturing base	Monterrey, Mexico	66,571 sq.m	Industrial solutions

BUSINESS

Production capacity and utilization rate

Each of our solutions encompass different product lines, and the production capacity of these products may be measured in different units (such as kW or units) in accordance with industry practices. Our designed production capacity is calculated based on the number of working days, daily working hours and production takt time, with the time required for maintenance and replacement of machinery and equipment already incorporated into the calculation. Utilization rates are calculated as actual production volume divided by designed production capacity. The following diagrams illustrate the utilization rates for our solutions.

Explosion-proof electric drive solutions

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
Design capacity				
(thousand kW/year) . .	15,284	15,659	16,965	8,621
Production volume				
(thousand kW)	13,971	14,613	15,909	8,084
Utilization rate (%)	91.4	93.3	93.8	93.8

Industrial electric drive solutions

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
Design capacity				
(thousand kW/year) . .	13,123	15,213	15,095	8,740
Production volume				
(thousand kW)	12,457	14,483	14,279	8,390
Utilization rate (%)	94.9	95.2	94.6	96.0

BUSINESS

HVAC electric drive solutions

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
Design capacity				
(thousand unit/year) . .	94,305	95,800	100,825	57,388
Production volume				
(thousand unit)	85,762	87,577	92,839	53,125
Utilization rate (%)	90.9	91.4	92.1	92.6

E-mobility drive solutions

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
Design capacity				
(thousand unit/year) . .	520	700	751	380
Production volume				
(thousand unit)	435	602	651	331
Utilization rate (%)	83.6	86.0	86.7	87.1

Robotic components and system applications

The robotic components and system applications business is characterized by a high degree of customization and integration, with operations primarily centered on project contracting. Robotic components and system applications products involved in different projects exhibit significant variations in technical parameters, functional configurations, physical dimensions, and even overall architecture. As a result, they cannot be measured using uniformly referenced standard production units or fixed output metrics.

Production expansion plan

To support our future growth and internationalization strategy, we are undertaking significant expansion of our production footprint. For further details on our expansion plans, please refer to the section headed “Future Plans and [REDACTED]” in this document.

Smart Manufacturing

We are dedicated to developing automated, digitalized and intelligent factories. By leveraging advanced technologies such as industrial IoT, digital twins, data analytics, and automated control systems, we optimize production processes, enhance operational efficiency, and enable data-driven decision-making throughout the manufacturing lifecycle. Data sources are interconnected through our PLM system, eliminating information fragmentation and enabling

BUSINESS

cross-departmental data sharing. We have established an end-to-end visualized management system from orders to customers, establishing full-process data connectivity spanning from CRM systems, SRM system, production planning and scheduling system, ERP systems, and MES. This forms a customer-oriented, end-to-end visualized one-stop service platform, which realizes information-based management and control over the entire process — from business opportunity management, solution consultation, quotation and order placement, production and manufacturing to logistics delivery — as well as transparent presentation of key nodes. Our Nanyang manufacturing base was recognized as a “Smart Manufacturing Comprehensive Standardization and New Model Application Project” certified by MIIT.

Major machinery and maintenance

Production equipment and production lines form the foundational support for our manufacturing operations. Our production lines are equipped with cutting-edge manufacturing equipment. In addition to procuring machinery and equipment from third-party suppliers, we are also capable of independently designing and manufacturing certain machinery and equipment to enhance the capability of flexible manufacturing. The major equipment involved in our key production process is as follows:

Major equipment	Functions	Major production processes employed
Stamping and die-casting equipment	Shapes solid metals via pressure or molten metals under high pressure to produce metal parts with specific shapes, dimensions, and precision	Stamping and die-casting
Welding equipment	Joins metal materials through heating and pressure processes	Lead wire welding in fixed stator manufacturing, and metal welding
Precision machine tools and other metal processing equipment .	Performs turning, forming, milling, drilling, and other metalworking operations on metal materials	Metal processing of end caps, machine bases rotors and others
Rotor dynamic balancing equipment	Measures and corrects the magnitude and position of rotor unbalance	Rotor dynamic balancing calibration

BUSINESS

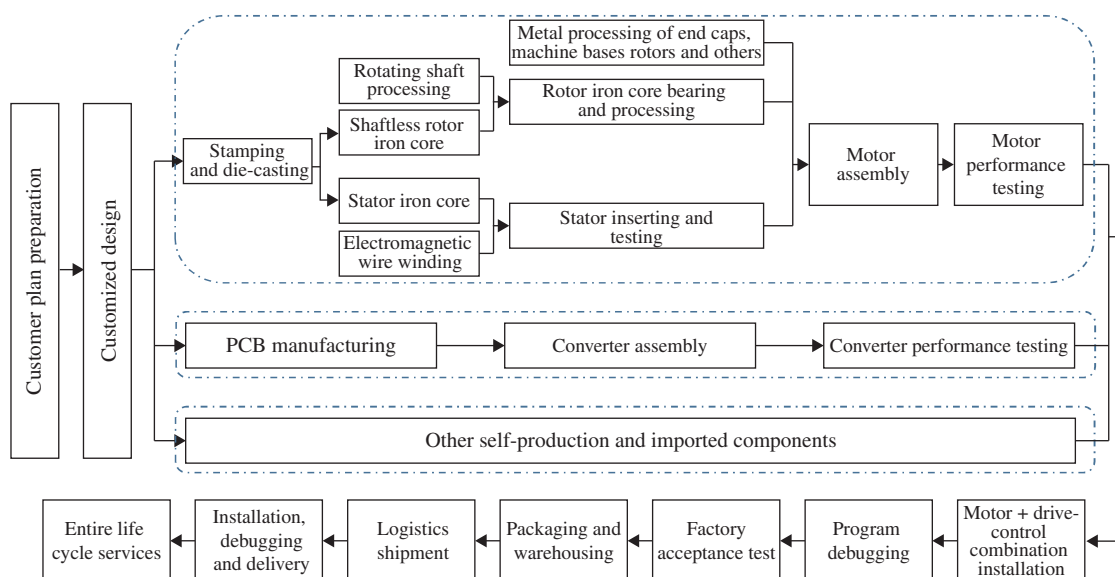
Major equipment	Functions	Major production processes employed
Automatic winding and inserting equipment . .	Automatically completes coil winding, wire arranging, and embeds coils and slot wedges into stator slots via mechanical structures and control systems	Magnet wire winding, stator core coil inserting
Electrical performance testing equipment . . .	Tests whether stator electrical performance meets design standards, focusing on resistance, voltage withstand, insulation and others	Stator electrical performance testing
Surface mount technology equipment .	Mounts electronic components directly onto the surface of printed circuit boards (PCBs)	PCB manufacturing, component mounting
Converter performance testing equipment	Tests converter for under/overvoltage, output voltage and current, full-power temperature rise, harmonics and others	Converter performance testing
Industrial robots	Execute automated tasks such as welding, handling, assembly, painting, and other tasks	Assists in metal processing, electrical processing, assembly, and other production processes
Factory acceptance testing equipment	Conducts comprehensive inspections of electrical, mechanical, and operational characteristics of electric drive systems to ensure performance, safety, and reliability meet requirements before delivery	Factory acceptance testing

BUSINESS

We conduct regular maintenance and upkeep on all production equipment and production lines. Drawing on recommendations from equipment manufacturers, we have formulated in-house maintenance and repair schedules, which are logged into our MES system. The MES system issues regular reminders for diagnostics, calibration and maintenance of key machinery. For critical equipment, we have deployed the internal interconnection system to conduct real-time online monitoring. During the Track Record Period and up to the Latest Practicable Date, there had been no prolonged suspensions of production processes or significant disruptions to our operations caused by equipment failure or malfunction.

Our Production and Delivery Process

Our production process primarily encompasses raw material procurement, components alignment, production assembly, integration and commissioning, testing, and packaging and warehousing. Each of our factories has streamlined its respective production process to formulate standard operating procedures (“SOP”), and strictly adheres to such SOPs in production activities, ensuring consistency, quality, cost-effectiveness and efficiency in production operations. The following diagram illustrates the production process for our standard electric drive products.



BUSINESS

SALES AND MARKETING

We adopt a solution-oriented sales and marketing approach aligned with the technical, regulatory, and commercial characteristics of each of our five segments. To better serve the downstream value chain, we have created a Global Key Accounts management mechanism. We have implemented a “triangle team” model that integrates front-line sales representatives, technical engineers, and delivery support personnel into dedicated account teams. This model is supported by our centralized Sales Service Center, which manages the full lead-to-cash process from pre-sales consultation to post-sales support.

Our overseas markets are critical to our business development. We have built an international operational presence that enables us to serve global customers with localized production, tailored delivery schedules, and in-region technical support. We have established three overseas regional headquarters in Asia-Pacific, Europe, and the Americas to support localized marketing, customer engagement, and technical services. These regional platforms enable us to deepen strategic partnerships with multinational customers and enhance responsiveness to local regulatory requirements and service expectations.

The following table sets forth our revenue by geographic locations for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
The PRC	8,724,089	61.2	9,966,838	64.0	10,528,570	64.8	5,013,396	62.9	4,807,368	59.8
Europe, the Middle East and Africa	2,801,541	19.6	2,793,639	17.9	2,551,201	15.7	1,288,249	16.1	1,251,825	15.6
The Americas	1,708,526	12.0	1,988,485	12.8	2,093,277	12.9	1,149,660	14.4	1,210,409	15.1
Asia-Pacific excluding the PRC	<u>1,031,803</u>	<u>7.2</u>	<u>817,865</u>	<u>5.3</u>	<u>1,073,992</u>	<u>6.6</u>	<u>526,796</u>	<u>6.6</u>	<u>761,168</u>	<u>9.5</u>
Total	<u>14,265,959</u>	<u>100.0</u>	<u>15,566,827</u>	<u>100.0</u>	<u>16,247,040</u>	<u>100.0</u>	<u>7,978,101</u>	<u>100.0</u>	<u>8,030,770</u>	<u>100.0</u>

BUSINESS

Sales Models

We adopt a sales model combining direct sales and distributors to form a multi-level sales network, with each aligned with our business segments and customer types. During the Track Record Period, direct sales accounted for a majority of our total revenue. The following table sets forth the revenue breakdown by sales model during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i> (unaudited)	%	<i>RMB'000</i> (unaudited)	%
Direct sales . . .	13,067,479	91.6	14,105,309	90.6	14,792,580	91.0	7,269,510	91.1	7,331,985	91.3
Distributorship . .	1,198,480	8.4	1,461,518	9.4	1,454,460	9.0	708,591	8.9	698,785	8.7
Total	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0

Direct sales

Direct sales model is widely applied across our business operations, which enables us to meet stringent technical, delivery, and compliance needs of customers. We engage in direct sales through both centralized and regional sales forces, supported by our sales service platform and technical application teams. We primarily provide customized and project-based solutions to customers in the explosion-proof electric drive solutions and robotic components and system applications business segments, while offer mass-produced solutions to customers in industrial, HVAC and E-mobility drive solutions business segments.

Distributorship

In certain markets with fragmented customer demand, we may adopt a distributorship model to distribute our solutions, such as explosion-proof and industrial electric drive solutions. Distributors are subject to a rigorous onboarding process and are supported by our regional offices for technical training. As confirmed by Frost & Sullivan, it is consistent with industry norm for electric drive solution providers to adopt the distributorship model.

BUSINESS

Agreements with distributors

Our relationship with distributors is buyer and seller, whereby the ownership of the solutions is transferred to our distributors upon their purchase. Set forth below is a summary of key terms of the typical distributorship agreement signed with our distributors:

<i>Duration</i>	:	Generally ranges between one year to two years.
<i>Geographic exclusivity</i>	:	We generally designate the geographical area within which our distributors are allowed to market and sell our solutions with the geographical authorization granted to them being non-exclusive. A distributor is generally prohibited from marketing and selling our products and solutions outside its designated geographic area.
<i>Minimum purchase amount</i>	:	We generally require a minimum purchase amount. Failure to meet these targets may result in the downgrading of such distributor by us or the termination of its distributorship.
<i>Sub-distributor</i>	:	We generally do not allow our distributors to engage sub-distributor.
<i>Payment</i>	:	We generally require our distributors to pay 30% deposit upon placing order and 70% upon delivery.
<i>Delivery</i>	:	We are usually responsible for delivering products and solutions to locations designated by our distributors.
<i>Products return</i>	:	Distributors are not allowed to return products unless significant quality defects are identified.
<i>Termination</i>	:	The distributorship agreement is generally subject to early termination by us if the distributor breaches its obligations under the agreement. Alternatively, the agreement can be terminated by either party unilaterally with advance notice.

BUSINESS

Distributors movement

The table below set forth the movement in number of our distributors during the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
Number of distributors at the beginning of the period	130	137	140	143
Number of newly added distributors	7	4	5	–
Number of terminated distributors ⁽¹⁾	–	(1)	(2)	(2)
Number of distributors at the end of the period . .	<u>137</u>	<u>140</u>	<u>143</u>	<u>141</u>

Note:

- (1) We typically terminate a distributor’s partnership without compensation for the reasons such as its sustained failure to meet performance targets, and/or breach of our distributorship management policies.

During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with distributors. To the best knowledge of our Directors, during the Track Record Period, all our distributors were independent third parties, and none of our distributors were controlled by any of our former or present employees, uses our brand/name or has received any material advance or financial assistance from us during the Track Record Period.

Distributorship management framework

A well-structured and efficiently managed distribution network is critical to driving sales growth and ensuring customer satisfaction. In order to achieve this, we enforce a rigorous yet collaborative approach to distributor management across the following key areas:

- Stringent onboarding process: we view our distributors as key partners. Prospective distributors must undergo a rigorous approval process, where we assess and them based on their capabilities across business operations, technical proficiency, inventory management, after-sales support, and sales performance.

BUSINESS

- Regular performance review: All distributors are registered at our CRM system, and we are able to closely monitor and review the performance of our distributors. Our credit evaluation teams regularly request the distributors to provide accurate information regarding their financial status to assess their recoverability.
- Trainings and support: we provide various training programs for our distributors, introducing them to the features, applications and industry developments of our products and solutions, and enhancing their sales skills. We also regularly organize conferences among distributors to strengthen their mutual understanding, cooperation and experience sharing.
- Risk management: we have established comprehensive policies and protocols to mitigate risks inherently associated to distributorship model. For instance, we adopt strict product return policies to mitigate channel stuffing risks. Our distributors are not allowed to return products unless significant quality defects are identified. In addition, we generally designate the geographical area within which our distributors are allowed to market and sell our solutions. If we identify any distributor engaging in cross-regional sales without our prior authorization, we are entitled to impose oral warnings, financial penalties, suspend their distributorship or revoke their distributorship qualification, depending on the nature and frequency of such violations. For associated risks, please refer to “Risk Factors — Risks Relating to our Business and Industry — We may not be able to develop and maintain stable relationships with our distributors, which may materially and adversely affect our business” in this document.

Our Marketing and Branding Initiatives

Our marketing strategy is focused on strengthening customer relationships, enhancing brand visibility, and expanding our global market presence through targeted and solution-specific marketing initiatives. We leverage an integrated marketing approach, combining digital marketing platforms, industry-specific exhibitions, and technical seminars to demonstrate our technological leadership and comprehensive capabilities in electric drive solutions. Our digital presence encompasses online marketing campaigns, search engine optimization, and targeted social media outreach tailored to distinct market segments. Furthermore, we actively participate in major international trade fairs and industry conferences, allowing us to directly engage potential customers, industry partners, and key stakeholders to showcase our latest innovations and reinforce our market leadership.

Our primary brand, “Wolong,” represents our commitment to quality, innovation, and reliability, serving as a cornerstone of our corporate identity and market positioning. Given our strategic acquisitions of renowned global brands, we have established a dedicated and robust brand management framework to maintain clarity, consistency, and strategic alignment across our diverse portfolio. Our brand management strategy involves meticulous governance through comprehensive internal guidelines that regulate brand identity, visual standards, and unified messaging, thus ensuring cohesive brand communication globally.

BUSINESS

We actively manage the interplay between “Wolong” and our acquired brands, preserving the intrinsic value and distinct market strengths of each, while clearly communicating their integration within the Wolong family. This involves strategic brand positioning, systematic communication planning, and ongoing performance tracking to optimize brand equity and enhance customer recognition. We continually reinforce our brand through targeted marketing campaigns that emphasize our core values of sustainability, intelligent solutions, and energy efficiency. The diagram below illustrates some of our key brands:

WOLONG 卧龙
a WOLONG company

**BROOK
CROMPTON**
a WOLONG company

SCHORCH
a WOLONG company

MORLEY
a WOLONG company

**LAURENCE
SCOTT**
a WOLONG company

ATB
a WOLONG company

omlat
a WOLONG company

SR
a WOLONG company

imotorlinx
a WOLONG company

Customer-centric branding initiatives form an integral part of our strategy, guided by insights gained from regular customer feedback and satisfaction surveys. We leverage this feedback to refine our products and solutions, ensuring alignment with customer expectations and further enhancing our brand reputation. Corporate social responsibility also plays a vital role in our branding approach, highlighting our commitment to environmental stewardship and social accountability, thereby reinforcing our image as a responsible and forward-thinking industry leader.

Pricing Policy

In determining our solution pricing, we consider a comprehensive range of factors, including production costs, technological differentiation, customer demand, supply chain dynamics, procurement strategies, targeted gross profit margins for each solution, and the competitive landscape specific to the relevant sales markets. This includes an assessment of overall market conditions and pricing of comparable solution offered by industry peers. Given the extensive variety and diverse specifications of our solutions, their pricing varies significantly. To mitigate potential fluctuations in the prices of key raw materials such as copper, silicon steel and rare-earth metals, we may incorporate price adjustment mechanisms in agreements with certain customers.

OUR CUSTOMERS

Our customer base consists of direct-sale customers and distributors across various countries. Over the years, we have built up a broad and geographically diversified customers in China and globally, spreading cross over 100 countries and regions.

Major Terms of our Agreement with Customers

Direct-sale customers

We generally enter into framework agreements with our major customers, who place purchase orders in accordance with their actual demand under such agreement. For certain highly

BUSINESS

customized and low-volume solutions, we also enter into contracts on a project basis, primarily for customers in the fields of explosion-proof electric drive solutions and robotic components and system applications. While the terms of contracts may vary depending on the specifics of each customer and project, they generally include the following key terms:

<i>Duration</i>	:	Generally ranging from one year to indefinite term, with certain contracts subject to automatic renewal.
<i>Pricing</i>	:	The price and specifications are generally specified in each purchase order.
<i>Quality control</i>	:	The quality shall be in compliance with the specific standards designated by our customers, or in compliance with applicable international, national, local or industry standards.
<i>Payment terms</i>	:	We generally grant our customers a credit period ranging from one to six months. We generally allow our customers to pay through bank transfer or bank acceptance bill.
<i>Delivery arrangements</i>	:	The delivery responsibility is typically borne by either our customers or us, as specified in the contracts. For international sales, we generally adopt common transportation methods in international trade, such as FCA or DAP.
<i>Termination</i>	:	The agreements can generally be terminated by either party subject to prior written notice.

Distributors

For details on the summary of key terms of typical distributorship agreement, please refer to “— Sales and Marketing — Sales Models — Distributorship” above.

Major Customers

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, revenue from the five largest customers in each year/period during the Track Record Period was RMB2,297.3 million, RMB2,132.3 million, RMB2,249.8 million and RMB1,258.7 million, respectively, accounting for 16.1%, 13.8%, 13.8% and 15.7% of our total revenue, respectively. For the same years/periods, revenue from the largest customer in each year/period during the Track Record Period was RMB1,153.8 million, RMB1,069.5 million, RMB1,192.4 million and RMB625.8 million, respectively, accounting for 8.1%, 6.9%, 7.3% and 7.8% of our total revenue, respectively.

BUSINESS

The following table sets forth the details of the five largest customers in each year/period during the Track Record Period.

For the year ended December 31, 2022

Rank	Customer	Customer's background	Major type of solutions provided	Year of commencement of business relationship with us	Revenue derived from the customer	Percentage of total revenue
					<i>RMB'000</i>	<i>%</i>
1.	Customer A	An international company listed on multiple exchanges including the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, that is mainly engaged in providing lifestyle and digital transformation services.	HVAC electric drive solutions	1997	1,153,809	8.1
2.	Customer B	An international company listed on the Shenzhen Stock Exchange, that is mainly engaged in the household appliance business.	HVAC electric drive solutions	2006	409,626	2.9
3.	Customer C	An international company listed on the Tokyo Stock Exchange, that is mainly engaged in the air conditioning business, with a global presence.	HVAC electric drive solutions	2008	346,805	2.4
4.	Customer D	An international company listed on the New York Stock Exchange, that is mainly engaged in water pump and water treatment business, with business all over the world.	Industrial electric drive solutions	2008	196,113	1.4
5.	Customer E	A motor manufacturer whose products are widely used in industry, shipping, construction and other fields, with a global presence.	Industrial electric drive solutions	2000	190,924	1.3
Total					2,297,277	16.1

BUSINESS

For the year ended December 31, 2023

Rank	Customer	Customer's background	Major type of solutions provided	Year of commencement of business relationship with us	Revenue derived from the customer	Percentage of total revenue
					<i>RMB'000</i>	<i>%</i>
1.	Customer A	An international company listed on multiple exchanges such as the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, that is mainly engaged in providing lifestyle and digital transformation services.	HVAC electric drive solutions	1997	1,069,470	6.9
2.	Customer B	An international company listed on the Shenzhen Stock Exchange, that is mainly engaged in the household appliance business.	HVAC electric drive solutions	2006	398,082	2.6
3.	Customer C	An international company listed on the Tokyo Stock Exchange, that is mainly engaged in the air conditioning business, with a global presence.	HVAC electric drive solutions	2008	269,454	1.7
4.	Customer D	An international company listed on the New York Stock Exchange, that is mainly engaged in water pump and water treatment business, with business all over the world.	Industrial electric drive solutions	2008	213,727	1.4
5.	Customer E	A motor manufacturer whose products are widely used in industry, shipping, construction and other fields, with a global presence.	Industrial electric drive solutions	2000	181,564	1.2
Total					2,132,297	13.8

BUSINESS

For the year ended December 31, 2024

Rank	Customer	Customer's background	Major type of solutions provided	Year of commencement of business relationship with us	Revenue derived from the customer	Percentage of total revenue
					<i>RMB'000</i>	<i>%</i>
1.	Customer A	An international company listed on multiple exchanges such as the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, that is mainly engaged in providing lifestyle and digital transformation services.	HVAC electric drive solutions	1997	1,192,417	7.3
2.	Customer C	An international company listed on the Tokyo Stock Exchange, that is mainly engaged in the air conditioning business, with a global presence.	HVAC electric drive solutions	2008	332,042	2.0
3.	Customer B	An international company listed on the Shenzhen Stock Exchange, that is mainly engaged in the household appliance business.	HVAC electric drive solutions	2006	289,043	1.8
4.	Customer F	An international company listed on the Shanghai Stock Exchange, that is mainly engaged in the household appliance business, with business all over the world.	HVAC electric drive solutions	1998	231,379	1.4
5.	Customer D	An international company listed on the New York Stock Exchange, that is mainly engaged in water pump and water treatment business, with business all over the world.	Industrial electric drive solutions	2008	204,902	1.3
Total					2,249,783	13.8

BUSINESS

For the six months ended June 30, 2025

Rank	Customer	Customer's background	Major type of solutions provided	Year of commencement of business relationship with us	Revenue derived from the customer	Percentage of total revenue
					<i>RMB'000</i>	<i>%</i>
1.	Customer A	An international company listed on multiple exchanges such as the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, that is mainly engaged in providing lifestyle and digital transformation services.	HVAC electric drive solutions	1997	625,783	7.8
2.	Customer C	An international company listed on the Tokyo Stock Exchange, mainly engaged in the air conditioning business, with a global presence.	HVAC electric drive solutions	2008	214,837	2.7
3.	Customer F	An international company listed on the Shanghai Stock Exchange, mainly engaged in the household appliance business, with business all over the world.	HVAC electric drive solutions	1998	186,535	2.3
4.	Customer E	A motor manufacturer whose products are widely used in industry, shipping, construction and other fields, with a global presence.	Industrial electric drive solutions	2000	117,767	1.5
5.	Customer B	An international company listed on the Shenzhen Stock Exchange, and mainly engaged in the household appliance business.	HVAC electric drive solutions	2006	113,806	1.4
Total					1,258,728	15.7

BUSINESS

The credit term that we provided to our five largest customers for each year/period during the Track Record Period generally ranged from 30 to 90 days after the invoice date, with payments made through bank transfers or bank acceptance bill. To the best of our knowledge, except for Customer A, during the Track Record Period and up to the Latest Practicable Date, our five largest customers for each year/period during the Track Record Period were all independent third parties. To the best of our knowledge, none of our Directors, their close associates or any shareholders who own more than 5% of the issued share capital of our Company, had any interest in any of our five largest customers for each of the years/periods during the Track Record Period.

Overlapping customer and supplier

During the Track Record Period, we provided HVAC electric drive solutions to Customer A and Customer B, both of whom were among our major customers and also served as major suppliers. Customer A provided silicon steel to us, while Customer B provided electromagnetic wires to us. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, (i) our revenue derived from Customer A amounted to RMB1,153.8 million, RMB1,069.5 million, RMB1,192.4 million, and RMB625.8 million, respectively, and purchase amounts attributable to Customer A amounted to RMB340.4 million, RMB310.1 million, RMB340.7 million and RMB146.4 million for the same respective period; and (ii) our revenue derived from Customer B amounted to RMB409.6 million, RMB398.1 million, RMB289.0 million and RMB113.8 million, respectively and purchase amounts attributable to Customer B amounted to RMB229.7 million, RMB239.3 million, RMB122.7 million and RMB65.0 million for the same respective period. This situation arises from our long-standing business relationships and complementary needs in the supply chain. Both Customer A and Customer B are leading enterprises in the household appliance sector: on one hand, they have substantial demand for HVAC electric drive solutions; on the other hand, their extensive industry experience and resources in silicon steel and electromagnetic materials enable them to supply us with high-quality raw materials.

In addition, we purchased silicon steel from Supplier C and Supplier D, who were also our customers. We provided explosion-proof and industrial electric drive solutions to them. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, (i) our purchase amounts from Supplier C amounted to RMB573.2 million, RMB573.1 million, RMB578.6 million and RMB288.7 million, respectively, and sales amounts to Supplier C amounted to RMB35.1 million, RMB33.9 million, RMB33.5 million and RMB18.9 million for the same respective period, accounted for 0.2%, 0.2%, 0.2% and 0.2% of our total revenue for the same respective period; and (ii) our purchase amounts from Supplier D amounted to RMB308.2 million, RMB288.2 million, RMB302.7 million and RMB162.2 million, respectively, and sales amounts to Supplier D amounted to RMB5.2 million, RMB35.8 million, RMB11.1 million and RMB7.7 million for the same respective period, accounted for 0.0%, 0.2%, 0.1% and 0.1% of our total revenue for the same respective period. As large-scale steel manufacturing enterprises, their factories have substantial demand for industrial and explosion-proof electric drive solutions, and we have capitalized on this opportunity.

Our transactions with these overlapping customers and supplier were conducted on arm's length, mutually independent basis under normal commercial terms. As advised by Frost & Sullivan, it is common in the electric drive solution industry to have overlapping customers and suppliers.

BUSINESS

Customer Support and After-Sale Services

Our after-sale services are comprehensively integrated into our solution delivery processes, meticulously tailored to the specific criticality and operational demands of each application. To ensure seamless support throughout the product lifecycle, we provide a wide range of after-sale services, including technical onboarding and commissioning support, enabling smooth integration and optimal initial performance of our solutions. Leveraging our embedded sensing modules, we offer proactive remote diagnostics, regular software updates, and predictive maintenance services, significantly enhancing operational efficiency and reducing downtime. We also maintain robust spare parts availability and offer tailored upgrade kits to continuously enhance solution performance and reliability. For critical applications, such as explosion-proof equipment, we provide dedicated on-site repair and overhaul services to ensure uninterrupted operations under stringent safety conditions.

To ensure customer satisfaction and efficient service delivery globally, we have established regional service centers staffed with dedicated service teams across major markets. These teams are supported by our standardized service processes and digital service platforms, facilitating real-time monitoring, rapid response, and comprehensive customer assistance. Furthermore, we implement stringent internal policies and procedures, such as customer classification management, strategic customer relationship protocols, and structured customer complaint handling processes. We conduct annual customer satisfaction surveys to gather valuable feedback, which consistently reflects positive customer experiences and high satisfaction levels.

Our comprehensive after-sales management system, encompassing clearly defined customer support frameworks and standardized global service procedures, ensures we maintain excellent customer relationships, effective service delivery, and high operational standards. As of the Latest Practicable Date, we had not encountered any significant product returns, claims, complaints, or cessation of cooperation with customers, underscoring our effectiveness in maintaining exceptional customer support and satisfaction.

RAW MATERIALS AND SUPPLIERS

Raw Materials and Components

Our raw materials and components primarily include silicon steel, copper wire, permanent magnetic materials, electrical components and bearings. During the Track Record Period, we procured raw materials and components from suppliers both in China and overseas. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our cost of materials amounted to RMB8,433.3 million, RMB9,289.6 million, RMB9,869.3 million, RMB4,758.9 million and RMB4,805.8 million, respectively, accounting for 77.7%, 78.4%, 79.0%, 79.1% and 79.3% of our total cost of sales during the respective periods.

During the Track Record Period, we did not experience any shortage of raw materials that resulted in interruptions in our production nor did we experience any quality issues in respect of our raw materials that would materially affected our operations. We believe our stable relationships with our suppliers will continue to ensure a sufficient and reliable supply of raw materials and components, while also helping to mitigate fluctuations in raw materials going forward.

BUSINESS

Our Suppliers

In the context of globalization, we place great emphasis on constructing our supply chain management system. We are committed to ensuring efficient supply chain operations, reducing costs and achieving rapid delivery. Meanwhile, we also focus on enhancing supply chain resilience to address frequent disruptions and market fluctuations, including external factors like trade tariff disputes. Guided by the dual-track management philosophy prioritizing both “efficiency” and “resilience,” we have established a globally integrated supply network with regional coordination.

More specifically, we adopt a dual-location supply strategy for major materials such as silicon steel, copper wire, and electrical components in China and around the world including the United States, Mexico, Vietnam, and Europe, enabling us to switch supply regions flexibly to respond to various emergencies. Through the integration of CRM, MES, SRM, Transportation Management System (“TMS”) and ERP systems, we have achieved full-process data interoperability from customer demands to production plans, production progress, suppliers’ inventory, order plans as well as shipping information. This allows us to visually monitor the status of the entire chain and dynamically allocate resources to ensure the stability of the supply chain.

Supplier management system

We implement rigorous supplier management process that governs qualification, procurement, monitoring, and traceability, which mainly include supplier admission, regular evaluation, and supplier exit mechanisms.

All critical raw materials and components must be sourced from pre-approved suppliers. Our procurement managers collect key information about new suppliers including financial status, credit rating, operating conditions, industry qualifications, technical level, production capacity, and ESG commitments and file as preliminary preparation for supplier onboarding subsequently. Once new suppliers meet basic requirements, they will be included in the qualified supplier list and enter the sample testing stage. Only those who meet the requirements shall be authorized to supply.

We regularly evaluate suppliers across delivery time, quality, technology employed and other dimensions. For suppliers that fail to meet the performance standards, we require them to make improvements and enhancements. If they are still unable to meet the standards, we will initiate an exit mechanism for them; this will ensure that suppliers can always meet the needs of our products. We use the SRM system to manage suppliers throughout their life cycle.

BUSINESS

Agreement with suppliers

We generally procure raw materials from suppliers through non-exclusive supply contracts. We proactively adopt supplier management policies including maintaining two or more suppliers, securing stock in advance and having alternative suppliers to ensure the stable supply of raw materials. We have established long-term relationships with our suppliers with sufficient supply of raw materials and reliable supply channels.

We typically enter into framework supply agreements with suppliers for critical raw materials and components, the salient terms of which are set forth below.

<i>Duration</i>	:	Generally ranges between one to three years.
<i>Product specification</i>	:	The product type, specification, price, quantity, delivery timeline and other detailed items are generally specified in each purchase order we send to our suppliers.
<i>Payment</i>	:	We are generally granted with a credit period within 150 days upon the receipt of goods and products.
<i>Quality guarantee</i>	:	We usually inspect and accept products in accordance with our specifications, as well as national, local and industry standards, and the requirements of quality agreements. Should any quality issues arise during the warranty period, the supplier shall be responsible for replacement.
<i>Termination</i>	:	Agreements can generally be terminated by either party through a notice.

Major suppliers

During the Track Record Period, our major suppliers primarily include raw material and components suppliers in both China and overseas. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, purchase amounts from the five largest suppliers in each year/period during the Track Record Period was RMB1,742.1 million, RMB1,663.3 million, RMB1,821.6 million and RMB879.3 million, respectively, accounting for 19.1%, 16.8%, 16.7% and 17.1% of our total purchase amounts, respectively. For the same years/periods, purchase amounts from the largest supplier in each year/period during the Track Record Period was RMB573.2 million, RMB573.1 million, RMB578.6 million and RMB288.7 million, respectively, accounting for 6.3%, 5.8%, 5.3% and 5.6% of our total purchase amounts, respectively.

BUSINESS

The following table sets forth the details of the five largest suppliers in each year/period during the Track Record Period.

For the year ended December 31, 2022

Rank	Supplier	Supplier's background	Major type of products purchased	Year of commencement of business relationship with us	Purchase amounts paid to the suppliers <i>RMB'000</i>	Percentage of total purchase amounts <i>%</i>
1.	Supplier C	A company listed on the Shanghai Stock Exchange, that is mainly engaged in manufacture and sale of high-end steel products such as automotive sheets, household appliance sheets, and silicon steel.	Silicon steel	2005	573,216	6.3
2.	Customer A ¹	An international company listed on multiple exchanges such as the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, that is mainly engaged in providing lifestyle and digital transformation services.	Silicon steel	2015	340,398	3.7
3.	Supplier D	A company listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, that is mainly engaged in manufacture and sale of hot-rolled plate, cold-rolled plate, galvanized plate, medium and heavy plate, seamless steel pipe, and silicon steel.	Silicon steel	2006	308,195	3.4
4.	Supplier E	A listed company on the Shanghai Stock Exchange, that is mainly engaged in the production of electromagnetic wires in the industry.	Electromagnetic wire	2005	290,548	3.2
5.	Customer B ²	An international company listed on the Shenzhen Stock Exchange, that is mainly engaged in the household appliance business.	Electromagnetic wire	2014	229,740	2.5
Total					1,742,097	19.1

Notes:

- Customer A, one of our major customers, was also a major supplier during the Track Record Period. For details, please refer to analysis in the sub-section headed “Overlapping customer and supplier” above.
- Customer B, one of our major customers, was also a major supplier during the Track Record Period. For details, please refer to analysis in the sub-section headed “Overlapping customer and supplier” above.

BUSINESS

For the year ended December 31, 2023

Rank	Supplier	Supplier's background	Major type of products purchased	Year of commencement of business relationship with us	Purchase amounts paid to the suppliers <i>RMB'000</i>	Percentage of total purchase amounts <i>%</i>
1.	Supplier C	A company listed on the Shanghai Stock Exchange, that is mainly engaged in manufacture and sale of high-end steel products such as automotive sheets, household appliance sheets, and silicon steel.	Silicon steel	2005	573,142	5.8
2.	Customer A ¹	An international company listed on multiple exchanges such as the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, that is mainly engaged in providing lifestyle and digital transformation services.	Silicon steel	2015	310,119	3.1
3.	Supplier D	A company listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, that is mainly engaged in manufacture and sale of hot-rolled plate, cold-rolled plate, galvanized plate, medium and heavy plate, seamless steel pipe, and silicon steel.	Silicon steel	2006	288,175	2.9
4.	Supplier E	A listed company on the Shanghai Stock Exchange, that is mainly engaged in the production of electromagnetic wires in the industry.	Electromagnetic wire	2005	252,544	2.6
5.	Customer B ²	An international company listed on the Shenzhen Stock Exchange, that is mainly engaged in the household appliance business.	Electromagnetic wire	2014	239,272	2.4
Total					1,663,252	16.8

Notes:

- Customer A, one of our major customers, was also a major supplier during the Track Record Period. For details, please refer to analysis in the sub-section headed “Overlapping customer and supplier” above.
- Customer B, one of our major customers, was also a major supplier during the Track Record Period. For details, please refer to analysis in the sub-section headed “Overlapping customer and supplier” above.

BUSINESS

For the year ended December 31, 2024

Rank	Supplier	Supplier's background	Major type of products purchased	Year of commencement of business relationship with us	Purchase amounts paid to the suppliers <i>RMB'000</i>	Percentage of total purchase amounts <i>%</i>
1.	Supplier C	A company listed on the Shanghai Stock Exchange, that is mainly engaged in manufacture and sale of high-end steel products such as automotive sheets, household appliance sheets, and silicon steel.	Silicon steel	2005	578,600	5.3
2.	Customer A ¹	An international company listed on multiple exchanges such as the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, that is mainly engaged in providing lifestyle and digital transformation services.	Silicon steel	2015	340,654	3.1
3.	Supplier E	A listed company on the Shanghai Stock Exchange, that is mainly engaged in the production of electromagnetic wires in the industry.	Electromagnetic wire	2005	338,412	3.1
4.	Supplier D	A company listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, that is mainly engaged in manufacture and sale of hot-rolled plate, cold-rolled plate, galvanized plate, medium and heavy plate, seamless steel pipe, and silicon steel.	Silicon steel	2006	302,718	2.8
5.	Supplier F	A private company incorporated in China, that is mainly engaged in the manufacture and sale of electromagnetic wires.	Electromagnetic wire	2020	261,247	2.4
Total					1,821,631	16.7

Note:

- Customer A, one of our major customers, was also a major supplier during the Track Record Period. For details, please refer to analysis in the sub-section headed “Overlapping customer and supplier” above.

BUSINESS

For the six months ended June 30, 2025

Rank	Supplier	Supplier's background	Major type of products purchased	Year of commencement of business relationship with us	Purchase amounts paid to the suppliers <i>RMB'000</i>	Percentage of total purchase amounts <i>%</i>
1.	Supplier C	A company listed on the Shanghai Stock Exchange, that is mainly engaged in manufacture and sale of high-end steel products such as automotive sheets, household appliance sheets, and silicon steel.	Silicon steel	2005	288,720	5.6
2.	Supplier D	A company listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, that is mainly engaged in manufacture and sale of hot-rolled plate, cold-rolled plate, galvanized plate, medium and heavy plate, seamless steel pipe, and silicon steel.	Silicon steel	2006	162,203	3.2
3.	Supplier G	A private company incorporated in China, that is mainly engaged in electrical materials, wires and cables, and special cables.	Electromagnetic wire	2024	152,299	3.0
4.	Customer A ¹	An international company listed on multiple exchanges such as the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and the Frankfurt Stock Exchange, providing lifestyle and digital transformation services.	Silicon steel	2015	146,440	2.8
5.	Supplier E	A company listed on the Shanghai Stock Exchange, that is mainly engaged in the production of electromagnetic wires in the industry.	Electromagnetic wire	2005	129,596	2.5
Total					879,258	17.1

Note:

- Customer A, one of our major customers, was also a major supplier during the Track Record Period. For details, please refer to analysis in the sub-section headed “Overlapping customer and supplier” above.

BUSINESS

The credit period granted by our five largest suppliers for each year/period during the Track Record Period generally ranged from 30 to 90 days upon the invoice date, with payments made through bank transfers or bank acceptance bill. To the best of our knowledge, except for Customer A, during the Track Record Period and up to the Latest Practicable Date, our five largest suppliers for each of the years/periods during the Track Record Period were all independent third parties. To the best of our knowledge, none of our Directors, their close associates or any shareholders who own more than 5% of the issued share capital of our Company, had any interest in any of our five largest suppliers for each of the years/periods during the Track Record Period.

QUALITY CONTROL

We have established a full-process quality management system in accordance with internationally recognized quality management system standards, spanning the entire lifecycle from product research and development, raw material procurement to finished product shipment and transportation. We issue annual quality control requirements with annual quality control objectives. The quality department then adjusts the quality management methods, monitors and ensures implementation, conducts evaluations, and undertakes corresponding measures.

We have obtained a series of quality management system certifications and product certifications. For example:

- All our factories have been awarded the ISO 9001 certification;
- For explosion-proof electric drive solutions, we have obtained certifications including the CNEX explosion-proof certificate, ATEX (EU mandatory certification), and IECEx (international explosion-proof product certification);
- For industrial electric drive solutions, we comply with standards set by the International Electrotechnical Commission (IEC) and the National Electrical Manufacturers Association (NEMA) of the United States. Our industrial marine motors have obtained classification society certifications;
- For HVAC electric drive solutions, we have obtained product-specific certifications recognized by TÜV (German Technical Supervision Association) and CQC (China Quality Certification Center);
- For E-mobility drive solutions, our electric vehicle drive systems have passed the VDA6.3 audit conducted by the German Association of the Automotive Industry (VDA) and obtained the IATF 16949 international certification for automotive quality management systems;
- Additionally, for our exports to the Americas, Europe and other countries, we have obtained certifications such as UL and CE in accordance with the respective national standards.

BUSINESS

Key Quality Control Points

We have formulated quality control plans and developed quality inspection forms by identifying critical quality control points based on the manufacturing characteristics of business operations. This enables us to strengthen the management of critical control points in the quality management process and prevent risks.

Supplier Onboarding and Management

We have established a comprehensive and systematic supplier management system. The onboarding of new suppliers is subject to a rigorous process, including data collection, on-site inspections and qualification assessments by supplier quality engineers (SQEs), cost evaluation, and comprehensive reviews by a review panel. Upon onboarding, we require suppliers to sign technical agreements and quality assurance agreements and conduct regular performance evaluations of suppliers based on comprehensive factors including delivery, cost and quality. Through these measures, we ensure the reliability, stability and agility of our supply chain.

Inspection of Raw Materials

We conduct rigorous inspections of all incoming raw materials and components in accordance with standard drawings and incoming material inspection specifications. We generate inspection records to ensure that only materials meeting quality standards are allowed to enter the warehouse.

Inspection of Production Process

Our operators strictly adhere to standard operating procedures (SOP) in production operations. Our inspectors conduct rigorous monitoring of the production process in accordance with standard quality control procedures and inspection forms, with 100% inspection implemented for critical processes. Additionally, we perform regular maintenance on production equipment and enforce strict environmental controls, monitoring and regulating temperature, humidity, and cleanliness. Through these measures, we ensure that the quality of the production process remains under control.

Inspection of Finished Products

Prior to the storage of finished products, in accordance with factory testing requirements, we conduct product performance tests using dedicated machinery and equipment to comprehensively inspect the electrical, mechanical, and operational characteristics of the products, ensuring that their performance, safety, and reliability meet the required standards before leaving the factory. Additionally, we carry out inspections on appearance, packaging, technical documents, and other aspects to ensure that all details of the products comply with customer requirements.

Warehousing

We have formulated standardized inventory management measures. Raw materials, semi-finished products, and finished products with different storage requirements are stored in

BUSINESS

warehouses with corresponding environmental conditions, and the storage environment (such as temperature and humidity) is monitored regularly. Warehouse management personnel maintain standardized records of inbound and outbound goods, ensuring consistency in account, physical inventory, and card management to guarantee the traceability of inventory. For hazardous chemicals, we adopt special measures to ensure safe storage and management.

Delivery

We ensure that products are packaged in the safest manner and delivered to customers’ designated destinations. Our logistics processes are designed to maintain the integrity and quality of products during transportation, with real-time monitoring of product conditions throughout the logistics journey.

Through the implementation of the aforementioned quality control measures, we are able to provide customers with high-quality solutions and ensure timely delivery. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material sales returns from customers, nor had we received any product liability claims or other legal claims related to product quality.

WAREHOUSING AND LOGISTICS MANAGEMENT

We are committed to developing an efficient and transparent logistics supply chain to ensure customer satisfaction and enhance inventory efficiency. We continuously refine and standardize the warehousing and distribution systems across our self-operated warehouses globally, while also effectively managing third-party logistics providers. As of June 30, 2025, we operated 12 warehousing centers across China and selected overseas regions to support finished goods storage, inbound raw materials and components, and spare parts management. These warehouses are co-located with or adjacent to our factories to ensure real-time coordination between production and distribution functions.

We primarily cooperate with third-party logistics providers for transportation of our products from factories to place designated by clients when we are responsible for the delivery. This approach enables cost optimization and operational scalability. Our logistics partners are selected through competitive evaluation based on service quality, price transparency, and historical performance. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delays, disputes, or transportation-related losses that materially and adversely affected our business operations.

INVENTORY MANAGEMENT

We have formulated distinct inventory control strategies and set inventory levels for different types of inventory based on a comprehensive assessment of market analysis, demand forecasting, production planning, procurement prices, and procurement lead times. Our inventory primarily consists of raw materials, components, semi-finished products, and finished goods.

We evaluate the rationality of inventory using inventory value and inventory turnover days. For the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2025, our inventory turnover days were 105 days, 103 days, 103 days and 105 days, respectively.

BUSINESS

INFORMATION TECHNOLOGY

Information technology systems are essential to competitiveness and efficient operations. We utilize and maintain information technology (“IT”) system that evolve our key information technology systems are set forth below:

- ERP system: our enterprise resource planning system is a centralized platform that integrates and manages our core business across finance, human resources, supply chain, manufacturing, sales and inventory. It facilitates cross-departmental collaboration by aligning process for smoother workflow coordination.
- SRM system: our supplier relationship management system is a comprehensive software platform that enables us to streamline and optimize interactions with our suppliers across the entire procurement lifecycle. It centralizes supplier data, facilitating systematic supplier onboarding, rigorous performance evaluation and efficient contract management. By providing real-time visibility into supplier-related activities, it enhances collaboration, strengthens supply chain transparency, and supports data-driven decisions in supplier selection, risk mitigation, and relationship improvement.
- MES system: our manufacturing execution system connects our ERP systems and production departments, focusing on real-time monitoring and control of manufacturing processes. It helps us track and document production activities in real time, including work orders, material usage, equipment performance and labor inputs, ensuring visibility into every stage of manufacturing.
- PLM system: our product lifecycle management system is a system that manages information and processes throughout a product’s entire lifecycle, spanning from demand analysis, planning, design, production, distribution, operation, usage, maintenance, to recycling, reuse, and disposal. It supports advanced design and manufacturing technologies including concurrent design, agile manufacturing, collaborative design and manufacturing, and networked manufacturing.
- TMS system: our transportation management system is a platform that optimizes and streamlines our transportation and logistic operations across the supply chain. It centralizes the planning, execution, and monitoring of transportation activities by integrating real-time data on vehicle availability, delivery schedules, and regulatory compliance requirements. It helps us enhance operational efficiency, reduces freight costs through optimized resource utilization, minimizes delivery delays via proactive exception management, and ensures adherence to legal and contractual obligations.

BUSINESS

- CRM system: our customer relationship management system helps us manage and optimize interactions with customers throughout the customer lifecycle. It helps us centralize customer data across departments for easy access, analyze customer behavior and preferences, enabling data-driven strategies for marketing campaigns, retention efforts and tailored offerings. It can also help ensure compliance and traceability by maintaining detailed records of production steps, materials, and quality checks, which are crucial for industries.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any information technology system failure or downtime that had a material adverse effect on our business operations.

COMPETITION

We primarily operate in the global electric drive solution market, which is relatively fragmented with a diverse mix of suppliers across motors, drives, controllers and integrated solutions. The market remains competitive, and its dynamic varies by segment and application but generally remain competitive. Leading companies are primarily concentrated in Europe, the United States, China and Japan, where robust manufacturing ecosystems, strong research and development capabilities and supportive policies foster both high-end innovation and large-scale production. According to Frost & Sullivan, in terms of revenue in 2024, we ranked (i) first in the global explosion-proof electric drive solution market, with a market share of approximately 4.5%; (ii) fourth in the global industrial electric drive solution market, with a market share of approximately 2.8%; and (iii) fifth in the global HVAC electric drive solution market, with a market share of approximately 2.0%. For details, please refer to “Industry Overview — Competitive Landscape of Global Electric Drive Solution Market” in this document.

PROPERTIES

As of June 30, 2025, our Company and Major Subsidiaries owned the land use rights of 26 parcels of land in China with an aggregate site area of approximately 2,265,429.46 sq.m. We primarily use these properties as our production facilities and office premises. All these land parcels have been granted land use right certificates. As of June 30, 2025, our Company and Major Subsidiaries owned (i) 73 properties with an aggregate site area of approximately 1,163,884.14 sq.m, that had obtained the relevant title certificates in China; and (ii) one property, with a site area of approximately 58,725 sq.m, that was still in process of obtaining the relevant title certificate in China. Certain parts of the property have been completed and put into use, primarily as office premises, while the remaining parts was still under construction as of the Latest Practicable Date. Pursuant to the relevant applicable laws and regulations, we are only allowed to apply to the local housing authorities for the title certificate upon the completion of construction of all parts of the property, which is the reason why the title certificate for such property has not yet been obtained. As confirmed by our PRC Legal Advisers, our current use of the property does not violate relevant laws and regulations.

BUSINESS

As of June 30, 2025, our Company and Major Subsidiaries leased three properties with an aggregate site area of approximately 25,357.8 sq.m in China, which are primarily used for production and operations. As of June 30, 2025, these properties leased by us have not been registered with the local housing authorities. These leased properties were primarily used for production premises. According to the relevant laws and regulations, we may be ordered by the competent authorities to make corrections within a certain period of time, and being subject to a fine up to RMB10,000 per lease in the event of failure to make corrections within the deadline. As advised by our PRC Legal Advisers, the lack of registration and filing of lease agreements does not affect the legal effect of such lease agreements, and the failure to register and file the aforesaid property lease agreements will not have any material adverse impact on our production and operation.

As of June 30, 2025, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INSURANCE

We consider our insurance coverage to be adequate and in accordance with the commercial practices in the industries in which we operate in. Our assets, employee safety and other applicable risks are covered by commercial insurances including product liability insurance, accident insurance, property insurance, transportation insurance and liability insurance for senior management personnel. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustment to our insurance plans to align with our needs and with industry practice. During the Track Record Period, we did not make any material insurance claims in relation to our business.

However, there can be no guarantee that we will not incur losses or suffer claims beyond the limits, or outside the relevant coverage, of our insurance policies. For details, please refer to “Risk Factors — Risks Relating to our Business and Industry — Insurance coverage for our business, products and properties may not be sufficient to protect us from potential losses” in this document.

BUSINESS

EMPLOYEES

As of June 30, 2025, we had a total of 14,425 employees worldwide. The following tables set forth a breakdown of our employees by geographic locations and by function as of the same date:

<u>Geographic Locations</u>	<u>Number of Employees</u>	<u>Percentage</u> %
The PRC	10,216	70.8
Europe, the Middle East and Africa	2,415	16.7
The Americas	1,179	8.2
Asia-Pacific (excluding China)	615	4.3
Total	14,425	100.0

<u>Department/Function</u>	<u>Number of Employees</u>	<u>Percentage</u> %
Production Department	9,665	67.0
Sales Department	793	5.5
Technology Department	1,875	13.0
Finance Department	274	1.9
Administration Department	1,818	12.6
Total	14,425	100.0

We attach great importance to our employees. We recruit talents through diversified channels, including major online recruitment platforms, offline campus recruitment and local talent market job fairs, supplemented by headhunting and internal or external recommendation methods. We conduct comprehensive evaluations of job applicants through on-site interviews, video interviews and other forms, and strictly screen talents who meet the job requirements. Meanwhile, we provide sufficient onboarding training and guidance to ensure new employees can quickly integrate into our corporate culture and work environment.

As required by the laws and regulations in the jurisdictions in which we operate, we participate in employee social security plans. We care about employees’ work-life balance, offering additional welfare holidays beyond statutory holidays, along with diversified allowances and subsidies. For special working environments like high-temperature or high-risk areas, we issue high-temperature subsidies and anti-heatstroke supplies to safeguard the health of our front-line staff. We also provide living expense subsidies and communication allowances for employees in need as well as free staff dormitories or rental subsidies for non-local and young employees.

BUSINESS

We have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any strikes, protests or other material labor conflicts that may materially and adversely affect our business, financial condition or results of operations. As of the Latest Practicable Date, our employees in China were represented by a labor union.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Since our establishment, we have been committed to providing green solutions and integrated services for customers across various industries. We actively practice the concept of green manufacturing, continuously optimize the energy efficiency management system, and earnestly respond to the national “carbon peaking and carbon neutrality” strategic goals. We place strategic importance of ESG in our operations. Adhering to the core philosophy of “integrity, harmony, and innovation (誠、和、創)” and guided by sustainable development, we continuously strengthen the internal governance system, accelerate the promotion of green and low-carbon transformation, and strive to fully integrate the ESG concept into business operations and decision-making processes, so as to drive high-quality and sustainable development.

We have identified key ESG issues, such as governance, emissions, energy consumption, employee health and safety and product and service management, by benchmarking against the Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange, industry standards for international sustainability disclosure, and ESG reports from listed companies in the same sector. To address these issues, we have developed relevant policies and management processes to ensure compliance and promote stable, sustainable operations.

Our Governance

We recognize the strategic significance of internal governance in attaining ESG objectives. We have formulated comprehensive internal policies such as the internal control management system and inspection and supervision regulations, and has established a sustainable development governance structure. This system constitutes a “top to bottom” mechanism as follows:

- **The Board:** responsible for formulating the ESG strategic policy system and overall planning framework; identifying, assessing and prioritizing the management of major ESG issues and potential risks; establishing an ESG risk management and internal control system aligned with business characteristics and ensuring its effective operation; setting ESG objectives, regularly reviewing the progress in achieving such objectives and approving ESG reports;
- **Strategy and ESG committee:** responsible for research on the group’s ESG-related strategies, plans and major decisions, put forward suggestions, promote and guide the practice of ESG work; monitoring ESG matters that have a significant impact on the group’s business, identify and evaluate ESG risks and opportunities, supervise the annual performance of ESG matters; and reviewing annual ESG report and related information disclosure;

BUSINESS

- **ESG working group:** responsible for coordinating the collaborative cooperation and implementation of ESG initiatives among our various departments and third-party institutions; collecting and organizing communication data from external stakeholders; submitting analysis of material ESG issues and improvement recommendations to Strategy and ESG management committee on a regular basis.

ESG Risk Management

We advocate a culture that “no risk awareness is trivial” and require managers at all levels to integrate risk management concepts into their daily decision-making and operations. Through regular organization of discussions, internal training and case analysis, we have gradually established a risk prevention and control mechanism involving staff participation and cross-department collaborations. Meanwhile, in response to changes in the internal and external environment and the needs of business development, we continuously optimize risk management tools and processes, and enhance the early warning and response capabilities in key risk areas.

We have comprehensively incorporated ESG risks into the overall risk management framework and established a systematic management process in accordance with the “Guidelines for the Application of Enterprise Internal Control” as specified below:

- **ESG risk identification:** we have established a regular risk collection mechanism, focusing on core ESG areas including environmental protection, production safety, and internal controls. Each department updates its risk information database on a quarterly basis, which is then uniformly aggregated and managed by risk control department. Meanwhile, in combination with industry trends, changes in regulatory policies, and stakeholders’ concerns, special risk assessments are conducted regularly to ensure the comprehensiveness and timeliness of risk identification.
- **ESG risk assessment:** a combined qualitative and quantitative assessment methodology is adopted to conduct comprehensive evaluation from two dimensions: the probability of risk occurrence and the degree of impact; a risk matrix is also used for grading purposes. Our risk control department regularly organizes risk review meetings to identify, classify and grade material ESG risks.
- **ESG risk response:** we have formulated differentiated response strategies based on risk levels, including measures such as risk prevention, mitigation, transfer, and acceptance. For high-risk matters, we reduce the probability of risk occurrence by strengthening internal controls and conducting special trainings. A continuous tracking mechanism has been established to regularly evaluate and optimize identified risk matters and formulate emergency plans.
- **ESG risk monitoring and reporting:** a monthly risk reporting mechanism and a special audit system have been established. The Strategy and ESG Committee regularly inspects key areas of ESG risks and submits risk assessment reports to the Board. Risk indicators are dynamically monitored through informational means to ensure that risk conditions are timely fed back and addressed.

BUSINESS

- **Continuous improvement:** we conduct internal audits and external special audits annually, carry out case analysis and summarize identified issues, and enhance employees’ awareness of ESG risks through training, process optimization and other initiatives.

Environmental

Energy Consumption

Our primary energy consumption includes purchased electricity, purchased steam, diesel, gasoline, natural gas, liquefied petroleum gas and propane. During the Track Record Period, clean electricity and clean fuels have constituted the mainstay of our energy consumption system. All of our production facilities have fully phased out coal-fired boilers and switched to clean energy sources such as natural gas and electricity for heating or power. Through the optimization of the energy structure, we have effectively reduced the consumption of high-carbon energy. In terms of energy consumption management, we have established an energy management system and an energy consumption monitoring system, implementing digital collection and analysis of energy consumption data such as electricity, water, and gas in each production facility, and realizing visual monitoring of the operation of key energy-consuming equipment.

The following table sets our energy use during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
Purchased Steam (GJ)	11,978.14	29,669.00	34,269.10	20,883.24
Diesel (tons)	192.73	193.12	169.44	73.36
Gasoline (tons)	81.87	195.42	203.12	96.46
Natural Gas (m ³)	7,609,264.76	6,651,334.32	6,211,315.86	3,882,777.25
Liquefied Petroleum Gas (tons)	128.01	117.77	132.53	36.61
Propane (tons)	32.33	73.64	66.06	32.88
Total Energy Consumption (MWh)	271,449.50	256,850.15	254,970.17	131,532.48
Energy Consumption Intensity (MWh/million revenue)	19.03	16.50	15.69	16.38

BUSINESS

Water Resource Management

We primarily use municipal water. During the Track Record Period, we strengthened our water management efforts. All of our production facilities have been installed with precision water meters and monitoring systems, which regularly aggregate and analyze water consumption data to identify abnormal consumption and make timely improvements. Meanwhile, we require each production facility to set annual water-saving targets and implement corresponding control measures.

All of our production facilities adhere to the principles of separating clean water from sewage and discharging only after meeting standards in terms of wastewater treatment, ensuring that industrial wastewater and domestic sewage are properly treated before discharge. During the Track Record Period, we maintained a 100% compliance rate for wastewater discharge. Production wastewater mainly includes electroplating wastewater, cleaning wastewater, and cooling drainage, which contain certain amounts of oil, heavy metals, and suspended solids.

In terms of management, we require all units to regularly monitor the quality of discharged water, with indicators including pH value, chemical oxygen demand, ammonia nitrogen, and heavy metals, to ensure continuous compliance with emission standards.

Waste Management

The hazardous waste generated by us mainly comes from paint spraying and mechanical processing, including paint residues, oil-stained rags and gloves, waste engine oil, waste organic solvents, and a small amount of heavy metal-containing waste. All production facilities are equipped with standardized temporary storage rooms for hazardous waste, where such waste is collected by category, stored in a sealed manner, with labels posted and ledgers established. Qualified hazardous waste management units are entrusted to conduct regular disposal, ensuring full compliance with legal requirements throughout the process. For different types of hazardous waste, each production facility adopts corresponding safe disposal methods. The non-hazardous waste generated during our operations mainly includes metal scraps, packaging materials (wooden pallets, cartons, plastic packaging) and domestic waste. During the Track Record Period, our non-hazardous waste has remained compliant, and no pollution incidents have occurred due to improper management of non-hazardous waste.

The following table sets our waste discharge in the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
Hazardous Waste (tons)	1,690.67	1,719.84	1,911.65	902.17
Non-hazardous Waste (tons)	32,583.57	35,768.95	37,107.84	17,211.32

BUSINESS

Air Pollutant Emission

Our production processes generate air pollutants, mainly from procedures such as spray painting and drying, dip painting, welding and cutting, and casting. Among them, volatile organic compounds (VOCs) and particulate matter (PM) come from spraying and mechanical processing. Nitrogen oxides (NOx) mainly come from natural gas combustion equipment (such as gas-fired boilers and heat treatment furnaces), with a small amount from high-temperature processes like casting and smelting. We minimize the impact of emissions through well-established waste gas treatment facilities.

Response to Climate Change

We refer to the framework and recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to identify and assess the risks related to climate change, evaluating their actual and potential impacts on our operations, strategies, and financial performance. We actively implement countermeasures to promote the sustainability of our enterprise.

Greenhouse Gas Emission

During the Track Record Period, we have been dedicated to energy structure adjustment, popularization of energy-saving technologies, and substitution of clean energy to reduce the carbon footprint of our production and operations. The following table sets forth our greenhouse gas emissions (Scope 1 and 2) during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
Scope 1 GHG emissions ¹ (tCO ₂ e)	18,030.21	16,365.53	15,372.98	9,243.10
Scope 2 GHG emissions ² (tCO ₂ e)	87,302.05	85,518.13	87,915.35	42,121.01
Total GHG emissions (scope 1 and 2) (tCO ₂ e)	105,332.26	101,883.65	103,288.34	51,364.12
GHG emission intensity (tCO ₂ e/million revenue) . . .	7.38	6.54	6.36	6.40

Notes:

- (1) GHG Scope 1 emissions are calculated based on the consumption of diesel, gasoline, natural gas, liquefied petroleum gas and propane and relevant emission factors, with the emission factors referenced from Appendix 4 of the China Energy Statistical Yearbook 2020 and the IPCC, 2014: Climate Change 2014: Synthesis Report, Intergovernmental Panel on Climate Change Fifth Assessment Report, Working Group I, II, and III Reports.
- (2) GHG Scope 2 emissions are calculated based on purchased electricity and purchased steam and relevant emission factors, with the emission factors referenced from the IEA Emission Factors Package, 2025Q1 edition and the Notice on Greenhouse Gas Emission Factor issued by Ministry of Ecology and Environment of China in December 2024.

BUSINESS

Employment Management

Our goal is to create a diverse, equal and inclusion work environment. We are committed to non-discrimination in all aspects of human resources management, including recruitment, training, promotion, salary and benefits, rewards, and punishments. We do not tolerate discrimination based on gender, race, religious belief, age, disability, or other legally protected characteristics. We strictly prohibit the employment of child labor in any form.

Training and Development

Adhering to the training philosophy of “stratified coverage and precise empowerment,” we have built a strategically-oriented three-level training management system of “Group — Business Unit — Grassroots Unit.” Through a standardized and systematic training mechanism, we continuously improve employees’ professional skills and comprehensive quality, providing strong talent support for the realization of our strategic goals.

Health and Safety

We firmly believe that workplace safety constitutes the cornerstone of an enterprise’s sustainable development. We have consistently prioritized occupational health and safety management, having obtained ISO 45001:2018 Occupational Health and Safety Management System Certification and established a robust safety management system to ensure that safety responsibilities and requirements are institutionally embedded throughout the entire operational process. We have set up dedicated environment, health and safety (EHS) management institutions and positions, and implemented a workplace safety responsibility system on a tier-by-tier basis.

We have established a daily monitoring and reporting mechanism for occupational disease hazards. Through an occupational health online management system, workplace risks are monitored in real time, and physical examination and testing data are reported in accordance with regulatory requirements. Safety facilities are inspected and maintained regularly, and all on-site safety facilities operated normally throughout the Track Record Period.

We adhere to the “prevention first” principle and continuously strengthen safety training, education, and risk prevention and control measures to enhance all employees’ safety awareness and emergency response capabilities. In 2024, we conducted workplace safety activities over 25 times and the cumulative duration of workplace safety training was more than 1,570 hours.

Supply Chain Management

We have established a comprehensive supplier onboarding evaluation process. Through systematic screening and verification, we ensure that suppliers meet our cooperation requirements in terms of qualifications, capabilities, and quality. This process covers multiple stages, including the development of potential suppliers, qualification review, sample verification, and eligibility assessment. Only after passing strict scoring criteria and approvals are suppliers included in the qualified supplier list.

- At the environmental management level, we evaluate whether suppliers have obtained certifications such as ISO 14001 or the Eco-Management and Audit Scheme (EMAS),

BUSINESS

and whether they have established environmental factor control mechanisms (such as environmental impact assessment reports and emergency response plans). We also verify waste classification, hazardous chemicals management processes, and regulatory compliance (including the implementation of the Restriction of Hazardous Substances (RoHS) directive and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation), and pay attention to the progress of green system construction.

- At the occupational health and safety level, we review whether suppliers have obtained certifications such as ISO 45001 and whether they have systematically identified and controlled hazard sources. We also verify the effectiveness of personal protective equipment, safety devices of equipment, and qualifications for special operations, as well as check safety records, emergency response plans, and protective measures, which serve as the basis for scoring safety management.
- At the Corporate Social Responsibility (“CSR”) level, we assess whether suppliers have formulated CSR documents and retained implementation records, verify the compliance of recruitment practices, and check documents related to social security contributions and the absence of penalties. We also evaluate mechanisms for collecting employees’ opinions, reports on fire safety and hazardous chemical drills, and inspect the configuration of first-aid supplies, medicines, and related training, which serve as key elements for scoring their fulfillment of social responsibilities.

Anti-corruption

We strictly comply with relevant laws and regulations. We formulated internal anti-corruption policies, which clearly specify the specific requirements and implementation standards for anti-corruption efforts. Meanwhile, we have established an independent reporting mechanism to strictly protect the identity and privacy of whistleblowers, ensuring that all employees and stakeholders can conveniently report issues, building a solid line of defense for integrity from both institutional and mechanism perspectives.

We provide various training programs to our employees. Meanwhile, special integrity and compliance training sessions were organized for core suppliers to ensure that all stages in the supply chain comply with the standards of honest operation, prevent the risk of commercial corruption from the source, and guarantee the steady operation of all businesses on a compliant track.

In addition, we have established a complete supervision and reporting mechanism to ensure that stakeholders can reflect problems through multiple channels. This includes setting up fixed-channel such as special-line telephones for branches and subsidiaries, supervision acceptance hotlines and dedicated email boxes; other diversified online and offline submission channels such as WeChat, DingTalk, telephone and mail are opened to build an all-round complaint acceptance network.

BUSINESS

Corporate Social Responsibility

We recognize that our development relies on the support of local communities. We actively participate in rural revitalization and local community development initiatives, focusing on public welfare areas such as education, poverty alleviation, and disaster relief, and diligently fulfill our responsibilities as a corporate citizen.

All our donations strictly comply with relevant laws and regulations, undergoing internal decision-making approval and external information disclosure procedures to ensure openness and transparency. In the upcoming fiscal year, we plan to expand our initiatives in areas such as targeted poverty alleviation, education and student assistance, and green environmental protection, earnestly practicing the philosophy of “taking from society and giving back to society,” and contributing our strength to common prosperity and sustainable development.

INTERNAL CONTROL AND RISK MANAGEMENT

We are exposed to various risks during our operations. Our approach to risk management and internal control is designed to safeguard our assets, ensure operational continuity, and promote compliance with industry regulations. Through a structured framework, we identify, evaluate, and mitigate risks across our business activities, aligning our practices with best-in-class standards and regulatory requirements. This framework allows us to proactively manage potential risks that could impact our operations, financial performance, and reputation in the market.

We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness. Our policies and procedures relate to managing our procurement and production, as well as monitoring our sales performance and product quality. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the redacted, we have adopted, or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, please refer to “Directors and Senior Management — Board Committees — Audit Committee” in this document;
- adopt policies to ensure compliance with the Listing Rules and local laws and regulations, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] in Hong Kong;
- provide trainings periodically to our senior management and employees on professional behavior requirements and ethics standards to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in our employee discipline measures and supervision guidelines;

BUSINESS

- set clear guidelines and processes for identifying, measuring and addressing price and currency risks, ensuring that all hedging activities are conducted within a structured and consistent framework;
- enhance our reporting and records system for factories, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establish a set of emergency procedures in the event of major quality-related issues;
- provide enhanced training programs on quality assurance and product safety procedures; and
- distribute employee handbooks to enhance employees' awareness of complying with laws and regulations.

LICENSES, APPROVALS AND PERMITS

During the Track Record and up to the Latest Practicable Date, we had obtained all licenses, approvals, permits and certificates that are material and necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates and valid and subsisting.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any administrative penalties, bankruptcy or receivership proceedings), which we believe would have a material adverse effect on our business, results of operations or financial condition. As of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which we believe would have a material adverse effect on our business, results of operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

BUSINESS

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions in respect of our products, solutions and operations. The following table sets forth the details of some of the notable awards and recognitions which we have received:

Award	Issuing Unit	Year of Receipt
Advanced Collective of the National Industry and Information Technology System	Ministry of Industry and Information Technology	2025
Zhejiang Province Export Famous Brand (2024-2026)	Department of Commerce of Zhejiang Province	2024
Advanced Unit (2023 Small and Special Motor & Components Branch of China Electronic Components Association)	Small and Special Motor & Components Branch of China Electronic Components Association	2024
Manufacturing Single Champion Enterprise	Ministry of Industry and Information Technology	2024
Special Award for Scientific and Technological Progress of the China Electrotechnical Society	China Electrotechnical Society	2024
Second Prize for the Science and Technology Award of the Machinery Industry	China Machinery Industry Federation/China Mechanical Engineering Society	2024
Deputy Chairman Unit of the Ninth Council	Fractional Horsepower Motor Branch of China Electrical Equipment Industry Association	2023
Vice President Unit of the Second Council	China Non-Ferrous Metals Industry Association Rare Earth Branch	2023
Advanced Unit of China Electronic Components Association	Small and Special Motor & Components Branch of China Electronic Components Association	2023

BUSINESS

Award	Issuing Unit	Year of Receipt
Council Member of Zhejiang Provincial Industrial Software Industry Technology Alliance	Zhejiang Provincial Industrial Software Industry Technology Alliance	2022
Co-organizer of the 2022 Pump Technology Committee and Technical Exchange Meeting on Improving the Reliability of Pump Products	National Technology Center of Process Equipment, Sinopec Group Mechanical Technology Center Station	2022
National-level Green Supply Chain Management Demonstration Enterprise	Ministry of Industry and Information Technology	2022
National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration	2022
Demonstration Enterprise for Green Design of Industrial Products	Ministry of Industry and Information Technology	2022
China Institute of Navigation Science and Technology Progress Award	China Institute of Navigation	2022

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, our Controlling Shareholders, namely Wolong Holding, Wolong Shunyu, Mr. JC Chen and Ms. YN Chen, collectively controlled approximately 38.84% of the total issued share capital of our Company. See “History, Development and Corporate Structure — Our Shareholding and Corporate Structure” for details.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our Controlling Shareholders, comprising Wolong Holding, Wolong Shunyu, Mr. JC Chen and Ms. YN Chen, will collectively control approximately [REDACTED]% of the total issued share capital of our Company. Accordingly, they will remain as our Controlling Shareholders upon the [REDACTED].

CLEAR BUSINESS DELINEATION

Our Business

We primarily offer electric drive solutions, specializing in the research and development, manufacturing, sales, and service of advanced electric drive products and solutions (the “**Core Business**”). We provide five core segments tailored for diverse applications worldwide: explosion-proof electric drive solutions, industrial electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions, and robotic components and system applications.

The Business of Wolong Holding

Wolong Holding is a company incorporated under the laws of the PRC in 1984. Apart from the business operated by our Group, Wolong Holding also holds investments in companies (including through Wolong Shunyu) engaged in various industries, including but not limited to investment management, real property development, power generation and transmission business, manufacturing and sales of transformers and energy storage systems, software development and entertainment, which do not compete with the Core Business. We have entered into certain transactions in the ordinary and normal course of our business with certain subsidiaries of Wolong Holding and/or its associates. See “Connected Transactions.”

As of the Latest Practicable Date, Wolong New Energy was owned as to 44.84% by Zhejiang Wolong Real Estate Investment Co., Ltd. (浙江臥龍置業投資有限公司) which is a subsidiary of Wolong Holding. Wolong New Energy is listed on the Shanghai Stock Exchange (stock code: 600173) and primarily engaged in real estate development and sales business and mineral trading business. Wolong New Energy has also been operating new-energy businesses primarily including sale of energy storage systems and electricity from photovoltaic power generation business since 2025. See “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers.”

Each of our Controlling Shareholders confirmed that as of the Latest Practicable Date, apart from the business of our Group, he/she/it did not have any interests in any other business, that competes or is likely to compete, directly or indirectly, with our Core Business, which would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

On January 8, 2013, Wolong Holding, Wolong Shunyu and Mr. JC Chen each executed a non-competition undertaking, pursuant to which (A) each of them undertakes, among others, that they will not directly or indirectly engage in or participate in any business that may constitute potential direct or indirect competition with our Group, and will take legal and effective measures to procure other entities controlled by each of them not to engage in or participate in any business that is competitive with our Group; (B) each of Wolong Holding and Wolong Shunyu further undertakes that if they or any other controlled entity of them have any business opportunities to engage in and participate in any activities that may compete with our Group, they shall immediately notify our Group of the such business opportunities and provide such business opportunities to our Group free of charge; and (C) Mr. JC Chen further undertakes that he will indemnify us for all losses suffered by our Group caused by any breach or violation of the above undertakings.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board consists of ten Directors, comprising four executive Directors, two non-executive Directors and four independent non-executive Directors. See “Directors and Senior Management” for details.

Save as disclosed below, none of our Directors or our senior management members holds a directorship or other position in our corporate Controlling Shareholders and their close associates.

Name	Position in our Company	Position(s) in Controlling Shareholders and their close associates
Mr. PANG Xinyuan	Chairman of the Board, executive Director	Director with no management role at Wolong Holding and certain subsidiaries of Wolong Holding
Mr. MA Yajun	Non-executive Director	Chief financial officer of Wolong Holding, financial controller of Wolong Shunyu, director, supervisor or financial controller of certain subsidiaries of Wolong Holding
Mr. LI Yinggang	Non-executive Director	Human resources director of Wolong Holding, director and general manager of a subsidiary of Wolong Holding

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Despite the aforesaid overlapping personnel, Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders for the following reasons:

- (i) Mr. PANG Xinyuan is our chairman of the Board and an executive Director, and also currently holds directorships and managerial positions at certain subsidiaries of our Group. Mr. Pang is not acting as a director with management role at Wolong Holding and is not involved in the day-to-day management and operations of Wolong Holding or its subsidiaries;
- (ii) Mr. MA Yajun and Mr. LI Yinggang are non-executive Directors of our Company, both of whom will be mainly responsible for providing guidance or supervision for the overall management and development of our Company and will not be involved in the day-to-day operation and management of our Company;
- (iii) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (iv) each Director is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;
- (v) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders or their respective associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted towards the quorum for the voting;
- (vi) we have four independent non-executive Directors with extensive experience in their respective areas of expertise, representing more than one-third of the members of our Board. Certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and approval; and
- (vii) our Company is an A-share listed company and have formulated and adopted a series of corporate governance policies and measures to manage conflicts of interest, if any, in compliance with the relevant requirements and rules of the Shanghai Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We do not rely on our Controlling Shareholders or their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, IT, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers. We are in possession of all relevant licenses, certificates, facilities and IP rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

We have entered into a number of transactions with certain subsidiaries of Wolong Holding and/or its associates. See “Connected Transactions” for further details of, and the reasons for entering into, these transactions. Considering that the amount of the relevant transactions during the Track Record Period are not significant to our Group, our Directors believe that such transactions will not have any impact on the operational independence of our Group.

Based on the above, our Directors believe that we are able to operate independent of our Controlling Shareholders and their respective close associates.

Financial Independence

We have our own financial management system and we make financial decisions according to our own business needs. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, save for the guarantees set forth in Note 31 to the Accountants’ Report set out in Appendix I to this document, none of our Controlling Shareholders or their close associates had provided any guarantees to our Group. Our Directors confirm that all such guarantees have been released as of the date of this document. In addition, we also provided guarantees to our Controlling Shareholders or their close associates during the Track Record Period as set forth in Note 48 to the Accountants’ Report set out in Appendix I to this document, which have been released as of the date of this document.

As of June 30, 2025, we had independently borrowed from banks a principal amount of approximately RMB5.0 billion in total without guarantees from our Controlling Shareholders and/or their close associates. As our Group is able to independently obtain replacement financing from independent third party commercial banks on normal commercial terms without the guarantee or other financial support from our Controlling Shareholders, our Directors are satisfied that our Group will be financially independent of our Controlling Shareholders and any of their close associates upon [REDACTED].

Our Directors confirm that, save as such connected transactions set forth in the section headed “Connected Transactions,” there will be no balances due to or from our Controlling Shareholders or their close associates which had not been fully settled nor were there any financial assistance, security or guarantee provided by our Controlling Shareholders or their close associates in favor of our Group or vice versa upon [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view that we are capable of carrying on our business independent of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the [REDACTED].

Corporate Governance Measures

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

- (i) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders and their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (ii) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Group enters into connected transactions with our Controlling Shareholders or any of their respective close associates, we will comply with the applicable Listing Rules;
- (iv) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors, and we believe our independent non-executive Directors (a) possess sufficient experiences, (b) are free of any business or other relationship which could interfere with the exercise of their independent judgment in any material manner, and (c) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. See "Directors and Senior Management" for details of the independent non-executive Directors;
- (v) the independent non-executive Directors will review, at least on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our Shareholders;
- (vi) where our Directors reasonably request the advice of independent professionals or advisors, such as financial advisors, valuers or legal advisors, the appointment of such independent professionals or advisors will be made at our Company's expenses;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vii) we have appointed Huatai Financial Holdings (Hong Kong) Limited as our Compliance Advisor to provide us with advice and guidance in respect of compliance with the applicable laws and regulations and the Listing Rules, including various requirements relating to Directors’ duties and corporate governance; and
- (viii) we have established our Audit Committee, Remuneration and Evaluation Committee, Nomination Committee and Strategy and ESG Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Company and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].

CONNECTED TRANSACTIONS

Upon [REDACTED], certain transaction between us and our connected persons will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

We have entered into certain transactions in the ordinary and normal course of our business with the following connected persons, which will constitute our continuing connected transactions upon [REDACTED]:

Connected Persons	Connected Relationship
Wolong Holding (together with its subsidiaries, excluding Wolong New Energy Group, the “ Wolong Holding Group ”)	As of the Latest Practicable Date, Wolong Holding was one of our Controlling Shareholders.
Wolong New Energy (together with its subsidiaries, the “ Wolong New Energy Group ”)	As of the Latest Practicable Date, Wolong New Energy was owned as to 44.84% by Zhejiang Wolong Real Estate Investment Co., Ltd. (浙江臥龍置業投資有限公司) which is a subsidiary of Wolong Holding.
Haier Group Corporation (“ HGC ”), its subsidiaries and 30%-controlled entities (collectively, “ HGC Group ”)	As of the Latest Practicable Date, HGC through its subsidiary Haier Smart Home Co., Ltd., held 30.00% equity interests in our subsidiary, Wolong Jinan. Entities within HGC Group are therefore connected persons at the subsidiary level of our Company.

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

No.	Transaction	Counterparty	Applicable Listing Rule	Waiver sought	Proposed annual cap
					<i>(RMB in millions)</i>

Fully-exempt Continuing Connected Transactions

1 . . .	Lease of premises by Wolong Holding Group and Wolong New Energy Group from our Group	Wolong Holding Group; Wolong New Energy Group	14A.76(1)	N/A	N/A
2 . . .	Provision of services to Wolong Holding Group and Wolong New Energy Group	Wolong Holding Group; Wolong New Energy Group	14A.76(1)	N/A	N/A
3 . . .	Sale of products and solutions to Wolong Holding Group and Wolong New Energy Group	Wolong Holding Group; Wolong New Energy Group	14A.76(1)	N/A	N/A

Partially-exempt Continuing Connected Transactions

4 . . .	Procurement of services from Wolong Holding Group and Wolong New Energy Group	Wolong Holding Group; Wolong New Energy Group	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement requirement	For the year ending December 31, 2025: 19.9 2026: 20.6 2027: 21.1
5 . . .	Procurement of products from Wolong Holding Group and Wolong New Energy Group	Wolong Holding Group; Wolong New Energy Group	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement requirement	For the year ending December 31, 2025: 125.4 2026: 111.5 2027: 103.4

CONNECTED TRANSACTIONS

No.	Transaction	Counterparty	Applicable Listing Rule	Waiver sought	Proposed annual cap (RMB in millions)
6 . . .	Provision of products and solutions by our Group	HGC Group	14A.35 and 14A.101	Announcement requirement	For the year ending December 31, 2025: 1,282.9 2026 (until May 10, 2026): 505.1
7 . . .	Procurement of products and services by our Group	HGC Group	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement requirement	For the year ending December 31, 2025: 300.2 2026 (until May 10, 2026): 118.2

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Lease of Premises by Wolong Holding Group and Wolong New Energy Group from Our Group

Our Group has entered into lease agreements with each of Wolong Holding Group and Wolong New Energy Group, respectively, pursuant to which our Group agreed to lease to Wolong Holding Group and Wolong New Energy Group certain premises for production and office purposes, and we expect to renew such lease agreements upon mutual consent of both parties subject to compliance with the requirements of the Listing Rules and applicable laws and regulations. The rent shall be determined by the parties at arm’s length negotiations with reference to prevailing market rent of comparable properties available to independent third parties, which is in the best interests of our Company and our Shareholders as a whole. Such lease agreements were entered into and has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and all applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%. Therefore, the lease of premises by Wolong Holding Group and Wolong New Energy Group from our Group will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

2. Provision of Services to Wolong Holding Group and Wolong New Energy Group

On [●], 2025, we entered into a provision of services agreement with Wolong Holding (for itself and on behalf of Wolong Holding Group) and a provision of services agreement with Wolong New Energy (for itself and on behalf of Wolong New Energy Group) (collectively, the “**Provision of Services Framework Agreements**”), pursuant to which, our Group agreed to supply to Wolong Holding Group and Wolong New Energy Group, supporting services which include, among others, administrative services, IT supporting services and property management services as their operations may require from time to time.

CONNECTED TRANSACTIONS

Wolong Holding Group and Wolong New Energy Group have been procuring such services from us during the Track Record Period in the ordinary and usual course of our business, as they have operating locations which are proximate to where we operate and we have the resources for provision of the services they need. The prices of the services are determined based on normal commercial terms after arm’s length negotiations between the relevant parties, with reference to, among others, the costs, the scale of services required and the prevailing market conditions. The term of each of the Provision of Services Framework Agreements shall commence from the date of signing and expire on December 31, 2027, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations. The relevant parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Provision of Services Framework Agreements.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Provision of Services Framework Agreements will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

3. Sale of Products and Solutions to Wolong Holding Group and Wolong New Energy Group

On [●], 2025, we entered into a sale agreement (the “**WH Sale Framework Agreement**”) with Wolong Holding (for itself and on behalf of Wolong Holding Group), pursuant to which, our Group agreed to supply electric drive solutions and materials such as silicon steel and components to Wolong Holding Group. On [●], 2025, we entered into a sale agreement (the “**WN Sale Framework Agreement**,” collectively with the WH Sale of Products Framework Agreement, the “**Sale Framework Agreements**”) with Wolong New Energy (for itself and on behalf of Wolong New Energy Group), pursuant to which, our Group agreed to supply electric drive solutions to Wolong New Energy Group.

During the Track Record Period, we have supplied electric drive solutions and materials to relevant members in Wolong Holding Group and Wolong New Energy Group, and we expect that we will continue to supply such solutions and materials after [REDACTED]. We are familiar with the business requirements, quality standards and operational requirements of each of Wolong Holding Group and Wolong New Energy Group. The provision of solutions and materials to Wolong Holding Group and Wolong New Energy Group facilitates the production and sales of their products, thereby expanding our Group’s sales scale and driving our revenue growth. The amount to be paid by each of Wolong Holding Group and Wolong New Energy Group to our Group under the Sale Framework Agreements generally adopt a cost-plus method and will be determined through arm’s length negotiations, taking into account the factors, including, among others, the market price of similar solutions and materials and the costs and profit margins of our Group. The term of each of the Sale Framework Agreements shall commence from the date of signing and expire on December 31, 2027, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules, applicable laws and regulations. The relevant parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Sale Framework Agreements.

CONNECTED TRANSACTIONS

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Sale Framework Agreements will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

4. Procurement of Services from Wolong Holding Group and Wolong New Energy Group

Principal terms

On [●], 2025, we entered into a procurement of services agreement (the “**Procurement of WH Services Framework Agreement**”) with Wolong Holding (for itself and on behalf of Wolong Holding Group), pursuant to which, our Group agreed to procure services from Wolong Holding Group, which mainly include, among others, automobile rental services and property management services for our operation requirements from time to time. On [●], 2025, we entered into a procurement of services agreement (the “**Procurement of WN Services Framework Agreement**,” collectively with the Procurement of WH Services Framework Agreement, the “**Procurement of Services Framework Agreements**”) with Wolong New Energy (for itself and on behalf of Wolong New Energy Group), pursuant to which, our Group agreed to procure services from Wolong New Energy Group, which mainly include, among others, hospitality services, property management services and construction services for our operation requirements from time to time.

The term of each of the Procurement of Services Framework Agreements shall commence from the date of signing and expire on December 31, 2027, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules, applicable laws and regulations. The relevant parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Procurement of Services Framework Agreements.

Pricing Policy

The amount to be paid by us under the Procurement of Services Framework Agreements generally adopt a cost-plus method and will be determined through arm’s length negotiations, taking into account the factors including the quality of services of different service providers and the prices at which our Group procures similar services of the same nature and type from other independent third parties.

Reasons for the transaction

Our Group has been procuring such services from Wolong Holding Group and Wolong New Energy Group during the Track Record Period in the ordinary and usual course of our business. Our Group has operating locations in Shaoxing, Zhejiang province and other parts of China, which are proximate to where Wolong Holding Group and Wolong New Energy Group operate, and each of Wolong Holding Group and Wolong New Energy Group has the experience and resources for provision of the services we need in such areas.

CONNECTED TRANSACTIONS

Therefore, we believe it is in the best interest of our Group and our Shareholders as a whole to continue to procure such services from Wolong Holding Group and Wolong New Energy Group who are capable of fulfilling our demands with a stable and high-quality supply of services on terms which are similar to or better than those offered by independent third parties.

Historical transaction amounts

The historical amounts of our payment for the procurement of services from Wolong Holding Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were approximately RMB5.3 million, RMB4.7 million, RMB6.1 million and RMB1.4 million, respectively. The historical amounts of our payment for the procurement of services from Wolong New Energy Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were approximately RMB8.1 million, RMB10.8 million, RMB14.1 million and RMB7.4 million, respectively.

Annual Caps and Basis of Annual Cap

The proposed annual cap for the transactions contemplated under the Procurement of Services Framework Agreements for the years ending December 31, 2025, 2026 and 2027 are RMB19.9 million, RMB20.6 million and RMB21.1 million, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical amounts of the transactions between our Group and each of Wolong Holding Group and Wolong New Energy Group during the Track Record Period in respect of our procurement of the services; and (ii) our projected business scale and procurement requirements for the services.

Implication under the Listing Rules

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5% on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions contemplated under the Procurement of Services Framework Agreements will be exempt from the circular and the independent shareholders' approval requirements, but will be subject to the annual reporting, annual review and announcement requirements.

CONNECTED TRANSACTIONS

5. Procurement of Products from Wolong Holding Group and Wolong New Energy Group

Principal terms

On [●], 2025, we entered into a procurement of products agreement (the “**Procurement of WH Products Framework Agreement**”) with Wolong Holding (for itself and on behalf of Wolong Holding Group), pursuant to which, our Group agreed to procure various products from relevant members of Wolong Holding Group, which mainly include, among others, transformer equipment and motor accessories. On [●], 2025, we entered into a procurement of products agreement (the “**Procurement of WN Products Framework Agreement**,” collectively with the Procurement of WH Products Framework Agreement, the “**Procurement of Products Framework Agreements**”) with Wolong New Energy (for itself and on behalf of Wolong New Energy Group), pursuant to which, our Group agreed to procure energy and products from Wolong New Energy Group, which mainly include, among others, energy storage equipment, power distribution control equipment, electrolyzers and related accessories.

The term of each of the Procurement of Products Framework Agreements shall commence from the date of signing and expire on December 31, 2027, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules, applicable laws and regulations. The relevant parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Procurement of Products Framework Agreements.

Pricing Policy

The amount to be paid by us under the Procurement of Products Framework Agreements generally adopt a cost-plus method and will be determined through arm’s length negotiations, taking into account the factors including the type of products and the transaction volume and the prices at which our Group procures similar products of the same nature, type, and quantity from other independent third parties.

Reasons for the transaction

Our Group has been purchasing such products and energy from relevant providers in Wolong Holding Group and Wolong New Energy Group during the Track Record Period in the ordinary and usual course of our business. Our Group has established a long-term and stable business relationship with the relevant providers in Wolong Holding Group and Wolong New Energy Group, respectively, and such providers have acquired a comprehensive understanding of our business and operational requirements of the products and energy that we need. Therefore, we believe it is in the best interest of our Group and our Shareholders as a whole to continue to procure such products and energy from these providers in Wolong Holding Group and Wolong New Energy Group who are capable of fulfilling our demands with a stable and high-quality supply of products and energy on terms which are similar to or better than those offered by independent third parties.

CONNECTED TRANSACTIONS

Historical transaction amounts

The historical amounts of our payment for the procurement of products from Wolong Holding Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were approximately RMB3.3 million, RMB20.2 million, RMB23.9 million and RMB6.3 million, respectively. The historical amounts of our payment for the procurement of products and energy from Wolong New Energy Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were approximately nil, nil, RMB0.04 million and RMB10.5 million, respectively.

Annual Caps and Basis of Annual Cap

The proposed annual cap for the transactions contemplated under the Procurement of Products Framework Agreements for the years ending December 31, 2025, 2026 and 2027 are RMB125.4 million, RMB111.5 million and RMB103.4 million, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical transaction amounts of our procurement of the relevant products and energy from relevant members of Wolong Holding Group and Wolong New Energy Group during the Track Record Period, as well as the fact that we transferred the equity interests in some subsidiaries to Wolong New Energy Group in the first half of 2025, and we historically procure relevant products from such entities; (ii) the existing orders we made and the expected demand of our Group for such products and energy due to our plan for business operation; and (iii) other factors including but not limited to the expected market price of such products and energy and the expected market trend.

Implication under the Listing Rules

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5% on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions contemplated under the Procurement of Products Framework Agreements will be exempt from the circular and the independent shareholders’ approval requirements, but will be subject to the annual reporting, annual review and announcement requirements.

6. Provision of Products and Solutions by our Group

Principal terms

On May 11, 2018, we entered into an agreement regarding provision of products and solutions with HGC Group (the “**HGC Provision Framework Agreement**”), with a term of one year, which can be renewed for successive one-year terms upon expiration after arm’s length negotiation, pursuant to which, we agreed to supply various products and solutions, mainly including HVAC solutions, to HGC Group.

The current term of the HGC Provision Framework Agreement is from May 11, 2025 to May 10, 2026, which is expected to be renewed upon expiration after arm’s length negotiation.

CONNECTED TRANSACTIONS

Pricing Policy

The amount to be paid by HGC Group to our Group under the HGC Provision Framework Agreement generally adopt a cost-plus method and will be determined through arm’s length negotiations, taking into account the factors including (i) the market price of the relevant products and solutions; (ii) the costs and profit margins of our Group; and (iii) the prices offered by our Group to other customers purchasing similar products and solutions.

Reasons for the transaction

During the Track Record Period, we have supplied the products and solutions to HGC Group and we expect that we will continue to supply the products and solutions after [REDACTED]. Our Group has a long-term and stable business relationship with HGC Group. We are familiar with the business requirements and quality standards of HGC Group for the relevant products and solutions, especially the HVAC solutions. The provision of products and solutions to HGC Group helps to increase the sale scale and the sales revenue of our Group.

Historical transaction amounts

The historical transaction amounts for our supply of products and solutions to HGC Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were approximately RMB1,153.8 million, RMB1,069.5 million, RMB1,192.4 million and RMB625.8 million, respectively.

Annual Caps and Basis of Annual Cap

The proposed annual cap for the transactions contemplated under the HGC Provision Framework Agreement for the year ending December 31, 2025 and for the period from January 1, 2026 to May 10, 2026 are RMB1,282.9 million and RMB505.1 million, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical transaction amounts of our supply of the relevant products and solutions to HGC Group during the Track Record Period, (ii) the value of existing contracts and our anticipated supply of products and solutions to HGC Group, and (iii) other factors including but not limited to the expected market price of the similar products and solutions on normal commercial terms.

Implication under the Listing Rules

The transactions contemplated under the HGC Provision Framework Agreement are entered into with connected persons at the subsidiary level during the ordinary course of our business on normal commercial terms where our Directors have approved the transactions and our independent non-executive Directors have confirmed that the terms of the transactions are fair and reasonable, the transaction is on normal commercial terms in the interests of our Company and our Shareholders as a whole. Under the 14A.101 of the Hong Kong Listing Rules, the transaction will be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirement.

CONNECTED TRANSACTIONS

7. Procurement of Materials by our Group

Principal terms

On May 11, 2018, we entered into an agreement regarding raw material procurement with HGC Group (the “**HGC Procurement Framework Agreement**”), with a term of one year, which can be renewed for successive one-year terms upon expiration after arm’s length negotiation, pursuant to which, HGC Group agreed to provide silicon steel, plastic and other ancillary materials to us pursuant to our demands arising from our performance under the HGC Provision Framework Agreement. We will place orders containing specific quantities required by us in writing or through the platform operated by HGC Group.

The current term of the HGC Procurement Framework Agreement is from May 11, 2025 to May 10, 2026, which is expected to be renewed upon expiration after arm’s length negotiation and subject to the effectiveness of the HGC Provision Framework Agreement.

Pricing Policy

The fees to be charged by HGC Group for the materials supplied to our Group under the HGC Procurement Framework Agreement shall be determined after arm’s length negotiations, and such fees will be taking into consideration when we determine and negotiate the fees under the HGC Provision Framework Agreement.

Reasons for the transaction

Our Group has been purchasing silicon steel, plastic and other ancillary materials from HGC Group during the Track Record Period in the ordinary and usual course of our business and during our performance under the HGC Provision Framework Agreement. Our Group has established a long-term and stable business relationship with HGC Group. We believe it is in the best interest of our Group and our Shareholders as a whole to continue to procure such materials from these providers, which satisfy the needs of our business development.

Historical transaction amounts

The historical amounts of our payment for the procurement of silicon steel, plastic and other ancillary materials from HGC Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were approximately RMB327.3 million, RMB304.7 million, RMB334.4 million and RMB146.7 million, respectively.

Annual Caps and Basis of Annual Cap

The proposed annual cap for the transactions contemplated under the HGC Procurement Framework Agreement for the year ending December 31, 2025 and for the period from January 1, 2026 to May 10, 2026 are RMB300.2 million and RMB118.2 million, respectively.

CONNECTED TRANSACTIONS

In determining such annual caps, our Directors have considered the following factors: (i) the historical transaction amounts of our procurement of materials from HGC Group during the Track Record Period; and (ii) the projected demand for the procurement of products and solutions by HGC Group from our Group.

Implication under the Listing Rules

The transactions contemplated under the HGC Procurement Framework Agreement are entered into with connected persons at the subsidiary level during the ordinary course of our business on normal commercial terms. Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is expected to exceed 1% but less than 5% on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions contemplated under the HGC Procurement Framework Agreement will be exempt from the circular and the independent shareholders’ approval requirements, but will be subject to the annual reporting, annual review and announcement requirements.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant agreements for the continuing connected transactions are fair and reasonable, and no less favorable to us than terms available to or from independent third parties, and the connected transactions are carried out under normal commercial terms, we have adopted the following internal control procedures:

- (i) we have adopted and implemented a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (ii) our various internal departments will be jointly responsible for evaluating the terms under the agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (iii) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements; and
- (iv) our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreements, on normal commercial terms and in accordance with the relevant pricing policies.

CONNECTED TRANSACTIONS

WAIVERS GRANTED BY THE STOCK EXCHANGE

The Directors, including the independent non-executive Directors, consider that disclosure and approval of the partially exempt continuing connected transactions described above in full compliance with the Listing Rules would be impracticable and, in particular, would add unnecessary administrative costs to our Company. In addition, the Directors, including the independent non-executive Directors, believe that it is in the interest of our Company to continue to enter into these transactions with its connected persons described above after [REDACTED].

Given that the continuing connected transactions as described above under the Procurement of Services Framework Agreements, Procurement of Products Framework Agreements, HGC Provision Framework Agreement and HGC Procurement Framework Agreement, are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the aforesaid partially-exempt continuing connected transactions.

DIRECTORS’ CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions set out above have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of these transactions (where applicable) are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

THE JOINT SPONSORS’ CONFIRMATION

The Joint Sponsors have (i) reviewed the relevant documents and information provided by our Company and relevant legal advice provided by our PRC Legal Advisers in relation to the above partially exempt continuing connected transactions; (ii) obtained necessary representations and confirmations from our Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Joint Sponsors are of the view that the aforesaid partially exempt continuing connected transactions, for which a waiver has been sought, has been entered into in the ordinary and usual course of our business on normal commercial terms or better terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the partially exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon [REDACTED], our Board will consist of ten Directors, including four executive Directors, two non-executive Directors and four independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The following table sets forth information regarding our Directors.

Name	Age	Position	Date of appointment as Director	Time of joining the Group	Responsibilities	Relationship with other Directors and senior management
Mr. PANG Xinyuan (龐欣元)	46	Chairman of our Board, executive Director	September 9, 2014	September 2014	Overall strategic planning and business development of our Group	None
Mr. WAN Chuangqi (萬創奇)	53	Executive Director, president	September 7, 2020	December 1995	Overall daily operations and sales management of our Group	None
Mr. ZHANG Hongxin (張紅信)	46	Executive Director, vice president	January 24, 2022	June 2015	Overall management of supply chain, investment and operations of our Group	None
Mr. ZHANG Wengang (張文剛)	46	Executive Director, vice president	September 7, 2023	June 2015	Responsible for process development and management of our Group	None
Mr. MA Yajun (馬亞軍)	50	Non-executive Director	August 6, 2025	August 2025	Providing professional opinion and judgment to our Board	None
Mr. LI Yinggang (李迎剛)	47	Non-executive Director	August 6, 2025	January 2022	Providing professional opinion and judgment to our Board	None
Mr. ZHAO Rongxiang (趙榮祥)	63	Independent non-executive Director	September 7, 2023	September 2023	Supervising and providing independent opinion to our Board	None
Mr. ZHANG Zhiming (張志銘)	63	Independent non-executive Director	September 7, 2023	September 2023	Supervising and providing independent opinion to our Board	None
Ms. DENG Chunhua (鄧春華)	62	Independent non-executive Director	September 7, 2020	September 2020	Supervising and providing independent opinion to our Board	None
Mr. LI Jin (李晉)	46	Independent non-executive Director	[REDACTED]	[REDACTED]	Supervising and providing independent opinion to our Board	None

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. PANG Xinyuan (龐欣元), aged 46, is our executive Director and chairman of our Board. Mr. Pang is primarily responsible for the overall strategic planning and business development of our Group.

Mr. Pang joined our Group in September 2014 and has been serving as a Director of our Company since then. Mr. Pang served as the general manager of our Company from January 2016 to January 2022, and has been serving as the chairman of our Board since January 2022. He also currently holds directorships and managerial positions at certain subsidiaries of our Group. Mr. Pang served as vice president at Wolong Holding Group Co., Ltd. (臥龍控股集團有限公司) from April 2013 to January 2016, and has been serving as a director since March 2017. Prior to that, Mr. Pang worked at Vishay China Co., Ltd. (威世中國投資有限公司) from September 2005 to April 2013.

Mr. Pang graduated from Shanghai Jiao Tong University (上海交通大學) with a bachelor's degree in engineering, majoring in industrial foreign trade in July 2001. He further obtained a master's degree in advertising and marketing from the University of Leeds in the United Kingdom in November 2002, an EMBA degree from China Europe International Business School (中歐工商管理學院) in October 2013, and a doctoral degree in business administration from Arizona State University in the United States in May 2022. Mr. Pang holds the qualification of senior economist issued by the Department of Human Resources and Social Security of Zhejiang Province (浙江省人力資源和社會保障廳).

Mr. WAN Chuangqi (萬創奇), aged 53, is our executive Director and president. Mr. Wan is primarily responsible for the overall daily operations and sales management of our Group.

Mr. Wan joined our Group in December 1995. He successively held several positions in our Group since then, including as a Director of our Company from September 2014 to September 2017, the president of our China sales headquarters from July 2017 to December 2019, the standing vice president of global sales headquarters of our Group from November 2019 to December 2022. Mr. Wan was re-appointed as a Director of our Company in September 2020 and appointed as the president of our Company in July 2025. He has also been serving as the president of global sales headquarters of our Group since May 2024 and as the president of large drive business division of our Group since November 2019. From July 2018 to May 2022, he served as a director of Wolong Holding.

Mr. Wan has obtained a bachelor's degree in business administration from University of Electronic Science and Technology of China (電子科技大學) in January 2016, and an MBA degree from Zhongnan University of Economics and Law (中南財經政法大學) in December 2017. Mr. Wan holds the title of senior engineer issued by the Department of Human Resources and Social Security of Henan Province (河南省人力資源和社會保障廳) and is a representative of the 14th National People's Congress of Henan Province.

Mr. ZHANG Hongxin (張紅信), aged 46, is our executive Director and vice president. Mr. Zhang is primarily responsible for the overall management of supply chain, investment and operations of our Group.

Mr. Zhang joined our Group in June 2015. He successively held several positions in our Group since then, including the secretary of the board and the head of human resources department

DIRECTORS AND SENIOR MANAGEMENT

at Wolong Electric Nanyang Explosion-proof Group Co., Ltd. (臥龍電氣南陽防爆集團股份有限公司) from January 2015 to August 2017, where he also served as the general manager of medium business unit from August 2017 to March 2020. He also served as a deputy general manager of our Company from March 2020 to January 2022. Mr. Zhang has been serving as the president of daily-use motors business division of our Group since November 2021, as a Director of our Company since January 2022 and as a vice president of our Company since July 2025.

Mr. Zhang graduated from Xi'an Technological University (西安工業大學) with a bachelor's degree in human resources management in July 2019.

Mr. ZHANG Wengang (張文剛), aged 46, is our executive Director and vice president. Mr. Zhang is primarily responsible for process development and management of our Group.

Mr. Zhang joined our Group in June 2015 and has been serving as a Director of our Company since September 2023 and as a vice president of our Company since January 2022. Between July 2016 to December 2021, Mr. Zhang successively held several positions in our Group, including general manager of complete equipment business unit, assistant to president and vice president of large drives business division.

Mr. Zhang obtained a bachelor's degree in computer science and technology from Beijing Institute of Technology (北京理工大學) in June 2013, and an EMBA degree from Huazhong University of Science and Technology (華中科技大學) in December 2019.

Non-executive Directors

Mr. MA Yajun (馬亞軍), aged 50, is our non-executive Director. Mr. Ma is primarily responsible for providing professional opinion and judgment to our Board. Mr. Ma was appointed as our non-executive Director in August 2025.

Mr. Ma has been serving as the chief financial officer at Wolong Holding since November 2021 and as the financial controller at Wolong Shunyu since April 2025. From June 2009 to November 2021, Mr. Ma successively served as board secretary, chief financial officer and a director of Wolong New Energy. Prior to that, he worked as financial director at Zhejiang Wolong Household Motor Co., Ltd. (浙江臥龍家用電機有限公司) from January 2004 to December 2008.

Mr. Ma obtained a bachelor's degree in accounting from Zhejiang University in June 1999, and a master's degree in business administration from Xiamen University in June 2022.

Mr. LI Yinggang (李迎剛), aged 47, is our non-executive Director. Mr. Li is primarily responsible for providing professional opinion and judgment to our Board. Mr. Li was appointed as our non-executive Director in August 2025.

Mr. Li has been serving as a human resources director of Wolong Holding since July 2025, and previously held the same position from July 2013 to December 2021. He has also been the executive dean of the school of management at Wolong Holding since July 2025. Mr. Li served as a human resources director of our Company from January 2022 to June 2025. He worked at Shanghai Zhongzhi Kuma Market Research Co., Ltd. (上海中智庫瑪市場研究有限公司) from August 2008 to June 2009, and as a junior partner at Adfaith Management Consulting Co., Ltd. (正略鈞策管理諮詢公司) from October 2009 to June 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Yinggang obtained a bachelor’s degree in management science from Shandong University in July 2000, and an MBA degree from Shanghai University of Finance and Economics (上海財經大學) in June 2008. Mr. Li holds the qualification of senior economist issued by the Department of Human Resources and Social Security of Zhejiang Province (浙江省人力資源和社會保障廳).

Independent non-executive Directors

Mr. ZHAO Rongxiang (趙榮祥), aged 63, is our independent non-executive Director. Mr. Zhao is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Zhao was a professor at Zhejiang University from October 1997 to October 2022, where he also successively held several positions, including deputy director of the Department of Electrical Engineering of Zhejiang University, vice dean of the School of Electrical Engineering, director of the National Engineering Research Center for Power Electronics Applications, dean of the Industrial Research Institute, director of the Science and Technology Park Management Committee, vice director of the Domestic Cooperation Committee of Zhejiang University, chairman of the board of Zhejiang University Sanyi Electrical and Electronic Engineering Co., Ltd. (浙江大學三伊電氣電子工程有限公司), chairman of the board of Zhejiang University Science and Technology Park Development Co., Ltd. (浙江大學科技園發展有限公司). Mr. Zhao also served as the chairman of the board of Zhejiang Zijin Town Construction and Investment Co., Ltd. (浙江紫金小鎮建設投資有限公司) from September 2016 to September 2021, as a director of Hangzhou Intellectual Property Operation Management Co., Ltd. (杭州知識產權運營管理有限公司) from July 2019 to October 2023, and as a director of Zhejiang University Innovation Technology Research Institute Co., Ltd. (浙江大學創新技術研究院有限公司) from December 2021 to November 2023.

Mr. Zhao has been serving as the chief scientist and director of Jincheng Technology Co., Ltd. (金程科技有限公司) since December 2022, and as the chairman of the board and general manager of Zhejiang Intellectual Property Rights Trading Center Co., Ltd. (浙江知識產權交易中心有限公司) since September 2016. He has also been serving as an independent director of Changshu Guorui Technology Co., Ltd. (常熟市國瑞科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300600), since September 2021, and as an independent director of Nacity Property Service Co., Ltd. (南都物業服務集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603506), since June 2025.

Mr. Zhao obtained a bachelor’s degree in electrical engineering from Zhejiang University in July 1984, a master’s degree in electrical engineering from Zhejiang University in July 1987, and a doctoral degree in electrical engineering from Zhejiang University in January 1991.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Zhiming (張志銘), aged 63, is our independent non-executive Director. Mr. Zhang Zhiming is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Zhang has been a professor at East China Normal University (華東師範大學) since March 2021, where he also served as the dean of the School of Law from January 2016 to April 2025. Prior to that, he was a professor at the School of Law of Renmin University of China (中國人民大學) from February 2005 to March 2021, and a professor and deputy director of the National Prosecutors College of P.R.C (國家檢察官學院) from January 2004 to January 2005. From January 1986 to January 2004, Mr. Zhang worked at Chinese Academy of Social Sciences (中國社會科學院) where he successively held several positions, including editor, associate senior editor, associate researcher, researcher and professor.

Mr. Zhang obtained a bachelor’s degree in law from Peking University in June 1983, a master’s degree in legal theory from Peking University in June 1986, and a doctoral degree in legal theory from Chinese Academy of Social Sciences in June 1998.

Ms. DENG Chunhua (鄧春華), aged 62, is our independent non-executive Director. Ms. Deng is primarily responsible for supervising and providing independent opinion to our Board.

Ms. Deng successively served as a teaching assistant, a lecturer and associate professor of School of Accounting at Zhongnan University of Economics and Law (中南財經政法大學) (previously known as Zhongnan University of Finance and Economics (中南財經大學)) from July 1984 to August 2003, and has been a professor of the School of Accounting at Zhongnan University of Economics and Law since August 2003. She also previously served as the supervisor of accounting and project manager of Daxin Accounting Firm of Zhongnan University of Finance and Economics (中南財經大學大信會計師事務所) from March 1994 to July 2000. Ms. Deng served as an independent director of Zhejiang Goldensea High-Tech Co., Ltd. (浙江金海高科股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603311), from May 2019 to August 2023, as an independent director of Zhejiang Youchuang Material Technology Co., Ltd. (浙江優創材料科技股份有限公司) from October 2020 to October 2024, and as an independent director of Konka Group Co., Ltd. (康佳集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000016), from December 2018 to July 2025. She has been serving as an independent director of Zhejiang Jinke Tomcat Culture Industry Co., Ltd. (浙江金科湯姆貓文化產業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300459), since July 2020.

Ms. Deng obtained a bachelor’s degree in accounting from Hubei College of Finance and Economics (湖北財經學院) (currently known as Zhongnan University of Economics and Law) in July 1984, and a master’s degree in accounting from Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) in December 1998. She is a certified public accountant of the PRC (non-practicing member).

DIRECTORS AND SENIOR MANAGEMENT

Mr. LI Jin (李晉), aged 46, is our independent non-executive Director. Mr. Li is primarily responsible for supervising and providing independent opinion to our Board. Mr. Li’s appointment will become effective upon [REDACTED].

Mr. Li has served as a professor in economics and strategy in the Faculty of Business and Economics at the University of Hong Kong since July 2018, where he also currently serves as the director of the Centre for AI, Management and Organization and the head of the Department of Strategy and Management at the Business School. Mr. Li formerly held appointments as an associate professor (with tenure) in the Department of Management at London School of Economics and Political Sciences, beginning in September 2017, and as an assistant professor in Kellogg School of Management at Northwestern University which commenced in July 2008.

Mr. Li obtained a bachelor’s degree of arts with high honors in mathematics from Wesleyan University in May 2002, and further obtained a bachelor’s degree in science from California Institute of Technology in June 2002. Mr. Li received his doctoral degree in economics from Massachusetts Institute of Technology in June 2007.

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company.

Name	Age	Position	Date of Appointment as senior management	Time of joining the Group	Responsibilities	Relationship with other Directors and senior management
Mr. WAN Chuangqi (萬創奇)	53	Executive Director, president	July 13, 2025	December 1995	Overall daily operations and sales management of our Group	None
Mr. ZHANG Hongxin (張紅信)	46	Executive Director, vice president	July 13, 2025	June 2015	Overall management of supply chain, investment and operations of our Group	None
Mr. ZHANG Wengang (張文剛)	46	Executive Director, vice president	January 4, 2022	June 2015	Responsible for process development and management of our Group	None
Mr. Zheng Yanwen (鄭艷文)	42	Vice president	January 4, 2022	April 2020	Responsible for overall management of R&D and related matters of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment as senior management	Time of joining the Group	Responsibilities	Relationship with other Directors and senior management
Mr. Yang Zijiang (楊子江)	42	Chief financial officer	September 7, 2023	April 2023	Responsible for overall financial management and accounting of our Group	None
Ms. Dai Qin (戴琴)	40	Secretary of our Board and joint company secretary	September 7, 2023	August 2023	Responsible for overall corporate governance, information disclosure, investor relation and other Board-related matters	None

Mr. WAN Chuangqi (萬創奇) is our executive Director and president. See “— Board of Directors” for his biographical details.

Mr. ZHANG Hongxin (張紅信) is our executive Director and vice president. See “— Board of Directors” for his biographical details.

Mr. ZHANG Wengang (張文剛) is our executive Director and vice president. See “— Board of Directors” for his biographical details.

Mr. ZHENG Yanwen (鄭艷文), aged 42, is our vice president. Mr. Zheng is primarily responsible for overall management of R&D and related matters of our Group.

Mr. Zheng joined our Group in April 2020, and has been serving as our vice president since January 2022. From April 2020 to December 2020, he was the chief engineer of the transmission business unit of our Group. From December 2020 to December 2021, he served as vice chief engineer of the large drive business division of our Group. Mr. Zheng also currently holds various positions in certain of our subsidiaries, including as the president of Wolong Electric (Shanghai) Central Research Institute Co., Ltd. (臥龍電氣(上海)中央研究院有限公司) since December 2021 where he has been a director and the general manager since December 2022, and as a director of Zhejiang SIR Robot Co., Ltd. (浙江希爾機器人股份有限公司) since February 2022.

Prior to joining our Group, Mr. Zheng has served as the technical director of Shenyang Yuanda Power Electronic Science & Technology Co., Ltd. (Beijing Branch) (瀋陽遠大電力電子科技有限公司北京分公司) from October 2012 to April 2020.

Mr. Zheng obtained a bachelor’s degree in electrical engineering and automation from Tsinghua University in July 2004, and further obtained a doctoral degree in electrical engineering from Tsinghua University in July 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YANG Zijiang (楊子江), aged 42, is our chief financial officer. Mr. Yang is primarily responsible for overall financial management and accounting of our Group.

Mr. Yang joined our Group in April 2023 as our deputy chief financial officer and has been serving as our chief financial officer since September 2023.

Prior to joining our Group, Mr. Yang worked as an auditor at PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥)) from August 2007 to May 2010, as an internal audit manager at Shanghai Fuxin Venture Capital Co., Ltd. (上海富欣創業投資有限公司) from June 2010 to April 2012, as a finance director at Shanghai Fuxin Intelligent Transportation solutions Co., Ltd. (上海富欣智能交通控制有限公司) from May 2012 to October 2016, and as the chief executive officer at CN-NL Waste Solution Co., Ltd. (上海中荷環保有限公司) from November 2016 to April 2023.

Mr. Yang obtained a bachelor’s degree in vehicle engineering from Tongji University in July 2007, and a master’s degree in accounting from Fudan University in January 2016.

Ms. DAI Qin (戴芩), aged 40, is our secretary of the Board and a joint company secretary of our Company. Ms. Dai is primarily responsible for overall corporate governance, information disclosure, investor relation and other Board-related matters.

Ms. Dai joined our Group in August 2023 and has been serving as our secretary of the Board since September 2023. Prior to joining our Group, Ms. Dai successively served as deputy general manager of securities affairs management center, director of investor relations and director of investment at Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601828) and the Stock Exchange (stock code: 1528), from July 2015 to March 2023. From September 2013 to May 2015, she worked as a director of investor relations at China Financial Services Holdings Ltd (中國金融投資管理有限公司), a company listed on the Stock Exchange (stock code: 0605). From January 2011 to October 2013, Ms. Dai worked at Macquarie Securities (Australia) Limited Shanghai Representative Office (麥格理證券(澳大利亞)上海代表處) as an associate in research department.

Ms. Dai obtained a bachelor’s degree in atmospheric science and a double degree in economics from Peking University in July 2008, a master’s degree in finance from the University of Hong Kong in November 2010.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. DAI Qin (戴琴) is the secretary of our Board and a joint company secretary of our Company. See “— Senior Management” for her biographical details.

Mr. NG Tung Ching Raphael (吳東澄) is a joint company secretary of our Company with effect from the [REDACTED]. Mr. Ng is a seasoned professional with over 14 years of extensive experience in the legal and company secretarial domains, specializing in corporate governance and compliance. He currently serves as the assistant vice president of Entity Solutions of [REDACTED]. Mr. Ng is an associate member of both The Hong Kong Chartered Governance Institute (the “HKCGI,” formerly known as the Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. He also possesses the practitioner’s endorsement from HKCGI. Mr. Ng earned his bachelor’s degree in law from Manchester Metropolitan University. He holds a master’s degree in Chinese business law from The Chinese University of Hong Kong and a master’s degree in professional accounting and corporate governance from The City University of Hong Kong.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SENIOR MANAGEMENT

In September 2024, Mr. PANG Xinyuan and Ms. DAI Qin received a warning letter from Zhejiang Bureau of the CSRC in relation to our failure to fully comply with the disclosure requirements in respect of the undertaking on performance compensation we made according to a profit guarantee as agreed in relevant transaction agreements, pursuant to which we warranted that if the target company failed to achieve operational performance above certain standards after the completion of the transfer of our equity interests in the target company to the transferee, we would be required to compensate the transferee for the shortfall. We entered into the undertaking on performance compensation on April 25, 2024, and disclosed such matter in a timely manner within two business days in our annual report, however, we did not issue a separate announcement on this matter at the time. Mr. Pang and Ms. Dai subsequently submitted a rectification report in September 2024 to the Zhejiang Bureau of the CSRC as requested in the warning letter and undertook to strengthen the awareness of compliance operation and disclose information in a timely, accurate and comprehensive manner according to laws and regulations. Given that (i) the incident was not due to fraud or personal dishonesty on the part of the relevant Directors or senior management, nor did the regulatory decisions cast doubt on their qualifications, (ii) the warning letter does not constitute administrative penalties or public censure under PRC laws, but a relatively minor regulatory measure imposed by the relevant securities regulatory authorities, (iii) the relevant Directors or senior management have not been disqualified from serving as a director or senior management member of the Company as a result of the above incident, and (iv) Mr. Pang and Ms. Dai had not been subject to any other investigation or proceedings by the CSRC, its local counterparts, the Shanghai Stock Exchange or any other regulatory authorities, our Directors believe that the incident does not affect the suitability of Mr. Pang and Ms. Dai to act as a Director or board secretary of our Company.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our Audit Committee, Remuneration and Evaluation Committee, Nomination Committee, and Strategy and ESG Committee.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises three members, namely Ms. DENG Chunhua, Mr. ZHANG Zhiming and Mr. MA Yajun as the members of the Audit Committee, with Ms. DENG Chunhua as the chairperson of the Audit Committee.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises three members, namely Mr. ZHAO Rongxiang, Ms. DENG Chunhua and Mr. LI Yinggang, with Mr. ZHAO Rongxiang as the chairperson of the Remuneration and Evaluation Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession and evaluate the Board diversity policy. The Nomination Committee comprises three members, namely Mr. ZHANG Zhiming, Ms. DENG Chunhua and Mr. LI Yinggang, with Mr. ZHANG Zhiming as the chairperson of the Nomination Committee.

Strategy and ESG Committee

We have established a Strategy and ESG Committee with written terms of reference. The primary duties of the Strategy and ESG Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy and ESG Committee comprises five members, namely Mr. PANG Xinyuan, Mr. ZHAO Rongxiang, Mr. WAN Chuangqi, Mr. ZHANG Hongxin and Mr. MA Yajun, with Mr. PANG Xinyuan as the chairperson of the Strategy and ESG Committee.

DIRECTORS AND SENIOR MANAGEMENT

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on August 5, 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

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

BOARD DIVERSITY

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantages and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to our Board diversity policy, in reviewing and assessing suitable candidates to serve as a Director of our Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has one female Director in the Board and will continue to work towards enhancing the gender diversity of our Board. Our Directors have a balanced mix of knowledge and skills. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and the management levels. The Directors are of the view that our Board satisfies our Board diversity policy. Pursuant to our Board diversity policy, the Nomination Committee will from time to time review our Board diversity policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of our Board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION

We offer our Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, bonuses and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration which was paid to our Directors (including director’s fees, salaries and other benefits, performance based bonuses, retirement benefit scheme contributions and share-based payment expenses) for the three years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025 were approximately RMB14.8 million, RMB11.3 million, RMB15.4 million and RMB4.8 million, respectively. It is estimated that the aggregate amount of remuneration (including director’s fees, salaries and other benefits, performance based bonuses, retirement benefit scheme contributions and share-based payment expenses) payable to our Directors for the year ending December 31, 2025 will be approximately RMB7.3 million under arrangements in force at the date of this document.

The five highest paid individuals of our Group for the years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025 included two, one, two and two Directors, respectively, whose emolument is included in the aggregate amount we paid to the relevant Directors set out above. For the years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025, the aggregate amounts of remuneration (including salaries and other benefits, performance based bonuses, retirement benefit scheme contributions and share-based payment expenses) which were paid to the remaining three, four, three and three highest paid individuals who were not Directors of our Company were RMB10.7 million, RMB12.5 million, RMB7.1 million and RMB3.6 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Group during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Huatai Financial Holdings (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

Name	Nature of Interest	Description of Shares	Number of Shares ⁽¹⁾	Approximate percentage of interest in the total issued share capital of our Company as of the Latest Practicable Date	Immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
					Approximate percentage of interest in the total issued share capital of our Company	Approximate percentage of interest in the total issued share capital of our Company
Mr. JC Chen ⁽²⁾	Beneficial interest	A Shares	25,379,947 (L)	1.62%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	A Shares	581,397,591 (L)	37.22%	[REDACTED]%	[REDACTED]%
Ms. YN Chen ⁽²⁾	Interest in controlled corporation	A Shares	581,397,591 (L)	37.22%	[REDACTED]%	[REDACTED]%
	Beneficial interest	A Shares	48,516 (L)	0.003%	[REDACTED]%	[REDACTED]%
	Interest of spouse	A Shares	977,471 (L)	0.06%	[REDACTED]%	[REDACTED]%
Mr. PANG Xinyuan ⁽²⁾	Interest of spouse	A Shares	581,446,107 (L)	[37.22]%	[REDACTED]%	[REDACTED]%
	Beneficial interest	A Shares	977,471 (L)	0.06%	[REDACTED]%	[REDACTED]%
Wolong Shunyu ⁽²⁾	Beneficial interest	A Shares	507,358,176 (L)	32.48%	[REDACTED]%	[REDACTED]%
Wolong Holding ⁽²⁾	Beneficial interest	A Shares	74,039,415 (L)	4.74%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	A Shares	507,358,176 (L)	32.48%	[REDACTED]%	[REDACTED]%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Wolong Shunyu is wholly owned by Wolong Holding, which is in turn owned as to 48.93% by Mr. JC Chen and as to 38.72% by Ms. YN Chen. Each of Mr. JC Chen and Ms. YN Chen is deemed to be interested in the entire interests held by Wolong Holding. Mr. PANG Xinyuan, spouse of Ms. YN Chen, is deemed to be interested in Ms. YN Chen’s entire interest.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above and in section headed “Appendix IV — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders,” our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have any interest and/or short positions in the Shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

SHARE PLEDGE BY CONTROLLING SHAREHOLDER

Pursuant to a share pledge agreement entered into between Wolong Shunyu and Shangyu branch of Industrial and Commercial Bank of China (“**ICBC**”) on January 9, 2020 (as amended on December 17, 2024), Wolong Shunyu pledged 24,000,000 Shares held by it to ICBC as securities for certain loan facilities provided by such bank to Wolong Holding. Pursuant to a share pledge agreement entered into between Wolong Shunyu and Shangyu branch of Agricultural Bank of China (“**ABC**,” together with ICBC, the “**Banks**”) on December 26, 2014, Wolong Shunyu pledged 22,800,000 Shares held by it to ABC as securities for certain loan facilities provided by such bank to Wolong Holding. The Shares pledged to the Banks by Wolong Shunyu represent approximately 3.00% of our total issued share capital as of the Latest Practicable Date.

Upon the [REDACTED], the rights of the Banks as the pledgees under the share pledge agreements shall be subject to the relevant laws and rules (including the Listing Rules), including, amongst others, (a) in the period from the date of the document to the six months from the [REDACTED], each of the Banks, shall not enforce the share pledge so as to cause any change to the shareholding of Wolong Shunyu in our Company; and (b) in the period of six months from the date on which the period referred to in paragraph (a) above expires, each of the Banks, as applicable, shall not enforce the share charge to the extent that, immediately following the enforcement of the share charge, Wolong Shunyu will cease to be a Controlling Shareholder of our Company.

SHARE CAPITAL

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the total issued capital of our Company was 1,562,117,511 A Shares (including 5,148,200 treasury Shares) of nominal value of RMB1.00 each, which are all listed on the main board of the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate percentage of issued share capital
A Shares in issue	1,562,117,511	100.00%

Upon the Completion of the [REDACTED]

Immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital after the [REDACTED]
A Shares in issue	1,562,117,511	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100.00%

Immediately following the completion of the [REDACTED], assuming that [REDACTED] is exercised in full, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital after the [REDACTED]
A Shares in issue	1,562,117,511	[REDACTED]%
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100.00%

SHARE CAPITAL

OUR SHARES

Our H Shares in issue following the completion of the [REDACTED] and our A Shares, are ordinary Shares in the share capital of our Company and are considered as one class of Shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can be also subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. Our H Shares can be subscribed for or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by mainland Chinese investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

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

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

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

SHARE CAPITAL

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at our Shareholders’ meeting held on August 6, 2025 and is subject to the following conditions:

- (i) **Size of the [REDACTED]**. The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the total issued share capital enlarged by the H Shares to be issued pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be issued pursuant to the full exercise of the [REDACTED] shall not exceed [REDACTED]% of the number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) **Method of [REDACTED]**. The method of [REDACTED] shall be by way of an [REDACTED] to institutional investors and a [REDACTED] for subscription in Hong Kong.
- (iii) **Target investors**. The H Shares shall be [REDACTED] to [REDACTED] in Hong Kong under the [REDACTED] and international investors, qualified domestic institutional investors in mainland China and other investors in compliance with regulatory requirements.
- (iv) **[REDACTED] basis**. Fully considering the interests of our Company’s existing Shareholders, the acceptability of [REDACTED], the risks related to the [REDACTED], and adopting a market-based pricing method in line with the international practices, market subscriptions, roadshows and bookkeeping results.
- (v) **Validity period**. The [REDACTED] of H Shares and [REDACTED] of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date when the Shareholders’ meeting was held on August 6, 2025.

There are no other approved [REDACTED] plans for our Shares except the [REDACTED].

SHAREHOLDERS’ GENERAL MEETINGS

For details of the circumstances under which a Shareholders’ general meeting is required, see “Appendix III — Summary of Articles of Association — 8. Notice and Agenda of General Meetings” in this document.

SHARE SCHEMES

Certain employees of our Group are eligible for interests of our Shares through the incentive schemes of our Company. For details, see “Appendix IV — Statutory and General Information — D. A Share Employee Stock Ownership Scheme” in this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants’ Report as set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a global leader in providing electric drive solutions, committed to delivering green power for a sustainable future through technology-driven innovation. Specializing in the research and development, manufacturing, sales, and service of electric drive products and solutions, we provide five core segments tailored for diverse applications worldwide: explosion-proof electric drive solutions, industrial electric drive solutions, HVAC electric drive solutions, E-mobility drive solutions, and robotic components and system applications.

According to Frost & Sullivan, in 2024, we ranked: (i) first in the global explosion-proof electric drive solution market in terms of revenue, with a market share of approximately 4.5%; (ii) fourth in the global industrial electric drive solution market in terms of revenue, with a market share of approximately 2.8%; (iii) and fifth in the global HVAC electric drive solution market in terms of revenue, with a market share of approximately 2.0%.

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025 our revenue was RMB14,266.0 million, RMB15,566.8 million, RMB16,247.0 million, RMB7,978.1 million, and RMB8,030.8 million, respectively. Gross profit margins for the same periods were 23.9%, 23.9%, 23.2%, 24.6%, and 24.6%, respectively, demonstrating our steady performance in business expansion and operational efficiency.

BASIS OF PREPARATION

The consolidated financial statements of our Group for the Track Record Period have been prepared in accordance with the accounting policies set out in Note 3 to the Accountants’ Report in Appendix I to this document. These accounting policies conform to all applicable International Financial Reporting Standards (“IFRS”), which include all International Accounting Standards and interpretations issued by the International Accounting Standards Board (“IASB”).

FINANCIAL INFORMATION

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

A number of external and internal factors have influenced, and are expected to continue to influence, our financial performance during the Track Record Period and going forward. Key considerations are set out as below.

General Factors

As of June 30, 2025, we operated in over 100 countries and regions worldwide. Developments in macroeconomic conditions and other factors beyond our control may impact our operating results and financial condition, including:

- international trade policies, geopolitics dynamics, trade protection measures, export control and economic or trade sanctions;
- government policies, regulations and industry standards applicable to the electric drive solution industry and any of its downstream application industries;
- evolving consumption patterns and habits in China and globally;
- continuous growth and evolving competitive landscape of global electric drive solution industries and each of its segment industries; and
- weather, natural disasters, pandemic and climate change.

Specific Factors

Development of industries where we operate

We are a global leader in providing electric drive solutions, specializing in the research and development, manufacturing, sales, and service of advanced products and solutions across a wide range of high-growth downstream sectors. Demand for our products and solutions is closely linked to the development and performance of these industries, and we strategically align ourselves with prevailing industry trends to capture growth opportunities and deliver sustainable performance.

In recent years, the global electric drive solution market has benefited from multiple structural drivers, including the tightening of safety regulations and industry standards, the acceleration of industrial electrification, the growing emphasis on energy efficiency and sustainability, and rising demand for renewable energy applications. According to Frost & Sullivan, the global electric drive solution market expanded from RMB674.0 billion in 2020 to RMB1,338.1 billion in 2029, representing a CAGR of 7.7% from 2020 to 2024 and 8.1% from 2024 to 2029. Within this landscape, the explosion-proof, industrial, and HVAC electric drive solution markets have maintained steady and resilient growth.

FINANCIAL INFORMATION

These favorable market dynamics have provided a solid foundation for our continuous business expansion. Looking forward, we are also actively capturing opportunities in emerging sectors such as electric aviation and embodied intelligence, which we expect to become new growth engines. Our ability to extend into these new sectors while continuously launching innovative solutions will remain a key driver of our long-term revenue growth and profitability.

Ability to continuously expand our solution portfolio to attract customers

By integrating hardware, software, and services, we aim to provide customized solutions that enhance operational efficiency, reduce costs, and improve long-term performance for our customers. In addition to our strong foundation in explosion-proof, industrial and HVAC electric drive solutions, we are actively expanding into emerging sectors such as electric aviation and embodied intelligence. According to Frost & Sullivan, these emerging sectors are expected to grow rapidly. Our early entry and continuous innovation and expansion of solution portfolio in these areas position us to capture significant opportunities as these markets scale.

By broadening and upgrading our product and solution portfolio, we are not only strengthening our competitive advantages but also laying a solid foundation for sustainable revenue growth and long-term profitability. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, we achieved revenue of RMB14,266.0 million, RMB15,566.8 million, RMB16,247.0 million and RMB8,030.8 million, respectively, with gross profit margins remaining stable at approximately 23.2% to 24.6%. This steady performance demonstrates the resilience of our business model and the positive impact of our transition toward more integrated and specialized solutions, which we believe will continue to support long-term value creation.

Cost control and operation efficiency

Our business results, profitability and future growth are closely linked to our ability to enhance operational efficiency and optimize cost management. Our cost of sales primarily comprises materials, labor, manufacturing expenses, depreciation and amortization, transportation and after-sales services, with materials being the largest component, representing approximately 77.7%, 78.4%, 79.0%, 79.1% and 79.3% of our total cost of sales for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. To mitigate potential fluctuations in the prices of key raw materials such as copper, silicon steel and rare-earth metals, we may incorporate price adjustment mechanisms in agreements with certain customers and maintain long-term partnerships with suppliers globally to ensure stability and timely delivery.

FINANCIAL INFORMATION

We pursue a “global localization” approach to strengthen our competitiveness and resilience. As of June 30, 2025, we operated 45 factories and five major research and development centers worldwide, supported by a sales and service network covering over 100 countries and regions. This extensive global footprint enables us to respond efficiently to customer demand while benefiting from economies of scale and regional synergies.

During the Track Record Period, we continuously improved production efficiency through advanced manufacturing technologies, optimized raw material utilization, and enhanced waste management practices. These initiatives have supported stable gross profit margins during the Track Record Period, reflecting the effectiveness of our operational strategy in sustaining profitability while delivering high-quality, cost-effective solutions.

Technological advancements and innovation

Our long-term revenue growth is driven by our continuous technological advancement and innovation. As the global electric drive solution market rapidly evolves, we remain committed to sustained investment in research and development to maintain our technological leadership and to meet the changing needs of our customers. Innovations in motor efficiency, intelligent control algorithms, IoT integration and AI-enabled predictive maintenance have enabled us to provide differentiated, high-value solutions that strengthen customer loyalty and enhance competitiveness.

For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our research and development expenditure (including capitalized amounts) amounted to RMB818.6 million, RMB857.8 million, RMB872.2 million, RMB438.4 million and RMB426.4 million, respectively, reflecting our consistent commitment to technology-driven growth. As of June 30, 2025, we have over 1,800 research and development staff globally, accounting for over 10% of our total workforce, including 10 top international experts and more than 200 members with master’s and doctoral degrees, supported by five research and development centers across China, the United States, Germany, Japan, and India, as well as 45 factories worldwide.

Through our three-tier research and development system, comprising our “Research Center – Business Units – Factories,” we ensure seamless collaboration from frontier technology exploration to industrialization. Our continuous innovation has been recognized with more than 1,500 authorized patents and multiple prestigious awards, including the Queen’s Award of the United Kingdom. Looking ahead, we will continue to devote sustained investment to deliver customized solutions, further strengthening our position as a global leader in electric drive solutions and supporting sustainable growth in emerging sectors such as electric aviation and embodied intelligence.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most material estimates and judgments used in the preparation of our consolidated financial statements. Our material accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 3 to the Accountants’ Report as set out in Appendix I to this document.

Material Accounting Policies

Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, we use a 5-step approach for revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Our Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customers. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group’s performance as our Group performs;
- our Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- our Group’s performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

FINANCIAL INFORMATION

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration to which our Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes. Details of our Group's revenue recognition policies are as follows:

Revenue from sale of goods

Revenue from sale of goods between our Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognized when the performance obligation has been satisfied at a point in time.

Revenue from domestic sale of goods is recognized at a point in time when our Group has delivered the products to the customers in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Revenue from export sale of goods is recognized at a point in time upon completion of delivery procedures to the customer or their designated carrier, when control of the goods is transferred.

Revenue from sales of electricity

Revenue from sales of electricity is recognized at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

Revenue from provision of services

Revenue from provision of services is recognized over time or at a point in time when the Group has satisfied the corresponding performance obligation in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Employee benefits

Our Group operates defined contribution and defined benefit retirement plans for its employees. The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under our Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment. Net interest is calculated by applying the discount rate at the beginning

FINANCIAL INFORMATION

of the period to the net defined benefit liability or asset. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in our Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when our Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Share-based payments

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which our Group receives services and uses shares or other equity instruments as consideration for settlement.

An equity-settled share-based payment in exchange for services received from employees is measured at the fair value of the equity instruments granted to the employees. If such an equity-settled share-based payment vests immediately, the related costs or expenses at an amount equal to the fair value on the grant date are recognized, with a corresponding increase in capital reserves; if such an equity-settled share-based payment does not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, our Group recognizes the services received for the current period as related costs and expenses at the end of each reporting period during the vesting period, with a corresponding increase in capital reserves at an amount equal to the fair value of the equity instruments at the grant date. For further details on the fair value of equity instruments, please refer to Note 41 to the Accountants' Report as set out in Appendix I to this document.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

FINANCIAL INFORMATION

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either our Group or our employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Taxation

Income tax expense represents the sum of current and deferred income tax expense. The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sale.

FINANCIAL INFORMATION

Provisions

Provisions are recognized when our Group has a present obligation (legal or constructive) as a result of a past event, it is probable that our Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where our Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

Our Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

Our Group performs impairment assessment under ECL model on financial assets (including trade, bills and other receivables and receivables at FVTOCI) and other items (contract assets)) which are subjected to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, our Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated, which are derived from our consolidated statements of profit or loss included in the Accountants’ Report as set out in Appendix I to this document:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Revenue	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0
Cost of sales	(10,862,275)	(76.1)	(11,841,381)	(76.1)	(12,475,993)	(76.8)	(6,016,743)	(75.4)	(6,052,349)	(75.4)
Gross profit	3,403,684	23.9	3,725,446	23.9	3,771,047	23.2	1,961,358	24.6	1,978,421	24.6
Selling and marketing expenses	(634,055)	(4.4)	(704,073)	(4.5)	(780,321)	(4.8)	(411,550)	(5.2)	(372,594)	(4.6)
Administrative expenses	(1,102,036)	(7.7)	(1,335,540)	(8.6)	(1,305,551)	(8.0)	(650,979)	(8.2)	(653,815)	(8.1)
Research and development expenses	(575,155)	(4.0)	(557,407)	(3.6)	(642,191)	(4.0)	(341,947)	(4.3)	(315,667)	(3.9)
Other income	142,983	1.0	276,609	1.8	199,114	1.2	84,490	1.1	118,405	1.5
Other gains and losses	127,850	0.9	(268,817)	(1.7)	86,180	0.5	(33,395)	(0.4)	66,236	0.8
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(117,373)	(0.8)	(92,225)	(0.6)	(86,608)	(0.5)	(30,427)	(0.4)	(40,034)	(0.5)
[REDACTED] expenses	–	–	–	–	–	–	–	–	(2,449)	0.0
Share of results of associates	29,221	0.2	(24,203)	(0.2)	2,056	0.0	8,652	0.1	8,055	0.1
Finance costs	(276,193)	(1.9)	(252,397)	(1.6)	(253,191)	(1.6)	(122,831)	(1.5)	(103,357)	(1.3)
Profit before tax	998,926	7.0	767,393	4.9	990,535	6.1	463,371	5.8	683,201	8.5
Income tax expense	(160,224)	(1.1)	(214,515)	(1.4)	(158,280)	(1.0)	(54,326)	(0.7)	(135,232)	(1.7)
Profit for the year/period	838,702	5.9	552,878	3.6	832,255	5.1	409,045	5.1	547,969	6.8

FINANCIAL INFORMATION

Revenue

During the Track Record Period, our revenue was primarily derived from sales of electric drive solutions, namely (i) explosion-proof electric drive solutions; (ii) industrial electric drive solutions; (iii) HVAC electric drive solutions; (iv) E-mobility drive solutions; and (v) robotic components and system applications. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue was RMB14,266.0 million, RMB15,566.8 million, RMB16,247.0 million, RMB7,978.1 million and RMB8,030.8 million, respectively.

Revenue by business segments

The following table sets forth the breakdown of our revenue by business segments for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
									(unaudited)	
Explosion-proof electric drive solutions	4,143,418	29.0	4,688,458	30.1	4,697,282	28.9	2,427,443	30.4	2,459,225	30.6
Industrial electric drive solutions	3,632,266	25.5	4,059,869	26.1	4,063,303	25.0	2,018,885	25.3	2,118,966	26.4
HVAC electric drive solutions	4,647,235	32.6	4,361,071	28.0	4,592,862	28.3	2,331,106	29.2	2,575,131	32.1
E-mobility drive solutions	647,485	4.5	609,169	3.9	389,751	2.4	203,612	2.6	211,268	2.6
Robotic components and system applications	355,526	2.5	406,215	2.6	451,965	2.8	195,848	2.5	217,776	2.7
Others ⁽¹⁾	840,029	5.9	1,442,045	9.3	2,051,877	12.6	801,207	10.0	448,404	5.6
Total	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0

Note:

- (1) Primarily comprises revenue derived from sales of energy storage system, electricity from photovoltaic power generation, and raw materials and components. We completed the disposal of the energy storage and photovoltaic power generation related business in March 2025 to an affiliated entity controlled by our Controlling Shareholders. For details, please refer to “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers” in this document.

FINANCIAL INFORMATION

The continuous revenue growth during the Track Record Period was primarily driven by our forward-looking global market strategy, resilient customer demand across diversified end markets, and flexible commercial models that matched different client profiles and segments. Our ability to identify and deploy resources to high-potential markets, maintain long-term relationships with industry-leading customers, and adapt our go-to-market approach have all contributed to sustained topline expansion. We have continuously strengthened our international operations, with a particular focus on enhancing overseas sales capabilities, improving regional service coverage, and deepening engagement with strategic customers. For details on fluctuation of our revenue during the Track Record Period, please refer to “— Period to Period Comparison of Results of Operations” below.

Revenue by geographical regions

The following table sets forth a breakdown of our revenue by geographical market for the period indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
The PRC	8,724,089	61.2	9,966,838	64.0	10,528,570	64.8	5,013,396	62.9	4,807,368	59.8
Europe, the Middle East and Africa	2,801,541	19.6	2,793,639	17.9	2,551,201	15.7	1,288,249	16.1	1,251,825	15.6
The Americas	1,708,526	12.0	1,988,485	12.8	2,093,277	12.9	1,149,660	14.4	1,210,409	15.1
Asia-Pacific excluding the PRC	1,031,803	7.2	817,865	5.3	1,073,992	6.6	526,796	6.6	761,168	9.5
Total	14,265,959	100.0	15,566,827	100.0	16,247,040	100.0	7,978,101	100.0	8,030,770	100.0

The PRC has been our major contribution of revenue during the Track Record Period. Revenue generated from the PRC accounted for 61.2%, 64.0%, 64.8%, 62.9% and 59.8% of our total revenue for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. For the six months ended June 30, 2025, our revenue percentage from China decreased to 59.8%, primarily attributable to our proactive expansion of overseas market.

Globalization forms the core of our corporate strategy. Our overseas revenue has been steadily increasing during the Track Record Period, accounting for 38.8%, 36.0%, 35.2%, 37.1%, 40.2% of our total revenue for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. For the year ended December 31, 2024, our revenue from Europe, the Middle East and Africa decreased by 8.7%, primarily attributable to demand fluctuation from European market.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales consists of materials, labor, manufacturing expenses, depreciation and amortization, and transportation and after-sales fees. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Materials	8,433,280	77.7	9,289,569	78.4	9,869,315	79.0	4,758,928	79.1	4,805,833	79.3
Labor	1,100,070	10.1	1,170,046	9.9	1,172,674	9.4	578,809	9.6	580,876	9.6
Manufacturing expenses . .	607,494	5.6	637,165	5.4	644,161	5.2	287,449	4.8	288,072	4.8
Depreciation and amortization	394,480	3.6	424,151	3.6	471,241	3.8	229,645	3.8	216,331	3.6
Transportation and after-sales fees	326,951	3.0	320,450	2.7	318,602	2.6	161,912	2.7	161,237	2.7
Total	10,862,275	100	11,841,381	100	12,475,993	100	6,016,743	100	6,052,349	100

Cost of materials remained the largest component of our cost of sales during the Track Record Period, accounting for 77.7%, 78.4%, 79.0%, 79.1%, and 79.3% of cost of sales for the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Our cost of materials has been increasing during the Track Record Period, in line with our revenue growth.

Labor costs represent salaries, bonus and welfare benefits for our employees in production department. During the Track Record Period, the decrease in the proportion of labor costs to total cost of sales primarily reflects our ongoing efforts to enhance production efficiency.

FINANCIAL INFORMATION

The following table sets forth our cost of sales by segment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
									(unaudited)	
Explosion-proof electric drive solutions	2,912,417	26.8	3,210,436	27.1	3,264,022	26.2	1,659,717	27.6	1,687,629	27.9
Industrial electric drive solutions	2,661,160	24.5	3,000,211	25.3	2,943,292	23.6	1,393,255	23.2	1,472,867	24.3
HVAC electric drive solutions	3,892,549	35.8	3,633,054	30.7	3,836,290	30.7	1,939,976	32.2	2,169,656	35.8
E-mobility drive solutions	560,928	5.2	568,166	4.8	385,353	3.1	199,967	3.3	209,526	3.5
Robotic components and system applications	285,608	2.6	289,535	2.5	332,895	2.7	150,076	2.5	169,688	2.8
Others	549,613	5.1	1,139,979	9.6	1,714,141	13.7	673,752	11.2	342,983	5.7
Total	10,862,275	100	11,841,381	100	12,475,993	100	6,016,743	100	6,052,349	100

Gross Profit and Gross Profit Margin

For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our gross profit was RMB3,403.7 million, RMB3,725.4 million, RMB3,771.0 million, RMB1,961.4 million and RMB1,978.4 million, respectively. Our gross profit margin for the same periods was 23.9%, 23.9%, 23.2%, 24.6% and 24.6%, respectively. For details on fluctuation of our gross profit and gross profit margin during the Track Record Period, please refer to “— Period to Period Comparison of Results of Operations” below.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our gross profit and gross profit margin by segments for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	Gross profit		Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
								(unaudited)		
Explosion-proof electric drive solutions	1,231,001	29.7	1,478,022	31.5	1,433,260	30.5	767,726	31.6	771,596	31.4
Industrial electric drive solutions	971,106	26.7	1,059,658	26.1	1,120,011	27.6	625,630	31.0	646,100	30.5
HVAC electric drive solutions	754,686	16.2	728,017	16.7	756,572	16.5	391,130	16.8	405,475	15.7
E-mobility drive solutions	86,557	13.4	41,003	6.7	4,398	1.1	3,645	1.8	1,742	0.8
Robotic components and system applications	69,918	19.7	116,680	28.7	119,070	26.3	45,772	23.4	48,088	22.1
Others	290,416	34.6	302,066	20.9	337,736	16.5	127,455	15.9	105,420	23.5
Total	3,403,684	23.9	3,725,446	23.9	3,771,047	23.2	1,961,358	24.6	1,978,421	24.6

Selling and Marketing Expenses

Our selling and marketing expenses comprise (i) employee compensation, (ii) travel expenses, (iii) business entertainment expenses, (iv) sale commissions and (v) other related operating costs such as advertising, office and communication and rental expenses. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our selling and marketing expenses amounted to RMB634.1 million, RMB704.1 million, RMB780.3 million, RMB411.6 million and RMB372.6 million, respectively, representing 4.4%, 4.5%, 4.8%, 5.2% and 4.6% of our total revenue for the same periods.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our selling and marketing expenses by nature for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
									(unaudited)	
Employee compensation . .	306,163	48.3	353,766	50.2	395,263	50.7	194,331	47.2	188,699	50.6
Travel expenses	97,138	15.3	118,212	16.8	156,858	20.1	83,622	17.4	66,321	17.8
Business entertainment expenses	94,401	14.9	100,785	14.3	111,820	14.3	66,187	13.7	52,000	14.0
Sales commissions	54,054	8.5	39,825	5.7	30,692	3.9	16,473	8.1	20,198	5.4
Advertising and business promotion expenses . . .	14,857	2.4	24,970	3.5	19,476	2.5	16,372	2.8	15,645	4.2
Office and communication expenses	12,207	1.9	13,173	1.9	20,294	2.6	10,975	1.2	9,134	2.5
Rental expenses	9,467	1.5	7,826	1.1	12,066	1.6	5,354	1.3	5,606	1.5
Depreciation and amortization	18,422	2.9	16,197	2.3	18,231	2.3	7,896	1.9	5,203	1.4
Others	27,346	4.3	29,319	4.2	15,621	2.0	10,340	6.4	9,788	2.6
Total	634,055	100.0	704,073	100.0	780,321	100.0	411,550	100.0	372,594	100.0

Employee compensation was the largest component, accounting for 48.3%, 50.2%, 50.7%, 47.2% and 50.6% of total selling and marketing expenses for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. Employee compensation primarily includes salaries, pension scheme contributions and other social welfare payments for our sales personnel. The increase in absolute amount from RMB306.2 million for the year ended December 31, 2022 to RMB395.3 million for the year ended December 31, 2024 was mainly due to our internal performance reform and enhanced incentive mechanisms. These initiatives reflect our emphasis on employee productivity and contribution-based rewards.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses primarily comprise (i) employee compensation, (ii) depreciation and amortization expenses, (iii) professional service fees, and (iv) other general corporate expenses including, amongst others, office, rental and insurance costs. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our administrative expenses amounted to RMB1,102.0 million, RMB1,335.5 million, RMB1,305.6 million, RMB651.0 million and RMB653.8 million, respectively, accounting for approximately 7.7%, 8.6%, 8.0%, 8.2% and 8.1% of our total revenue for the same periods. The table below sets forth a breakdown of our administrative expenses by nature for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
									(unaudited)	
Employee compensation . .	570,825	51.8	736,438	55.1	721,486	55.4	354,899	54.5	343,141	52.5
Depreciation and amortization expenses . .	133,008	12.1	147,742	11.1	176,136	13.5	84,712	13.0	101,082	15.4
Professional service fees . .	95,004	8.6	120,765	9.0	105,427	8.1	44,571	6.8	51,622	7.9
Office expenses	73,398	6.7	94,377	7.1	103,628	7.9	48,763	7.5	53,976	8.3
Rental expenses	36,106	3.3	51,749	3.9	44,436	3.4	32,391	5.0	27,062	4.1
Travel expenses	34,175	3.1	61,344	4.6	52,524	4.0	29,392	4.5	23,777	3.6
Maintenance expenses . . .	24,734	2.2	33,010	2.5	34,471	2.6	17,296	2.7	16,574	2.5
Insurance expenses	19,040	1.7	20,146	1.5	22,412	1.7	11,125	1.7	14,770	2.3
Business entertainment expenses	16,098	1.5	27,766	2.1	24,851	1.9	14,445	2.2	9,613	1.5
Other expenses	99,648	9.0	42,203	3.1	20,180	1.5	13,385	2.1	12,198	1.9
Total	1,102,036	100.0	1,335,540	100.0	1,305,551	100.0	650,979	100.0	653,815	100.0

Employee compensation consistently represented the largest portion of administrative expenses, accounting for 51.8%, 55.1%, 55.4%, 54.5% and 52.5% for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. Employee compensation primarily includes salaries, pension scheme contributions and other social welfare payments for our administrative staff. For the year ended December 31, 2023, employee compensation increased to RMB736.4 million from RMB570.8 million for the year ended December 31, 2022, primarily attributable to our business expansion. Depreciation and amortization expenses primarily includes depreciation of buildings and office equipment. The increase in depreciation and amortization expenses during the Track Record Period was primarily attributable to the construction of our Shangyu headquarters and Nanyang manufacturing base. Professional service fees primarily include consulting and professional services in relation to our operating activities.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses comprise (i) material costs, (ii) employee compensation, (iii) depreciation and amortization, and (iv) other miscellaneous expenses including, amongst others, testing, software, and third-party services. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our research and development expenses amounted to RMB575.2 million, RMB557.4 million, RMB642.2 million, RMB341.9 million and RMB315.7 million, respectively. The table below sets forth a breakdown of our research and development expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Materials	299,841	52.1	273,764	49.1	276,612	43.1	158,289	46.3	128,814	40.8
Employee compensation . .	155,143	27.0	161,678	29.0	213,915	33.3	105,127	30.7	111,189	35.2
Depreciation and amortization	71,635	12.5	79,568	14.3	95,243	14.8	48,477	14.2	49,505	15.7
Other expenses	48,536	8.4	42,397	7.6	56,421	8.8	30,054	8.8	26,159	8.3
Total	575,155	100.0	557,407	100.0	642,191	100.0	341,947	100.0	315,667	100.0

Material costs remained the largest component for our research and development expenses during the Track Record Period, accounting for 52.1%, 49.1%, 43.1%, 46.3% and 40.8% of our research and development expenses, respectively. Employee compensation primarily includes salaries, pension scheme contributions and other social welfare payments for our research and development personnel.

FINANCIAL INFORMATION

Other Income

Our other income comprises (i) government grants, (ii) bank interest income, (iii) extra deduction of value-added tax (“VAT”), and (iv) other miscellaneous items such as software VAT rebates. The table below sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Government grants	119,811	83.8	191,277	69.1	78,730	39.6	34,096	40.4	46,152	39.0
Bank interest income . . .	17,589	12.3	25,351	9.2	49,417	24.8	19,559	23.1	40,165	33.9
Extra deduction of VAT . .	–	–	55,234	20.0	68,746	34.5	29,534	35.0	29,710	25.1
Others ⁽¹⁾	5,583	3.9	4,747	1.7	2,221	1.1	1,301	1.5	2,378	2.0
Total	142,983	100.0	276,609	100.0	199,114	100.0	84,490	100.0	118,405	100.0

Note:

(1) Others primarily consist of software VAT rebates.

Government grants were the largest component during the Track Record Period, accounting for 83.8%, 69.1%, 39.6%, 40.4% and 39.0% of our total other income for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. These grants were primarily comprised of (i) asset-related subsidies recognized over the useful life of the corresponding assets, and (ii) income-related subsidies granted for innovation, industrial policy support, and local development incentives.

Other Gains and Losses

Our other gains and losses primarily consist of (i) changes in fair value of financial assets and liabilities measured at fair value through profit or loss (“FVTPL”), (ii) impairment losses recognized in respect of an associate based on fair value, (iii) net foreign exchange gains or losses, and (iv) miscellaneous items such as supplier penalties.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our other gains and losses for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Change in fair value of financial assets at FVTPL	(14,980)	68,399	122,274	12,139	19,515
Change in fair value of financial liabilities at FVTPL	(1,619)	904	–	–	(1,972)
Impairment losses on property, plant and equipment	(4,713)	(815)	(1,819)	(177)	–
Impairment losses on goodwill	(2,023)	–	–	–	–
Impairment losses recognized in respect of an associate based on fair value	–	(211,341)	(60,080)	(60,080)	–
(Loss) gain on disposal of property, plant and equipment	(17)	25,027	13,028	11,917	304
Loss on disposal of right-of-use assets	–	(7,383)	–	–	–
Gain (loss) on disposal of intangible assets	500	–	(336)	3	(5)
Gain on partial disposal of an associate	–	9,560	–	–	–
Gain on disposal of subsidiaries	29,427	–	–	–	10,498
Dividend income from financial asset at FVTPL	80,814	20,900	7,591	5,035	16,683
Compensation to an associate ⁽¹⁾	–	(186,053)	–	–	–
Net foreign exchange gain (loss)	70,928	30,290	9,731	(5,630)	22,443
Others	(30,467)	(18,305)	(4,209)	3,398	(1,230)
Total	127,850	(268,817)	86,180	(33,395)	66,236

Note:

- (1) In 2017, we disposed of 92.5% equity interest of a subsidiary to an associate. The transaction agreement included a profit guarantee in which we warranted that the disposed subsidiary would achieve certain performance targets for 2017 to 2019 (the “**Profit Guarantee**”). In 2023, we assessed the then available facts and circumstances, and recorded a compensation liability of approximately RMB186.1 million in respect of the non-achievement of the Profit Guarantee. Such liability was settled in full by us in June 2024.

Impairment Losses under ECL Model, Net of Reversal

We recognize impairment losses under the ECL model primarily in relation to trade receivables, bill receivables, contract assets and other receivables. These losses are calculated based on a combination of historical credit loss experience, current conditions, and forward-looking information. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our net impairment losses under the ECL model amounted to RMB117.4 million, RMB92.2 million, RMB86.6 million, RMB30.4 million and RMB40.0 million, respectively.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our impairment losses under the ECL model for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Impairment losses recognized on:					
– Trade receivables	139,043	109,772	103,144	43,293	46,628
– Bills receivables	6	9	7	–	–
– Contract assets	371	1,596	3,757	1,059	1,044
– Other receivables	10,665	8,662	11,993	16,453	11,027
	<u>150,085</u>	<u>120,039</u>	<u>118,901</u>	<u>60,805</u>	<u>58,699</u>
Impairment losses reversed on:					
– Trade receivables	(26,244)	(23,809)	(16,229)	(15,120)	(8,756)
– Bill receivables	–	(9)	(3)	(5)	–
– Contract assets	(1,031)	(102)	(72)	(310)	(773)
– Other receivables	(5,437)	(3,894)	(15,989)	(14,943)	(9,136)
	<u>(32,712)</u>	<u>(27,814)</u>	<u>(32,293)</u>	<u>(30,378)</u>	<u>(18,665)</u>
Total	<u>117,373</u>	<u>92,225</u>	<u>86,608</u>	<u>30,427</u>	<u>40,034</u>

Impairment losses were primarily attributable to trade receivables, which represented the most significant component of gross impairment charges in each of the periods. For the year ended December 31, 2023, impairment losses under ECL model decreased to RMB92.2 million and further decreased to RMB86.6 million for the year ended December 31, 2024, primarily attributable to improved credit control measures and increased collection efforts. The increase in the six months ended June 30, 2025 compared with the corresponding period in 2024 was primarily due to a rise in trade receivables, which led to an additional impairment of approximately RMB10.0 million.

Share of Results of Associates

Our share of results of associates represents our proportionate share of the net profit or loss of entities in which we have significant influence but not control, and which are accounted for using the equity method. During the Track Record Period, we invested in several associates. For the years ended December 31, 2022, 2024 and the six months ended June 30, 2024 and 2025, we recorded share of results of associates of RMB29.2 million, RMB2.1 million, RMB8.7 million, and RMB8.1 million, respectively. For the year ended December 31, 2023, we recorded share of loss of associates of RMB24.2 million.

FINANCIAL INFORMATION

Finance Costs

Finance costs comprise interest on bank and other borrowings and lease liabilities. The table below sets forth a breakdown of our finance costs by nature for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Interest on bank and other										
borrowings	271,225	98.2	246,747	97.8	249,153	98.4	120,560	98.2	101,750	98.4
Interest on lease liabilities .	4,968	1.8	5,650	2.2	4,038	1.6	2,271	1.8	1,607	1.6
Total	276,193	100.0	252,397	100.0	253,191	100.0	122,831	100.0	103,357	100.0

During the Track Record Period, our finance costs were primarily derived from interest on bank and other borrowings. During the Track Record Period, our borrowing scale remained generally stable, and changes in the borrowing interest were primarily attributable to fluctuations in borrowing interest rates.

Income Tax Expenses

Our income tax expenses comprise current tax charges and deferred tax expenses in the PRC and other jurisdictions where we operate. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our income tax expenses amounted to RMB160.2 million, RMB214.5 million, RMB158.3 million, RMB54.3 million and RMB135.2 million, respectively.

Our effective tax rates for the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025 were 16.0%, 28.0%, 16.0%, 11.7% and 19.8%, respectively. The significant increase in 2023 was primarily due to the reversal of previously recognized deferred tax assets in Europe, mainly associated with accumulated tax losses at one of our subsidiaries. The increase for the six months ended June 30, 2025 was mainly attributable to increased income tax arising from the investment gains generated from our disposal of a subsidiary in 2025.

Excluding the deferred tax impact, our current tax expenses remained relatively stable across the Track Record Period, in line with the consistency of our business mix and the application of tax incentives. A number of our PRC subsidiaries have been certified as “High and New Technology Enterprises” and enjoyed a preferential 15% corporate income tax rate during the relevant periods. Certain of our PRC subsidiaries have been accredited as “Micro and Small Enterprise” and enjoyed a preferential 20% corporate income tax rate. We also benefit from additional tax deductions under PRC tax law, including 100% deductions on qualifying research and development expenditures and wage incentives for hiring disabled workers.

FINANCIAL INFORMATION

In addition to PRC taxation, we are also subject to income tax in overseas jurisdictions including Germany (31-33%), Italy (24%), Mexico (30%), the United Kingdom (19%), Poland (19%), Austria (23%), and the United States (21%). Overseas income tax expenses were recorded in accordance with the prevailing tax regulations in those jurisdictions.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2025 Compared to Six Months Ended June 30, 2024

Revenue

For the six months ended June 30, 2025, our revenue increased modestly by approximately 0.7% from RMB7,978.1 million for the six months ended June 30, 2024, to RMB8,030.8 million, primarily driven by growth in our industrial and HVAC electric drive solutions.

- Revenue from our explosion-proof electric drive solutions increased slightly by 1.3%, from RMB2,427.4 million for the six months ended June 30, 2024, to RMB2,459.2 million for the six months ended June 30, 2025. This increase reflected rising market demand of our explosion-proof electric drive solutions.
- Revenue from our industrial electric drive solutions increased by 5.0%, from RMB2,018.9 million for the six months ended June 30, 2024, to RMB2,119.0 million for the six months ended June 30, 2025. The increase was primarily driven by strong growth in the Americas.
- Revenue from our HVAC electric drive solutions increased significantly by 10.5%, from RMB2,331.1 million in the six months ended June 30, 2024, to RMB2,575.1 million for the six months ended June 30, 2025. This growth was mainly attributed to stable demand in the domestic market, coupled with rapid expansion in Asia-Pacific, driven by our strategic shift to supply this market through our manufacturing base in Vietnam.
- Revenue from our E-mobility drive solutions increased by 3.8%, from RMB203.6 million for the six months ended June 30, 2024 to RMB211.3 million for the six months ended June 30, 2025. The growth primarily resulted from our increased investment in sectors such as commercial electric vehicles.
- Revenue from our robotic components and system applications increased significantly by 11.2%, from RMB195.8 million for the six months ended June 30, 2024, to RMB217.8 million for the six months ended June 30, 2025. This strong growth was largely driven by increasing demand for our industrial robots business.

FINANCIAL INFORMATION

Cost of sales

For the six months ended June 30, 2025, our cost of sales remained relatively stable at RMB6,052.3 million compared to RMB6,016.7 million for the six months ended June 30, 2024.

Gross profit and gross profit margin

Our gross profit remained relatively stable at RMB1,961.4 million for the six months ended June 30, 2024 and RMB1,978.4 million for the six months ended June 30, 2025 with gross profit margin remaining the same at 24.6% for the respective period. The gross profit contribution by solution is set out below:

- Gross profit for our explosion-proof electric drive solutions remained relatively stable at RMB767.7 million with a gross profit margin of 31.6% for the six months ended June 30, 2024 and RMB771.6 million with a gross profit margin of 31.4% in the corresponding period of 2025.
- Gross profit for our industrial electric drive solutions remained relatively stable at RMB625.6 million with a gross profit margin of 31.0% for the six months ended June 30, 2024 and RMB646.1 million with a gross profit margin of 30.5% in the corresponding period of 2025.
- Gross profit for our HVAC electric drive solutions increased by 3.7% from RMB391.1 million for the six months ended June 30, 2024 to RMB405.5 million for the six months ended June 30, 2025 while gross profit margin decreased slightly from 16.8% to 15.7% for the same periods. The slight decrease of gross profit margin was primarily attributable to intensified competition in domestic market.
- Gross profit for our E-mobility drive solutions decreased by 52.2% to RMB1.7 million for the six months ended June 30, 2025 from RMB3.6 million for the six months ended June 30, 2024 while gross profit margin decreased to 0.8% from 1.8% for the same period. The decrease of gross profit margin was primarily attributable to ongoing pressure from intensified competition in the new energy passenger vehicle segment. We are strategically increasing investments in other sectors, including new energy commercial vehicle projects going forward.
- Gross profit for our robotic components and system applications increased by 5.1% from RMB45.8 million for the six months ended June 30, 2024 to RMB48.1 million for the six months ended June 30, 2025 while the gross profit margin decreased slightly from 23.4% to 22.1% for the same periods. The slight decrease of gross profit margin was primarily attributable to our proactive strategic focus on developing the robotics segment. We have adopted more flexible pricing strategies for initial launches, aimed at securing key customers and establishing market share, which contributed to the margin compression in the early stage.

Other income

For the six months ended June 30, 2025, our other income increased by approximately 40.1% to RMB118.4 million from RMB84.5 million for the six months ended June 30, 2024, primarily driven by increased government grants received during the period.

FINANCIAL INFORMATION

Other gains and losses

We recorded other gains of RMB66.2 million for the six months ended June 30, 2025, compared to other losses of RMB33.4 million for the six months ended June 30, 2024. This improvement was mainly due to gains on disposal of certain non-core business assets and favorable foreign exchange fluctuations.

Selling and marketing expenses

For the six months ended June 30, 2025, our selling and marketing expenses decreased by 9.5%, from RMB411.6 million for the same period in 2024 to RMB372.6 million. This reduction primarily reflected enhanced marketing efficiency and optimized resource allocation.

Administrative expenses

Our administrative expenses for the six months ended June 30, 2025, remained relatively stable at RMB653.8 million compared to RMB651.0 million in the corresponding period in 2024.

Research and development expenses

For the six months ended June 30, 2025, research and development expenses decreased by 7.7% to RMB315.7 million from RMB341.9 million in the same period of 2024. This reduction was primarily due to enhanced efficiencies resulting in the reduced material consumption during the research and development process.

Impairment losses under ECL model, net of reversal

Impairment losses under the ECL model increased by approximately 31.6%, from RMB30.4 million for the six months ended June 30, 2024, to RMB40.0 million for the six months ended June 30, 2025, primarily attributable to an increase in trade receivables, which led to an additional impairment of approximately RMB10.0 million.

Share of results of associates

Our share of results of associates remained relatively stable at a gain of RMB8.7 million for the six months ended June 30, 2024, and a gain of RMB8.1 million for the six months ended June 30, 2025, indicating continued stable performance by our associate entities.

Finance costs

Our finance costs decreased by 15.8% to RMB103.4 million for the six months ended June 30, 2025 from RMB122.8 million for the six months ended June 30, 2024, primarily due to improved capital structure management and decrease in interest rate.

FINANCIAL INFORMATION

Income tax expenses

Income tax expenses increased by approximately 148.9%, from RMB54.3 million for the six months ended June 30, 2024, to RMB135.2 million for the six months ended June 30, 2025. The increase primarily resulted from an increase in income tax arising from investment gains generated from the disposal of certain subsidiaries in 2025.

Profit for the year/period

As a result of the foregoing, our profit for the year increased by 34.0% to RMB548.0 million from RMB409.0 million for the six months ended June 30, 2024.

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

Revenue

For the year ended December 31, 2024, our revenue increased by approximately 4.4% from RMB15,566.8 million for the year ended December 31, 2023 to RMB16,247.0 million. The growth was primarily driven by the growth of our HVAC electric drive solution segment, and continued expansion in our robotic components and system applications segment.

- Revenue from our explosion-proof electric drive solutions increased slightly from RMB4,688.5 million for the year ended December 31, 2023 to RMB4,697.3 million for the year ended December 31, 2024. The growth in 2024 was primarily attributable to increasing market demand of our explosion-proof electric drive solutions in the Americas and Asia-Pacific.
- Revenue from our industrial electric drive solutions remained broadly stable at RMB4,063.3 million for the year ended December 31, 2024 compared to RMB4,059.9 million for the year ended December 31, 2023.
- Revenue from our HVAC electric drive solutions increased by 5.3% from RMB4,361.1 million for the year ended December 31, 2023 to RMB4,592.9 million for the year ended December 31, 2024. The increase was primarily attributable to our continuous expansion of new solution offerings and enhanced sales initiatives, which have enabled us to acquire new customers in Asia-Pacific.
- Revenue from our E-mobility drive solutions decreased by 36.0% from RMB609.2 million for the year ended December 31, 2023 to RMB389.8 million for the year ended December 31, 2024, mainly due to intensified competition in the new energy passenger vehicle sector. We have been strategically transitioning to other sectors including new energy commercial vehicles.
- Revenue from our robotic components and system applications increased by 11.3% from RMB406.2 million for the year ended December 31, 2023 to RMB452.0 million for the year ended December 31, 2024. This growth was primarily driven by our strategic investments and growing demand from overseas industrial customers.

FINANCIAL INFORMATION

Cost of sales

For the year ended December 31, 2024, our cost of sales increased by approximately 5.4% to RMB12,476.0 million from RMB11,841.4 million for the year ended December 31, 2023. The increase was mainly attributable to higher raw material costs, particularly copper, which was in line with our revenue growth.

Gross profit and gross profit margin

Our gross profit increased slightly by 1.2% from RMB3,725.4 million for the year ended December 31, 2023 to RMB3,771.0 million for the year ended December 31, 2024, reflecting stable pricing and operational efficiencies offsetting modestly higher input costs. The gross profit contribution by solution is set out below:

- Gross profit for our explosion-proof electric drive solutions decreased by 3.0% to RMB1,433.3 million for the year ended December 31, 2024 from RMB1,478.0 million for the year ended December 31, 2023. Gross profit margin for the same periods decreased from 31.5% to 30.5%. The slight decrease in gross profit margin was primarily attributable to (i) an increase in price of copper, one of the major raw materials, in the first half year of 2024, and (ii) intensified competition in the domestic market.
- Gross profit for our industrial electric drive solutions increased from RMB1,059.7 million with a gross profit margin of 26.1% for the year ended December 31, 2023 to RMB1,120.0 million with a gross profit margin of 27.6% for the year ended December 31, 2024. The slight increase in gross profit margin was largely attributed to the increasing revenue contribution of certain high-margin solutions, such as those from production lines in North America and Europe.
- Gross profit for our HVAC electric drive solutions remained relatively stable at RMB728.0 million with a gross profit margin of 16.7% for the year ended December 31, 2023 to RMB756.6 million with a gross profit margin of 16.5% for the year ended December 31, 2024.
- Gross profit for our E-mobility drive solutions decreased by 89.3% from RMB41.0 million for the year ended December 31, 2023 to RMB4.4 million for the year ended December 31, 2024. Gross profit margin for the same periods decreased from 6.7% to 1.1%. The decrease was primarily attributable to ongoing pressure from intensified competition in new energy passenger vehicle sector. We are strategically increasing our investments in other sectors, including new energy commercial vehicle projects going forward.
- Gross profit for our robotic components and system applications remained relatively stable at RMB116.7 million for the year ended December 31, 2023 and RMB119.1 million for the year ended December 31, 2024 while the gross profit margin slightly decreased from 28.7% to 26.3% for the same periods. The slight decrease of gross profit margin was primarily attributable to our proactive strategic focus on developing the robotics segment. We have adopted more flexible pricing strategies for initial launches, aimed at securing key customers and establishing market share, which contributed to the margin compression in the early stage.

FINANCIAL INFORMATION

Other income

For the year ended December 31, 2024, our other income decreased by approximately 28.0% to RMB199.1 million from RMB276.6 million in 2023. The decrease was mainly attributable to a decrease in government grants received by us.

Other gains and losses

For the year ended December 31, 2024, we recorded other gains of RMB86.2 million, compared to losses of RMB268.8 million in 2023. The losses were primarily attributable to impairments recorded on an associate as a result of a sharp decline in its stock price. In addition, pursuant to a historical disposal of a subsidiary in 2017 that included a profit guarantee provision, we recognized a compensation liability of approximately RMB186.1 million in 2023. The compensation liability was fully settled in June 2024.

Selling and marketing expenses

For the year ended December 31, 2024, our selling and marketing expenses increased by 10.8% to RMB780.3 million from RMB704.1 million in 2023. The increase was primarily attributable to the increase in employee compensation and travel expenses, reflecting the intensified efforts in our promotional activities and channel expansion initiatives, particularly in international market.

Administrative expenses

For the year ended December 31, 2024, our administrative expenses decreased slightly by approximately 2.2% to RMB1,305.6 million from RMB1,335.5 million in 2023. This decrease was mainly due to our strengthened control over administrative expenditures, which has led to a decrease in employee compensation, travel expenses, and business entertainment expenses.

Research and development expenses

For the year ended December 31, 2024, our research and development expenses increased by 15.2% to RMB642.2 million from RMB557.4 million in 2023. The increase was primarily attributable to the increase in employee compensation, which stemmed from the recruitment of high-end technical talent to support our research and development initiatives in emerging sectors, such as robotic and electric aviation.

Impairment losses under ECL model, net of reversal

For the year ended December 31, 2024, impairment losses under the expected credit loss (ECL) model decreased by approximately 6.1% to RMB86.6 million from RMB92.2 million in 2023. The decrease reflected a stable credit environment and effective credit risk management measures, including tighter monitoring of trade receivables.

Share of results of associates

For the year ended December 31, 2024, our share of results of associates improved from a loss of RMB24.2 million in 2023 to a gain of RMB2.1 million. The turnaround was mainly due to

FINANCIAL INFORMATION

changes in the scope of entities accounted for under the equity method, as we no longer included a loss-making associate in our results for 2024.

Finance costs

For the year ended December 31, 2024, our finance costs remained relatively stable at RMB253.2 million, compared to RMB252.4 million in 2023, reflecting consistent debt levels and effective management of financing arrangements.

Income tax expenses

For the year ended December 31, 2024, our income tax expenses decreased by approximately 26.2% from RMB214.5 million in 2023 to RMB158.3 million. The decrease was primarily attributable to the lower deferred tax impact.

Profit for the year/period

As a result of the foregoing, our profit for the year increased by 50.5% to RMB832.3 million from RMB552.9 million for the year ended December 31, 2023.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

For the year ended December 31, 2023, our revenue increased by approximately 9.1% to RMB15,566.8 million from RMB14,266.0 million in 2022, primarily driven by the increasing global customer demand, particularly in our explosion-proof and industrial electric drive solutions.

- Revenue from our explosion-proof electric drive solutions increased by 13.2% from RMB4,143.4 million for the year ended December 31, 2022 to RMB4,688.5 million for the year ended December 31, 2023. The increase was primarily driven by the deepened cooperation with existing customers and the growth in customer demand arising from solution upgrades and replacements.
- Revenue from our industrial electric drive solutions increased by 11.8% from RMB3,632.3 million for the year ended December 31, 2022 to RMB4,059.9 million for the year ended December 31, 2023, primarily attributable to increased revenue generated from our newly launched products with IE5 efficiency standards, which brought new customer demand.
- Revenue from our HVAC electric drive solutions decreased by 6.2% from RMB4,647.2 million in 2022 to RMB4,361.1 million in 2023. The decrease was primarily attributable to the slowing growth of customer demand in Asia-Pacific and intensified competition in the region.
- Revenue from our E-mobility drive solutions decreased by 5.9% from RMB647.5 million in 2022 to RMB609.2 million in 2023, primarily due to intensified competition in the new energy passenger vehicle sector.

FINANCIAL INFORMATION

- Revenue from our robotic components and system applications increased by 14.3% from RMB355.5 million in 2022 to RMB406.2 million in 2023. The increase was driven by increasing demand from overseas automotive manufacturers and industrial clients.

Cost of sales

For the year ended December 31, 2023, our cost of sales increased by approximately 9.0% to RMB11,841.4 million from RMB10,862.3 million for the year ended December 31, 2022. The increase was consistent with the overall growth of revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately 9.5%, from RMB3,403.7 million for the year ended December 31, 2022 to RMB3,725.4 million for the year ended December 31, 2023, mainly due to improved sales mix and scale-driven cost efficiencies. Gross profit margin remained the same at 23.9% for the years ended December 31, 2022 and 2023. The gross profit contribution by solution is set out below:

- Gross profit for our explosion-proof electric drive solutions increased from RMB1,231.0 million with a gross profit margin of 29.7% for the year ended December 31, 2022 to RMB1,478.0 million with a gross profit margin of 31.5% for the year ended December 31, 2023. The increase was primarily attributable to (i) our enhanced management efficiency and strengthened control over direct labor costs; (ii) a decrease in the price of silicon steel, one of the major raw materials, in 2023 compared to 2022.
- Gross profit for our industrial electric drive solutions increased by 9.1% from RMB971.1 million for the year ended December 31, 2022 to RMB1,059.7 million for the year ended December 31, 2023 while the gross profit margin remained relatively stable at 26.7% and 26.1% for the same periods.
- Gross profit for our HVAC electric drive solutions decreased from RMB754.7 million for the year ended December 31, 2022 to RMB728.0 million for the year ended December 31, 2023. Despite a slight decline in gross profit, the gross profit margin for the same periods remained relatively stable at 16.2% and 16.7%.
- Gross profit for our E-mobility drive solutions decreased by 52.6% from RMB86.6 million with a profit margin of 13.4% for the year ended December 31, 2022 to RMB41.0 million with a profit margin of 6.7% for the year ended December 31, 2023. The decrease was primarily attributable to ongoing pressure from intensified competition new energy passenger vehicle sector. We are strategically increasing investments in new energy commercial vehicle projects going forward.

FINANCIAL INFORMATION

- Gross profit for our robotic components and system applications increased by 66.9% from RMB69.9 million with a gross profit margin of 19.7% for the year ended December 31, 2022 to RMB116.7 million with a gross profit margin of 28.7% for the year ended December 31, 2023. The increase was primarily because: (i) in 2023, we re-negotiated the contract terms with certain customers, under which the customers assumed the transportation costs for delivery, leading to the improvement in gross profit margin; and (ii) we secured several orders with relatively high gross profit margins in Europe in 2023.

Other income

For the year ended December 31, 2023, our other income increased by approximately 93.5% to RMB276.6 million from RMB143.0 million in 2022. The increase was mainly due to higher government grants and subsidies, as well as the benefit of an additional 5% input VAT deduction under the new national policy for advanced manufacturing enterprises introduced in 2023.

Other gains and losses

For the year ended December 31, 2023, we recorded other losses of RMB268.8 million, compared to gains of RMB127.9 million in 2022. For details, please refer to “— Year Ended December 31, 2024 Compared to Year Ended December 31, 2023” above.

Selling and marketing expenses

For the year ended December 31, 2023, our selling and marketing expenses increased by approximately 11.0% to RMB704.1 million from RMB634.1 million in 2022. The increase was mainly attributable to expanded promotional activities and international sales coverage, leading to increase in employee compensation paid for our sales personnel and increase in advertising and exhibition expenses incurred to support the expansion of our overseas markets.

Administrative expenses

For the year ended December 31, 2023, our administrative expenses increased by approximately 21.2% to RMB1,335.5 million from RMB1,102.0 million in 2022. The increase was primarily attributable to (i) the increase in employee compensation resulting from increased administrative personnel driven by business expansion; and (ii) the increase in depreciation and amortization due to the construction of our Global Research Center and the Nanyang manufacturing base.

Research and development expenses

For the year ended December 31, 2023, our research and development expenses remained relatively stable at RMB557.4 million compared to RMB575.2 million in 2022, reflecting our continued investment in solution development and prototype testing.

FINANCIAL INFORMATION

Impairment losses under ECL model, net of reversal

For the year ended December 31, 2023, impairment losses under the expected credit loss (ECL) model decreased by approximately 21.4% to RMB92.2 million from RMB117.4 million in 2022. The decrease reflected strengthened credit risk management and improved receivables quality, supported by enhanced internal monitoring and customer vetting processes.

Share of results of associates

For the year ended December 31, 2023, our share of results of associates decreased from a gain of RMB29.2 million in 2022 to a loss of RMB24.2 million. The decrease was primarily due to the worsened performance of one associate.

Finance costs

For the year ended December 31, 2023, our finance costs decreased slightly by approximately 8.6% to RMB252.4 million from RMB276.2 million in 2022. The decrease was mainly attributable to a decrease in interest rate.

Income tax expenses

For the year ended December 31, 2023, our income tax expenses increased by approximately 33.9% to RMB214.5 million from RMB160.2 million in 2022. The increase was primarily due to the reversal of previously recognized deferred tax assets in Europe, mainly associated with accumulated tax losses at one of our subsidiaries. As a result, our effective tax rate increased to 28.0% for the year ended December 31, 2023, compared with 16.0% for the year ended December 31, 2022.

Profit for the year

As a result of the foregoing, our profit for the year was RMB552.9 million for the year ended December 31, 2023, representing a decrease of 34.1% from RMB838.7 million for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our working capital primarily from cash generated from our operations, and bank borrowings as necessary. We do not anticipate any material changes to the availability of financing to fund our operations in the future. We maintain a prudent approach to capital management and regularly monitor our liquidity position to ensure operational flexibility and financial stability.

Our Directors confirm that taking into account the financial resources presently available to our Group, including our internal resources and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

FINANCIAL INFORMATION

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash from operating activities . . .	1,322,200	1,438,981	1,450,371	228,841	692,267
Net cash used in investing activities . .	(761,988)	(546,565)	(1,620,616)	(678,371)	(556,115)
Net cash (used in)/from					
financing activities	(680,441)	(517,132)	395,540	519,012	(100,980)
Cash and cash equivalents at beginning					
of the year/period	2,058,713	2,010,171	2,458,333	2,458,333	2,675,965
Cash and cash equivalents at end of					
the year/period	2,010,171	2,458,333	2,675,965	2,510,895	2,791,556

Net cash generated from operating activities

For the six months ended June 30, 2025, net cash generated from operating activities amounted to RMB692.3 million. This was derived from a profit before tax of RMB683.2 million, with a number of non-cash adjustments and movements in working capital. Positive adjustments primarily included: (i) depreciation of property, plant, and equipment of RMB228.4 million, (ii) amortization of intangible assets of RMB116.2 million, and (iii) finance costs of RMB103.4 million. Working capital movements primarily included: (i) a decrease in trade, bills and other payables of RMB215.7 million, and (ii) an increase in trade and bills receivables of RMB134.0 million; partially offset by a decrease in receivables at FVTOCI of RMB131.6 million.

For the year ended December 31, 2024, net cash generated from operating activities amounted to RMB1,450.4 million. This amount was derived from a profit before tax of RMB990.5 million, with a series of non-cash adjustments and working capital movements. The principal positive adjustments included: (i) depreciation of property, plant and equipment of RMB497.3 million, (ii) finance costs of RMB253.2 million, and (iii) amortization of intangible assets of RMB218.1 million. These positive adjustments were partially offset by negative working capital movements, including: (i) an increase in trade and bills receivables of RMB758.8 million and (ii) an increase in inventories of RMB254.3 million. These were in turn partially mitigated by: (i) a decrease in receivables at FVTOCI of RMB381.7 million and (ii) an increase in trade, bills and other payables of RMB318.3 million, primarily attributable to procurement of raw materials.

FINANCIAL INFORMATION

For the year ended December 31, 2023, net cash generated from operating activities amounted to RMB1,439.0 million. This figure was derived from a profit before tax of RMB767.4 million, with a number of non-cash adjustments and changes in working capital. Positive adjustments primarily included: (i) depreciation of property, plant and equipment of RMB453.2 million, (ii) finance costs of RMB252.4 million, (iii) impairment losses in respect of interests in an associate of RMB211.3 million, and (iv) amortization of intangible assets of RMB183.0 million. These were partly offset by negative movements in working capital, primarily due to an increase in trade and bills receivables of RMB424.9 million. Such movements were in turn partially offset by: (i) an decrease in prepayments and other receivables of RMB177.2 million.

For the year ended December 31, 2022, net cash generated from operating activities was RMB1,322.2 million. This was derived from a profit before tax of RMB998.9 million, mainly as adjusted for: (i) depreciation of property, plant and equipment of RMB383.3 million, (ii) finance costs of RMB276.2 million, (iii) amortization of intangible assets of RMB155.5 million. These were offset by negative working capital movements, primarily due to: (i) an increase in trade and bills receivables of RMB979.2 million, (ii) an increase in prepayments and other receivables of RMB419.8 million, and (iii) an increase in inventories of RMB354.6 million, which was partially mitigated by an increase in trade, bills and other payables of RMB1,001.0 million, reflecting payments for procurement of raw materials.

Net cash used in investing activities

For the six months ended June 30, 2025, net cash used in investing activities amounted to RMB556.1 million. Key cash outflows included: (i) the placement of restricted bank deposits of RMB778.4 million, and (ii) payments for purchase of property, plant, and equipment of RMB399.5 million. These outflows were partially offset by: (i) withdrawal of restricted bank deposits of RMB469.6 million, and (ii) net cash inflow from disposal of subsidiaries of RMB294.6 million.

For the year ended December 31, 2024, net cash used in investing activities amounted to RMB1,620.6 million. Major cash outflows were primarily attributable to: (i) payments for purchase of property, plant, and equipment of RMB834.4 million, and (ii) the placement of restricted bank deposits of RMB658.6 million. These outflows were partially offset by: (i) a withdrawal of restricted bank deposits of RMB336.2 million.

For the year ended December 31, 2023, net cash used in investing activities amounted to RMB546.6 million. The cash outflows mainly comprised: (i) the placement of restricted bank deposits of RMB690.2 million, and (ii) payments for purchase of property, plant, and equipment of RMB649.3 million. These outflows were partially offset by: (i) withdrawal of restricted bank deposits of RMB796.2 million, and (ii) disposal of an associate of RMB344.2 million.

For the year ended December 31, 2022, net cash used in investing activities was RMB762.0 million. This primarily reflected: (i) the placement of restricted bank deposits of RMB1,102.4 million, and (ii) payments for purchase of property, plant, and equipment of RMB576.1 million. These outflows were partially offset by withdrawal of restricted bank deposits of RMB959.2 million.

FINANCIAL INFORMATION

Net cash (used in)/generated from financing activities

For the six months ended June 30, 2025, net cash used in financing activities amounted to RMB101.0 million. This outflow was mainly due to repayments of bank and other borrowings of RMB2,463.3 million and dividend paid to our shareholders of RMB194.6 million, which was partially offset by proceeds from bank borrowings of RMB2,678.7 million.

For the year ended December 31, 2024, net cash generated from financing activities amounted to RMB395.5 million, primarily attributable to proceeds from bank and other borrowings of RMB4,157.3 million. The inflow was partially offset by repayments of bank and other borrowings of RMB3,283.2 million, interest paid of RMB252.3 million and dividend paid to our shareholders of RMB129.8 million.

For the year ended December 31, 2023, net cash used in financing activities amounted to RMB517.1 million, primarily attributable to repayments of bank and other borrowings of RMB4,187.2 million, interest paid of RMB252.4 million and dividend paid to our shareholders of RMB195.9 million, which was partially offset by proceeds from bank and other borrowings of RMB4,060.2 million.

For the year ended December 31, 2022, net cash used in financing activities amounted to RMB680.4 million, primarily attributable to repayments of bank and other borrowings of RMB5,034.2 million, interest paid of RMB273.9 million and dividend paid to our shareholders of RMB196.3 million, which was partially offset by proceeds from bank and other borrowings of RMB4,732.0 million and capital injection from non-controlling interests of RMB345.0 million.

FINANCIAL INFORMATION

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

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

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Inventories	3,267,698	3,405,044	3,616,962	3,477,641
Trade and bills receivables	4,678,474	5,027,642	5,699,513	5,439,684
Prepayments and other receivables	1,260,368	862,216	823,437	1,201,687
Contract assets	59,255	82,157	183,100	101,112
Tax recoverable	18,180	46,361	52,645	53,935
Financial assets at FVTPL	5,476	14,404	181,971	233,522
Receivables at fair value through other comprehensive income (“FVTOCI”)	956,502	995,221	613,522	549,208
Restricted bank deposits	294,868	188,871	511,253	809,802
Cash and cash equivalents	2,010,171	2,458,333	2,675,965	2,791,556
Total current assets	12,550,992	13,080,249	14,358,368	14,658,147
Current liabilities				
Trade, bills and other payables	6,087,875	6,620,103	6,805,944	6,301,747
Tax payables	72,289	97,534	104,311	78,083
Bank and other borrowings	3,115,737	2,451,325	4,464,171	5,135,322
Lease liabilities	25,546	23,473	26,512	32,238
Contract liabilities	280,473	359,646	338,950	288,088
Financial liabilities at FVTPL	1,619	221	189	2,161
Total current liabilities	9,583,539	9,552,302	11,740,077	11,837,639
Net current assets	2,967,453	3,527,947	2,618,291	2,820,508

We had net current assets positions as of December 31, 2022, 2023, 2024 and June 30, 2024.

Our net current asset increased from RMB2,618.3 million as of December 31, 2024 to RMB2,820.5 million as of June 30, 2025, primarily due to (i) a decrease of RMB504.2 million in trade, bills and other payables, primarily because (a) we completed the construction of our Shangyu headquarters and Nanyang manufacturing base in 2024, and (b) our use of endorsed bills receivables to settle payments with suppliers resulted in a decrease in bills payables; and (ii) an

FINANCIAL INFORMATION

increase of RMB378.3 million in prepayments and other receivables, reflecting the consideration receivables from our disposal of subsidiaries in 2025; which was partially offset by an increase of RMB671.2 million in our bank and other borrowings.

Our net current asset decreased from RMB3,527.9 million as of December 31, 2023 to RMB2,618.3 million as of December 31, 2024, primarily due to an increase of RMB2,012.8 million in our bank and other borrowings; which was partially offset by an increase of RMB671.9 million in trade and bills receivables in line with our revenue growth and business expansion.

Our net current asset increased from RMB2,967.5 million as of December 31, 2022 to RMB3,527.9 million as of December 31, 2023, primarily due to (i) a decrease of RMB664.4 million in our bank and other borrowings; and (ii) an increase of RMB448.2 million in cash and cash equivalence; which was partially offset by (i) an increase of RMB532.2 million in trade, bills and other payables primarily driven by the growth in procurement of raw materials; and (ii) a decrease of RMB398.2 million in prepayments and other receivables primarily due to the recovery of land disposal proceeds and the reduction in prepaid material expenses.

Property, Plant and Equipment

Our property, plant and equipment consist of properties and buildings, machinery equipment, electronic equipment and others, leasehold improvements, transportation equipment, power station and construction in progress. The table below sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Properties and buildings	1,486,842	1,727,401	2,092,946	2,150,978
Machinery equipment	1,626,332	1,763,268	1,805,535	1,755,711
Electronic equipment and others	190,119	245,035	264,072	281,111
Leasehold improvements	41,345	33,368	30,951	33,166
Transportation equipment	8,541	8,289	8,625	7,444
Power station	1,035,099	1,226,551	1,386,852	33,604
Construction in progress	550,231	723,274	516,777	448,596
Total	4,938,509	5,727,186	6,105,758	4,710,610

Our property, plant and equipment increased from RMB4,938.5 million as of December 31, 2022 to RMB5,727.2 million as of December 31, 2023, primarily due to the acquisition of properties and buildings as well as new production machinery for construction of our Global Research Center and Nanyang manufacturing base. Our property, plant and equipment further increased to RMB6,105.8 million as of December 31, 2024, mainly attributable to the addition of new properties and buildings for construction of our Shangyu headquarter and Nanyang

FINANCIAL INFORMATION

manufacturing base. Our property, plant and equipment decreased to RMB4,710.6 million as of June 30, 2025. The decline was primarily due to the disposal of certain photovoltaic power station assets in March 2025.

Right-of-Use Assets

Our right-of-use assets consist of leasehold lands, buildings, machinery equipment, transportation equipment, electronic equipment and other and other right-of-use assets. The table below sets forth the breakdown of our right-of-use assets as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Leasehold lands	436,722	671,789	707,277	678,113
Buildings	78,393	68,219	44,032	94,823
Machinery equipment	11,302	734	2,865	1,777
Transportation equipment	6,559	3,091	3,256	4,247
Electronic equipment and others	4,580	4,233	6,155	3,763
Others	65,032	66,863	63,053	—
Total	602,588	814,929	826,638	782,723

Our right-of-use assets increased from RMB602.6 million as of December 31, 2022 to RMB814.9 million as of December 31, 2023, primarily attributable to the acquisition of land use rights for our new headquarters in Shangyu, together with the renewal of certain long-term land leases. Our right-of-use assets further increased to RMB826.6 million as of December 31, 2024, mainly due to additional land use rights required for our Baotou manufacturing base, which supported capacity expansion in our industrial electric drive solutions, partly offset by a continued decrease in right-of-use assets related to buildings. As of June 30, 2025, our right-of-use assets decreased to RMB782.7 million. The decline was primarily due to the disposal of photovoltaic power generation related business in March 2025, which previously included photovoltaic-related leases such as rooftops and ponds. This decrease was partly offset by an increase in right-of-use assets for buildings, mainly attributable to the lease of our office in Shanghai.

Our depreciation policy for right-of-use assets is consistent with applicable accounting standards and industry practice. We did not have any material modifications to lease terms or significant new operating lease arrangements during the Track Record Period.

FINANCIAL INFORMATION

Intangible Assets

Intangible assets consist of non-patented technology, software, trademarks, licenses, patents, qualification usage rights and development expenditures. The table below sets forth the breakdown of our intangible assets as of the dates indicated.

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Non-patented technology	895,329	1,044,477	1,161,961	1,108,737
Software	95,830	104,269	130,398	139,303
Trademarks	161,165	156,739	131,780	133,611
Licenses	3,935	3,935	3,879	6,002
Patents	754	4,583	3,011	207
Qualification usage rights	–	1,048	1,590	–
Development expenditures	198,736	206,227	130,494	187,296
Total	1,355,749	1,521,278	1,563,113	1,575,156

Our intangible assets increased from RMB1,355.7 million as of December 31, 2022 to RMB1,521.3 million as of December 31, 2023, mainly due to more investments in the non-patented technology and software in relation to our electric drive solutions. They further increased to RMB1,563.1 million as of December 31, 2024, primarily driven by continued investment in proprietary technology and software, partly offset by the amortized development expenditures in respect of the commercialization of certain projects. Our intangible assets remained relatively stable at RMB1,575.2 million as of June 30, 2025.

Goodwill

The balance of goodwill represented our acquisition of subsidiaries in the PRC and overseas during the Track Record Period. The table below sets forth the breakdown of our goodwill as of the dates indicated.

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Goodwill	1,421,745	1,445,302	1,459,749	1,455,298
Impairment loss	(2,940)	(639)	(639)	(639)
Currency transaction differences	37,508	14,447	255	13,632
Goodwill	1,456,313	1,459,110	1,459,365	1,468,291

FINANCIAL INFORMATION

Our inventory turnover days remained relatively stable at 105 days, 103 days, 103 days, and 105 days for the years ended December 31, 2022, 2023 and 2024, and for the six months ended June 30, 2025 respectively.

Trade and Bills Receivables

The table below sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Trade receivables from contracts with customers	4,971,880	5,440,751	6,100,059	5,972,579
Less: allowance for credit losses	(493,579)	(579,474)	(631,573)	(631,672)
	<u>4,478,301</u>	<u>4,861,277</u>	<u>5,468,486</u>	<u>5,340,907</u>
Bill receivables	200,179	166,371	231,037	98,777
Less: allowance for credit losses	<u>(6)</u>	<u>(6)</u>	<u>(10)</u>	<u>—</u>
	<u>200,173</u>	<u>166,365</u>	<u>231,027</u>	<u>98,777</u>
Total	<u>4,678,474</u>	<u>5,027,642</u>	<u>5,699,513</u>	<u>5,439,684</u>

Our trade and bills receivables mainly represent outstanding amounts due from our customers for the purchase of products and solutions in the ordinary course of business, less credit loss allowance for credit losses. Our trade and bills receivables increased from RMB4,678.5 million as of December 31, 2022 to RMB5,027.6 million as of December 31, 2023, and further to RMB5,699.5 million as of December 31, 2024. The increase was primarily attributable to (i) our revenue growth and business expansion; and (ii) the slower payment by certain customers in the explosion-proof and industrial electric drive solutions sectors. Our trade and bills receivables slightly decreased to RMB5,439.7 million as of June 30, 2025, primarily resulting from the combined effect of the growth in overall sales of products and solutions during the six months ended December 31, 2025, and the decrease in receivables attributable to the disposed subsidiary in relation to energy storage-related business.

FINANCIAL INFORMATION

Aging analysis

We generally allow a credit period ranging from one to six months to our customers. Our bills receivables have an aging of zero to 180 days. The following table set forth our aging analysis of trade receivables, net of impairment loss allowance as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
<i>Trade receivables</i>				
Within 1 year	3,881,847	4,093,679	4,474,730	4,808,002
1 – 2 years	327,834	501,672	660,224	429,523
2 – 3 years	194,603	137,945	196,113	85,596
3 – 4 years	61,309	105,611	76,002	14,245
4 – 5 years	12,583	20,073	61,417	3,541
Over 5 years	125	2,297	–	–
	4,478,301	4,861,277	5,468,486	5,340,907

Turnover days

The following table sets forth our trade and bills receivables turnover days as of the dates indicated:

	For the years ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	<i>days</i>			
Trade and bills receivables turnover days ⁽¹⁾ . .	109	114	121	125

Note:

- (1) Trade and bills receivables turnover days is calculated based on the average of the beginning and ending balance of trade and bills receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period.

Our trade and bill receivables turnover days increased from 109 days in 2022 to 114 days in 2023, to 121 days in 2024 and further to 125 days during the six months ended June 30, 2025, primarily attributable to the slower payment by certain customers in the explosion-proof and industrial electric drive solutions sectors.

FINANCIAL INFORMATION

Prepayments and Other Receivables

Our prepayments and other receivables consist of prepayments for property, plant and equipment, prepayments for raw materials, other prepayments including prepayments for utilities and other operating expenses, VAT recoverable, receivables for land disposal, receivables associated with disposal of subsidiaries and other receivables. The table below sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Prepayments for property, plant and equipment	267,519	136,908	124,969	125,908
Prepayments for raw materials	310,972	289,385	277,972	307,926
Other prepayments	150,172	136,304	110,412	145,749
VAT recoverable	129,371	174,949	264,296	207,035
Receivables for land disposal	221,033	12,599	12,599	12,599
Receivables associated with disposal of subsidiaries	—	—	—	355,755
Other receivables	487,607	296,578	190,028	186,998
Less: allowance for credit losses	(27,439)	(32,190)	(28,149)	(14,375)
Total	<u>1,539,235</u>	<u>1,014,533</u>	<u>952,127</u>	<u>1,327,595</u>

Our prepayments and other receivables decreased from RMB1,539.2 million as of December 31, 2022 to RMB1,014.5 million as of December 31, 2023, primarily due to (i) a decrease in other receivables, primarily attributable to dividend receivables and certain advanced payments being recovered by us in 2023; (ii) a decrease in receivables from land disposal as we disposed a factory located in Nanyang in 2020 and its amounts have been gradually settled; and (iii) a decrease in prepayments for property, plant and equipment primarily attributable to the substantial completion of capital expenditure at our Shangyu headquarter and Nanyang manufacturing base. Our prepayments and other receivables further decreased to RMB952.1 million as of December 31, 2024, primarily due to our strengthened internal management, enabling the recovery of certain advanced payments. Our prepayments and other receivables increased to RMB1,327.6 million as of June 30, 2025, primarily due to the recognition of receivables associated with disposal of subsidiaries in 2025, reflecting the consideration receivables from this transaction.

As of December 31, 2022, 2023, 2024 and June 30, 2025, our prepayments and other receivables were stated net of allowance for credit losses of RMB27.4 million, RMB32.2 million, RMB28.1 million and RMB14.4 million, respectively. These allowances primarily related to other receivables assessed to be at risk of default based on historical credit experience and forward-looking assessments.

FINANCIAL INFORMATION

Contract Assets

Contract assets primarily represent quality assurance deposits related to our contractual solutions during their warranty periods. The table below sets forth the breakdown of our contract assets as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Sales of products and services.	62,977	86,890	191,518	106,434
Less: allowance for credit losses	(3,722)	(4,733)	(8,418)	(5,322)
Total	<u>59,255</u>	<u>82,157</u>	<u>183,100</u>	<u>101,112</u>

Our contract assets increased from RMB59.3 million as of December 31, 2022 to RMB82.2 million as of December 31, 2023, driven by increased sales for which revenue was recognized but amounts had not yet become contractually billable. This growth was particularly notable in contracts with post-delivery performance obligations, such as technical validations and installations. The increase continued into 2024, with contract assets increasing to RMB183.1 million, primarily due to the ramp-up in customized project deliveries within our industrial electric drive solutions, robotic components and system applications and energy storage-related businesses.

As of June 30, 2025, our contract assets decreased to RMB101.1 million, primarily attributable to the disposal of our energy storage-related business, which had historically contributed significantly to the balance of contract assets. Upon the disposal of such business, the contract assets associated with its ongoing projects were derecognized, thereby resulting in a corresponding reduction in the overall contract assets as of June 30, 2025.

FINANCIAL INFORMATION

Trade, Bills and Other Payables

The table below sets forth our trade, bills and other payables as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Trade payables	3,784,196	4,398,745	4,989,840	4,986,623
Bills payables	868,680	460,795	166,247	54,604
Accrued payroll and welfare	258,684	288,876	294,094	213,677
VAT payables	91,375	104,412	69,971	54,859
Other taxes payables	23,188	26,149	25,845	20,772
Guarantee deposits from its suppliers	91,331	90,340	59,385	41,847
Interest payables	16,741	7,863	5,421	4,561
Other payable due to a former shareholder of its subsidiaries	100,042	104,778	101,778	–
Transportation fee payables	65,558	137,195	163,438	148,237
Payables for acquisition of property, plant and equipment	224,394	331,914	317,615	116,184
Compensation to an associate	–	186,053	–	–
Accrued issued cost	–	–	–	2,449
Other payables	563,686	482,983	612,310	657,934
Total	6,087,875	6,620,103	6,805,944	6,301,747

As of December 31, 2022, 2023, and 2024, our trade, bills, and other payables amounted to RMB6,087.9 million, RMB6,620.1 million, and RMB6,805.9 million, respectively. The increases were primarily driven by the growth in procurement of raw materials, and logistics support associated with the expansion of our production and sales volumes.

As of June 30, 2025, our trade, bills, and other payables decreased to RMB6,301.7 million, primarily attributable to (i) a decrease in payables for acquisition of property, plant and equipment as we completed the construction of our Shangyu headquarters and Nanyang manufacturing base in 2024; and (ii) a decrease in bills payables, primarily due to our use of endorsed bills receivables to settle payments with suppliers, which resulted in a simultaneous decrease in both bills receivables and bills payables.

FINANCIAL INFORMATION

Turnover days

The following table sets forth our trade and bills payables turnover days during the Track Record Period:

	For the years ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	<i>days</i>			
Trade and bills payables turnover days ⁽¹⁾ . . .	151	147	147	152

Note:

- (1) Trade and bills payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period.

Our trade and bills payables turnover days remained relatively stable at 151 days, 147 days, 147 days and 152 days in 2022, 2023, 2024 and during six months ended June 20, 2025, respectively, reflecting our effective cash flow management and stable supplier partnerships.

Aging analysis

The table below sets forth the aging analysis of trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Trade payables				
Within 1 year	3,562,495	4,103,710	4,704,816	4,843,383
1-2 years	132,984	214,106	216,472	102,301
2-3 years	61,962	34,728	34,080	30,152
Over 3 years	26,755	46,201	34,472	10,787
Total	<u>3,784,196</u>	<u>4,398,745</u>	<u>4,989,840</u>	<u>4,986,623</u>

The aged analysis of our trade payables showed that over 93.3% of balances were within one year throughout the Track Record Period. As of December 31, 2024, trade payables aged within one year accounted for RMB4,704.8 million, or approximately 94.3% of the total balance.

FINANCIAL INFORMATION

Contract Liabilities

Contract liabilities primarily represent the advance payments received. The table below sets forth the breakdown of our contract liabilities as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Amounts received in advance	280,473	359,646	338,950	288,088

Our contract liabilities increased from RMB280.5 million as of December 31, 2022 to RMB359.6 million as of December 31, 2023, primarily due to an increase in advance payments received for procurement of our solutions. The decrease in contract liabilities to RMB339.0 million as of December 31, 2024 was primarily due to the recognition of revenue from previously received advance payments. As of June 30, 2025, contract liabilities decreased to RMB288.1 million, reflecting the continued recognition of revenue from long-term contracts and the reduction in new advance payments.

Financial Assets and Financial Liabilities at FVTPL

Our financial assets at FVTPL increased from RMB680.2 million as of December 31, 2022 to RMB858.4 million as of December 31, 2023, to RMB1,109.1 million as of December 31, 2024 and further to RMB1,215.0 million as of June 30, 2025, reflecting the growth in both listed and unlisted equity investments during the period.

During the Track Record Period, our financial liabilities at FVTPL consisted of derivative financial liabilities, specifically foreign currency forward contracts entered into to manage currency risks. These contracts had maturities within one year and were classified as financial liabilities at FVTPL.

For details, please refer to Note 21 and Note 36 to the Accountants’ Report as set out in Appendix I to this document.

FINANCIAL INFORMATION

INDEBTEDNESS

As of June 30, 2025, being the most recent practicable date for this indebtedness statement, save as disclosed in this paragraph headed “Indebtedness” in this section, we did not have any outstanding or unutilized bank borrowings, loan capital issued or agreed to be issued, bank overdrafts, liabilities under acceptances (other than normal trade payables), acceptance credits, debt securities, term loans, indebtedness in the nature of borrowings, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees.

As of December 31, 2022, 2023, 2024 and June 30, 2025, our indebtedness included bank and other borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Current				
Bank and other borrowings	3,115,737	2,451,325	4,464,171	5,135,322
Lease liabilities	25,546	23,473	26,512	32,238
	<u>3,141,283</u>	<u>2,474,798</u>	<u>4,490,683</u>	<u>5,167,560</u>
Non-current				
Bank and other borrowings	2,978,547	3,588,941	2,403,362	1,622,931
Lease liabilities	147,879	132,959	95,140	72,750
	<u>3,126,426</u>	<u>3,721,900</u>	<u>2,498,502</u>	<u>1,695,681</u>
Total	<u>6,267,709</u>	<u>6,196,698</u>	<u>6,989,185</u>	<u>6,863,241</u>

FINANCIAL INFORMATION

Bank and Other Borrowings

As of June 30, 2025, our unutilized banking facilities amounted to RMB3,356.2 million. The following table set forth our bank and other borrowings as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Bank borrowings	5,952,415	5,932,768	6,776,196	6,685,122
Other borrowings	141,869	107,498	91,337	73,131
Total	6,094,284	6,040,266	6,867,533	6,758,253
<i>Analyzed as:</i>				
Secured and guaranteed	742,917	791,409	725,287	380,000
Secured and unguaranteed	1,001,330	889,064	1,192,034	1,513,828
Unsecured and guaranteed	2,711,078	2,305,826	2,628,282	2,394,678
Unsecured and unguaranteed	1,638,959	2,053,967	2,321,930	2,469,747
Total	6,094,284	6,040,266	6,867,533	6,758,253

During the Track Record Period, certain loans were guaranteed by Wolong Holding, our Controlling Shareholder. The guarantees provided by Wolong Holding have been released.

For details, please refer to Note 31 to the Accountants’ Report as set out in Appendix I to this document.

Lease Liabilities

As of December 31, 2022, 2023, 2024, and June 30, 2025, our total lease liabilities amounted to RMB173.4 million, RMB156.4 million, RMB121.7 million, and RMB105.0 million, respectively. These lease liabilities primarily represent leases for manufacturing facilities, offices, warehouses, employee dormitories, and vehicles.

The weighted average incremental borrowing rate applied to lease liabilities was approximately 4.1%, 4.6%, 4.3%, and 3.45% for the years ended December 31, 2022, 2023, and 2024, and the six months ended June 30, 2025, respectively.

FINANCIAL INFORMATION

CAPITAL EXPENDITURE

We incurred capital expenditures of approximately RMB576.1 million, RMB649.3 million, RMB834.4 million, RMB373.4 million, and RMB399.5 million for the years ended December 31, 2022, 2023, and 2024, and for the six months ended June 30, 2024 and 2025, respectively. Our capital expenditure primarily related to payment for purchases and deposits of property, plant and equipment.

CAPITAL COMMITMENTS

We incurred capital commitments of approximately RMB266.7 million, RMB356.4 million, RMB406.4 million and RMB308.0 million for the years ended December 31, 2022, 2023, and 2024, and for the six months ended June 30, 2025, respectively, primarily relating to purchases of property, plant and equipment.

RELATED-PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties in the ordinary course of business. These transactions primarily included the sale and purchase of products and services, as well as the provision of financial leasing and factoring services. Our related party transactions also gave rise to trade receivables, prepayments, trade and other payables, and other receivables from or to related parties. The counterparties to our related party transactions primarily comprised entities under common control or significant influence of our Controlling Shareholder, including, among others, Wolong Holding and its subsidiaries.

Our directors confirmed that the related party transactions and balances during the Track Record Period were conducted on normal commercial terms or terms no less favorable to us than those available from independent third parties. All such transactions were approved and monitored in accordance with our internal control policies. For details of the nature, amounts, and balances of these related party transactions for each of the periods ended December 31, 2022, 2023, and 2024 and the six months ended June 30, 2025, please refer to Note 48 to the Accountants’ Report as set out in Appendix I to this document.

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/For the year ended December 31,			As of/ For the six months ended June 30,
	2022	2023	2024	2025
				(unaudited)
Gross profit margin ⁽¹⁾	23.9%	23.9%	23.2%	24.6%
Net profit margin ⁽²⁾	5.9%	3.6%	5.1%	6.8%
Return on equity ⁽³⁾	9.3%	5.8%	8.2%	5.2%
Return on assets ⁽⁴⁾	3.7%	2.3%	3.3%	2.1%
Current ratio ⁽⁵⁾	1.31	1.37	1.22	1.24
Gearing ratio ⁽⁶⁾	0.62	0.58	0.61	0.62

Notes:

- (1) Gross profit margin equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Net profit margin equals net profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (3) Return on equity equals profit for the year/period divided by total average of the opening and closing balances of total equity of the respective year/period, multiplied by 100%.
- (4) Return on assets equals profit for the year/period divided by total average of the opening and closing balances of total assets of the respective year/period, multiplied by 100%.
- (5) Current ratio equals total current assets divided by current liabilities at the end of the respective year/period.
- (6) Gearing ratio equals total bank borrowings and lease liabilities divided by total equity at the end of the respective year/period.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

In the ordinary course of our business, we are exposed to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, and liquidity risk. We have established financial risk management policies to manage and mitigate such exposures, which are regularly reviewed and monitored by our finance team.

Foreign Currency Risk

We are exposed to foreign currency risk primarily in relation to our trade and other receivables, payables, and cash and bank balances denominated in currencies other than the functional currency of our entities. The majority of our transactions are denominated in Renminbi, while certain sales, purchases, and bank balances are denominated in US dollars, Euros, and other currencies due to our international operations. The carrying amounts of our foreign currency denominated monetary assets and liabilities as of December 31, 2022, 2023, 2024 and June 30, 2025 are as follows:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Assets				
US\$	1,087,417	1,338,693	1,880,932	2,049,544
EUR	1,010,362	707,670	833,691	1,087,051
Liabilities				
US\$	525,692	289,622	263,468	344,066
EUR	1,986,241	1,309,534	1,288,990	1,348,487

We do not currently enter into foreign exchange hedging arrangements. Based on a sensitivity analysis performed by our reporting accountants, a 5% appreciation of Renminbi against the US dollar would have resulted in a decrease in post-tax profit of approximately RMB28,086,000, RMB52,454,000, and RMB80,873,000 for the years ended December 31, 2022, 2023, and 2024, respectively, and vice versa for a 5% depreciation. Given the limited exposure, we consider our foreign currency risk to be manageable.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to fixed-rate cash and cash equivalents, bank and other borrowings and lease liabilities. For details, please refer to Note 29, 31 and 34 to the Accountants’ Report as set out in Appendix I to this document. We are also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and bank and other borrowings. We manage the interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Our management will review the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range.

FINANCIAL INFORMATION

Credit Risk

We are exposed to credit risk in relation to our trade and other receivables, deposits, and bank balances. We manage credit risk through the application of internal credit approval policies, ongoing monitoring of outstanding balances, and regular reviews of customers’ repayment history and creditworthiness.

We perform credit assessments on customers before entering into sales contracts and assign internal credit ratings to monitor credit risk. We apply the ECL model under IFRS 9 and recognize lifetime ECLs for trade receivables using a provision matrix. Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

In order to minimize the credit risk, our management have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our credit risk is significantly reduced.

Liquidity Risk

Liquidity risk arises from our inability to meet our financial obligations as they fall due. We manage our liquidity risk by maintaining adequate cash reserves and banking facilities, and by continuously monitoring forecasted and actual cash flows to ensure that sufficient funds are available to meet operational needs and financial commitments.

Our directors believe that, based on our current cash position, internally generated funds, and the absence of significant short-term debt obligations, we have sufficient financial resources to meet our working capital and liquidity requirements in the foreseeable future.

DIVIDEND

Pursuant to our Articles of Association, in principle, we distribute cash dividends once a year. Within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting. Future profit distributions may be paid in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends or other methods permitted by laws and regulations. For the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, we declared and paid cash dividends of RMB196.3 million, RMB195.9 million, RMB129.8 million and RMB194.6 million, respectively.

DISTRIBUTABLE RESERVES

As of June 30, 2025 our distributable reserves amounted to approximately RMB6,860.4 million.

FINANCIAL INFORMATION

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets as of June 30, 2025 as if it had taken place on that date. It is prepared based on the unaudited consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2025 as derived from the Accountants’ Report as set out in Appendix I to this document and adjusted as described below.

	Unaudited consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2025	Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2025	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of the Company per share as of June 30, 2025	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . .	7,452,985	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . .	7,452,985	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- The amount of unaudited consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2025 amounting to approximately RMB7,452,985,000 is based on the unaudited consolidated net assets of our Group attributable to the owners of the Company of approximately RMB10,460,234,000 as of June 30, 2025 less intangible assets and goodwill of our Group attributable to the owners of the Company of approximately RMB1,538,958,000 and RMB1,468,291,000, respectively as of June 30, 2025 as extracted from the Accountants’ Report set out in Appendix I to this document.
- The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] at the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], being the low-end and high-end of the stated [REDACTED] Range, after deduction of the estimated [REDACTED] fees and commissions and other related expenses payable by the Company (excluding the [REDACTED] expenses that have been charged to profit or loss during the Track Record Period and the six months ended June 30, 2025). It does not take into account of any share which may be allotted and issued upon the exercise of the [REDACTED].

For the purpose of this unaudited [REDACTED] statement, the estimated [REDACTED] from the [REDACTED] are converted from HK\$ into RMB at an exchange rate of RMB0.9097 to HK\$1.00, which was the exchange rate prevailing on August 6, 2025 with reference to the rate published by the People’s Bank of China. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

FINANCIAL INFORMATION

3. The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of the Company per share is arrived at on the basis that [REDACTED] shares (excluding treasury shares) were in issue assuming that the [REDACTED] had been completed on June 30, 2025 and without taking into account of any share which may be allotted and issued upon the exercise of the [REDACTED].
4. The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of the Company per share, is converted from RMB into HK\$ at an exchange rate of RMB0.9097 to HK\$1.00, which was the exchange rate prevailing on August 6, 2025 with reference to the rate published by the People’s Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.
5. No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets of our Group as of June 30, 2025 to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2025.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range) and no exercise of the [REDACTED], representing [[REDACTED]%] of the gross [REDACTED] (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) of the [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of RMB2.5 million, of which RMB2.5 million was charged to the consolidated statements of profit or loss. We expect to incur [REDACTED] expenses of approximately HK\$[REDACTED], including (i) [REDACTED] commission of approximately HK\$[REDACTED] and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED], which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]. The [REDACTED] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

SUBSEQUENT EVENT

No significant subsequent events had occurred since the Track Record Period and up to the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since June 30, 2025, being the end of the period reported on as set out in the Accountants’ Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business — Strategies” in this document for a detailed discussion of our future plans.

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] Range), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses in connection with the [REDACTED], and assuming the [REDACTED] is not exercised. In the event the [REDACTED] is exercised in full and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), we will receive additional [REDACTED] of approximately HK\$[REDACTED].

In alignment with our strategies and development plans, we intend to allocate the [REDACTED] for the following purposes:

- (i) approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to expand our production capacity and enhance the intelligence, efficiency, and global reach of our production infrastructure.

These initiatives are designed to support our strategic objectives of (i) reinforcing our overseas manufacturing presence and (ii) upgrading our domestic production facilities to world-class standards. Our overall aim is to ensure that our manufacturing operations are well-positioned to support volume growth across our five core solution lines.

- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be used to expand our overseas manufacturing footprint in Asia-Pacific, the Americas or Europe.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be used to expand and upgrade our production facilities overseas, including investment in facility construction and improvement, procurement of automated production lines and quality inspection equipment, and hiring of production and managerial staff to meet the increasing demand for our E-mobility and industrial electric drive solutions from global high-end customers.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be used to strengthen the digital and intelligence infrastructure across our overseas facilities. We intend to deploy modern IT systems to strengthen our supply chain management, manufacturing, quality assurance, research and development and sales and operations planning, with the objective of building a unified and efficient digital platform that supports our long-term growth.

FUTURE PLANS AND [REDACTED]

- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be deployed to support the transformation of our existing production facilities in China into internationally competitive smart manufacturing bases. We plan to implement intelligent upgrades and achieve flexible production capabilities across these facilities, including the installation of advanced automation equipment, digitized manufacturing systems and precision testing tools. These upgrades are expected to enhance our manufacturing consistency, scalability and cost-efficiency across a wide range of electric drive solutions.
- (ii) approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to enhance our global research and development capabilities, with a view to upgrading our product platforms, driving technology innovation, and pursuing digitalization of research and development to sustain long-term competitiveness across our five-core electric drive solution lines. These [REDACTED] will support domestic and overseas research and development initiatives, in line with our strategy to establish a scalable, intelligent and differentiated product ecosystem.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to the comprehensive upgrade of our global product platforms. These efforts will be carried out across five key dimensions, namely the application of new materials, adoption of new processes, development of new technologies, upgrading of international standards, and execution of key platform iterations. Through these upgrades, we aim to build product platforms that are not only energy-efficient, safe and reliable, but also equipped with advanced intelligent control features. We plan to strengthen our core research and development centers in China by expanding the domestic team.
 - approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be used to support our overseas research and development activities. These funds will primarily be directed toward the establishment and expansion of regional engineering and testing centers in key international locations. We plan to expand our overseas research and development teams, including strengthening the research and development capabilities and digitalization level at our production facilities outside China. These investments are intended to reinforce our global technology infrastructure, support localized product development and facilitate faster customer response. We expect to achieve continued growth in solution portfolio, supported by a robust international research and development network. To ensure sustainable execution, we plan to attract and retain high-caliber global research and development professionals with strong academic backgrounds and substantial industry experience.

FUTURE PLANS AND [REDACTED]

- (iii) approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to strengthen our investment and presence in emerging fields, primarily electric aviation and robotic components.
- approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to support the commercialization and scaled production of our new business initiatives, including electric aviation and robotic components. The [REDACTED] will be used to build dedicated production and testing lines for such applications and to recruit and train skilled personnel to support operations in China.
 - approximately [REDACTED]% of [REDACTED] (equivalent to HK\$[REDACTED]) will be allocated to advanced technology developments of electric aviation and robotic components. These funds will be used to support the development of high-performance electric aviation electric propulsion systems, joint modules, dexterous hands, and exoskeletons, as well as to recruit the relevant senior research and development personnel.
- (iv) approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) to the development of our global sales and service network, in order to strengthen our brand presence, enhance customer engagement and reinforce distribution capabilities across both domestic and overseas markets.
- *Global brand development*, through participation in domestic and international industry trade shows, promotional events, technical forums, and customer activities to solidify our market presence and enhance brand recognition across key industries worldwide.
 - *Expansion of sales and service network*, to directly engage with local customers, drive market penetration, and deliver enhanced localized support to our customers. We plan to (i) expand our three major overseas regional headquarters by recruiting and developing new sales and service teams in our key overseas markets; (ii) strengthen relationships with highend customers by establishing new service centers near their regional headquarters and reinforcing our regional sale offices to ensure rapid response to customer needs; and (iii) strengthen our “triangle team” configuration. This will ensure that we have the right structure to effectively manage complex, project-based deals requiring cross-department coordination, advanced technical expertise, and tailored customer solutions.
 - *Development of premium distributors*, including adding new distributors in major countries and regions and improving the capabilities of existing distributors through training, annual distributor events, and joint marketing efforts to increase our distribution network’s strength and reach.
- (v) approximately [REDACTED]% of the [REDACTED] (equivalent to HK\$[REDACTED]) will be reserved for general working capital and operational flexibility, enabling us to respond promptly and prudently to strategic opportunities and unforeseen market change.

FUTURE PLANS AND [REDACTED]

In the event that the designated [REDACTED] are insufficient to fully fund the aforesaid purposes, we intend to utilize internal resources or equity debt financing to address any shortfalls. Conversely, should there be surplus funds, these will be applied toward other projects consistent with our strategic objectives.

In the event that the [REDACTED] is fixed below or above the mid-point of the indicative [REDACTED] range, the [REDACTED] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [REDACTED] received from the exercise of the [REDACTED] will be allocated to the above purposes on a pro rata basis.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised, we will receive additional [REDACTED] of approximately HK\$[REDACTED]. If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by approximately HK\$[REDACTED].

In the event of any material change in our use of [REDACTED] of the [REDACTED] from the purposes described above or in our allocation of the [REDACTED] among the purposes described above, a formal announcement will be made.

To the extent that the [REDACTED] from the [REDACTED] are not immediately applied to the above purposes, we will only deposit such [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WOLONG ELECTRIC GROUP CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND GF CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Wolong Electric Group Co., Ltd.* (臥龍電氣驅動集團股份有限公司) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[4] to I-[146], which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2024 (the “**Relevant Periods**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[5] to I-[147] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the [REDACTED] of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as at December 31, 2022, 2023 and 2024 and of the Group’s financial performance and cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

Review of stub period financial information

We have reviewed the stub period financial information of the Group which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the six months ended June 30, 2024 and 2025, and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at June 30, 2025 and other explanatory information (the “**Stub Period Financial Information**”).

The directors of the Company are responsible for the preparation of the Stub Period Financial Information in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Relevant Periods.

SHINEWING (HK) CPA Limited

Certified Public Accountants

[●]

Practising Certificate Number: [●]

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board (the “**IASB**”) and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue	5	14,265,959	15,566,827	16,247,040	7,978,101	8,030,770
Cost of sales		(10,862,275)	(11,841,381)	(12,475,993)	(6,016,743)	(6,052,349)
Gross profit		3,403,684	3,725,446	3,771,047	1,961,358	1,978,421
Selling and marketing expenses		(634,055)	(704,073)	(780,321)	(411,550)	(372,594)
Administrative expenses		(1,102,036)	(1,335,540)	(1,305,551)	(650,979)	(653,815)
Research and development expenses		(575,155)	(557,407)	(642,191)	(341,947)	(315,667)
Other income	6	142,983	276,609	199,114	84,490	118,405
Other gains and losses	7	127,850	(268,817)	86,180	(33,395)	66,236
Impairment losses under expected credit loss (“ECL”) model, net of reversal	8	(117,373)	(92,225)	(86,608)	(30,427)	(40,034)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share of results of associates		29,221	(24,203)	2,056	8,652	8,055
Finance costs	9	(276,193)	(252,397)	(253,191)	(122,831)	(103,357)
Profit before tax	10	998,926	767,393	990,535	463,371	683,201
Income tax expense	11	(160,224)	(214,515)	(158,280)	(54,326)	(135,232)
Profit for the year/period		838,702	552,878	832,255	409,045	547,969
Other comprehensive income						
<i>Item that will not be reclassified to profit or loss:</i>						
Changes in actuarial gains and losses of defined benefit retirement plans		25,738	7,670	5,394	–	–
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Share of other comprehensive (expense) income of associates, net of income tax		(790)	317	(1,706)	(3)	33
Exchange differences arising on translation of foreign operations		117,698	92,316	10,035	3,225	129,657
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		116,908	92,633	8,329	3,222	129,690
Other comprehensive income for the year/period, net of income tax		142,646	100,303	13,723	3,222	129,690
Total comprehensive income for the year/period		981,348	653,181	845,978	412,267	677,659

APPENDIX I

ACCOUNTANTS’ REPORT

		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
NOTE						
	Profit for the year/period attributable to:					
	– Owners of the Company	799,537	529,851	792,825	392,810	537,216
	– Non-controlling interests	39,165	23,027	39,430	16,235	10,753
		<u>838,702</u>	<u>552,878</u>	<u>832,255</u>	<u>409,045</u>	<u>547,969</u>
	Total comprehensive income for the year/period attributable to:					
	– Owners of the Company	933,349	612,981	805,698	403,409	629,668
	– Non-controlling interests	47,999	40,200	40,280	8,858	47,991
		<u>981,348</u>	<u>653,181</u>	<u>845,978</u>	<u>412,267</u>	<u>677,659</u>
	Earnings per share					
	– Basic (RMB) 14	0.51	0.34	0.51	0.25	0.35
	– Diluted (RMB) 14	0.51	0.34	0.51	0.25	0.35

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at June 30,
		2022	2023	2024	2025
NOTES		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
NON-CURRENT ASSETS					
Property, plant and equipment	15	4,938,509	5,727,186	6,105,758	4,710,610
Right-of-use assets	16	602,588	814,929	826,638	782,723
Intangible assets	17	1,355,749	1,521,278	1,563,113	1,575,156
Goodwill	18	1,456,313	1,459,110	1,459,365	1,468,291
Investments accounted for using the equity method	20	1,189,899	621,865	454,371	468,165
Financial assets at fair value through profit or loss (“FVTPL”)	21	674,678	844,039	927,088	981,525
Prepayments and other receivables	25	278,867	152,317	128,690	125,908
Pension fund surplus	33	33,768	39,419	54,126	59,986
Deferred tax assets	22	367,345	404,093	439,786	436,466
		<u>10,897,716</u>	<u>11,584,236</u>	<u>11,958,935</u>	<u>10,608,830</u>
CURRENT ASSETS					
Inventories	23	3,267,698	3,405,044	3,616,962	3,477,641
Trade and bills receivables	24	4,678,474	5,027,642	5,699,513	5,439,684
Prepayments and other receivables	25	1,260,368	862,216	823,437	1,201,687
Contract assets	26	59,255	82,157	183,100	101,112
Tax recoverable		18,180	46,361	52,645	53,935
Financial assets at FVTPL	21	5,476	14,404	181,971	233,522
Receivables at fair value through other comprehensive income (“FVTOCI”) . .	28	956,502	995,221	613,522	549,208
Restricted bank deposits	29	294,868	188,871	511,253	809,802
Cash and cash equivalents	29	2,010,171	2,458,333	2,675,965	2,791,556
		<u>12,550,992</u>	<u>13,080,249</u>	<u>14,358,368</u>	<u>14,658,147</u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at December 31,			As at June 30,
		2022	2023	2024	2025
NOTES		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
CURRENT LIABILITIES					
Trade, bills and other payables	30	6,087,875	6,620,103	6,805,944	6,301,747
Tax payables		72,289	97,534	104,311	78,083
Bank and other borrowings	31	3,115,737	2,451,325	4,464,171	5,135,322
Lease liabilities	34	25,546	23,473	26,512	32,238
Contract liabilities	35	280,473	359,646	338,950	288,088
Financial liabilities at FVTPL	36	1,619	221	189	2,161
		<u>9,583,539</u>	<u>9,552,302</u>	<u>11,740,077</u>	<u>11,837,639</u>
NET CURRENT ASSETS		<u>2,967,453</u>	<u>3,527,947</u>	<u>2,618,291</u>	<u>2,820,508</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,865,169</u>	<u>15,112,183</u>	<u>14,577,226</u>	<u>13,429,338</u>
NON-CURRENT LIABILITIES					
Bank and other borrowings	31	2,978,547	3,588,941	2,403,362	1,622,931
Lease liabilities	34	147,879	132,959	95,140	72,750
Provisions	32	18,407	18,352	13,293	24,933
Deferred income	37	136,491	149,192	181,281	187,659
Defined benefit liabilities	33	113,726	126,306	111,342	120,245
Other non-current liabilities		9,777	3,154	202	–
Deferred tax liabilities	22	318,788	390,871	373,082	383,310
		<u>3,723,615</u>	<u>4,409,775</u>	<u>3,177,702</u>	<u>2,411,828</u>
NET ASSETS		<u>10,141,554</u>	<u>10,702,408</u>	<u>11,399,524</u>	<u>11,017,510</u>
CAPITAL AND RESERVES					
Share capital	38	1,314,699	1,311,240	1,302,623	1,562,118
Reserves		<u>7,675,595</u>	<u>8,096,890</u>	<u>8,732,170</u>	<u>8,898,116</u>
Equity attributable to owners of the Company		8,990,294	9,408,130	10,034,793	10,460,234
Non-controlling interests		<u>1,151,260</u>	<u>1,294,278</u>	<u>1,364,731</u>	<u>557,276</u>
TOTAL EQUITY		<u>10,141,554</u>	<u>10,702,408</u>	<u>11,399,524</u>	<u>11,017,510</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at June 30,
		2022	2023	2024	2025
	NOTES	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
NON-CURRENT ASSETS					
Property, plant and equipment	15	908,127	1,194,912	1,205,311	1,184,037
Right-of-use assets	16	108,613	104,725	107,553	149,004
Intangible assets	17	475,105	536,186	572,553	577,022
Investments in subsidiaries	50	5,916,465	6,311,350	6,464,197	5,854,667
Investments accounted for using the equity method	20	1,189,899	621,865	454,371	464,621
Financial assets at FVTPL	21	667,890	837,821	921,126	974,943
Prepayments and other receivables	25	2,885,522	2,937,261	3,464,311	3,939,025
Deferred tax assets	22	25,483	109,643	125,538	68,884
		<u>12,177,104</u>	<u>12,653,763</u>	<u>13,314,960</u>	<u>13,212,203</u>
CURRENT ASSETS					
Inventories	23	318,106	327,635	367,753	333,392
Trade and bills receivables	24	1,067,553	1,267,799	1,638,294	1,632,280
Prepayments and other receivables	25	403,025	377,225	674,002	1,046,036
Contract assets	26	8,774	7,043	7,095	7,144
Tax recoverable		11,934	9,869	14,027	8,848
Financial assets at FVTPL	21	5,476	14,177	167,020	206,772
Receivables at FVTOCI	28	295,243	273,833	117,811	121,088
Restricted bank deposits	29	89,821	39,835	415,559	624,557
Cash and cash equivalents	29	323,545	419,643	321,830	550,517
		<u>2,523,477</u>	<u>2,737,059</u>	<u>3,723,391</u>	<u>4,530,634</u>
CURRENT LIABILITIES					
Trade, bills and other payables	30	3,524,830	4,130,652	5,005,533	5,451,613
Bank and other borrowings	31	2,365,970	1,845,500	2,468,500	2,711,000
Lease liabilities	34	1,701	273	2,925	12,248
Contract liabilities	35	15,484	28,783	68,372	36,296
Financial liabilities at FVTPL	36	800	–	–	–
Tax payables		–	–	–	27,183
		<u>5,908,785</u>	<u>6,005,208</u>	<u>7,545,330</u>	<u>8,238,340</u>
NET CURRENT LIABILITIES		<u>(3,385,308)</u>	<u>(3,268,149)</u>	<u>(3,821,939)</u>	<u>(3,707,706)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,791,796</u>	<u>9,385,614</u>	<u>9,493,021</u>	<u>9,504,497</u>

APPENDIX I

ACCOUNTANTS’ REPORT

		As at December 31,			As at June 30,
		2022	2023	2024	2025
NOTES		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
NON-CURRENT LIABILITIES					
Bank and other borrowings	31	1,273,292	1,976,500	1,809,300	1,485,300
Deferred income	37	38,131	25,945	19,891	17,617
Deferred tax liabilities	22	98,749	114,937	137,835	140,030
Lease liabilities	34	–	–	–	35,058
		1,410,172	2,117,382	1,967,026	1,678,005
NET ASSETS		7,381,624	7,268,232	7,525,995	7,826,492
CAPITAL AND RESERVES					
Share capital	38	1,314,699	1,311,240	1,302,623	1,562,118
Reserves	51	6,066,925	5,956,992	6,223,372	6,264,374
TOTAL EQUITY		7,381,624	7,268,232	7,525,995	7,826,492

Year ended December 31, 2022

- I-11 -

Attributable to owners of the Company

	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory reserve	Fair value reserve	Translation reserve	Other reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
As at January 1, 2023	1,314,699	(112,797)	1,991,481	146	523,515	(220,820)	(276,824)	(26,390)	5,797,284	8,990,294	1,151,260	10,141,554
Profit for the year	-	-	-	-	-	-	-	-	529,851	529,851	23,027	552,878
Other comprehensive income for the year	-	-	-	-	-	-	75,143	7,987	-	83,130	17,173	100,303
Total comprehensive income for the year	-	-	-	-	-	-	75,143	7,987	529,851	612,981	40,200	653,181
Capital injection from non-controlling interests	-	-	8,400	-	-	-	-	-	-	8,400	132,425	140,825
Dividends recognized as distributions (note 13)	-	-	-	-	-	-	-	-	(195,855)	(195,855)	-	(195,855)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(23,306)	(23,306)
Acquisition of non-controlling interests (Note ix)	-	-	10,775	-	-	-	-	-	-	10,775	(65,765)	(54,990)
Disposal of partial equity interest in subsidiary without loss of control	-	-	(8,315)	-	-	-	-	-	-	(8,315)	25,865	17,550
Reversal of share-based payment expenses	-	-	(14,129)	-	-	-	-	-	-	(14,129)	-	(14,129)
Repurchase and cancellation of treasury shares under share incentive scheme	(3,459)	25,635	(21,715)	-	-	-	-	-	-	461	-	461
Transfer to statutory reserve	-	-	-	-	9,395	-	-	-	(9,395)	-	-	-
Safety production fund provided	-	-	-	2,446	-	-	-	-	-	2,446	3,354	5,800
Safety production fund used	-	-	-	(774)	-	-	-	-	-	(774)	(1,023)	(1,797)
Others	-	-	1,846	-	-	-	-	-	-	1,846	31,268	33,114
As at December 31, 2023	1,311,240	(87,162)	1,968,343	1,818	532,910	(220,820)	(201,681)	(18,403)	6,121,885	9,408,130	1,294,278	10,702,408

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2024

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory reserve	Fair value reserve	Translation reserve	Other reserve	Retained profits	Subtotal		
	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000 (Note iii)	RMB'000 (Note iv)	RMB'000 (Note v)	RMB'000 (Note vi)	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2024	1,311,240	(87,162)	1,968,343	1,818	532,910	(220,820)	(201,681)	(18,403)	6,121,885	9,408,130	1,294,278	10,702,408
Profit for the year	-	-	-	-	-	-	-	-	792,825	792,825	39,430	832,255
Other comprehensive income for the year	-	-	-	-	-	-	9,185	3,688	-	12,873	850	13,723
Total comprehensive income for the year	-	-	-	-	-	-	9,185	3,688	792,825	805,698	40,280	845,978
Repurchase of ordinary shares	-	(60,013)	-	-	-	-	-	-	-	(60,013)	-	(60,013)
Dividends recognized as distributions (note 13)	-	-	-	-	-	-	-	-	(129,837)	(129,837)	-	(129,837)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,736)	(6,736)
Capital injection from non-controlling interests (Note vii)	-	-	19,779	-	-	-	-	-	-	19,779	30,717	50,496
Capital withdrawals by non-controlling interests (Note viii)	-	-	-	-	-	-	-	-	-	-	(8,000)	(8,000)
Acquisition of non-controlling interests (Note ix)	-	-	(126)	-	-	-	-	-	-	(126)	(1,934)	(2,060)
Disposal of a partial interest in a subsidiary without loss of control	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Deemed acquisition of non-controlling interests	-	-	298	-	-	-	-	-	-	298	(298)	-
Deemed partial disposal of interests in subsidiaries without loss of control	-	-	(11,420)	-	-	-	-	-	-	(11,420)	11,420	-
Repurchase and cancellation of treasury shares under share incentive scheme	(2,949)	21,053	(18,104)	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	(5,668)	66,109	(60,441)	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	44,914	-	-	-	(44,914)	-	-	-
Safety production fund provided	-	-	-	2,700	-	-	-	-	-	2,700	3,609	6,309
Safety production fund used	-	-	-	(597)	-	-	-	-	-	(597)	(785)	(1,382)
Transfer of fair value reserve upon disposal of investment in an associate	-	-	-	-	-	221,533	-	-	(221,533)	-	-	-
Others	-	-	181	-	-	-	-	-	-	181	680	861
As at December 31, 2024	1,302,623	(60,013)	1,898,510	3,921	577,824	713	(192,496)	(14,715)	6,518,426	10,034,793	1,364,731	11,399,524

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended June 30, 2024 (unaudited)

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory reserve	Fair value reserve	Translation reserve	Other reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2024 (audited)	1,311,240	(87,162)	1,968,343	1,818	532,910	(220,820)	(201,681)	(18,403)	6,121,885	9,408,130	1,294,278	10,702,408
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	392,810	392,810	16,235	409,045
Other comprehensive income (expense) for the period (unaudited)	-	-	-	-	-	-	10,602	(3)	-	10,599	(7,377)	3,222
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	10,602	(3)	392,810	403,409	8,858	412,267
Repurchase of ordinary shares (unaudited)	-	(50,011)	-	-	-	-	-	-	-	(50,011)	-	(50,011)
Dividends declared to non-controlling interests (unaudited)	-	-	-	-	-	-	-	-	-	-	(1,330)	(1,330)
Capital injection from non-controlling interests (Note vii) (unaudited)	-	-	19,779	-	-	-	-	-	-	19,779	30,717	50,496
Capital withdrawals by non-controlling interests (Note viii) (unaudited)	-	-	-	-	-	-	-	-	-	-	(8,000)	(8,000)
Repurchase and cancellation of treasury shares under share incentive scheme (unaudited)	(2,949)	21,053	(18,104)	-	-	-	-	-	-	-	-	-
Safety production fund provided (unaudited)	-	-	-	1,373	-	-	-	-	-	1,373	1,392	2,765
Safety production fund used (unaudited)	-	-	-	(500)	-	-	-	-	-	(500)	(664)	(1,164)
Others (unaudited)	-	-	2,691	-	-	-	-	-	-	2,691	-	2,691
As at June 30, 2024 (unaudited)	1,308,291	(116,120)	1,972,709	2,691	532,910	(220,820)	(191,079)	(18,406)	6,514,695	9,784,871	1,325,251	11,110,122

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended June 30, 2025 (unaudited)

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory surplus reserve	Fair value reserve	Translation reserve	Other reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2025 (audited)	1,302,623	(60,013)	1,898,510	3,921	577,824	713	(192,496)	(14,715)	6,518,426	10,034,793	1,364,731	11,399,524
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	537,216	537,216	10,753	547,969
Other comprehensive income for the period (unaudited)	-	-	-	-	-	-	92,418	34	-	92,452	37,238	129,690
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	92,418	34	537,216	629,668	47,991	677,659
Dividends recognized as distributions (note 13) (unaudited)	-	-	-	-	-	-	-	-	(194,621)	(194,621)	-	(194,621)
Dividends paid to non-controlling interests (unaudited)	-	-	-	-	-	-	-	-	-	-	(16,342)	(16,342)
Stock dividends (note 38) (unaudited)	259,495	-	(259,495)	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries (note 40) (unaudited)	-	-	-	-	-	-	-	-	-	-	(849,033)	(849,033)
Deemed acquisition of non-controlling interests (unaudited)	-	-	(5,848)	-	-	-	-	-	-	(5,848)	5,848	-
Safety production fund provided (unaudited)	-	-	-	69	-	-	-	-	-	69	91	160
Others (unaudited)	-	-	769	(3,990)	-	-	-	-	(606)	(3,827)	3,990	163
As at June 30, 2025 (unaudited)	1,562,118	(60,013)	1,633,936	-	577,824	713	(100,078)	(14,681)	6,860,415	10,460,234	557,276	11,017,510

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- i. As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Company had outstanding treasury shares of 12,076,500, 8,617,500, 5,148,200 and 5,148,200, respectively.
- ii. Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount for maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety and are not available for distribution to shareholders.
- iii. In accordance with the relevant laws of the People's Republic of China (the “**PRC**”), the Company and its subsidiaries established in the PRC shall transfer 10% of its profits after income tax to the statutory reserve, except where the reserve balance has reached 50% of the registered capital of the Company and the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.
- iv. The fair value reserve comprises the cumulative net change in the fair value of FVTOCI under IFRS 9 that was held at the end of the reporting period.
- v. The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations of which the functional currencies are not RMB.
- vi. Other reserve comprises the remeasurement of a defined benefit plan and share of other comprehensive income/(loss) under equity method.
- vii. In 2022, the non-controlling shareholder of its subsidiary namely Zhejiang Longneng Electric Power Technology Co., Ltd.* (浙江龍能電力科技股份有限公司) (“**Zhejiang Longneng**”), made capital injections amounting to approximately RMB345,045,000.

In 2023, the non-controlling shareholder of its subsidiary namely Zhejiang Shunyun Internet Technology Co., Ltd.* (浙江舜雲互聯網技術有限公司) (“**Zhejiang Shunyun**”), Zhejiang Oli Driving System Co., Ltd.* (浙江歐力驅動系統有限公司), Shanxi Shunyun Internet Digital Services Co., Ltd.* (山西舜雲互聯網數字化服務有限公司), Zhejiang Longneng, Wolong Zhejiang Power Electric Co., Ltd.* (臥龍(浙江)電力電子有限公司) (“**Zhejiang Power**”) and Beijing Wolong Smart Hydrogen Energy Technology Co., Ltd.* (北京臥龍智慧氫能技術有限公司), made capital injections totaling of approximately RMB140,825,000.

In 2024, the non-controlling shareholders of its subsidiaries, including Zhejiang Shunyun, Zhejiang Longneng, and Zhejiang Sir Robotics Co., Ltd.*, collectively made capital injections totaling of approximately RMB50,496,000.
- viii. In 2024, the non-controlling shareholder of its subsidiary namely Zhejiang Power withdrew their capital contribution amounting to approximately RMB8,000,000.
- ix. In 2022, the Group acquired additional 30% equity interests in its subsidiaries, including Shenyang Haoyao Optical Volt Technology Co., Ltd.* (瀋陽皓耀光伏科技有限公司), Shenyang Henuan Photovoltaic Technology Co., Ltd.* (瀋陽和曜光伏科技有限公司), Shenyang Junhui Volt Technology Co., Ltd.* (瀋陽君輝光伏科技有限公司), Xintai Runxi Energy Co., Ltd.* (新泰潤熙能源有限公司), Zibo Jingyu Energy Technology Co., Ltd.* (淄博晶宇能源科技有限公司), Liaocheng Guoneng Photovoltaic Technology Co., Ltd.* (聊城市國能光伏科技有限公司), Taizhou Xinbaihui New Energy Technology Co., Ltd.* (泰州鑫百輝新能源科技有限公司), Laoling Ronghui New Energy Co., Ltd.* (樂陵榮輝新能源有限公司), Tongling Quanhui New Energy Co., Ltd.* (銅陵全輝新能源有限公司), Huaian Ruihong Photovoltaic Power Co., Ltd.* (淮安瑞宏光伏電力有限公司) and Penglai Lvjie New Energy Co., Ltd.* (蓬萊綠潔新能源有限公司) at a cash consideration of approximately RMB35,992,000.

In 2023, the Group acquired additional equity interests in its subsidiaries, including 1.09% equity interest in Zhejiang Longneng, 20.45% equity interest in Zhejiang Shunyun and 3.21% equity interest in Shaoxing Shangyu Longshun Enterprise Consulting Partnership* (紹興上虞龍舜企業諮詢合夥企業(有限合夥)), with a total cash consideration of approximately RMB54,990,000.

In 2024, the Group acquired additional 0.14% equity interest in its subsidiary namely Zhejiang Longneng at a cash consideration of approximately RMB2,060,000.

* English name is for identification purposes

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
OPERATING ACTIVITIES					
Profit before tax	998,926	767,393	990,535	463,371	683,201
Adjustments for:					
Fair value change of financial assets at					
FVTPL	14,980	(68,399)	(122,274)	(12,139)	(19,515)
Fair value change of financial liabilities at					
FVTPL	1,619	(904)	–	–	1,972
Finance costs	276,193	252,397	253,191	122,831	103,357
Bank interest income	(17,589)	(25,351)	(49,417)	(19,559)	(40,165)
Depreciation of property, plant and					
equipment	383,337	453,168	497,279	232,088	228,405
Depreciation of right-of-use assets	39,594	46,584	42,351	18,469	24,154
Amortization of intangible assets	155,461	182,960	218,140	102,324	116,188
Impairment losses under ECL model, net of					
reversal	117,373	92,225	86,608	30,427	40,034
Loss (gain) on disposal of property, plant					
and equipment	17	(25,027)	(13,028)	(11,917)	(304)
Loss on disposal of right-of-use assets	–	7,383	–	–	–
(Gain) loss on disposal of intangible					
assets	(500)	–	336	(3)	5
Loss (gain) on lease modifications	425	(1,260)	(1,582)	(908)	(841)
Release of deferred income	(25,282)	(19,716)	(13,819)	(6,792)	(6,879)
Impairment losses on property, plant and					
equipment	4,713	815	1,819	177	–
Impairment losses on goodwill	2,023	–	–	–	–
Impairment losses in respect of interest in an					
associate	–	211,341	60,080	60,080	–
Write-down of inventories, net of reversal	3,459	42,514	42,409	9,730	13,473
Share of results of associates	(29,221)	24,203	(2,056)	(8,652)	(8,055)
Share-based payment expenses	41,980	(5,269)	8,211	–	–
Gain on disposal of a subsidiary	(29,427)	–	–	–	(10,498)
Gain on partial disposal of an associate	–	(9,560)	–	–	–
Compensation to an associate	–	186,053	–	–	–
Dividends from financial assets at FVTPL	(80,814)	(20,900)	(7,591)	(5,035)	(16,683)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Operating cash flows before movements in working capital	1,857,267	2,090,650	1,991,192	974,492	1,107,849
(Increase) decrease in inventories	(354,598)	(177,932)	(254,327)	(111,068)	98,267
(Increase) decrease in trade and bills receivables	(979,158)	(424,929)	(758,790)	(400,108)	(134,024)
(Increase) decrease in prepayments and other receivables	(419,792)	177,215	93,654	(46,224)	(77,303)
Decrease (increase) in contract assets	18,902	(24,395)	(104,628)	(13,412)	(28,617)
Decrease (increase) in receivables at FVTOCI	307,678	(38,719)	381,699	159,840	131,594
Increase (decrease) in trade, bills and other payables	1,001,027	(104,116)	318,346	(219,977)	(215,698)
Increase (decrease) in contract liabilities	26,276	79,173	(20,696)	11,697	(46,926)
Increase (decrease) in provisions	4,776	(55)	(5,059)	(1,443)	11,640
Increase in deferred income	37,347	32,417	45,908	15,442	13,900
(Decrease) increase in long-term employee benefits	(25,412)	14,599	(24,277)	(3,662)	3,043
Safety production fund used	–	(1,797)	(1,382)	(1,164)	–
Cash generated from operations	1,474,313	1,622,111	1,661,640	364,413	863,725
Income taxes paid, net	(152,113)	(183,130)	(211,269)	(135,572)	(171,458)
NET CASH FROM OPERATING ACTIVITIES	1,322,200	1,438,981	1,450,371	228,841	692,267

APPENDIX I

ACCOUNTANTS’ REPORT

		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
	NOTES	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
INVESTING ACTIVITIES						
Interest received		17,589	25,351	49,417	19,559	40,165
Payments for purchase of property, plant and equipment		(576,051)	(649,279)	(834,427)	(373,421)	(399,537)
Proceeds on disposal of property, plant and equipment		228,343	257,112	8,667	7,121	5,279
Proceeds on disposal of intangible assets.		4,792	748	20,033	–	127
Proceeds on disposal of right-of-use assets		–	3,271	–	–	–
Payments for purchase of intangible assets		(257,746)	(330,200)	(290,479)	(158,305)	(118,557)
Payments for purchase of right-of-use assets		(37,380)	(259,603)	(52,982)	(49,027)	–
Purchases of financial assets at FVTPL		(17,851)	(100,840)	(15,449)	(500)	(119,719)
Proceeds from disposal of financial assets at FVTPL		1,305	–	–	–	36,688
Net cash outflow from acquisition of subsidiaries	39	(5,702)	(40,485)	–	–	–
Net cash inflow from disposal of subsidiaries	40	35,810	–	–	–	294,603
Acquisition of an associate		–	–	–	–	(3,000)
Disposal of an associate		–	344,212	–	–	–
Dividend received from financial assets at FVTPL		5,035	97,151	7,591	5,035	16,683
Placement of restricted bank deposits		(1,102,357)	(690,175)	(658,598)	(210,801)	(778,401)
Withdrawal of restricted bank deposits		959,222	796,172	336,216	268,021	469,554
Payment of compensation to an associate		–	–	(186,053)	(186,053)	–
Settlement of consideration payables		(16,997)	–	(4,552)	–	–
NET CASH USED IN						
INVESTING ACTIVITIES		(761,988)	(546,565)	(1,620,616)	(678,371)	(556,115)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
FINANCING ACTIVITIES					
Proceeds from bank and other borrowings	4,732,020	4,060,155	4,157,333	2,248,710	2,678,697
Repayments of bank and other borrowings	(5,034,180)	(4,187,242)	(3,283,179)	(1,543,872)	(2,463,338)
Repayments to a former shareholder of its subsidiaries .	(115,022)	(14,839)	(3,000)	–	(4,000)
Dividends paid to the Company’s shareholders	(196,276)	(195,855)	(129,837)	–	(194,621)
Dividends paid to the non-controlling interests	(1,067)	(23,306)	(6,736)	–	(16,342)
Interest paid	(273,883)	(252,397)	(252,319)	(123,031)	(103,088)
Payments of lease liabilities	(66,574)	(11,859)	(17,592)	(4,227)	(10,288)
Acquisition of additional interest in its subsidiaries	(35,992)	(54,990)	(2,060)	–	–
Advance payment for capital contribution from its non-controlling interests	–	30,000	–	–	–
Proceeds on disposal of partial interest in a subsidiary without losing control	–	17,550	1,500	–	–
Capital injection from non-controlling interests	345,045	140,825	20,496	20,496	–
Capital withdrawals by non-controlling interests	–	–	(8,000)	(8,000)	–
Settlement of repurchase obligation under the share incentive scheme	(4,140)	(25,174)	(21,053)	(21,053)	–
Payments for repurchase of own shares	–	–	(60,013)	(50,011)	–
Payments or receipts for other financing activities	(30,372)	–	–	–	12,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES . .	(680,441)	(517,132)	395,540	519,012	(100,980)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(120,229)	375,284	225,295	69,482	35,172
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR/PERIOD	2,058,713	2,010,171	2,458,333	2,458,333	2,675,965
Effect of foreign exchange rate changes	71,687	72,878	(7,663)	(16,920)	80,419
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	2,010,171	2,458,333	2,675,965	2,510,895	2,791,556

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Company was incorporated and registered in the PRC on December 21, 1995 as a limited liability company. On October 21, 1998, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC. On June 6, 2002, the Company was listed on the Shanghai Stock Exchange (stock code: 600580). The addresses of the registered office of the Company is No. 580 Fuxing West Road, Cao’e Subdistrict, Shangyu District, Shaoxing, Zhejiang Province, the PRC. The addresses of the principal place of business of the Company is No. 555 Fuxing West Road, Cao’e Subdistrict, Shangyu District, Shaoxing, Zhejiang Province, the PRC.

The Company, together with its subsidiaries (collectively, the “**Group**”), is principally engaged in (i) manufacturing and sales of explosion-proof electric drive solutions, industrial electric drive solutions, heating, ventilation, and air conditioning (“**HVAC**”) electric drive solutions, e-mobility drive solutions, and robotic components and system applications; and (ii) others primarily comprises revenue derived from sales of energy storage system, electricity from photovoltaic power generation, and raw materials and components. The information of the subsidiaries of the Company is set out in note 49.

The Historical Financial Information and Stub Period Financial Information have been prepared based on the accounting policies which conform with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the material accounting policy information set out in note 3 below.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

The statutory consolidated financial statements of the Company for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with Accounting Standards for Business Enterprises of the PRC, and which were audited by SHINEWING Certified Public Accountants LLP* (信永中和會計師事務所(特殊普通合伙)) for the years ended December 31, 2022, 2023 and 2024, certified public accountants registered in the PRC.

* *English name is for identification purpose*

APPENDIX I

ACCOUNTANTS’ REPORT

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the Group’s accounting period beginning on January 1, 2025, throughout the Relevant Periods.

New and amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³

1. Effect for annual periods beginning on or after a date to be determined

2. Effect for annual periods beginning on or after January 1, 2026

3. Effect for annual periods beginning on or after January 1, 2027

Except for new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all the new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Group in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 has no impact on the Group’s financial positions and performance, but has impact on presentation of the consolidated statements of profit or loss and other comprehensive income.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group’s interests in existing subsidiaries

Changes in the Group’s interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 “Financial Instruments” (“IFRS 9”) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or assets acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

APPENDIX I

ACCOUNTANTS' REPORT

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (i) the lease term ends within 12 months of the acquisition date; or (ii) the underlying assets is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group has disposed directly of the previous held equity interest.

APPENDIX I

ACCOUNTANTS’ REPORT

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (“CGUs”) (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statements of financial position of the Company.

Investments accounted for using equity method

An associate is an entity over which the Group or the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group and the Company for like transactions and events in similar circumstances. Under the equity method, an interest in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group’s or the Company’s share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group or the Company. When the Group’s or the Company’s share of losses of an associate exceeds the Group’s or the Company’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s or the Company’s net interest in the associate), the Group and the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group and the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group or the Company assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the interest is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the interest. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the interest subsequently increases.

When the Group or the Company ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss.

When a group entity transacts with an associate of the Group or the Company, profits and losses resulting from the transactions with the associate are recognized in the Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group or the Company.

Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

APPENDIX I

ACCOUNTANTS’ REPORT

For details of the Group’s revenue recognition policies are as follows:

Revenue from sale of goods

Revenue from sale of goods between the Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognized when the performance obligation has been satisfied at a point in time.

Revenue from domestic sale of goods is recognized at a point in time when the Group has delivered the products to the customers in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Revenue from export sale of goods is recognized at a point in time upon completion of delivery procedures to the customer or their designated carrier, when control of the goods is transferred.

Revenue from sales of electricity

Revenue from sales of electricity is recognized at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

Revenue from provision of services

Revenue from provision of services is recognized over time or at a point in time when the Group has satisfied the corresponding performance obligation in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Contract assets

If the Group performs by transferring goods to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade and bills receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognizes such costs (mainly sales commissions) as an asset if it expects to recover these costs. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortized to profit or loss within one year.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 “*Provisions, Contingent Liabilities and Contingent Assets*” unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

APPENDIX I

ACCOUNTANTS’ REPORT

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation. For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transactions price to the warranty.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases, including office, warehouses, vehicles, machinery, and equipment, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related leases liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “**lease modifications**”).

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognize the assets and accounts for the transfer proceeds as borrowings within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date

APPENDIX I

ACCOUNTANTS’ REPORT

of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated inequity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Share repurchase

The payment and transaction costs incurred on the repurchase of the Group’s own equity instruments are accounted for as a deduction from equity. Other than share-based payments, the issuance (including refinancing), repurchase, sale or cancellation of the Group’s own equity instruments shall be treated as changes in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowing spending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group’s defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

APPENDIX I

ACCOUNTANTS' REPORT

Share-based payments

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which the Group receives services and uses shares or other equity instruments as consideration for settlement.

An equity-settled share-based payment in exchange for services received from employees is measured at the fair value of the equity instruments granted to the employees. If such an equity-settled share-based payment vests immediately, the related costs or expenses at an amount equal to the fair value on the grant date are recognized, with a corresponding increase in capital reserves; if such an equity-settled share-based payment does not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group recognizes the services received for the current period as related costs and expenses at the end of each reporting period during the vesting period, with a corresponding increase in capital reserves at an amount equal to the fair value of the equity instruments at the grant date. Please refer to note 41 for the fair value of equity instruments.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the right-of-use assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment (other than construction in progress) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

APPENDIX I

ACCOUNTANTS’ REPORT

Research and development expenditure

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

APPENDIX I

ACCOUNTANTS' REPORT

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL. A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost or receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the

APPENDIX I

ACCOUNTANTS’ REPORT

credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade, bills and other receivables and receivables at FVTOCI) and other items (contract assets)) which are subjected to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed on an individual basis for customers with high credit risk and the remaining is collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

APPENDIX I

ACCOUNTANTS’ REPORT

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

APPENDIX I

ACCOUNTANTS' REPORT

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a deregistration event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate determined at initial recognition.

Lifetime ECL for trade, bills and other receivables, receivables at FVTOCI and contract assets (except for trade receivables from customers classified as credit-impaired) are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for receivables at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, bills receivables, other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account. For receivables at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item (note 7) as part of the net foreign exchange losses.

APPENDIX I

ACCOUNTANTS’ REPORT

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities or equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading. A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortized cost

Financial liabilities including bank and other borrowings, trade, bills and other payables, financial liabilities at FVTPL, other financial liabilities and other non-current liabilities are subsequently measured at amortized cost, using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

APPENDIX I

ACCOUNTANTS’ REPORT

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘Other gains and losses’ line item in profit or loss (note 7) as part of net foreign exchange losses for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment

APPENDIX I

ACCOUNTANTS’ REPORT

loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit of the Group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Fair value measurement

When measuring fair value, except for the Group’s share-based payment transactions, leasing transactions, net realizable value of inventories and value in use of assets for the purpose of impairment assessments, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Specifically, the Group categorized the fair value measurements into three levels, based on the characteristics of inputs, as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Deferred tax assets

As at December 31, 2022, 2023 and 2024 and June 30, 2025, a deferred tax asset of approximately RMB272,521,000, RMB244,713,000, RMB223,581,000 and RMB177,912,000 in relation to unused tax losses for

APPENDIX I

ACCOUNTANTS’ REPORT

certain operating subsidiaries has been recognized in the consolidated statements of financial position as disclosed in note 22. No deferred tax asset has been recognized on the tax losses of RMB916,733,000, RMB1,390,771,000, RMB1,770,316,000 and RMB2,002,516,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025 due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, which includes trade barriers such as export requirements, tariffs and taxes, higher interest rates and inflation, energy security concerns, elections in major economies, and international conflicts and tensions, may progress and evolve.

In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables

For trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group’s internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables are disclosed in notes 8, 24 and 47.

Write-down of inventories

The Group’s inventories are stated at the lower of cost and net realizable value. The Group writes down its inventories based on estimates of the realizable value with reference to aging and the conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed at the end of each reporting period for write-down, if appropriate. Further details of the inventories are set out in note 23.

Provisions

The Group makes a provision for product warranty for the sales of robotic components and system applications according to the best expected settlement under the sales agreement. The provision amount takes into account the Group’s recent claims, past warranty data and the weight of all possible results and their related probabilities. Further details of the provision are set out in note 32.

Pension costs and estimation of defined benefit pension obligation

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with IAS 19, “Employee Benefits”. Under this method, the cost of providing pensions is charged to the consolidated income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognized in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the IFRS requirements.

APPENDIX I

ACCOUNTANTS’ REPORT

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from sales, net of related taxes, for the following products and services during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025:

- (a) Explosion-proof electric drive solutions;
- (b) Industrial electric drive solutions;
- (c) HVAC electric drive solutions;
- (d) E-mobility drive solutions;
- (e) Robotic components and system applications; and
- (f) Others primarily comprises revenue derived from sales of energy storage system, electricity from photovoltaic power generation, and raw materials and components.
- (i) **Disaggregated revenue information**

	Year ended December 31,			Six months ended	
	June 30,				
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Type of goods or services					
– Explosion-proof electric drive solutions	4,143,418	4,688,458	4,697,282	2,427,443	2,459,225
– Industrial electric drive solutions	3,632,266	4,059,869	4,063,303	2,018,885	2,118,966
– HVAC electric drive solutions	4,647,235	4,361,071	4,592,862	2,331,106	2,575,131
– E-mobility drive solutions	647,485	609,169	389,751	203,612	211,268
– Robotic components and system applications . . .	355,526	406,215	451,965	195,848	217,776
– Others	840,029	1,442,045	2,051,877	801,207	448,404
	<u>14,265,959</u>	<u>15,566,827</u>	<u>16,247,040</u>	<u>7,978,101</u>	<u>8,030,770</u>
Timing of revenue recognized					
– At a point in time	14,259,724	15,502,195	16,189,771	7,967,428	8,018,391
– Overtime	6,235	64,632	57,269	10,673	12,379
	<u>14,265,959</u>	<u>15,566,827</u>	<u>16,247,040</u>	<u>7,978,101</u>	<u>8,030,770</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue from sale of goods between the Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognized when the performance obligation has been satisfied at a point in time.

Revenue from domestic sale of goods is recognized at a point in time when the Group has delivered the products to the customers in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Revenue from export sale of goods is recognized at a point in time upon completion of delivery procedures to the customer or their designated carrier, when control of the goods is transferred.

Revenue from sales of electricity is recognized at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

Revenue from provision of services over time or at a point in time is recognized when the Group has satisfied the corresponding performance obligation in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers.

Customers are generally required to make a percentage of total consideration as prepayments before the Group deliver the products. Contract liabilities are recognized when consideration is received in which revenue has yet been recognized.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group’s contract has an original expected duration of less than one year.

(iv) Segment information

For the purpose of resource allocation and assessment of segment performance, the Chief Executive Officer of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out above. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

APPENDIX I

ACCOUNTANTS’ REPORT

Entity-wide disclosures

Geographical information

(a) Revenue from external customers

The geographical information of the Group’s revenue, determined based on geographical location of the registered office of the immediate customers, during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
The PRC	8,724,089	9,966,838	10,528,570	5,013,396	4,807,368
Europe, the Middle East and Africa	2,801,541	2,793,639	2,551,201	1,288,249	1,251,825
The Americas	1,708,526	1,988,485	2,093,277	1,149,660	1,210,409
Asia-Pacific excluding the PRC	1,031,803	817,865	1,073,992	526,796	761,168
	<u>14,265,959</u>	<u>15,566,827</u>	<u>16,247,040</u>	<u>7,978,101</u>	<u>8,030,770</u>

(b) Non-current assets

The following is the information about non-current assets other than financial assets at FVTPL, pension fund surplus and deferred tax assets by the geographical areas in which the assets are located:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
The PRC	7,918,663	8,379,274	8,703,564	7,231,347
Europe, the Middle East and Africa	965,325	995,634	905,606	990,012
The Americas	789,555	777,879	783,101	766,938
Asia-Pacific excluding the PRC.	<u>148,382</u>	<u>143,898</u>	<u>145,664</u>	<u>142,556</u>
	<u>9,821,925</u>	<u>10,296,685</u>	<u>10,537,935</u>	<u>9,130,853</u>

(c) Information about major customers

No customer contributes over 10% of total revenue of the Group during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

6. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Bank interest income	17,589	25,351	49,417	19,559	40,165
Government grants (<i>Note i and ii</i>)	119,811	191,277	78,730	34,096	46,152
Extra deduction of value-added tax (“VAT”) (<i>Note iii</i>)	–	55,234	68,746	29,534	29,710
Others	5,583	4,747	2,221	1,301	2,378
	<u>142,983</u>	<u>276,609</u>	<u>199,114</u>	<u>84,490</u>	<u>118,405</u>

Notes:

- i. The Group has received certain government grants as incentive for investing in manufacturing facilities. The grants are recognized in the profit or loss over the useful lives of the relevant assets.
- ii. Other government grants of the Group were mainly related to enterprise development support and innovation capability incentives. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets of the Group or are conditional but with such has been satisfied during the year/period.
- iii. According to the State Taxation Administration of the PRC, from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to deduct an additional 5% of the deductible input tax from the VAT payable.

APPENDIX I

ACCOUNTANTS’ REPORT

7. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended	
	June 30,				
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Change in fair value of financial assets at FVTPL	(14,980)	68,399	122,274	12,139	19,515
Change in fair value of financial liabilities at FVTPL	(1,619)	904	–	–	(1,972)
Impairment losses on property, plant and equipment	(4,713)	(815)	(1,819)	(177)	–
Impairment losses on goodwill	(2,023)	–	–	–	–
Impairment losses recognized in respect of an associate based on fair value (note 20)	–	(211,341)	(60,080)	(60,080)	–
(Loss) gain on disposal of property, plant and equipment	(17)	25,027	13,028	11,917	304
Loss on disposal of right-of-use assets. . .	–	(7,383)	–	–	–
Gain (loss) on disposal of intangible assets	500	–	(336)	3	(5)
Gain on partial disposal of an associate . .	–	9,560	–	–	–
Gain on disposal of subsidiaries (note 40)	29,427	–	–	–	10,498
Dividend income from financial asset at FVTPL	80,814	20,900	7,591	5,035	16,683
Compensation to an associate (Note). . .	–	(186,053)	–	–	–
Net foreign exchange gain (loss)	70,928	30,290	9,731	(5,630)	22,443
Others	(30,467)	(18,305)	(4,209)	3,398	(1,230)
	<u>127,850</u>	<u>(268,817)</u>	<u>86,180</u>	<u>(33,395)</u>	<u>66,236</u>

Note: In 2017, the Group disposed of its 92.5% equity interest of a subsidiary to an associate. The transaction agreement included a profit guarantee in which the Group warranted that the disposed subsidiary would achieve certain performance targets for 2017 to 2019 (the “**Profit Guarantee**”).

Subsequently in the year ended December 31, 2023, the Group assessed the then available facts and circumstances, and recorded a compensation liability of approximately RMB186,053,000 in respect of the non-achievement of the Profit Guarantee. Such liability was settled in full by the Group in June 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Impairment losses recognized on:					
– trade receivables	139,043	109,772	103,144	43,293	46,628
– bills receivables	6	9	7	–	–
– contract assets	371	1,596	3,757	1,059	1,044
– other receivables	10,665	8,662	11,993	16,453	11,027
	<u>150,085</u>	<u>120,039</u>	<u>118,901</u>	<u>60,805</u>	<u>58,699</u>
Impairment losses reversed on:					
– trade receivables	(26,244)	(23,809)	(16,229)	(15,120)	(8,756)
– bills receivables	–	(9)	(3)	(5)	–
– contract assets	(1,031)	(102)	(72)	(310)	(773)
– other receivables	(5,437)	(3,894)	(15,989)	(14,943)	(9,136)
	<u>(32,712)</u>	<u>(27,814)</u>	<u>(32,293)</u>	<u>(30,378)</u>	<u>(18,665)</u>
	<u>117,373</u>	<u>92,225</u>	<u>86,608</u>	<u>30,427</u>	<u>40,034</u>

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on lease liabilities	4,968	5,650	4,038	2,271	1,607
Interest on bank and other borrowings . .	271,225	246,747	249,153	120,560	101,750
Total borrowing costs	<u>276,193</u>	<u>252,397</u>	<u>253,191</u>	<u>122,831</u>	<u>103,357</u>

APPENDIX I

ACCOUNTANTS’ REPORT

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Depreciation of property, plant and equipment	383,337	453,168	497,279	232,088	228,405
Depreciation of right-of-use assets . . .	39,594	46,584	42,351	18,469	24,154
Amortization of intangible assets	155,461	182,960	218,140	102,324	116,188
Total depreciation and amortization . . .	<u>578,392</u>	<u>682,712</u>	<u>757,770</u>	<u>352,881</u>	<u>368,747</u>
Auditors’ Remuneration					
– the Company’s auditor	<u>3,110</u>	<u>3,110</u>	<u>3,260</u>	<u>–</u>	<u>–</u>
Staff costs (including directors’, supervisors’ and chief executive’s remuneration)					
– Salaries and other benefits	2,003,467	2,192,110	2,315,642	1,109,535	1,089,161
– Retirement benefit scheme contributions	104,202	105,425	111,559	61,308	39,241
– Contributions to defined benefit plans .	9,425	7,417	6,738	2,900	2,802
– Discretionary performance related bonus	139,469	157,614	157,140	76,739	73,283
– Termination benefits	–	6,111	6,468	1,449	451
– Share-based payment expenses	<u>41,980</u>	<u>(5,269)</u>	<u>8,211</u>	<u>–</u>	<u>–</u>
Total staff costs	<u>2,298,543</u>	<u>2,463,408</u>	<u>2,605,758</u>	<u>1,251,931</u>	<u>1,204,938</u>
Write-down of inventories	32,654	42,989	43,746	9,730	15,414
Reversal of inventories	(29,195)	(475)	(1,337)	–	(1,941)
Cost of inventories recognized as an expense (excluding reversal) written-down of inventories)	<u>10,535,324</u>	<u>11,520,932</u>	<u>12,157,390</u>	<u>5,854,830</u>	<u>5,891,112</u>
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Research and development expenses analyzed as					
– Staff costs	155,143	161,678	213,915	105,127	111,189
– Depreciation and amortization	71,635	79,568	95,243	48,477	49,505
– Materials consumed	299,841	273,764	276,612	158,289	128,814
– Others	<u>48,536</u>	<u>42,397</u>	<u>56,421</u>	<u>30,054</u>	<u>26,159</u>
	<u>575,155</u>	<u>557,407</u>	<u>642,191</u>	<u>341,947</u>	<u>315,667</u>

APPENDIX I

ACCOUNTANTS’ REPORT

11. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Current tax					
– PRC Enterprise Income Tax (“EIT”) . . .	108,381	128,927	128,458	53,309	84,183
– Overseas taxation	44,646	53,993	73,068	25,687	31,626
	153,027	182,920	201,526	78,996	115,809
(Over) under provision in prior years/periods	(3,071)	(2,410)	11,538	5,300	27,323
	149,956	180,510	213,064	84,296	143,132
Deferred tax expense (credit)	10,268	34,005	(54,784)	(29,970)	(7,900)
	160,224	214,515	158,280	54,326	135,232

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% unless they are subject to preferential tax as set out below.

The following entities obtained the “High and New Technology Enterprise” certification during the relevant periods and entitled to a preferential tax of 15% for a period of 3 years from the date certification as below :

Name of entities	Timing for obtaining the High and New Technology Enterprise certification
The Company	December 2020, December 2023
Wolong Electric (Jinan) Motor Co., Ltd.* (“臥龍電氣(濟南)電機有限公司”) (“Wolong Jinan”)	December 2020, November 2023
Wolong Electric Nanyang Explosion Protection Group Co., Ltd.* (“臥龍電氣南陽防爆集團股份有限公司”) (“Wolong Nanyang Group”)	December 2020, November 2023
Shaoxing Oli-Wolong Vibrator Co., Ltd.* (“紹興歐力臥龍振動機械有限公司”) (“Oli Wolong”)	December 2020, December 2023
Wolong Electric Huaian Qingjiang Motor Co., Ltd.* (“臥龍電氣淮安清江電機有限公司”) (“Wolong Huaian”)	December 2019, December 2022
Wolong Electric Group Liaoning Rongxin Electric Drive Co., Ltd.* (“臥龍電氣集團遼寧榮信電氣傳動有限公司”) (“Wolong Liaoning”)	October 2019, November 2022
Wolong Electric Group Zhejiang Dengta Power Source Co., Ltd.* (“臥龍電氣集團浙江燈塔電源有限公司”) (“Wolong Dengta”)	December 2019, December 2022
Wolong Electric (Shanghai) Central Research Institute Co., Ltd.* (“臥龍電氣(上海)中央研究院有限公司”) (“Wolong Global Research Centre”)	December 2022
Wuhu Wolong Household Electric Motors Co., Ltd.* (“蕪湖臥龍家用電機有限公司”) (“Wolong Wuhu”)	September 2019, October 2022
ATB Motors (Wuhan) Co., Ltd.* (“武漢奧特彼電機有限公司”) (“Wuhan ATB”)	November 2021, November 2024
Zhejiang Sir Robot Co., Ltd.* (“浙江希爾機器人股份有限公司”) (“Zhejiang SIR”)	December 2023
Zhejiang Longchuang Motor Technology Innovation Co., Ltd.* (“浙江龍創電機技術創新有限公司”) (“Zhejiang Longchuang”)	December 2023
Wolong Electric Nanyang Explosion Protection Group Industrial Drive Co., Ltd.* (“臥龍電氣南陽防爆集團工業驅動有限公司”) (“Wolong Nanyang Industrial”)	November 2023
Wolong Electric Nanyang Explosion Protection Digital Service Co., Ltd.* (“臥龍電氣南陽防爆數字化服務有限公司”) (“Wolong Nanyang Digital”)	October 2024
Shanghai Kesi Automation Technology., Ltd.* (“上海可駟自動化科技有限公司”) (“Shanghai Kesi”)	December 2022

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

In addition, certain subsidiaries of the Group operating in the PRC have been accredited as “Micro and Small Enterprise” and are therefore eligible for a preferential EIT rate of 20%.

The subsidiaries incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision of Hong Kong Profits Tax was made in the Historical Financial Information and the Stub Period Financial Information as the Group had no assessable profit subject to Hong Kong Profits Tax during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. The income tax rates of the major operating subsidiaries in Germany, Italy, Mexico, the United Kingdom, Poland, Austria and the United States of America are 31%-33%, 24%, 30%, 19%, 19%, 23% and 21%, respectively.

Income tax for the year/period can be reconciled to profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Profit before tax	998,926	767,393	990,535	463,371	683,201
Tax on profit before taxation, calculated at the applicable tax rates to profits in the countries concerned	218,618	191,812	198,305	68,148	118,268
Tax effect of share of results of associates	4,383	(3,631)	308	1,298	1,208
Tax effect of income not taxable for tax purpose	(160,456)	(81,449)	(26,485)	(16,502)	(40,037)
Tax effect of expenses not deductible for tax purpose	134,724	140,113	9,949	27,674	65,929
Utilisation of tax losses previously not recognized	(11,729)	(1,477)	(1,116)	(1,276)	(192)
Tax effect of deductible temporary differences and tax losses not recognized	82,851	43,649	55,035	8,725	9,703
Tax effect attributable to the additional qualified tax deduction relating to research and development expenditures and acquisition of equipment (<i>Note</i>) . .	(90,815)	(78,533)	(86,718)	(41,183)	(42,538)
(Over) under provision in prior years/periods	(3,071)	(2,410)	11,538	5,300	27,323
Others	(14,281)	6,441	(2,536)	2,142	(4,432)
Income tax expense	<u>160,224</u>	<u>214,515</u>	<u>158,280</u>	<u>54,326</u>	<u>135,232</u>

Note: Pursuant to relevant laws and regulations in the PRC, the Group enjoys super deduction of 100% on qualifying research and development (“R&D”) expenditures from taxable profit for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025. In addition, the State Taxation Administration of the PRC announced that High Technology Enterprise would entitle to claim 100% of their acquisition of equipment as super deduction applicable for the period from October 1, 2022 to December 31, 2022.

APPENDIX I

ACCOUNTANTS’ REPORT

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. However, the enactment or substantial enactment of Pillar Two legislation in additional jurisdictions in which the Group operates does not have a material impact to the Group’s overall exposure to Pillar Two income taxes.

12. DIRECTORS’, SUPERVISORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

(a) Directors’, supervisors’ and chief executive’s emoluments

During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, directors’, supervisors’ and chief executive’s remuneration disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

	Date of appointment	Fees	Salaries and allowances	Retirement benefits scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2022							
Executive directors							
Mr. Chen Jiancheng							
(Note i)	May 21, 2018	–	–	–	–	–	–
Mr. Pang Xinyuan							
(Note ii)	September 9, 2014	–	1,005	19	194	–	1,218
Mr. Li Ming	September 7, 2020	–	922	12	268	4,439	5,641
Mr. Wan Chuangqi	September 7, 2020	–	951	40	173	3,744	4,908
Mr. Mo Yufeng	November 15, 2021	–	909	26	154	–	1,089
Mr. Zhang Hongxin	January 24, 2022	–	701	23	90	–	814
Mr. Wu Jianbo (Note iii)	September 8, 2017	–	666	12	103	–	781
Independent non-executive directors							
Ms. Deng Chunhua	September 7, 2020	120	–	–	–	–	120
Mr. Chen Weihua							
(Note iv)	January 29, 2018	120	–	–	–	–	120
Mr. Huang Sujian							
(Note v)	September 8, 2017	120	–	–	–	–	120
Supervisors							
Ms. Sun Huifang							
(Note vi)	September 7, 2020	–	232	6	–	–	238
Mr. Zhou Xiaofeng	November 15, 2021	–	117	7	7	–	131
Mr. Chen Feng	September 7, 2020	–	123	7	9	–	139
		360	5,626	152	998	8,183	15,319

APPENDIX I

ACCOUNTANTS’ REPORT

	Date of appointment	Fees	Salaries and allowances	Retirement benefits scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023							
Executive directors							
Mr. Pang Xinyuan							
(Note ii)	September 9, 2014	–	1,038	19	204	–	1,261
Mr. Li Ming	September 7, 2020	–	874	12	211	–	1,097
Mr. Wan Chuangqi	September 7, 2020	–	1,071	39	188	3,793	5,091
Mr. Mo Yufeng	November 15, 2021	–	998	29	207	–	1,234
Mr. Zhang Hongxin	January 24, 2022	–	768	29	146	–	943
Mr. Wu Jianbo							
(Note iii)	September 8, 2017	–	465	8	106	–	579
Mr. Zhang Wengang							
(Note vii)	September 7, 2023	–	569	24	88	–	681
Independent non-executive directors							
Ms. Deng Chunhua	September 7, 2020	128	–	–	–	–	128
Mr. Chen Weihua							
(Note iv)	January 29, 2018	80	–	–	–	–	80
Mr. Huang Sujian							
(Note v)	September 8, 2017	80	–	–	–	–	80
Mr. Zhang Zhiming							
(Note viii)	September 7, 2023	38	–	–	–	–	38
Mr. Zhao Rongxiang (Note ix)							
	September 7, 2023	38	–	–	–	–	38
Supervisors							
Ms. Sun Huifang							
(Note vi)	September 7, 2020	–	423	6	63	–	492
Mr. Chen Feng	September 7, 2020	–	121	7	11	–	139
Mr. Zhou Xiaofeng	November 15, 2021	–	131	7	8	–	146
Mr. Zhao Jianliang							
(Note x)	September 7, 2023	–	111	4	–	–	115
		364	6,569	184	1,232	3,793	12,142

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Date of appointment</u>	<u>Fees</u>	<u>Salaries and allowances</u>	<u>Retirement benefits scheme contributions</u>	<u>Discretionary performance related bonus</u>	<u>Share-based payments</u>	<u>Total</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2024							
Executive directors							
Mr. Pang Xinyuan							
(Note ii)	September 9, 2014	–	1,104	19	185	–	1,308
Mr. Li Ming	September 7, 2020	–	940	12	173	–	1,125
Mr. Wan Chuangqi	September 7, 2020	–	1,118	39	216	4,418	5,791
Mr. Mo Yufeng	November 15, 2021	–	1,024	30	151	3,793	4,998
Mr. Zhang Hongxin	January 24, 2022	–	869	30	108	–	1,007
Mr. Zhang Wengang							
(Note vii)	September 7, 2023	–	719	39	–	–	758
Independent non-executive directors							
Ms. Deng Chunhua	September 7, 2020	150	–	–	–	–	150
Mr. Zhang Zhiming							
(Note viii)	September 7, 2023	150	–	–	–	–	150
Mr. Zhao Rongxiang							
(Note ix)	September 7, 2023	150	–	–	–	–	150
Supervisors							
Mr. Zhou Xiaofeng	November 15, 2021	–	144	9	11	–	164
Mr. Chen Feng	September 7, 2020	–	137	9	13	–	159
Mr. Zhao Jianliang							
(Note x)	September 7, 2023	–	418	12	78	–	508
		<u>450</u>	<u>6,473</u>	<u>199</u>	<u>935</u>	<u>8,211</u>	<u>16,268</u>

	<u>Date of appointment</u>	<u>Fees</u>	<u>Salaries and allowances</u>	<u>Retirement benefits scheme contributions</u>	<u>Discretionary performance related bonus</u>	<u>Share-based payments</u>	<u>Total</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Six months ended June 30, 2024 (unaudited)							
Executive directors							
Mr. Pang Xinyuan							
(Note ii)	September 9, 2014	–	550	10	185	–	745
Mr. Li Ming	September 7, 2020	–	472	6	173	–	651
Mr. Wan Chuangqi	September 7, 2020	–	782	20	–	–	802
Mr. Mo Yufeng	November 15, 2021	–	659	15	–	–	674
Mr. Zhang Hongxin	January 24, 2022	–	530	15	–	–	545
Mr. Zhang Wengang							
(Note vii)	September 7, 2023	–	496	24	–	–	520
Independent non-executive directors							
Ms. Deng Chunhua	September 7, 2020	75	–	–	–	–	75
Mr. Zhang Zhiming							
(Note viii)	September 7, 2023	75	–	–	–	–	75
Mr. Zhao Rongxiang							
(Note ix)	September 7, 2023	75	–	–	–	–	75
Supervisors							
Mr. Zhou Xiaofeng	November 15, 2021	–	72	4	11	–	87
Mr. Chen Feng	September 7, 2020	–	69	4	13	–	86
Mr. Zhao Jianliang							
(Note x)	September 7, 2023	–	194	6	78	–	278
		<u>225</u>	<u>3,824</u>	<u>104</u>	<u>460</u>	<u>–</u>	<u>4,613</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Date of appointment	Fees	Salaries and allowances	Retirement benefits scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2025 (unaudited)							
Executive directors							
Mr. Pang Xinyuan							
(Note ii)	September 9, 2014	–	587	15	199	–	801
Mr. Li Ming	September 7, 2020	–	524	8	180	–	712
Mr. Wan Chuangqi	September 7, 2020	–	722	20	188	–	930
Mr. Mo Yufeng	November 15, 2021	–	699	15	143	–	857
Mr. Zhang Hongxin	January 24, 2022	–	457	18	180	–	655
Mr. Zhang Wengang							
(Note vii)	September 7, 2023	–	474	15	105	–	594
Independent non-executive directors							
Ms. Deng Chunhua	September 7, 2020	75	–	–	–	–	75
Mr. Zhang Zhiming							
(Note viii)	September 7, 2023	75	–	–	–	–	75
Mr. Zhao Rongxiang							
(Note ix)	September 7, 2023	75	–	–	–	–	75
Supervisors							
Mr. Zhou Xiaofeng	November 15, 2021	–	73	5	11	–	89
Mr. Chen Feng	September 7, 2020	–	263	5	24	–	292
Mr. Zhao Jianliang							
(Note x)	September 7, 2023	–	232	7	78	–	317
		225	4,031	108	1,108	–	5,472

Notes:

- Mr. Chen Jiancheng resigned as the Chief Executive Officer of the Company with effect from January 24, 2022.
- Mr. Pang Xinyuan was appointed as an executive director with effect from September 9, 2014 and was subsequently appointed as the Chief Executive Officer with effect from January 24, 2022.
- Mr. Wu Jianbo resigned as an executive director with effect from September 6, 2023.
- Mr. Chen Weihua resigned as an independent non-executive director with effect from September 6, 2023.
- Mr. Huang Sujian resigned as an independent non-executive director with effect from September 6, 2023.
- Ms. Sun Huifang resigned as a supervisor with effect from September 6, 2023.
- Mr. Zhang Wengang was appointed as an executive director with effect from September 7, 2023.
- Mr. Zhang Zhiming was appointed as an independent non-executive director with effect from September 7, 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

ix. Mr. Zhao Rongxiang was appointed as an independent non-executive director with effect from September 7, 2023.

x. Mr. Zhao Jianliang was appointed as a supervisor with effect from September 7, 2023.

The executive directors’ and chief executive’s emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025.

The independent non-executive directors’ emoluments shown above were for their services as directors of the Company.

The supervisors’ emoluments shown above were for their services as directors and supervisors of the Company during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025.

During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, there was no arrangement under which a director or supervisor or the chief executive waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors or supervisors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Executive directors of the Company are entitled to bonus payments which are determined based on performance of the Group and individual for the particular years.

(b) Five highest paid employees

The five highest paid employees of the Group include 2, 1, 2, 2 and 2 directors of the Company whose emoluments, are set out above for the years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2024 and 2025. The emoluments of the remaining 3, 4, 3, 3 and 3 employees for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	(unaudited)
Salaries and other benefits	3,925	5,339	5,567	2,783	2,674
Retirement benefit scheme					
contributions	68	146	90	45	85
Discretionary performance related					
bonus (<i>Note</i>)	1,688	1,964	1,430	498	806
Share-based payment expenses . .	5,047	5,067	–	–	–
	<u>10,728</u>	<u>12,516</u>	<u>7,087</u>	<u>3,326</u>	<u>3,565</u>

Note: Discretionary performance related bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

APPENDIX I

ACCOUNTANTS’ REPORT

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands presented in Hong Kong Dollars (“HK\$”) is as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
				(unaudited)	(unaudited)
HK\$500,000 to HK\$1,000,000 . .	–	–	–	1	1
HK\$1,000,001 to HK\$1,500,000 .	–	–	–	1	1
HK\$1,500,001 to HK\$2,000,000 .	–	1	–	1	1
HK\$2,000,001 to HK\$2,500,000 .	1	1	1	–	–
HK\$2,500,001 to HK\$3,000,000 .	1	–	1	–	–
HK\$3,000,001 to HK\$3,500,000 .	–	1	1	–	–
HK\$6,500,001 to HK\$7,000,000 .	–	1	–	–	–
HK\$7,000,001 to HK\$7,500,000 .	1	–	–	–	–
Total	<u>3</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>

13. DIVIDENDS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Final cash dividends in respect of the previous year/period paid during the year (tax inclusive)	<u>196,276</u>	<u>195,855</u>	<u>129,837</u>	<u>–</u>	<u>194,621</u>

The final dividends of RMB1.5 per 10 shares (tax inclusive) in respect of the year ended December 31, 2021 were approved in 2021 Annual General Meeting of the Group on May 27, 2022. The final dividends were paid on July 22, 2022.

The final dividends of RMB1.5 per 10 shares (tax inclusive) in respect of the year ended December 31, 2022 were approved in 2022 Annual General Meeting of the Group on May 19, 2023. The final dividends were paid on July 14, 2023.

The final dividends of RMB1.0 per 10 shares (tax inclusive) in respect of the year ended December 31, 2023 were approved in 2023 Annual General Meeting of the Group on May 20, 2024. The final dividends were paid on July 15, 2024.

At the 2024 Annual General Meeting held on May 19, 2025, the company approved a financial distribution plan, including a cash dividend of RMB1.5 per 10 shares (tax inclusive) and a stock dividend of 2 additional shares for every 10 shares held. The final cash dividends were paid, and the stock dividends were distributed on June 27, 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

14. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods and the six months ended June 30, 2024 and 2025, excluding treasury shares held for share schemes as these shares are not considered outstanding for earnings per share calculation purposes.

The following table illustrates the earnings and share information used in the calculation of basic earnings per share:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
				(unaudited)	(unaudited)
Profit for the year/period attributable to owners of the Company used in calculating basic earnings per share (RMB'000)	799,537	529,851	792,825	392,810	537,216
Weighted average number of ordinary shares in issue (thousand shares).	1,558,755	1,563,147	1,558,805	1,560,463	1,556,969
Basic earnings per share (RMB) . .	0.51	0.34	0.51	0.25	0.35

(b) Diluted earnings per share

The share schemes granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding, excluding treasury shares held for share schemes, by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted earnings per share).

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
				(unaudited)	(unaudited)
Profit for the year/period attributable to owners of the Company used in calculating diluted earnings per share (RMB'000)	799,537	529,851	792,825	392,810	537,216
Weighted average number of ordinary shares in issue (thousand shares)	1,558,755	1,563,147	1,558,805	1,560,463	1,556,969
Adjustments for potential shares arising from share schemes (thousand shares).	2,668	—	—	—	—
Weighted average number of ordinary shares used in calculating diluted earnings per share (thousand shares)	1,561,423	1,563,147	1,558,805	1,560,463	1,556,969
Diluted earnings per share (RMB) .	0.51	0.34	0.51	0.25	0.35

APPENDIX I

ACCOUNTANTS’ REPORT

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties and buildings	Machinery equipment	Electronic equipment and others	Leasehold improvements	Transportation equipment	Power station	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
As at January 1, 2022	2,282,194	3,202,249	414,049	59,422	28,593	1,255,578	378,929	7,621,014
Additions	32,923	176,424	102,166	8,522	3,690	–	386,996	710,721
Transfers from construction in progress	5,024	138,372	–	–	–	67,674	(211,070)	–
Disposals	(6,612)	(69,304)	(10,386)	(718)	(4,839)	(2,154)	–	(94,013)
Disposal of a subsidiary (note 40)	–	–	(1,291)	–	(1,818)	–	–	(3,109)
Exchange adjustments	30,913	50,723	(260)	–	–	–	–	81,376
As at December 31, 2022	2,344,442	3,498,464	504,278	67,226	25,626	1,321,098	554,855	8,315,989
Additions	189,783	222,107	82,629	3,375	1,698	129,955	665,651	1,295,198
Transfers from construction in progress	112,169	196,574	34,107	–	432	153,009	(496,291)	–
Disposals	(137,609)	(99,006)	(18,448)	(462)	(1,923)	(77,371)	(941)	(335,760)
Exchange adjustments	43,784	48,778	6,961	–	–	–	–	99,523
As at December 31, 2023	2,552,569	3,866,917	609,527	70,139	25,833	1,526,691	723,274	9,374,950
Additions	45,433	192,707	96,738	5,102	2,635	3,292	576,714	922,621
Transfers from construction in progress	420,523	122,431	–	1,612	–	238,645	(783,211)	–
Disposals	(25,510)	(124,390)	(4,157)	–	(3,547)	(6,347)	–	(163,951)
Exchange adjustments	(17,726)	(529)	(5,398)	–	–	(50)	–	(23,703)
As at December 31, 2024	2,975,289	4,057,136	696,710	76,853	24,921	1,762,231	516,777	10,109,917
Additions (unaudited)	34,557	58,980	52,066	8,748	2,810	–	134,105	291,266
Transfers from construction in progress (unaudited)	27,263	20,394	4,122	–	20	29,658	(81,457)	–
Disposals (unaudited)	(4,403)	(9,757)	(2,614)	–	(1,423)	(82)	(2,302)	(20,581)
Disposal of subsidiaries (note 40) (unaudited)	–	(17,606)	(6,659)	(97)	(3,103)	(1,747,518)	(125,869)	(1,900,852)
Exchange adjustments (unaudited)	55,182	44,005	13,295	–	(549)	131	7,342	119,406
As at June 30, 2025 (unaudited)	3,087,888	4,153,152	756,920	85,504	22,676	44,420	448,596	8,599,156

APPENDIX I

ACCOUNTANTS’ REPORT

	Properties and buildings	Machinery equipment	Electronic equipment and others	Leasehold improvements	Transportation equipment	Power station	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
As at January 1, 2022	774,523	1,684,010	284,385	14,830	19,637	230,222	–	3,007,607
Provided for the year	60,416	214,315	38,928	11,051	2,684	55,943	–	383,337
Eliminated on disposal of a subsidiary (note 40)	–	–	(1,255)	–	(1,300)	–	–	(2,555)
Eliminated on disposals	(2,411)	(62,194)	(8,362)	–	(3,936)	(166)	–	(77,069)
Impairment	–	89	–	–	–	–	4,624	4,713
Exchange adjustments	25,072	35,912	463	–	–	–	–	61,447
As at December 31, 2022	857,600	1,872,132	314,159	25,881	17,085	285,999	4,624	3,377,480
Provided for the year	68,409	229,306	52,797	10,890	2,245	89,521	–	453,168
Eliminated on disposals	(122,390)	(27,196)	(7,580)	–	(1,786)	(76,151)	(4,624)	(239,727)
Impairment	–	44	–	–	–	771	–	815
Exchange adjustments	21,549	29,363	5,116	–	–	–	–	56,028
As at December 31, 2023	825,168	2,103,649	364,492	36,771	17,544	300,140	–	3,647,764
Provided for the year	78,303	259,300	73,705	9,131	2,139	74,701	–	497,279
Eliminated on disposals	(16,680)	(105,636)	(1,648)	–	(3,387)	(1,237)	–	(128,588)
Impairment	–	44	–	–	–	1,775	–	1,819
Exchange adjustments	(4,448)	(5,756)	(3,911)	–	–	–	–	(14,115)
As at December 31, 2024	882,343	2,251,601	432,638	45,902	16,296	375,379	–	4,004,159
Provided for the period (unaudited)	40,988	128,599	37,801	6,436	1,205	13,376	–	228,405
Eliminated on disposal of subsidiaries (note 40) (unaudited)	–	(1,087)	(1,993)	–	(924)	(377,934)	–	(381,938)
Eliminated on disposals (unaudited)	(2,036)	(9,741)	(2,523)	–	(1,301)	(5)	–	(15,606)
Exchange adjustments (unaudited)	15,615	28,069	9,886	–	(44)	–	–	53,526
As at June 30, 2025 (unaudited)	936,910	2,397,441	475,809	52,338	15,232	10,816	–	3,888,546
CARRYING VALUES								
As at December 31, 2022	1,486,842	1,626,332	190,119	41,345	8,541	1,035,099	550,231	4,938,509
As at December 31, 2023	1,727,401	1,763,268	245,035	33,368	8,289	1,226,551	723,274	5,727,186
As at December 31, 2024	2,092,946	1,805,535	264,072	30,951	8,625	1,386,852	516,777	6,105,758
As at June 30, 2025 (unaudited)	2,150,978	1,755,711	281,111	33,166	7,444	33,604	448,596	4,710,610

The Group has obtained the property ownership certificates for all buildings except for buildings with carrying amount of approximately RMB189,299,000, RMB134,509,000, RMB259,716,000 and RMB124,805,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Properties and buildings	Machinery equipment	Electronic equipment and others	Leasehold improvements	Transportation equipment	Power station	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
As at January 1, 2022	609,846	438,460	161,371	1,113	9,745	–	82,745	1,303,280
Additions	20,024	72,369	37,720	–	65	–	36,106	166,284
Transfers from construction in progress	72	33,001	5,254	–	–	–	(38,327)	–
Disposals	–	(25,641)	(9,366)	–	–	–	–	(35,007)
As at December 31, 2022	629,942	518,189	194,979	1,113	9,810	–	80,524	1,434,557
Additions	142,643	75,773	28,542	53	294	12,514	115,827	375,646
Transfers from construction in progress	92,255	65,458	9,542	–	21	–	(167,276)	–
Disposals	–	(12,748)	(5,831)	–	(503)	–	–	(19,082)
As at December 31, 2023	864,840	646,672	227,232	1,166	9,622	12,514	29,075	1,791,121
Additions	23,624	124,673	39,479	–	322	–	71,885	259,983
Transfers from construction in progress	3,994	55,839	8,142	–	40	–	(68,015)	–
Disposals	–	(96,560)	(547)	–	(101)	–	–	(97,208)
As at December 31, 2024	892,458	730,624	274,306	1,166	9,883	12,514	32,945	1,953,896
Additions (unaudited)	3,400	4,293	14,752	–	260	–	5,356	28,061
Transfers from construction in progress (unaudited)	800	1,696	2,089	–	20	–	(4,605)	–
Disposals (unaudited)	(2)	(746)	(118)	–	–	–	–	(866)
As at June 30, 2025 (unaudited)	896,656	735,867	291,029	1,166	10,163	12,514	33,696	1,981,091
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
As at January 1, 2022	141,361	221,383	116,608	902	7,199	–	–	487,453
Provided for the year	19,744	28,620	12,201	101	467	–	–	61,133
Eliminated on disposals	–	(14,886)	(7,270)	–	–	–	–	(22,156)
As at December 31, 2022	161,105	235,117	121,539	1,003	7,666	–	–	526,430
Provided for the year	22,952	39,582	17,444	96	413	–	–	80,487
Eliminated on disposals	–	(8,097)	(2,133)	–	(478)	–	–	(10,708)
As at December 31, 2023	184,057	266,602	136,850	1,099	7,601	–	–	596,209
Provided for the year	28,133	113,358	30,392	43	351	991	–	173,268
Eliminated on disposals	–	(20,295)	(505)	–	(92)	–	–	(20,892)
As at December 31, 2024	212,190	359,665	166,737	1,142	7,860	991	–	748,585
Provided for the period (unaudited)	14,252	21,501	13,037	9	172	–	–	48,971
Eliminated on disposals (unaudited)	–	(389)	(113)	–	–	–	–	(502)
As at June 30, 2025 (unaudited)	226,442	380,777	179,661	1,151	8,032	991	–	797,054
CARRYING VALUES								
As at December 31, 2022	468,837	283,072	73,440	110	2,144	–	80,524	908,127
As at December 31, 2023	680,783	380,070	90,382	67	2,021	12,514	29,075	1,194,912
As at December 31, 2024	680,268	370,959	107,569	24	2,023	11,523	32,945	1,205,311
As at June 30, 2025 (unaudited)	670,214	355,090	111,368	15	2,131	11,523	33,696	1,184,037

APPENDIX I

ACCOUNTANTS’ REPORT

The above items of property, plant and equipment, other than construction in progress and leasehold land, are depreciated on a straight-line basis over the following estimated useful lives after taking into account their estimated residual values:

	Useful lives	Estimated residual values
	<i>Years</i>	
Properties and buildings	20-76	0-5%
Machinery equipment	3-34	0-5%
Electronic equipment and others	2-14	0-5%
Leasehold improvements	5	0%
Transportation equipment	8-12	0-5%
Power station	20-25	0-5%

Details of property, plant and equipment pledged as securities for the Group’s borrowings are set out in note 42.

16. RIGHT-OF-USE ASSETS

The Group

The carrying amounts of right-of use assets and the movements during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 are as follows:

	Leasehold lands	Buildings	Machinery equipment	Electronic equipment and others	Transportation equipment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2022	409,034	101,563	6,291	4,780	3,426	68,821	593,915
Additions	37,380	11,555	14,053	404	5,144	–	68,536
Disposal of a subsidiary (note 40)	–	(437)	–	–	–	–	(437)
Lease modifications	–	(6,091)	–	1,238	(73)	–	(4,926)
Depreciation	(9,692)	(18,877)	(3,019)	(1,773)	(2,444)	(3,789)	(39,594)
Exchange adjustments	–	(9,320)	(6,023)	(69)	506	–	(14,906)
As at December 31, 2022	436,722	78,393	11,302	4,580	6,559	65,032	602,588
Additions	263,252	25,526	2,557	1,472	321	5,452	298,580
Disposals	(10,654)	–	–	–	–	–	(10,654)
Lease modifications	–	(19,110)	(11,175)	(1,239)	(356)	–	(31,880)
Depreciation	(16,357)	(19,855)	(2,487)	(687)	(3,577)	(3,621)	(46,584)
Exchange adjustments	(1,174)	3,265	537	107	144	–	2,879
As at December 31, 2023	671,789	68,219	734	4,233	3,091	66,863	814,929
Additions	52,982	17,279	8,337	3,014	2,822	–	84,434
Lease modifications	–	(23,578)	(2,743)	(668)	–	–	(26,989)
Depreciation	(17,435)	(14,549)	(3,574)	(576)	(2,407)	(3,810)	(42,351)
Exchange adjustments	(59)	(3,339)	111	152	(250)	–	(3,385)
As at December 31, 2024	707,277	44,032	2,865	6,155	3,256	63,053	826,638
Additions (unaudited)	–	58,636	344	–	1,288	–	60,268
Disposal of subsidiaries (note 40) (unaudited)	(20,655)	(944)	–	–	–	(62,418)	(84,017)
Lease modifications (unaudited)	–	(32)	–	(63)	–	–	(95)
Depreciation (unaudited)	(8,665)	(10,973)	(2,509)	(684)	(688)	(635)	(24,154)
Exchange adjustments (unaudited)	156	4,104	1,077	(1,645)	391	–	4,083
As at June 30, 2025 (unaudited)	678,113	94,823	1,777	3,763	4,247	–	782,723

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)
Expenses relating to short-term leases	45,574	59,575	56,502	32,668
Total cash outflow for leases	117,116	77,084	78,132	44,563
Additions to right-of-use assets	68,536	298,580	84,434	60,268

During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the Group leases various properties and equipments from independent third parties for its operations. Lease contract is entered into for a fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC for 50 years. Land use right certificates for leasehold land in the PRC have been obtained.

The Group regularly entered into short-term leases.

Details of right-of-use assets pledged as securities for the Group’s borrowings are set out in note 42.

Restrictions or covenants on leases

In addition, lease liabilities of approximately RMB173,425,000, RMB156,432,000, RMB121,652,000 and RMB104,988,000 are recognized with related right-of-use assets of approximately RMB165,866,000, RMB143,140,000, RMB119,361,000 and RMB104,610,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets, except for leasehold land, may not be used as security for borrowing purposes.

The Company

The carrying amounts of right-of use assets and the movements during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 are as follows:

	Leasehold lands	Buildings	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2022	75,212	3,886	79,098
Additions	34,025	—	34,025
Depreciation	(2,250)	(2,260)	(4,510)
As at December 31, 2022	106,987	1,626	108,613
Additions	—	1,026	1,026
Lease modifications	—	(496)	(496)
Depreciation	(2,647)	(1,771)	(4,418)

APPENDIX I

ACCOUNTANTS’ REPORT

	Leasehold lands	Buildings	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2023	104,340	385	104,725
Additions	–	8,789	8,789
Lease modifications	–	(385)	(385)
Depreciation	(2,646)	(2,930)	(5,576)
As at December 31, 2024	101,694	5,859	107,553
Additions (unaudited)	–	48,367	48,367
Depreciation (unaudited)	(1,324)	(5,592)	(6,916)
As at June 30, 2025 (unaudited)	100,370	48,634	149,004

During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the Company leases various properties from independent third parties for its operations. Lease contract is entered into for a fixed term of 2 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC for 50 years. Land use right certificates for leasehold land in the PRC have been obtained.

The Company regularly entered into short-term leases.

Restrictions or covenants on leases

In addition, lease liabilities of approximately RMB1,701,000, RMB273,000, RMB2,925,000 and RMB47,306,000 are recognized with related right-of-use assets of approximately RMB1,626,000, RMB385,000, RMB5,859,000 and RMB48,634,000 as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets, except for leasehold land, may not be used as security for borrowing purposes.

APPENDIX I

ACCOUNTANTS’ REPORT

17. INTANGIBLE ASSETS

The Group

	Software	Licenses	Non-patented technology	Trademarks	Patents	Qualification usage rights	Development expenditures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
As at January 1, 2022	182,119	23,273	1,225,790	230,634	1,991	–	223,521	1,887,328
Additions	13,269	–	–	–	1,051	–	243,426	257,746
Transfers from development expenditures	–	–	268,211	–	–	–	(268,211)	–
Disposals	(1,144)	–	(2,830)	(344)	–	–	–	(4,318)
Disposal of a subsidiary (note 40).	(513)	–	(1,000)	–	–	–	–	(1,513)
Exchange adjustments	1,711	313	19,276	8,918	61	–	–	30,279
As at December 31, 2022	195,442	23,586	1,509,447	239,208	3,103	–	198,736	2,169,522
Additions	27,077	–	–	264	6,305	1,712	300,403	335,761
Transfers from development expenditures	–	–	292,912	–	–	–	(292,912)	–
Disposals	(3,514)	–	(3,375)	–	(345)	(584)	–	(7,818)
Exchange adjustments	1,691	1,042	27,472	9,704	130	–	–	40,039
As at December 31, 2023	220,696	24,628	1,826,456	249,176	9,193	1,128	206,227	2,537,504
Additions	56,534	–	2,962	–	111	830	230,042	290,479
Transfers from development expenditures	–	–	306,133	–	–	–	(306,133)	–
Disposals	(15,547)	(56)	(19,147)	(4,717)	(105)	–	–	(39,572)
Exchange adjustments	(1,110)	(796)	(17,619)	(6,109)	(136)	–	358	(25,412)
As at December 31, 2024	260,573	23,776	2,098,785	238,350	9,063	1,958	130,494	2,762,999
Additions (unaudited)	3,864	2,830	1,167	–	–	8	110,688	118,557
Transfers from development expenditures (unaudited)	–	–	53,886	–	–	–	(53,886)	–
Disposals (unaudited)	(307)	–	–	–	–	–	–	(307)
Disposal of a subsidiary (note 40) (unaudited).	(4,638)	–	–	–	(330)	(2,138)	–	(7,106)
Exchange adjustments (unaudited)	21,806	2,094	36,179	11,402	359	172	–	72,012
As at June 30, 2025 (unaudited)	281,298	28,700	2,190,017	249,752	9,092	–	187,296	2,946,155
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
As at January 1, 2022	79,479	19,166	484,798	59,235	1,964	–	–	644,642
Provided for the year	15,923	–	123,808	15,396	334	–	–	155,461
Eliminated on disposals	(26)	–	–	–	–	–	–	(26)
Eliminated on disposal of a subsidiary (note 40)	–	–	(1,000)	–	–	–	–	(1,000)
Exchange adjustments	4,236	485	6,512	3,412	51	–	–	14,696
As at December 31, 2022	99,612	19,651	614,118	78,043	2,349	–	–	813,773
Provided for the year	18,686	–	149,300	12,327	2,230	417	–	182,960
Eliminated on disposals	(3,283)	–	(3,369)	–	(81)	(337)	–	(7,070)
Exchange adjustments	1,412	1,042	21,930	2,067	112	–	–	26,563
As at December 31, 2023	116,427	20,693	781,979	92,437	4,610	80	–	1,016,226
Provided for the year	22,444	–	179,516	14,298	1,594	288	–	218,140
Eliminated on disposals	(7,798)	–	(11,405)	–	–	–	–	(19,203)
Exchange adjustments	(898)	(796)	(13,266)	(165)	(152)	–	–	(15,277)

APPENDIX I

ACCOUNTANTS’ REPORT

	Software	Licenses	Non-patented technology	Trademarks	Patents	Qualification usage rights	Development expenditures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024 . . .	130,175	19,897	936,824	106,570	6,052	368	–	1,199,886
Provided for the period (unaudited)	11,504	708	95,791	7,023	1,091	71	–	116,188
Eliminated on disposals (unaudited).	(175)	–	–	–	–	–	–	(175)
Eliminated on disposal of subsidiaries (<i>note 40</i>) (unaudited).	(1,745)	–	–	–	(117)	(611)	–	(2,473)
Exchange adjustments (unaudited).	2,236	2,093	48,665	2,548	1,859	172	–	57,573
As at June 30, 2025 (unaudited)	141,995	22,698	1,081,280	116,141	8,885	–	–	1,370,999
CARRYING VALUES								
As at December 31, 2022 . . .	95,830	3,935	895,329	161,165	754	–	198,736	1,355,749
As at December 31, 2023 . . .	104,269	3,935	1,044,477	156,739	4,583	1,048	206,227	1,521,278
As at December 31, 2024 . . .	130,398	3,879	1,161,961	131,780	3,011	1,590	130,494	1,563,113
As at June 30, 2025 (unaudited)	139,303	6,002	1,108,737	133,611	207	–	187,296	1,575,156

The Company

	Software	Licenses	Non-patented technology	Trademarks	Development expenditures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
As at January 1, 2022	76,296	337	373,182	35,451	93,345	578,611
Additions	7,948	–	3,000	–	99,872	110,820
Transfers from development expenditures	–	–	92,635	–	(92,635)	–
Disposals	(343)	–	–	–	–	(343)
As at December 31, 2022	83,901	337	468,817	35,451	100,582	689,088
Additions	11,891	–	915	–	107,285	120,091
Transfers from development expenditures	–	–	161,554	–	(161,554)	–
Disposals	(102)	–	–	–	–	(102)
As at December 31, 2023	95,690	337	631,286	35,451	46,313	809,077
Additions	48,365	–	2,275	–	88,596	139,236
Transfers from development expenditures	–	–	94,891	–	(94,891)	–
Disposals	(5,554)	(56)	(17,466)	(4,717)	–	(27,793)
As at December 31, 2024	138,501	281	710,986	30,734	40,018	920,520
Additions (unaudited).	1,831	2,830	330	–	40,124	45,115
Transfers from development expenditures (unaudited)	–	–	27,702	–	(27,702)	–
As at June 30, 2025 (unaudited) .	140,332	3,111	739,018	30,734	52,440	965,635

APPENDIX I

ACCOUNTANTS’ REPORT

	Software	Licenses	Non-patented technology	Trademarks	Development expenditures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As at January 1, 2022	31,133	281	138,833	–	–	170,247
Provided for the year	6,397	–	37,365	–	–	43,762
Eliminated on disposal	(26)	–	–	–	–	(26)
As at December 31, 2022	37,504	281	176,198	–	–	213,983
Provided for the year	7,294	–	51,616	–	–	58,910
Eliminated on disposal	(2)	–	–	–	–	(2)
As at December 31, 2023	44,796	281	227,814	–	–	272,891
Provided for the year	11,412	–	60,156	–	–	71,568
Eliminated on disposal	(1,086)	–	4,594	–	–	3,508
As at December 31, 2024	55,122	281	292,564	–	–	347,967
Provided for the period (unaudited)	6,406	707	33,533	–	–	40,646
As at June 30, 2025 (unaudited) .	61,528	988	326,097	–	–	388,613
CARRYING VALUES						
As at December 31, 2022	46,397	56	292,619	35,451	100,582	475,105
As at December 31, 2023	50,894	56	403,472	35,451	46,313	536,186
As at December 31, 2024	83,379	–	418,422	30,734	40,018	572,553
As at June 30, 2025 (unaudited) .	78,804	2,123	412,921	30,734	52,440	577,022

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software	2-15 years
Licenses	8-19 years
Non-patented technology	10-20 years
Trademarks	5-10 years
Patents	10-20 years
Qualification usage rights	5 years

APPENDIX I

ACCOUNTANTS’ REPORT

18. GOODWILL

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Goodwill	1,421,745	1,445,302	1,459,749	1,455,298
Impairment loss	(2,940)	(639)	(639)	(639)
Currency translation differences	37,508	14,447	255	13,632
	<u>1,456,313</u>	<u>1,459,110</u>	<u>1,459,365</u>	<u>1,468,291</u>

The amount represented the goodwill arising from the Group’s acquisition of subsidiaries in the PRC and overseas countries. The carrying amounts of goodwill as at December 31, 2022, 2023 and 2024 and June 30, 2025 are allocated as follows:

Name of entities	Principal activities	As at December 31,			As at June 30,
		2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Wolong Nanyang Group*	Manufacturing and sales of explosion-proof electric drive solutions	705,073	705,073	705,073	705,073
Wolong America Holding LLC (“Wolong US Holding”)	Investment holding	401,515	408,324	414,418	412,700
Soluzioni Industriali Robotizzate S.P.A (“SIR S.P.A”)	Manufacturing and sales of robotic components and system applications	83,033	87,913	84,183	93,990
Wolong Huaian*	R&D, manufacturing and sales of electric drive products	44,938	44,938	44,938	44,938
OLI S.P.A	R&D, manufacturing and sales of electric drive products	46,928	49,686	47,577	53,120
Wolong Liaoning*	R&D, manufacture and sales of converters	88,361	88,361	88,361	88,361
Zhejiang Zhongzhi Electrical Technology Co., Ltd.* (浙江中智電氣技術有限公司) (“Zhejiang Zhongzhi”)	Manufacturing and sales of electrical equipment	–	47,727	47,727	47,727
Shanghai Kesi*	Provision of construction and technical services	22,382	22,382	22,382	22,382
Others individually immaterial CGUs		64,083	4,706	4,706	–
		<u>1,456,313</u>	<u>1,459,110</u>	<u>1,459,365</u>	<u>1,468,291</u>

Particulars regarding impairment testing on goodwill are disclosed in note 19.

* *English name for identification purpose*

APPENDIX I

ACCOUNTANTS’ REPORT

19. IMPAIRMENT ASSESSMENT ON GOODWILL

The Group

The recoverable amount of each individual CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management. Assumptions were used in the value in use calculation of each individual CGUs at the end of each reporting period. The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) *Wolong Nanyang*

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	12.45%	10.24%	12.38%	12.26%
Terminal growth rate	0.00%	0.00%	0.00%	0.00%

(b) *Wolong America Holding*

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	14.69%	12.31%	13.02%	13.02%
Terminal growth rate	0.00%	0.00%	0.00%	0.00%

(c) *SIR S.P.A*

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	11.98%	8.59%	8.59%	8.59%
Terminal growth rate	0.00%	0.00%	0.00%	0.00%

(d) *Wolong Huaian*

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	12.67%	10.34%	13.02%	13.36%
Terminal growth rate	0.00%	0.00%	0.00%	0.00%

APPENDIX I

ACCOUNTANTS’ REPORT

(e) OLI S.P.A

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	14.68%	10.58%	10.58%	10.58%
Terminal growth rate	0.00%	0.00%	0.00%	0.00%

(f) Wolong Liaoning

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	11.69%	9.63%	10.25%	10.41%
Terminal growth rate	0.00%	0.00%	0.00%	0.00%

(g) Zhejiang Zhongzhi

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	N/A	9.90%	9.54%	10.30%
Terminal growth rate	N/A	0.00%	0.00%	0.00%

(h) Shanghai Kesi

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
Pre-tax discount rate	12.50%	12.20%	13.11%	11.65%
Terminal growth rate	0.00%	0.00%	0.00%	0.00%

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Terminal growth rate – The management of the Group did not assume any growth to the cash flows subsequent to the 5-year period, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

APPENDIX I

ACCOUNTANTS’ REPORT

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts of investments accounted for using the equity method recognized in the Historical Financial Information are as follows:

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Associates	1,189,899	621,865	454,371	468,165

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Associates	1,189,899	621,865	454,371	464,621

The details of the Group’s associates during the Relevant Periods and the date of this report are as follows:

Name of associates	Place of operation and principal place of operation	Proportion of ownership interest held by the Group					Proportion of voting right held by the Group					Date of the report	Principal activities
		As at December 31,			As at June 30,	Date of the report	As at December 31,			As at June 30,			
		2022	2023	2024	2025		2022	2023	2024	2025			
Zhejiang Wolong Real Estate Investment Co., Ltd.* (浙江臥龍置業投資有限公司)	The PRC	22.76%	22.76%	22.76%	22.76%	[●]	22.76%	22.76%	22.76%	22.76%	[●]	Real estate investment and operation	
Red Phase INC. (紅相股份有限公司)	The PRC	12.44%	6.94%	N/A	N/A	N/A	12.44%	6.94%	N/A	N/A	N/A	Manufacturing and sales of electrical equipment	
Zhejiang Hangshao Guishen Intelligent Technology Innovation Co., Ltd.* (浙江杭紹具身智能科技創新有限公司)	The PRC	N/A	N/A	N/A	30.00%	[●]	N/A	N/A	N/A	30.00%	[●]	Provision of technical services	
Shaoxing Shangyu Shunfeng Electric Power Co., Ltd.* (紹興上虞舜豐電力有限責任公司) (“Shaoxing Shunfeng”)	The PRC	N/A	N/A	N/A	30.00%	[●]	N/A	N/A	N/A	30.00%	[●]	Wind power technology services	

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

The movements of the Group’s investments in associates during the Relevant Periods and the six months ended June 30, 2025 are as follows:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
At the beginning of the year/period	1,164,853	1,189,899	621,865	454,371
Additions	–	–	–	3,000
Acquisition of an associate (<i>note 40</i>)	–	–	–	3,546
Share of results	29,221	(24,203)	2,056	8,055
Share of other comprehensive income	(790)	317	(1,706)	33
Disposals	–	(332,816)	–	–
Transfer to financial assets at FVTPL	–	–	(112,272)	–
Impairment losses recognized	–	(211,341)	(60,080)	–
Others	(3,385)	9	4,508	(840)
At the end of the year/period	<u>1,189,899</u>	<u>621,865</u>	<u>454,371</u>	<u>468,165</u>

The movements of the Company’s investments in associates during the Relevant Periods and the six months ended June 30, 2025 are as follows:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
At the beginning of the year/period	1,164,853	1,189,899	621,865	454,371
Acquisition of an associate	–	–	–	3,000
Share of results	29,221	(24,203)	2,056	8,057
Share of other comprehensive income	(790)	317	(1,706)	33
Disposals	–	(332,816)	–	–
Transfer to financial assets at FVTPL	–	–	(112,272)	–
Impairment losses recognized	–	(211,341)	(60,080)	–
Others	(3,385)	9	4,508	(840)
At the end of the year/period	<u>1,189,899</u>	<u>621,865</u>	<u>454,371</u>	<u>464,621</u>

The associates of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

21. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
<i>Listed equity investments, at fair value</i>	5,476	14,404	181,971	229,753
<i>Derivatives, at fair value</i>	—	—	—	3,769
	<u>5,476</u>	<u>14,404</u>	<u>181,971</u>	<u>233,522</u>
<i>Fund and non-listed equity investments, at fair value:</i>				
– Zhejiang Longxin Equity Investment Partnership (Limited Partnership)* (浙江龍信股權投資合夥企業(有限合夥))	36,688	36,688	36,688	—
– CITIC M&A Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership)* (中信併購投資基金(深圳)合夥企業(有限合夥))	111,699	62,759	58,688	46,477
– Bank of Shaoxing Co., Ltd.* (紹興銀行股份有限公司)	519,403	637,833	701,802	701,802
– Shanghai Tiancheng Investment Management Co., Ltd.* (上海添橙投資管理有限公司—添橙潛道2號私募證券投資基金)	—	68,842	89,111	81,122
– Jinshi Growth Equity Investment (Hangzhou) Partnership (Limited Partnership)* (金石成長股權投資(杭州)合夥企業(有限合夥))	—	30,000	31,387	60,442
– Shanghai Zhiyuan New Innovation Technology Co., Ltd.* (上海智元新創技術有限公司)	—	—	—	80,000
– Other non-listed equity investments	<u>6,888</u>	<u>7,917</u>	<u>9,412</u>	<u>11,682</u>
	<u>674,678</u>	<u>844,039</u>	<u>927,088</u>	<u>981,525</u>
Total	<u>680,154</u>	<u>858,443</u>	<u>1,109,059</u>	<u>1,215,047</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
<i>Listed equity investments, at fair value</i>	5,476	14,177	167,020	203,513
<i>Derivatives, at fair value</i>	—	—	—	3,259
	<u>5,476</u>	<u>14,177</u>	<u>167,020</u>	<u>206,772</u>
<i>Fund and non-listed equity investments, at fair value:</i>				
– Zhejiang Longxin Equity Investment Partnership (Limited Partnership)* (浙江龍 信股權投資合夥企業(有限合夥))	36,688	36,688	36,688	—
– CITIC M&A Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership)* (中信併購投資基金(深圳)合 夥企業(有限合夥))	111,699	62,759	58,688	46,477
– Bank of Shaoxing Co., Ltd.* (紹興銀行股份 有限公司)	519,403	637,833	701,802	701,802
– Shanghai Tiancheng Investment Management Co., Ltd.* (上海添橙投資管理有限公司— 添橙潛道2號私募證券投資基金)	—	68,842	89,111	81,122
– Jinshi Growth Equity Investment (Hangzhou) Partnership (Limited Partnership)* (金石成 長股權投資(杭州)合夥企業(有限合夥))	—	30,000	31,387	60,442
– Shanghai Zhiyuan New Innovation Technology Co., Ltd.* (上海智元新創技術 有限公司)	—	—	—	80,000
– Other non-listed equity investments	<u>100</u>	<u>1,699</u>	<u>3,450</u>	<u>5,100</u>
	<u>667,890</u>	<u>837,821</u>	<u>921,126</u>	<u>974,943</u>
Total	<u>673,366</u>	<u>851,998</u>	<u>1,088,146</u>	<u>1,181,715</u>

* *English name is for identification purpose*

APPENDIX I

ACCOUNTANTS’ REPORT

22. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Deferred tax assets	367,345	404,093	439,786	436,466
Deferred tax liabilities	(318,788)	(390,871)	(373,082)	(383,310)
	<u>48,557</u>	<u>13,222</u>	<u>66,704</u>	<u>53,156</u>

The Group

The following are the major deferred tax balances recognized and movement there on during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025.

	Impairment loss on assets	Tax losses	Accelerated tax depreciation	Fair value change in financial assets at FVTPL	Accrued expenses	Provisions	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	145,760	318,498	(175,443)	(64,665)	(31,492)	21,653	(154,415)	59,896
Credit (charge) to profit or loss	16,984	(41,633)	(18,834)	14,134	(1,185)	(8,834)	29,100	(10,268)
Exchange adjustments	1,605	(4,344)	(1,779)	1,335	(112)	(835)	3,059	(1,071)
As at December 31, 2022	164,349	272,521	(196,056)	(49,196)	(32,789)	11,984	(122,256)	48,557
Credit (charge) to profit or loss	27,416	(26,757)	(20,629)	(24,246)	(905)	12,298	(1,182)	(34,005)
Exchange adjustments	1,037	(1,051)	(780)	(917)	(34)	465	(50)	(1,330)
As at December 31, 2023	192,802	244,713	(217,465)	(74,359)	(33,728)	24,747	(123,488)	13,222
(Charge) credit to profit or loss	(16,160)	21,644	(100,294)	(12,707)	1,369	50,042	1,322	(54,784)
Exchange adjustments	(32,713)	(42,776)	(203,023)	(25,722)	2,772	101,298	308,430	108,266
As at December 31, 2024	143,929	223,581	(520,782)	(112,788)	(29,587)	176,087	186,264	66,704
(Charge) credit to profit or loss (unaudited)	(1,874)	(24,865)	(10,756)	(3,131)	(3,345)	20,284	15,787	(7,900)
Exchange adjustments (unaudited)	(854)	(20,804)	(4,900)	(1,426)	(1,524)	9,240	14,620	(5,648)
As at June 30, 2025 (unaudited)	<u>141,201</u>	<u>177,912</u>	<u>(536,438)</u>	<u>(117,345)</u>	<u>(34,456)</u>	<u>205,611</u>	<u>216,671</u>	<u>53,156</u>

As at December 31, 2022, 2023, 2024 and June 30, 2025, the Group has unused tax losses of approximately RMB2,143,866,000, RMB2,594,742,000, RMB2,888,624,000, and RMB2,819,466,000, respectively, available for offset against future profits. A deferred tax asset has been recognized in respect of approximately RMB1,227,133,000, RMB1,203,971,000, RMB1,118,308,000, and RMB816,930,000 of such losses as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively. No deferred tax asset has been recognized for the remaining tax losses of approximately RMB916,733,000, RMB1,390,771,000, RMB1,770,316,000, and RMB2,002,516,000 as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively, due to the unpredictability of future profit streams.

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the unrecognized tax losses included aggregate balances of approximately RMB820,574,000, RMB1,373,790,000, RMB1,402,630,000, and RMB1,571,295,000, respectively, arising from subsidiaries in Germany, Poland and Austria, where applicable tax regulations permit indefinite carryforward of these losses.

As at December 31, 2022, 2023, 2024 and June 30, 2025, included in unrecognized tax losses are losses of approximately RMB96,159,000, RMB16,981,000, RMB367,686,000 and RMB431,221,000, with expiry dates ranging from 2023 to 2032, 2024 to 2033, 2025 to 2034 and 2026 to 2035, respectively.

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Group has deductible temporary differences of RMB3,388,168,000, RMB4,074,987,000, RMB4,689,101,000 and RMB4,859,259,000, respectively. As at December 31, 2022, 2023 and 2024 and June 30, 2025, deferred tax assets of approximately RMB2,436,547,000, RMB2,645,904,000, RMB2,848,106,000 and RMB2,756,062,000, respectively, have been recognized in respect of such deductible temporary differences. No deferred tax asset has been recognized in relation to the remaining deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There were no other significant unrecognized temporary differences at the end of each reporting period.

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Deferred tax assets	25,483	109,643	125,538	68,884
Deferred tax liabilities	(98,749)	(114,937)	(137,835)	(140,030)
	(73,266)	(5,294)	(12,297)	(71,146)

The Company

The following are the major deferred tax balances recognized and movement there on during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025.

	Impairment loss on assets	Tax losses	Depreciation of property, plant and equipment	Fair value change in financial assets at FVTPL	Provisions	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	13,415	–	(31,645)	(64,665)	2,176	2,358	(78,361)
Credit (charge) to profit or loss	3,648	1,662	(2,413)	218	831	1,149	5,095
As at December 31, 2022	17,063	1,662	(34,058)	(64,447)	3,007	3,507	(73,266)
Credit (charge) to profit or loss	37,456	48,758	(6,016)	(10,358)	(3,007)	1,139	67,972
As at December 31, 2023	54,519	50,420	(40,074)	(74,805)	–	4,646	(5,294)
Credit (charge) to profit or loss	10,946	5,437	(9,836)	(12,680)	1,232	(2,102)	(7,003)
As at December 31, 2024	65,465	55,857	(49,910)	(87,485)	1,232	2,544	(12,297)
Credit (charge) to profit or loss (unaudited)	777	(55,857)	1,453	(3,401)	(1,232)	(589)	(58,849)
As at June 30, 2025 (unaudited)	66,242	–	(48,457)	(90,886)	–	1,955	(71,146)

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2022, 2023, 2024 and June 30, 2025, the Company has unused tax losses of approximately RMB11,081,000, RMB336,136,000, RMB372,383,000 and Nil, respectively, available for offset against future profits. Deferred tax asset has been recognized in respect of approximately RMB11,081,000, RMB336,136,000, RMB372,383,000 and Nil of such losses as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

Deferred tax asset has been recognized in respect of all deductible temporary differences.

23. INVENTORIES

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Raw materials and consumables	1,096,166	1,002,215	959,619	977,771
Work in progress	945,794	888,785	924,319	905,999
Finished goods	1,147,158	1,260,233	1,577,064	1,480,332
Goods in transit	78,580	250,553	155,925	113,539
Costs to fulfill a contract	—	3,258	35	—
	<u>3,267,698</u>	<u>3,405,044</u>	<u>3,616,962</u>	<u>3,477,641</u>

The carrying amount of inventories are net of allowance for impairment of inventories of approximately RMB84,404,000, RMB112,921,000, RMB144,398,000 and RMB162,470,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Raw materials and consumables	105,171	84,087	107,810	89,789
Work in progress	57,375	51,743	55,368	56,758
Finished goods	155,560	191,805	204,575	186,845
	<u>318,106</u>	<u>327,635</u>	<u>367,753</u>	<u>333,392</u>

The carrying amount of inventories are net of allowance for impairment of inventories of approximately RMB452,000, RMB9,475,000, RMB13,662,000 and RMB12,405,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

24. TRADE AND BILLS RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade receivables from contracts				
with customers	4,971,880	5,440,751	6,100,059	5,972,579
Less: allowance for credit losses	(493,579)	(579,474)	(631,573)	(631,672)
	<u>4,478,301</u>	<u>4,861,277</u>	<u>5,468,486</u>	<u>5,340,907</u>
Bill receivables	200,179	166,371	231,037	98,777
Less: allowance for credit losses.	(6)	(6)	(10)	–
	<u>200,173</u>	<u>166,365</u>	<u>231,027</u>	<u>98,777</u>
	<u>4,678,474</u>	<u>5,027,642</u>	<u>5,699,513</u>	<u>5,439,684</u>

As at January 1, 2022, trade and bills receivables from contracts with customers amounted to approximately RMB3,811,894,000.

Details of trade and bills receivables pledged as securities for the Group’s borrowings are set out in note 42.

The Group’s amounts due from related parties included in trade and bills receivables are disclosed in note 48 to the Historical Financial Information.

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade receivables from contracts				
with customers				
– Third parties	796,265	794,883	895,518	1,088,600
– Related parties	–	–	128	–
– Subsidiaries	340,195	520,143	804,793	635,734
Less: allowance for credit losses	(106,116)	(124,337)	(120,911)	(123,935)
	<u>1,030,344</u>	<u>1,190,689</u>	<u>1,579,528</u>	<u>1,600,399</u>
Bills receivables	37,209	77,110	58,766	31,881
	<u>1,067,553</u>	<u>1,267,799</u>	<u>1,638,294</u>	<u>1,632,280</u>

As at January 1, 2022, trade and bills receivables from contracts with customers amounted to approximately RMB862,734,000.

The Group’s and the Company’s trade and bills receivables were mainly denominated in RMB, United States Dollar (“US\$”), Euro (“EUR”), British Pound Sterling (“GBP”), Serbian Dinar (“RSD”) and Polish Zloty (“PLN”). The carrying amounts of the Group’s and the Company’s trade and other receivables approximated their fair value as at December 31, 2022, 2023 and 2024 and June 30, 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group generally allows a credit period ranging from 1 to 6 months to its customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period.

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Within 1 year	3,881,847	4,093,679	4,474,730	4,808,002
1 – 2 years	327,834	501,672	660,224	429,523
2 – 3 years	194,603	137,945	196,113	85,596
3 – 4 years	61,309	105,611	76,002	14,245
4 – 5 years	12,583	20,073	61,417	3,541
Over 5 years	125	2,297	–	–
	<u>4,478,301</u>	<u>4,861,277</u>	<u>5,468,486</u>	<u>5,340,907</u>

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Within 1 year	1,007,490	1,011,429	1,497,368	1,518,845
1 – 2 years	7,530	174,073	59,520	56,501
2 – 3 years	9,801	2,360	20,050	20,260
3 – 4 years	3,663	2,671	777	4,601
4 – 5 years	1,860	156	1,813	192
	<u>1,030,344</u>	<u>1,190,689</u>	<u>1,579,528</u>	<u>1,600,399</u>

The following is a maturity analysis of bills receivables, net of allowance for credit losses, presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
0 to 180 days	<u>200,173</u>	<u>166,365</u>	<u>231,027</u>	<u>98,777</u>

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
0 to 180 days	<u>37,209</u>	<u>77,110</u>	<u>58,766</u>	<u>31,881</u>

APPENDIX I

ACCOUNTANTS’ REPORT

25. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayments for property, plant and equipment . .	267,519	136,908	124,969	125,908
Prepayments for raw materials	310,972	289,385	277,972	307,926
Other prepayments	150,172	136,304	110,412	145,749
VAT recoverable	129,371	174,949	264,296	207,035
Receivables for land disposal	221,033	12,599	12,599	12,599
Receivables associated with disposal of subsidiaries	—	—	—	355,755
Other receivables	487,607	296,578	190,028	186,998
Less: allowance for credit losses.	(27,439)	(32,190)	(28,149)	(14,375)
	<u>1,539,235</u>	<u>1,014,533</u>	<u>952,127</u>	<u>1,327,595</u>
Analyzed as:				
– Current	1,260,368	862,216	823,437	1,201,687
– Non-current	<u>278,867</u>	<u>152,317</u>	<u>128,690</u>	<u>125,908</u>
	<u>1,539,235</u>	<u>1,014,533</u>	<u>952,127</u>	<u>1,327,595</u>

The Group’s amounts due from related parties included in prepayments and other receivables are disclosed in note 48 to the Historical Financial Information.

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayments for property, plant and equipment .	360,635	197,261	198,716	214,115
Prepayments for raw materials	34,029	11,956	58,256	32,192
Other prepayments	35,672	50,258	48,612	69,038
VAT recoverable	13,069	34,701	29,605	20,094
Amounts due from subsidiaries	2,691,561	2,998,975	3,809,405	4,302,523
Receivables associated with disposal of subsidiaries	—	—	—	355,755
Other receivables	162,383	38,823	23,255	24,368
Less: allowance for credit losses.	(8,802)	(17,488)	(29,536)	(33,024)
	<u>3,288,547</u>	<u>3,314,486</u>	<u>4,138,313</u>	<u>4,985,061</u>
Analyzed as:				
– Current	403,025	377,225	674,002	1,046,036
– Non-current	<u>2,885,522</u>	<u>2,937,261</u>	<u>3,464,311</u>	<u>3,939,025</u>
	<u>3,288,547</u>	<u>3,314,486</u>	<u>4,138,313</u>	<u>4,985,061</u>

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Company had prepaid its related parties and subsidiaries for property, plant and equipment and raw materials and other operating expenses amounting to approximately RMB315,909,000, RMB158,467,000, RMB194,196,000 and RMB156,038,000 (unaudited), respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

26. CONTRACT ASSETS

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Sales of products and services	62,977	86,890	191,518	106,434
Less: allowance for credit losses	(3,722)	(4,733)	(8,418)	(5,322)
Total contract assets	<u>59,255</u>	<u>82,157</u>	<u>183,100</u>	<u>101,112</u>

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Sales of products and services	9,236	7,414	7,547	7,520
Less: allowance for credit losses	(462)	(371)	(452)	(376)
Total contract assets	<u>8,774</u>	<u>7,043</u>	<u>7,095</u>	<u>7,144</u>

As at January 1, 2022, the Group and the Company’s contract assets amounted to approximately RMB74,658,000 and RMB13,307,000, respectively.

The contract assets primarily relate to the Group’s right to consideration for work completed and not billed because the rights are conditioned on the Group’s future performance in providing services during the warranty period as stipulated in the contract. The contract assets are transferred to trade receivables when the rights become unconditional.

APPENDIX I

ACCOUNTANTS’ REPORT

27. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognized in their entirety

As at December 31, 2022, 2023 and 2024 and June 30, 2025, included in the Group’s bills receivables being endorsed to certain suppliers for settlement of trade payables. If the bills are not paid on maturity, the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables to its suppliers upon endorsement, it continues to recognize the full carrying amount of bills receivables and has recognized the payables from the endorsement of the bills with full recourse.

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	Bills endorsed to suppliers with full recourse	Bills endorsed to suppliers with full recourse	Bills endorsed to suppliers with full recourse	Bills endorsed to suppliers with full recourse
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Carrying amount of transferred assets	188,558	87,672	218,731	33,316
Carrying amount of associated liabilities	(188,558)	(87,672)	(218,731)	(33,316)
Net position	—	—	—	—

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	Bills endorsed to suppliers with full recourse	Bills endorsed to suppliers with full recourse	Bills endorsed to suppliers with full recourse	Bills endorsed to suppliers with full recourse
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Carrying amount of transferred assets	24,835	52,861	22,549	19,250
Carrying amount of associated liabilities	(24,835)	(52,861)	(22,549)	(19,250)
Net position	—	—	—	—

APPENDIX I

ACCOUNTANTS’ REPORT

28. RECEIVABLES AT FVTOCI

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Bills receivables	956,502	995,221	613,522	549,208

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Bills receivables	295,243	273,833	117,811	121,088

The Group’s and the Company’s receivables at FVTOCI were bills receivables with the following maturity:

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
0 to 180 days	956,502	995,221	613,522	549,208

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
0 to 180 days	295,243	273,833	117,811	121,088

Details of the Group’s and the Company’s receivables at FVTOCI pledged as securities for the Group’s borrowings are set out in note 42 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

29. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Restricted bank deposits mainly represent (1) deposits pledged to banks and financial institutions amounting to approximately RMB294,868,000, RMB188,005,000, RMB485,710,000 and RMB784,259,000 as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively, for the issue of bank borrowings, bills payables and letters of credit by the Group and the Company, and (2) deposits restricted by undergoing litigations amounting to approximately Nil, RMB866,000, RMB25,543,000 and RMB25,543,000 as at December 31, 2022, 2023, 2024 and June 30, 2025, respectively.

Bank balances and restricted bank deposits carried interest at market rates ranging from 0.01% to 8%, 0.1% to 9.5%, 0.3% to 6.50%, and 0.01% to 6.2% per annum as at December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

The above bank balances and cash and restricted bank deposits that are denominated in the following currencies:

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
RMB	1,245,107	1,535,713	1,013,704	727,513
US\$	412,193	540,591	1,171,482	1,442,953
EUR	502,098	372,981	461,111	515,207
HK\$	358	98	358,975	561,755
Others	145,283	197,821	181,946	353,930
	<u>2,305,039</u>	<u>2,647,204</u>	<u>3,187,218</u>	<u>3,601,358</u>

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
				(unaudited)
RMB	240,693	322,453	191,341	186,209
US\$	48,932	66,312	164,432	323,151
EUR	89,311	49,373	10,002	78,607
HK\$	–	–	358,828	561,657
Others	34,430	21,340	12,786	25,450
	<u>413,366</u>	<u>459,478</u>	<u>737,389</u>	<u>1,175,074</u>

APPENDIX I

ACCOUNTANTS’ REPORT

30. TRADE, BILLS AND OTHER PAYABLES

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables	3,784,196	4,398,745	4,989,840	4,986,623
Bills payables	868,680	460,795	166,247	54,604
	<u>4,652,876</u>	<u>4,859,540</u>	<u>5,156,087</u>	<u>5,041,227</u>
Accrued payroll and welfare	258,684	288,876	294,094	213,677
VAT payables.	91,375	104,412	69,971	54,859
Other taxes payables	23,188	26,149	25,845	20,772
Guarantee deposits from its suppliers	91,331	90,340	59,385	41,847
Interest payables.	16,741	7,863	5,421	4,561
Other payable due to a former shareholder of its subsidiaries	100,042	104,778	101,778	—
Transportation fee payables	65,558	137,195	163,438	148,237
Payables for acquisition of property, plant and equipment	224,394	331,914	317,615	116,184
Compensation to an associate	—	186,053	—	—
Accrued issue cost.	—	—	—	2,449
Other payables	<u>563,686</u>	<u>482,983</u>	<u>612,310</u>	<u>657,934</u>
	<u>1,434,999</u>	<u>1,760,563</u>	<u>1,649,857</u>	<u>1,260,520</u>
	<u><u>6,087,875</u></u>	<u><u>6,620,103</u></u>	<u><u>6,805,944</u></u>	<u><u>6,301,747</u></u>

The Group’s amounts due to related parties included in trade, bills and other payables are disclosed in note 48 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables				
– Third parties	543,293	490,301	403,035	638,258
– Related parties	–	5,890	8,869	–
– Subsidiaries	485,016	801,402	1,181,669	938,033
Bills payables				
– Third parties	81,737	41,277	3,407	116
– Subsidiaries	304,808	267,057	599,220	898,000
	<u>1,414,854</u>	<u>1,605,927</u>	<u>2,196,200</u>	<u>2,474,407</u>
Accrued payroll and welfare	44,474	43,225	43,954	37,083
VAT payables.	2,215	4,109	11,165	4,718
Other taxes payables	2,061	2,519	7,521	2,170
Guarantee deposits from its suppliers	10,506	15,730	13,546	10,063
Interest payables.	3,486	3,315	3,451	2,707
Payables for acquisition of property, plant and equipment	69,213	82,373	83,621	53,330
Accrued issue cost.	–	–	–	2,449
Other payables				
– Third parties	81,934	270,509	49,465	85,168
– Related parties	–	144	161	–
– Subsidiaries	1,896,087	2,102,801	2,596,449	2,779,518
	<u>2,109,976</u>	<u>2,524,725</u>	<u>2,809,333</u>	<u>2,977,206</u>
	<u><u>3,524,830</u></u>	<u><u>4,130,652</u></u>	<u><u>5,005,533</u></u>	<u><u>5,451,613</u></u>

Payment terms with suppliers are mainly on credit within 150 days from the time when the goods are received from the suppliers.

APPENDIX I

ACCOUNTANTS’ REPORT

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

The Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2025 (unaudited)
Within 1 year.	3,562,495	4,103,710	4,704,816	4,843,383
1-2 years	132,984	214,106	216,472	102,301
2-3 years	61,962	34,728	34,080	30,152
Over 3 years	26,755	46,201	34,472	10,787
	<u>3,784,196</u>	<u>4,398,745</u>	<u>4,989,840</u>	<u>4,986,623</u>

The Company

	As at December 31,			As at
	2022	2023	2024	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2025 (unaudited)
Within 1 year.	919,593	1,271,609	1,543,727	1,512,486
1-2 years	49,813	6,813	27,970	41,845
2-3 years	38,234	4,803	3,612	7,517
Over 3 years	20,669	14,368	18,264	14,443
	<u>1,028,309</u>	<u>1,297,593</u>	<u>1,593,573</u>	<u>1,576,291</u>

The following is an aged analysis of bills payables presented based on issue dates at the end of each reporting period:

The Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2025 (unaudited)
0 to 180 days	868,680	460,795	166,247	54,604

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
0 to 180 days	386,545	308,334	602,627	898,116

The trade, bills and other payables were mainly denominated in RMB, US\$, EUR, GBP, RSD, PLN and Canadian Dollar (“CAD”). The carrying amounts of trade, bills and other payables approximated their fair value as at December 31, 2022, 2023 and 2024 and June 30, 2025.

31. BANK AND OTHER BORROWINGS

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank borrowings	5,952,415	5,932,768	6,776,196	6,685,122
Other borrowings (<i>Notes i, ii and iii</i>)	141,869	107,498	91,337	73,131
	<u>6,094,284</u>	<u>6,040,266</u>	<u>6,867,533</u>	<u>6,758,253</u>
<i>Analyzed as:</i>				
Secured and guaranteed (<i>Note iv</i>)	742,917	791,409	725,287	380,000
Secured and unguaranteed (<i>Note v</i>)	1,001,330	889,064	1,192,034	1,513,828
Unsecured and guaranteed (<i>Note vi</i>)	2,711,078	2,305,826	2,628,282	2,394,678
Unsecured and unguaranteed	1,638,959	2,053,967	2,321,930	2,469,747
	<u>6,094,284</u>	<u>6,040,266</u>	<u>6,867,533</u>	<u>6,758,253</u>
Carrying amount repayable as follows:				
– within one year	3,115,737	2,451,325	4,464,171	5,135,322
– more than one year but not more than two years	1,195,738	2,328,702	1,698,333	1,240,943
– more than two year but not more than five years	1,570,812	1,093,489	629,035	381,988
– more than five years	211,997	166,750	75,994	–
	<u>6,094,284</u>	<u>6,040,266</u>	<u>6,867,533</u>	<u>6,758,253</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>(3,115,737)</u>	<u>(2,451,325)</u>	<u>(4,464,171)</u>	<u>(5,135,322)</u>
Amounts shown under non-current liabilities . . .	<u>2,978,547</u>	<u>3,588,941</u>	<u>2,403,362</u>	<u>1,622,931</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Bank borrowings	3,639,262	3,822,000	4,277,800	4,196,300
<i>Analyzed as:</i>				
Secured and guaranteed (<i>Note iv</i>)	345,762	380,000	380,000	380,000
Secured and unguaranteed (<i>Note v</i>)	520,000	520,000	300,000	300,000
Unsecured and guaranteed (<i>Note vi</i>)	1,484,000	1,025,000	1,704,000	1,427,100
Unsecured and unguaranteed	1,289,500	1,897,000	1,893,800	2,089,200
	<u>3,639,262</u>	<u>3,822,000</u>	<u>4,277,800</u>	<u>4,196,300</u>
Carrying amount repayable as follows:				
– within one year	2,365,970	1,845,500	2,468,500	2,711,000
– more than one year but not more than two years	1,025,969	1,125,000	1,391,500	1,103,800
– more than two years but not more than five years	<u>247,323</u>	<u>851,500</u>	<u>417,800</u>	<u>381,500</u>
	3,639,262	3,822,000	4,277,800	4,196,300
Less: Amount due for settlement within one year and shown under current liabilities	<u>(2,365,970)</u>	<u>(1,845,500)</u>	<u>(2,468,500)</u>	<u>(2,711,000)</u>
Amounts shown under non-current liabilities . .	<u>1,273,292</u>	<u>1,976,500</u>	<u>1,809,300</u>	<u>1,485,300</u>

The bank and other borrowings were mainly denominated in RMB and EUR. The carrying amounts of bank and other borrowings approximated their fair value as at December 31, 2022, 2023 and 2024 and June 30, 2025.

Notes:

- i. The Group obtained borrowings of approximately RMB148,000,000 from a financial institution, bearing an annual interest rate of 1.2% and secured by the Group’s equity interest in a subsidiary. The Group made partial repayments of approximately RMB18,000,000 in 2018 and approximately RMB58,000,000 in 2022, reducing the outstanding balance to RMB72,000,000 as at December 31, 2022.
- ii. The Group obtained borrowings of approximately RMB128,000,000 from a financial institution, bearing an annual interest rate of 1.2% and secured by the Group’s equity interest in a subsidiary. The Group made partial repayments of approximately RMB32,000,000 in each of 2021, 2022, and 2023, reducing the outstanding balance to approximately RMB64,000,000 as at December 31, 2022, and further to approximately RMB32,000,000 as at December 31, 2023. During the year ended December 31, 2024, the Group fully repaid the remaining balance of approximately RMB32,000,000.

APPENDIX I

ACCOUNTANTS’ REPORT

- iii. As at December 31, 2022, 2023 and 2024 and June 30, 2025, the other borrowings amounting to approximately RMB5,869,000, RMB3,498,000, RMB19,377,000 and RMB1,131,000 respectively, which were related to sale-leaseback agreements which was arising from the long-term sale and leaseback agreements that the Group signed with financing lease companies. Upon expiration of the agreements, the Group is entitled repurchase these equipments at a lower retention price. The Group accounts for this type of transaction as a secured borrowing, and the payment terms are in accordance with the contracts which generally range from two to five years, and the applicable interest rate is the implicit rate of return in each sale and leaseback contract, ranging from 1.67% to 4.7% per year.
- iv. These loans were secured by the Group’s and the Company’s property, plant and equipment, leasehold land and power station and were guaranteed by its shareholder namely Wolong Holding Group Co., Ltd.* (臥龍控股集團有限公司) (“**Wolong Holding**”).
- v. These loans were secured by the Group’s and the Company’s property, plant and equipment, leasehold land, trade and bills receivables and equity interest in its subsidiaries.
- vi. Wolong Holding (the Company’s shareholder) or the Company guaranteed these loans.

The exposure of the Group’s and the Company’s borrowings are as follows:

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Fixed-rate borrowings	2,728,717	2,663,799	2,466,446	1,796,875
Variable-rate borrowings	3,365,567	3,376,467	4,401,087	4,961,378
	<u>6,094,284</u>	<u>6,040,266</u>	<u>6,867,533</u>	<u>6,758,253</u>

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Fixed-rate borrowings	2,109,500	2,155,500	1,529,000	495,000
Variable-rate borrowings	1,529,762	1,666,500	2,748,800	3,701,300
	<u>3,639,262</u>	<u>3,822,000</u>	<u>4,277,800</u>	<u>4,196,300</u>

* English name for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings are as follows:

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>per annum</i>	<i>per annum</i>	<i>per annum</i>	<i>per annum</i> (unaudited)

Effective interest rates:

Fixed-rate borrowings	1.20%–5.54%	1.20%–6.65%	1.20%–5.19%	1.00%–5.40%
Variable-rate borrowings	1.50%–5.73%	2.70%–5.38%	1.80%–5.28%	2.20%–4.91%

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	<i>per annum</i>	<i>per annum</i>	<i>per annum</i>	<i>per annum</i> (unaudited)

Effective interest rates:

Fixed-rate borrowings	2.50%–4.00%	2.50%–3.80%	2.80%–3.65%	2.68%–2.96%
Variable-rate borrowings	3.20%–5.50%	3.05%–3.50%	2.35%–3.50%	2.20%–3.45%

Loan covenants

In respect of bank borrowings with carrying amount of approximately RMB1,080,366,000, RMB1,057,953,000, RMB900,012,000 and RMB956,994,000 as at December 31, 2022, 2023 and 2024 and June 30, 2025, the Group is required to comply with the following significant financial covenants on the consolidated financial statements level throughout the continuance of the relevant loans and/or as long as the loans are outstanding:

- Consolidated tangible net worth shall not be less than RMB3,000,000,000;
- Consolidated net debt to consolidated tangible net worth ratio shall not exceed 125%;
- Consolidated EBITDA in respect of any relevant period shall not be less than 3.5 times consolidated interest expenses for that relevant period;
- The borrower shall ensure that its consolidated tangible net worth shall not at any time be less than EUR60,000,000.

The Group regularly monitors its compliance with these covenants. Further details of the Group’s management of liquidity risk are set out in note 47. As at December 31, 2022, 2023 and 2024 and June 30, 2025, none of the covenants relating to drawn down facilities had been breached.

As at December 31, 2022, 2023 and 2024 and June 30, 2025, as the Group complied with the covenants that were required to be met on or before December 31, 2022, 2023 and 2024 and June 30, 2025, the Group has the right to defer settlement of the relevant borrowings for at least twelve months after the reporting date.

Guarantees given to banks in respect of banking facilities utilized by subsidiaries

As at December 31, 2022, 2023 and 2024 and June 30, 2025, the Company granted financial guarantees to the extent of approximately RMB3,141,351,000, RMB3,153,735,000, RMB3,035,019,000 and RMB2,671,151,000 respectively, to banks in respect of banking facilities granted to its subsidiaries, out of which approximately RMB2,083,092,000, RMB1,626,351,000, RMB1,603,026,000 and RMB970,537,000 were utilized.

APPENDIX I

ACCOUNTANTS’ REPORT

32. PROVISIONS

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)

Analyzed for reporting purposes as:

Non-current liabilities.	18,407	18,352	13,293	24,933
	<u>18,407</u>	<u>18,352</u>	<u>13,293</u>	<u>24,933</u>

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)

At the beginning of the year	13,631	18,407	18,352	13,293
Additional provision	4,453	948	7,324	10,635
Utilization of provision	(54)	(1,952)	(11,777)	(964)
Exchange alignment	377	949	(606)	1,969
	<u>18,407</u>	<u>18,352</u>	<u>13,293</u>	<u>24,933</u>
At the end of the year/period	18,407	18,352	13,293	24,933

The Group makes a provision for product warranty for the sales of robotic components and system applications according to the best expected settlement under the sales agreement. The provision amount takes into account the Group’s recent claims, past warranty data and the weight of all possible results and their related probabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

33. LONG TERM EMPLOYEES BENEFITS

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Defined benefit liabilities	113,726	126,306	111,342	120,245
Pension fund surplus	(33,768)	(39,419)	(54,126)	(59,986)
Net benefit liabilities	<u>79,958</u>	<u>86,887</u>	<u>57,216</u>	<u>60,259</u>

Post-employment benefits

The Group operates a defined benefit pension plan for its operations in Italy namely “Trattamento di Fine Rapporto” (“TFR”, or staff leaving indemnities), a deferred benefit for employees that is mandatory for Italian businesses and is based on the employees’ length of service and salary. The present value of the liability recognized was determined by projecting the amount accrued as of December 31, 2022, 2023 and 2024 and June 30, 2025 as per Italian law to the estimated future date of employment termination, and then discounting it to the present value using the projected unit credit method (“PUCM”) at each respective reporting date.

The Group operates a defined benefit pension plan for its operations in the United Kingdom under the Pensions Act 2004, which has been closed to new entrants with effective from February 28, 2010. As a result, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. As of December 31, 2022, 2023 and 2024 and June 30, 2025, the plan remained in a surplus position, eliminating any requirement for the trustees to agree on a recovery plan. The Group will continue making quarterly contributions of GBP47,604 to cover scheme expenses. The present value of the pension surplus was calculated by projecting accrued benefits as of each reporting date in accordance with the Pensions Act 2004, then discounting these amounts to their present value using the PUCM at each respective reporting date.

In addition, the Group operates defined benefit pension plans for its operations in Austria, Germany, Serbia, the Netherlands, Poland, and Canada, in accordance with applicable local rules and regulations. The present value of the recognized liabilities was determined by projecting the accrued benefits as of December 31, 2022, 2023 and 2024 and June 30, 2025, to the estimated future date of employment termination under relevant local laws. These projected amounts were then discounted to their present value using the PUCM at each respective reporting date.

The following table presents the changes in long-term employee benefits as at December 31, 2022, 2023 and 2024 and June 30, 2025:

	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Defined Benefit Plans in other countries	Pension Funds in the United Kingdom	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	19,072	21,003	84,047	24,530	(17,544)	131,108
Current service costs	276	209	1,742	7,198	–	9,425
Past service cost and gains and losses on settlements	–	–	–	(4,417)	–	(4,417)
Financial charges (income)	367	201	823	962	(453)	1,900
Actuarial (gains) losses	–	(2,397)	(23,802)	8,706	(8,245)	(25,738)
Benefits paid	(3,408)	(4,446)	(3,944)	(1,705)	–	(13,503)
Contributions	–	–	–	(3,177)	(1,689)	(4,866)
Curtailments	–	(5,030)	–	–	–	(5,030)
Exchange differences	165	590	2,365	(6,204)	(5,837)	(8,921)
As at December 31, 2022	<u>16,472</u>	<u>10,130</u>	<u>61,231</u>	<u>25,893</u>	<u>(33,768)</u>	<u>79,958</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Defined Benefit Plans in other countries	Pension Funds in the United Kingdom	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As at January 1, 2023	16,472	10,130	61,231	25,893	(33,768)	79,958
Current service costs	1,223	57	1,036	5,101	–	7,417
Financial charges (income)	296	354	2,365	1,087	(1,617)	2,485
Actuarial losses (gains)	190	1,337	3,128	(1,737)	(10,588)	(7,670)
Benefits paid	(473)	(3,827)	(4,146)	(1,728)	–	(10,174)
Contributions	–	–	–	(3,286)	(1,753)	(5,039)
Curtailments	–	(63)	–	(2,010)	–	(2,073)
Exchange differences	2,829	595	3,599	6,653	8,307	21,983
As at December 31, 2023	<u>20,537</u>	<u>8,583</u>	<u>67,213</u>	<u>29,973</u>	<u>(39,419)</u>	<u>86,887</u>
	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Defined Benefit Plans in other countries	Pension Funds in the United Kingdom	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As at January 1, 2024	20,537	8,583	67,213	29,973	(39,419)	86,887
Current service costs	1,248	54	886	4,550	–	6,738
Past service cost and gains and losses on settlements	–	–	–	(3,286)	–	(3,286)
Financial charges (income)	285	256	2,030	1,240	(2,569)	1,242
Actuarial losses (gains)	71	(287)	(2,419)	4,916	(7,675)	(5,394)
Benefits paid	(264)	(3,380)	(4,065)	(1,848)	–	(9,557)
Contributions	–	–	–	(2,137)	(1,725)	(3,862)
Curtailments	–	(32)	–	(667)	–	(699)
Exchange differences	(1,518)	(364)	(2,853)	(7,380)	(2,738)	(14,853)
As at December 31, 2024	<u>20,359</u>	<u>4,830</u>	<u>60,792</u>	<u>25,361</u>	<u>(54,126)</u>	<u>57,216</u>
	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Defined Benefit Plans in other countries	Pension Funds in the United Kingdom	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As at January 1, 2025	20,359	4,830	60,792	25,361	(54,126)	57,216
Current service costs (unaudited) . .	600	15	404	1,783	–	2,802
Past service cost and gains and losses on settlements (unaudited)	–	–	–	4	–	4
Financial charges (income) (unaudited)	145	81	1,124	781	(2,075)	56
Actuarial (gains) losses (unaudited)	–	–	–	–	–	–
Benefits paid (unaudited)	–	(1,959)	(2,517)	(4,169)	–	(8,645)
Contributions (unaudited)	–	–	–	(1,235)	(968)	(2,203)
Exchange differences (unaudited) . .	1,134	519	6,112	6,081	(2,817)	11,029
As at June 30, 2025 (unaudited) . .	<u>22,238</u>	<u>3,486</u>	<u>65,915</u>	<u>28,606</u>	<u>(59,986)</u>	<u>60,259</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The current service cost and financial charges (income) are recognized in the statement of profit or loss. For the item other long-term employee benefits only, the actuarial differences are also recognized in the statement of profit or loss.

In the consolidated statement of financial position, the post-employment benefits are stated gross of the pension plan surplus for the Group’s companies operating in the United Kingdom that supply pension services to their employees. The fair value of the plan assets is detailed as below:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Fair value of plan assets	97,836	110,420	133,300	147,207
Fair value of plan liabilities	(64,068)	(71,001)	(79,174)	(87,221)
Pension plan surplus	<u>33,768</u>	<u>39,419</u>	<u>54,126</u>	<u>59,986</u>

In relation to pension plan surplus as above, the composition of the main plan assets as at December 31, 2022, 2023 and 2024 and June 30, 2025 is as follows:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Equities	48,918	55,210	63,984	70,659
Alternatives	48,918	55,210	61,051	67,421
Bonds	–	–	8,131	8,980
Cash	–	–	134	147
	<u>97,836</u>	<u>110,420</u>	<u>133,300</u>	<u>147,207</u>

The main actuarial assumption used in relation to the defined benefit plans in Italy, Austria and Germany and pension funds in the United Kingdom as at December 31, 2022, 2023 and 2024 and June 30, 2025 are as follows:

(i) *As at December 31, 2022*

	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Pension Funds in the United Kingdom
Average duration of plan (years)	20.00	10.07	12.11	14.40
Discount rate	2.01%	3.79%	3.79%	4.50%
Future salary increases	3.84%	3.25%	2.20%	3.10%
Employee turnover rate	3.68%	2.00%	1.80%	0.00%
Retirement age	60 years	63 years	63 years	65 years
Rate of inflation	<u>8.10%</u>	<u>8.30%</u>	<u>7.90%</u>	<u>11.10%</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *As at December 31, 2023*

	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Pension Funds in the United Kingdom
Average duration of plan (years)	19.00	9.08	11.98	11.99
Discount rate	2.55%	3.45%	3.45%	5.15%
Future salary increases	2.87%	3.00%	2.20%	0.00%
Employee turnover rate	7.63%	1.77%	1.80%	0.00%
Retirement age	60 years	63 years	63 years	65 years
Rate of inflation	5.60%	7.80%	5.90%	6.80%

(iii) *As at December 31, 2024*

	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Pension Funds in the United Kingdom
Average duration of plan (years)	18.00	10.05	12.30	12.75
Discount rate	2.55%	3.28%	3.28%	5.25%
Future salary increases	2.87%	5.00%	2.20%	3.00%
Employee turnover rate	7.63%	1.77%	1.80%	0.00%
Retirement age	60 years	63 years	63 years	65 years
Rate of inflation	2.30%	2.90%	2.20%	2.60%

(iv) *As at June 30, 2025 (unaudited)*

	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Austria	Defined Benefit Plans in Germany	Pension Funds in the United Kingdom
Average duration of plan (years)	17.00	9.08	11.98	11.99
Discount rate	2.55%	3.60%	3.60%	5.15%
Future salary increases	2.87%	3.00%	2.20%	0.00%
Employee turnover rate	7.63%	1.77%	1.80%	0.00%
Retirement age	60 years	63 years	63 years	65 years
Rate of inflation	2.00%	3.10%	2.20%	3.60%

The discount rate used to measure defined benefit plans was determined on the basis of yields on bonds with an AA rating and a maturity date similar to that of the plans.

With respect to the liability as at December 31, 2022, 2023 and 2024 and June 30, 2025, a sensitivity analysis was performed on the main actuarial variables such as the discount rate, salary changes and inflation rate. The analysis did not lead to significant changes in the liability, except for the sensitivity analysis conducted on the interest rate curve, according to which a 50 basis point increase or decrease would cause an increase or decrease in the Group’s total defined benefit obligation (“**DBO**”) up to approximately RMB113,302,000, RMB121,432,000, RMB104,485,000 and RMB112,017,000.

APPENDIX I

ACCOUNTANTS’ REPORT

34. LEASE LIABILITIES

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Lease liabilities payable:				
Within one year	25,546	23,473	26,512	32,238
Within a period of more than one year but not exceeding two years	34,143	23,695	17,623	21,495
Within a period of more than two years but not exceeding five years	42,039	57,233	22,766	46,132
More than five years	71,697	52,031	54,751	5,123
	<u>173,425</u>	<u>156,432</u>	<u>121,652</u>	<u>104,988</u>
Less: Amounts due for settlement within 12 months shown under current liabilities . . .	<u>(25,546)</u>	<u>(23,473)</u>	<u>(26,512)</u>	<u>(32,238)</u>
Amounts due for settlement after 12 months shown under non-current liabilities	<u>147,879</u>	<u>132,959</u>	<u>95,140</u>	<u>72,750</u>

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Lease liabilities payable:				
Within one year	1,701	273	2,925	12,248
Within a period of more than one year but not exceeding two years	–	–	–	9,511
Within a period of more than two years but not exceeding five years	<u>–</u>	<u>–</u>	<u>–</u>	<u>25,547</u>
	<u>1,701</u>	<u>273</u>	<u>2,925</u>	<u>47,306</u>
Less: Amounts due for settlement within 12 months shown under current liabilities . . .	<u>(1,701)</u>	<u>(273)</u>	<u>(2,925)</u>	<u>(12,248)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>35,058</u>

APPENDIX I

ACCOUNTANTS’ REPORT

35. CONTRACT LIABILITIES

The Group

	As at January 1,	As at December 31,			As at June 30,
	2022	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Amounts received in advance	290,749	280,473	359,646	338,950	288,088
	<u>290,749</u>	<u>280,473</u>	<u>359,646</u>	<u>338,950</u>	<u>288,088</u>

The following table shows how much of the revenue recognized relates to carried-forward contract liabilities:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Sales of products	268,341	268,886	350,210	164,598	247,462
	<u>268,341</u>	<u>268,886</u>	<u>350,210</u>	<u>164,598</u>	<u>247,462</u>

The Company

	As at January 1,	As at December 31,			As at June 30,
	2022	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Amounts received in advance					
– Third parties	11,317	13,863	28,486	56,420	36,296
– Subsidiaries	–	1,621	297	11,952	–
	<u>11,317</u>	<u>15,484</u>	<u>28,783</u>	<u>68,372</u>	<u>36,296</u>

The following table shows how much of the revenue recognized relates to carried-forward contract liabilities:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Sales of products	11,317	15,484	28,783	16,118	38,999
	<u>11,317</u>	<u>15,484</u>	<u>28,783</u>	<u>16,118</u>	<u>38,999</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Group and the Company normally requires certain customers to pay a percentage of total consideration as advance payment as part of credit risk management policies, which represents the Group’s and the Company’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The changes in contract liabilities reflected the market supply and demand dynamics and the expansion of the business scale of the Group throughout the Relevant Periods and the six months ended June 30, 2025.

Contract liabilities that are expected to be settled within the Group’s and the Company’s normal operating cycle are classified as current liabilities based on the Group’s and the Company’s earliest obligation to transfer goods to the customers.

36. FINANCIAL LIABILITIES AT FVTPL

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Current:				
Derivative financial liabilities	1,619	221	189	2,161

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Current:				
Derivative financial liabilities	800	—	—	—

The Group entered into foreign currency forward contracts to manage the Group’s currency risk. The aforesaid investments had maturity dates within one year and were classified as financial liabilities at FVTPL. The Group did not elect to adopt hedge accounting for the contracts and therefore, the fair value changes from the contracts was recognized in “other gains and losses” in the consolidated statements of profit or loss and other comprehensive income.

APPENDIX I

ACCOUNTANTS’ REPORT

37. DEFERRED INCOME

The Group

	<i>RMB’000</i>
As at January 1, 2022	124,426
Government grants received	37,347
Credited to profit or loss	(25,282)
As at December 31, 2022	136,491
Government grants received	32,417
Credited to profit or loss	(19,716)
As at December 31, 2023	149,192
Government grants received	45,908
Credited to profit or loss	(13,819)
As at December 31, 2024	181,281
Government grants received (unaudited)	13,900
Credited to profit or loss (unaudited)	(6,879)
Disposal of subsidiaries (<i>note 40</i>) (unaudited)	(643)
As at June 30, 2025 (unaudited)	187,659

The Company

	<i>RMB’000</i>
As at January 1, 2022	33,385
Government grants received	15,325
Credited to profit or loss	(10,579)
As at December 31, 2022	38,131
Credited to profit or loss	(12,186)
As at December 31, 2023	25,945
Credited to profit or loss	(6,054)
As at December 31, 2024	19,891
Credited to profit or loss (unaudited)	(2,274)
As at June 30, 2025 (unaudited)	17,617

APPENDIX I

ACCOUNTANTS’ REPORT

38. SHARE CAPITAL

All shares issued by the Company are fully paid domestic shares. The par value is RMB1. The Company’s number of shares issued and their nominal value are as follows:

	Nominal value per share	Number of shares	Amount
	<i>RMB</i>	<i>’000</i>	<i>RMB ’000</i>
Registered and fully paid:			
As at January 1, 2022	1	1,315,262	1,315,262
Cancellation of shares under share incentive scheme	1	(563)	(563)
As at December 31, 2022	1	1,314,699	1,314,699
Cancellation of shares under share incentive scheme	1	(3,459)	(3,459)
As at December 31, 2023	1	1,311,240	1,311,240
Cancellation of shares under share incentive scheme	1	(2,949)	(2,949)
Cancellation of treasury shares	1	(5,668)	(5,668)
As at December 31, 2024	1	1,302,623	1,302,623
Stock dividends (unaudited)	1	259,495	259,495
As at June 30, 2025 (unaudited)	1	1,562,118	1,562,118

39. ACQUISITION OF SUBSIDIARIES

Year ended December 31, 2022

In June 2022, the Company acquired 70% interest in Jiangsu Linuo Electric Power Engineering Design Co., Ltd.* (江蘇立諾電力工程設計有限公司) (“**Jiangsu Linuo**”) from an independent third party, a company incorporated in the PRC with limited liability, for a total consideration of approximately RMB7,700,000. Jiangsu Linuo is principally engaged in engineering construction. The directors of the Company consider that the acquisition will bring about a further synergy effect of the existing business of the Group. The acquisition has been accounted for as an acquisition of a business using acquisition method.

Included in the profit for the year ended December 31, 2022 of approximately RMB623,000 was generated by Jiangsu Linuo. Revenue for the year ended December 31, 2022 included approximately RMB6,154,000 that was generated from Jiangsu Linuo.

No [REDACTED] information for the acquisitions of Jiangsu Linuo are prepared as the acquisitions would have no significant contribution to the Group’s revenue or financial performance for the period from January 1, 2022 to respective dates of acquisition and the [REDACTED] revenue and results of operations of the Group for the acquisitions approximate the Group’s revenue and results for the year ended December 31, 2022.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value of assets acquired and liabilities recognized at the date of acquisition:

	2022
	<i>RMB’000</i>
Cash and cash equivalents	1,466
Trade receivables	228
Other receivables	493
Inventories	93
Property, plant and equipment	217
Contract assets	2,840
Deferred tax assets	97
Deferred tax liabilities	(1)
Other payables	(332)
Non-controlling interests	(1,530)
	3,571

Goodwill arising on acquisitions:

	2022
	<i>RMB’000</i>
Consideration transferred	7,700
Less: Fair value of net identifiable assets acquired	(3,571)
	4,129

Net cash outflow from acquisition of subsidiaries:

	2022
	<i>RMB’000</i>
Cash consideration	7,168
Less: Cash and bank balances acquired	(1,466)
	5,702

The receivables acquired (which principally comprised of trade receivables and other receivables) with a fair value of approximately RMB721,000 at the date of acquisition had gross contractual amounts of approximately RMB721,000. The fair value of receivables acquired at the date of acquisition approximated to their gross contractual amounts.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognized as an expense in the year incurred within the “administrative expenses” line item in the consolidated statement of profit or loss.

Year ended December 31, 2023

- (i) In January 2023, the Company acquired 100% interest in Tieling Yangxu Photovoltaic Technology Co., Ltd.* (鐵嶺陽旭光伏科技有限公司) (“**Tieling Yangxu**”) from an independent third party, a company incorporated in the PRC with limited liability, for a total consideration of approximately RMB8,329,000. Tieling Yangxu is principally engaged in construction and operation of photovoltaic power plants. The directors of the Company consider that the acquisition will bring about a further synergy effect of the existing business of the Group. The acquisition has been accounted for as an acquisition of a business using acquisition method.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

Included in the profit for the year ended December 31, 2023 of approximately RMB906,000 was generated by Tieling Yangxu. Revenue for the year ended December 31, 2023 included approximately RMB3,636,000 that was generated from Tieling Yangxu.

No [REDACTED] information for the acquisitions of Tieling Yangxu are prepared as the acquisitions would have no significant contribution to the Group’s revenue or financial performance for the period from January 1, 2023 to respective dates of acquisition and the [REDACTED] revenue and results of operations of the Group for the acquisitions approximate the Group’s revenue and results for the year ended December 31, 2023.

- (ii) In October 2023, the Company acquired 100% interest in Zhejiang Zhongzhi from an independent third party, a company incorporated in the PRC with limited liability, for a total consideration of approximately RMB37,964,000. Zhejiang Zhongzhi is principally engaged in providing technical services. The directors of the Company consider that the acquisition will bring about a further synergy effect of the existing business of the Group. The acquisition has been accounted for as an acquisition of a business using acquisition method.

Included in the profit for the year ended December 31, 2023 of approximately RMB1,915,000 was generated by Zhejiang Zhongzhi. Revenue for the year ended December 31, 2023 included approximately RMB5,459,000 that was generated from Zhejiang Zhongzhi.

No [REDACTED] information for the acquisitions of Zhejiang Zhongzhi are prepared as the acquisitions would have no significant contribution to the Group’s revenue or financial performance for the period from January 1, 2023 to respective dates of acquisition and the [REDACTED] revenue and results of operations of the Group for the acquisitions approximate the Group’s revenue and results for the year ended December 31, 2023.

Fair value of assets acquired and liabilities recognized at the date of acquisition:

	Tieling Yangxu	Zhejiang Zhongzhi	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	354	965	1,319
Trade receivables	9,959	243	10,202
Inventories	–	1,928	1,928
Property, plant and equipment	16,609	1,054	17,663
Intangible assets	–	5,561	5,561
Prepayment and other receivables	1,535	7,575	9,110
Tax recoverable	5	–	5
Right of use assets	3,649	–	3,649
Deferred tax assets	379	–	379
Bank and other borrowings	–	(6,243)	(6,243)
Trade and other payables	(20,810)	(19,448)	(40,258)
Lease liabilities	(3,351)	–	(3,351)
Deferred tax liabilities	–	(1,398)	(1,398)
	8,329	(9,763)	(1,434)

APPENDIX I

ACCOUNTANTS’ REPORT

Goodwill arising on acquisitions:

	Tieling Yangxu	Zhejiang Zhongzhi	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consideration transferred	8,329	37,964	46,293
Add: Fair value of net identifiable (assets) liabilities acquired	(8,329)	9,763	1,434
	<u>–</u>	<u>47,727</u>	<u>47,727</u>

Net cash outflow from acquisition of subsidiaries:

	Tieling Yangxu	Zhejiang Zhongzhi	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash consideration	3,840	37,964	41,804
Less: Cash and bank balances acquired.	(354)	(965)	(1,319)
	<u>3,486</u>	<u>36,999</u>	<u>40,485</u>

The receivables acquired (which principally comprised of trade receivables) with a fair value of approximately RMB10,202,000 at the date of acquisition had gross contractual amounts of approximately RMB10,202,000. The fair value of receivables acquired at the date of acquisition approximated to their gross contractual amounts.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognized as an expense in the year incurred within the “administrative expenses” line item in the consolidated statement of profit or loss.

40. DISPOSAL OF SUBSIDIARIES

Year ended December 31, 2022

During the year ended December 31, 2022, the Group disposed of interest in the following entity to Wolong New Energy Group Co., Ltd (臥龍新能集團股份有限公司) (“**Wolong New Energy**”):

Name of subsidiaries	Place of establishment	Principal activities	Equity interest held by the Group before disposal	Equity interest held by the Group after disposal	Total consideration
					<i>RMB'000</i>
Wolong Mining (Shanghai) Co., Ltd.* (上海臥龍礦業有限公司) (“Shanghai Mining”)	The PRC	Sales of metal ores	100%	–	68,000

* *English name is for identification purpose*

APPENDIX I

ACCOUNTANTS’ REPORT

The net assets of the Shanghai Mining at the date of disposal and the impact on the cash flows in the current year were as follows:

	<u>2022</u>
	<i>RMB’000</i>
Net assets disposed of:	
Cash and cash equivalents	32,190
Restricted bank deposits	128,049
Prepayment and other receivables	226,432
Inventories	82,084
Right-of-use assets	437
Property, plant and equipment	554
Intangible assets	513
Deferred tax assets	1,470
Bank and other borrowings	(77,369)
Trade and other payables	(318,431)
Contract liabilities	(36,552)
	<u> </u>
Subtotal	39,377
Non-controlling interests	(804)
	<u> </u>
	<u>38,573</u>
Satisfied by:	
Cash consideration	68,000
	<u> </u>
Gain on disposal of a subsidiary	29,427
	<u> </u>
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Shanghai Mining is as follow:	
Cash consideration	68,000
Cash and cash equivalents disposal of	(32,190)
	<u> </u>
Net inflow of cash and cash equivalents in respect of the disposal of a Shanghai Mining	<u>35,810</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended June 30, 2025

During the six months ended June 30, 2025, the Group disposed of interest in the following entities to a related party namely Wolong New Energy:

Name of subsidiaries	Place of establishment	Principal activities	Equity interest held by the Group before disposal	Equity interest held by the Group after disposal	Total consideration
					<i>RMB’000</i>
Shaoxing Shunfeng*	The PRC	Wind power technology services	100.00%	30% <i>(Note)</i>	6,530
Wolong Enapter (Zhejiang) Hydrogen Energy Technology Co., Ltd.* (臥龍英耐德(浙江)氫能科技有限公司) (“ Zhejiang Enapter ”)	The PRC	R&D of hydrogen power technology, manufacturing and sales of hydrogen power storage system	51.00%	–	13,250
Zhejiang Wolong Energy Storage System Co., Ltd.* (浙江臥龍儲能系統有限公司) (“ Zhejiang Chuneng ”)	The PRC	Manufacturing and sale of energy storage system	80.00%	–	98,720
Zhejiang Longneng*	The PRC	R&D of photovoltaic power technology and sale of electricity from photovoltaic power generation	43.21%	–	607,530
					726,030

Note: After the completion of the aforesaid transaction, the Group no longer had control over Shunfeng Electric Power and Shunfeng Electric Power was classified as an associate of the Group since March 2025.

* *English name is for identification purpose*

APPENDIX I

ACCOUNTANTS’ REPORT

The net assets of subsidiaries at the date of disposal and the impact on the cash flows in the current period were as follows:

	Shaoxing Shunfeng	Zhejiang Enapter	Zhejiang Chuneng	Zhejiang Longneng	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net assets disposed of:					
Property, plant and equipment	5,370	658	25,709	1,487,177	1,518,914
Right-of-use assets	–	–	1,079	82,938	84,017
Intangible assets	–	190	16	4,427	4,633
Goodwill	–	–	–	4,706	4,706
Deferred tax assets	–	–	9,000	13,892	22,892
Inventories	–	10,574	13,584	3,423	27,581
Trade and bills receivables	–	246	503,729	413,221	917,196
Contract assets	–	–	87,374	22,960	110,334
Prepayments and other receivables	1,316	2,785	18,294	52,353	74,748
Cash and cash equivalents	1,923	4,059	7,670	62,020	75,672
Restricted bank deposits	–	–	–	10,298	10,298
Trade, bills and other payables	(1,063)	(10,224)	(562,892)	(273,603)	(847,782)
Bank and other borrowings	–	–	–	(354,846)	(354,846)
Contract liabilities	–	(2,188)	(522)	(1,226)	(3,936)
Tax payables	–	(2)	(68)	(6,880)	(6,950)
Lease liabilities	–	–	–	(67,280)	(67,280)
Deferred tax liabilities	–	–	(1,443)	–	(1,443)
Deferred income	–	–	–	(643)	(643)
Subtotal	7,546	6,098	101,530	1,452,937	1,568,111
Non-controlling interests	–	4,673	(4,306)	(849,400)	(849,033)
	<u>7,546</u>	<u>10,771</u>	<u>97,224</u>	<u>603,537</u>	<u>719,078</u>
Satisfied by:					
Cash consideration	3,330	6,758	50,347	309,840	370,275
Consideration receivable	3,200	6,492	48,373	297,690	355,755
Fair value of retained equity interests in an associate	3,546	–	–	–	3,546
	<u>10,076</u>	<u>13,250</u>	<u>98,720</u>	<u>607,530</u>	<u>729,576</u>
Gain on disposal of subsidiaries	<u>2,530</u>	<u>2,479</u>	<u>1,496</u>	<u>3,993</u>	<u>10,498</u>
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries as follow:					
Cash consideration	3,330	6,758	50,347	309,840	370,275
Cash and cash equivalents disposal of	(1,923)	(4,059)	(7,670)	(62,020)	(75,672)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>1,407</u>	<u>2,699</u>	<u>42,677</u>	<u>247,820</u>	<u>294,603</u>

APPENDIX I

ACCOUNTANTS’ REPORT

41. SHARE-BASED PAYMENT

The Company’s 2021 share incentive plan was adopted pursuant to resolutions passed on September 10, 2021 (the “**2021 Incentive Plan**”). The primary purpose of these incentive plans is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees and directors and to further link the eligible persons’ interests with those of the Company’s shareholders generally. A share option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to such share option.

The 2021 Incentive Plan includes share options incentive plan and restricted stock incentive plan. The details are as follows:

Share options incentive plan:

- (i) The Company has granted a total of 26,130,000 stock options to the incentive targets in 2021 (“**Option A**”), upon meeting the exercise conditions, have the right to purchase 1 share of the Company’s stock at a price of RMB14.79 within the validity period. The validity period of the stock options shall not exceed 3 years. The stock options shall become exercisable 12 months after the grant date and shall be effective in three batches on three exercise effective dates at the ratios of 40%, 30%, and 30%, that is, each exercise effective date shall be the first trading day after the expiration of 12 months, 24 months, and 36 months from the grant date, respectively. The main exercise condition is that the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2021 financial year shall not be less than RMB1 billion for the first batch of share options, the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2022 financial year shall not be less than RMB1.2 billion for the second batch of options, and the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2023 financial year shall not be less than RMB1.4 billion for the third batch of share options. If the Company’s performance does not meet the performance assessment target conditions in the relevant exercise periods, the stock options shall not be exercised and shall be cancelled by the Company.
- (ii) The Company has granted a total of 5,870,000 stock options to the incentive targets in 2022 (“**Option B**”), upon meeting the exercise conditions, have the right to purchase 1 share of the Company’s stock at a price of RMB15.13 within the validity period. The validity period of the stock options shall not exceed 2 years. The stock options shall become exercisable 12 months after the grant date and shall be effective in two batches on two exercise effective dates at the ratios of 50% and 50%, that is, each exercise effective date shall be the first trading day after the expiration of 12 months and 24 months from the grant date, respectively. The main exercise condition is that the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2022 financial year shall not be less than RMB1.2 billion for the first batch of share options and the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2023 financial year shall not be less than RMB1.4 billion for the second batch of share options. If the Company’s performance does not meet the performance assessment target conditions in the relevant exercise periods, the stock options shall not be exercised and shall be cancelled by the Company.

The table below discloses movements of the share options held by grantees under 2021 Incentive Plan:

For the year ended December 31, 2022

Option	Name of grantee	Date of grant	Exercise price	Outstanding as at January 1, 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2022
Option A	Employees	September 16, 2021	RMB14.64	26,130,000	–	–	(2,567,600)	23,562,400
Option B	Employees	September 8, 2022	RMB15.13	–	5,870,000	–	–	5,870,000
				<u>26,130,000</u>	<u>5,870,000</u>	<u>–</u>	<u>(2,567,600)</u>	<u>29,432,400</u>
Weighted average exercise price				<u>RMB14.79</u>	<u>RMB15.13</u>	<u>–</u>	<u>RMB14.64</u>	<u>RMB14.74</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For the year ended December 31, 2023

Option	Name of grantee	Date of grant	Exercise price	Outstanding as at January 1, 2023	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2023
Option A	Employees	September 16, 2021	RMB14.49	23,562,400	–	–	(16,629,400)	6,933,000
Option B	Employees	September 8, 2022	RMB14.98	5,870,000	–	–	(3,135,000)	2,735,000
				<u>29,432,400</u>	<u>–</u>	<u>–</u>	<u>(19,764,400)</u>	<u>9,668,000</u>
Weighted average exercise price				<u>RMB14.74</u>	<u>–</u>	<u>–</u>	<u>RMB14.74</u>	<u>RMB14.74</u>

For the year ended December 31, 2024

Option	Name of grantee	Date of grant	Exercise price	Outstanding as at January 1, 2024	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2024
Option A	Employees	September 16, 2021	RMB14.49	6,933,000	–	–	(6,933,000)	–
Option B	Employees	September 8, 2022	RMB14.98	2,735,000	–	–	(2,735,000)	–
				<u>9,668,000</u>	<u>–</u>	<u>–</u>	<u>(9,668,000)</u>	<u>–</u>
Weighted average exercise price				<u>RMB14.74</u>	<u>–</u>	<u>–</u>	<u>RMB14.74</u>	<u>–</u>

For the six months ended June 30, 2024 (unaudited)

Option	Name of grantee	Date of grant	Exercise price	Outstanding as at January 1, 2024	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at June 30, 2024
Option A	Employees	September 16, 2021	RMB14.49	6,933,000	–	–	–	6,933,000
Option B	Employees	September 8, 2022	RMB14.98	2,735,000	–	–	–	2,735,000
				<u>9,668,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,668,000</u>
Weighted average exercise price				<u>RMB14.74</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>RMB14.74</u>

Note: During the six months ended June 30, 2025, no share options were granted or exercised and the balance for outstanding options granted to eligible employees and directors as at June 30, 2025 were Nil.

APPENDIX I

ACCOUNTANTS’ REPORT

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ of the Company best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. These fair values and corresponding inputs into the model were as follows:

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
Option A	RMB0.56–RMB1.95	RMB14.79	14.66%–18.71%	1-3 years	1.5%–2.75%	0%
Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
Option B	RMB0.42–RMB1.46	RMB15.13	16.46%–17.15%	1-3 years	1.5%–2.75%	0%

The Group’s total share-based payment expenses recognized in the consolidated statements of profit or loss and other comprehensive income in relation to share option granted by the Company is approximately RMB7,258,000 in 2022 and Nil in 2024, respectively, while reversed approximately RMB6,084,000 for the year ended December 31, 2023, mainly due to the management of the Group did not met the vesting conditions which are tied to the financial performance of the Group.

Restricted Stock Incentive Plan:

The Company has issued restricted stock to the equity incentive targets who meet the grant conditions through the method of targeted issuance of restricted tradable shares (the “**Restricted Stock Incentive Plan**”). Among them, 9,912,000 shares were granted in 2021 at an issue price of RMB7.4 per share (“**Restricted Share A**”), and 720,000 were granted in 2022 at an issue price of RMB7.57 per share (“**Restricted Share B**”).

(i) *Restricted Share A*

The validity period of restricted stock shall not exceed 3 years. The restricted stock shall be locked immediately after the grant. The lock-up period for all the restricted stock granted to the incentive targets is 12 months. After the lock-up period, the restricted stock shall be unlocked in three batches at the ratio of 40%, 30% and 30% on three unlocking dates, that is, each unlocking period shall be the first trading day after the expiration of 12 months, 24 months and 36 months from the grant date, respectively. The main unlocking condition for the restricted stock is that the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2021 financial year shall not be less than RMB1 billion for the first batch of restricted stock, the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2022 financial year shall not be less than RMB1.2 billion for the second batch of restricted stock and the net profit attributable to owners of the Company (excluding the financial impact of share base payment expense) for 2023 financial year shall not be less than RMB1.4 billion for the third batch of restricted stock. If the unlocking conditions of the restricted stock are met, the equity held by the incentive targets shall be unlocked year by year according to the ratios specified in the plan. If the Group’s performance does not meet the performance assessment target conditions in the unlocking period, the restricted stock shall not be unlocked and shall be repurchased and cancelled by the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *Restricted Share B*

The validity period of restricted stock shall not exceed 2 years. The restricted stock shall be locked immediately after the grant. The lock-up period for all the restricted stock granted to the incentive targets is 12 months. After the lock-up period, the restricted stock shall be unlocked in two batches at the ratio of 50% and 50% on two unlocking dates, that is, each unlocking period shall be the first trading day after the expiration of 12 months and 24 months from the grant date, respectively. The main unlocking condition for the restricted stock is that the net profit attributable to owners of the Company (after excluding the financial impact share base payment expense) for 2022 financial year shall not be less than RMB1.2 billion for the first batch of restricted stock and the net profit attributable to owners of the Company (after excluding the financial impact share base payment expense) for 2023 financial year shall not be less than RMB1.4 billion for the second batch of restricted stock. If the unlocking conditions of the restricted stock are met, the equity held by the incentive targets shall be unlocked year by year according to the ratios specified in the plan. If the Group’s performance does not meet the performance assessment target conditions in the unlocking period, the restricted stock shall not be unlocked and shall be repurchased and cancelled by the Company.

The following restricted shares were outstanding under Restricted Stock Incentive Plan in relation to Restricted Share A and Restricted Share B during the years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025:

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
Outstanding as at beginning of the year	9,912,000	6,408,000	2,949,000	–
Granted	720,000	–	–	–
Vested	(3,660,540)	–	–	–
Lapsed and cancelled	(563,460)	(3,459,000)	(2,949,000)	–
Outstanding as at end of the year	<u>6,408,000</u>	<u>2,949,000</u>	<u>–</u>	<u>–</u>

The Company determines the fair value of the restricted shares based on the closing price of the restricted shares on the grant date.

The Group recognized a share-based payment expense of approximately RMB21,492,000, during the year ended December 31, 2022, while reversed approximately RMB8,045,000 for the year ended December 31, 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

Employee Stock Ownership Plan:

The Company has approved the employee stock ownership plan by the Company’s extra ordinary general meeting of shareholders in 2018 and 2021 (the “**Employee Stock Ownership Plan**”). The participants of the Employee Stock Ownership Plan include directors, senior management and core business personnel of the Company and its subsidiaries.

(i) **Plan A:**

The Company approved the Employee Stock Ownership Plan in 2018 (the “**Plan A**”), which has a 36-month term beginning on the announcement date of the underlying shares’ registration and will automatically terminate upon expiration unless extended by the directors of the Company. Plan A’s shares are subject to a 12-month lock-up period commencing from the Company’s announcement of the final share transfer, with funding provided from the Company’s incentive fund based on a percentage of each business division’s excess profits during the performance assessment year. Under Plan A, share allocations are determined by each business division’s prior-year performance and vest in two equal installments: the first 50% vests if the division achieves return on assets (“**ROA**”) target for its respective business divisions in year 2, with the remaining 50% vesting upon meeting the ROA target for its respective business divisions in year 3.

(ii) **Plan B:**

The Company approved the Employee Stock Ownership Plan in 2021 (the “**Plan B**”), which has a 36-month term beginning on the announcement date of the underlying shares’ registration and will automatically terminate upon expiration unless extended by the directors of the Company. Plan B’s shares are subject to a 12-month lock-up period commencing from the Company’s announcement of the final share transfer, with funding provided from the Company’s incentive fund based on a percentage of each business division’s excess profits during the performance assessment year. Under Plan B, share allocations are determined by each business division’s prior-year performance and vest in two equal installments: the first 50% vests if the division achieves its ROA target for its respective business divisions in year 2, with the remaining 50% vesting upon meeting the ROA target for its respective business divisions in year 3.

The following restricted shares were outstanding under the Employee Stock Ownership Plan in relation to Plan A and Plan B during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025:

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
				(unaudited)
Outstanding as at beginning of the year	2,725,971	2,391,700	1,748,100	1,237,200
Stock dividend	–	–	–	339,359
Granted	1,722,200	887,000	832,000	–
Exercised	(1,750,171)	(1,067,850)	(710,138)	(813,228)
Lapsed	(306,300)	(462,750)	(632,762)	(264,131)
Outstanding as at end of the year	<u>2,391,700</u>	<u>1,748,100</u>	<u>1,237,200</u>	<u>499,200</u>

The Company determines the fair value of the restricted shares based on the closing price of the restricted shares on the grant date.

During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, the Group recognized a share-based payment expense of approximately RMB13,230,000, RMB8,860,000, RMB8,211,000, Nil and Nil, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

42. PLEDGED OF ASSETS

At the end of each reporting period, the following assets have been pledged to various banks for obtaining letter of credit and securing of the Group’s banking facilities or the issue of bills payables. Details of the pledged assets and corresponding carrying amounts are set out below:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Property, plant and equipment	617,313	526,203	530,154	333,925
Right-of-use assets	32,871	50,110	26,904	26,500
Investments in subsidiaries	429,400	297,400	297,400	198,000
Trade receivables	101,774	260,153	302,439	–
Receivables at FVTOCI	230,106	121,093	–	–
Restricted bank deposits	294,868	188,871	511,253	809,802
	<u>1,706,332</u>	<u>1,443,830</u>	<u>1,668,150</u>	<u>1,368,227</u>

43. CAPITAL COMMITMENTS

The Group had capital commitments for equipment purchase and building construction under non-cancellable contracts as follows:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Contracted but not provided for:				
– property, plant and equipment	<u>266,652</u>	<u>356,417</u>	<u>406,395</u>	<u>307,987</u>

APPENDIX I

ACCOUNTANTS’ REPORT

44. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	Other payable due to a former shareholder of its subsidiaries	Lease liabilities	Dividends payable	Interest payables	Bank and other borrowings	Accrued issue cost	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2022	215,064	189,528	–	10,025	6,370,104	–	6,784,721
Financing cash flows	(115,022)	(71,542)	(197,343)	(268,915)	(302,160)	–	(954,982)
Non-cash changes							
– Dividend declared	–	–	197,343	–	–	–	197,343
– Interest expenses	–	4,968	–	271,225	–	–	276,193
– Lease modifications	–	(4,501)	–	–	–	–	(4,501)
– Addition of leases	–	31,156	–	–	–	–	31,156
– Disposal of subsidiaries	–	–	–	(448)	(77,369)	–	(77,817)
– Exchange difference	–	23,816	–	4,854	103,709	–	132,379
As at December 31, 2022	100,042	173,425	–	16,741	6,094,284	–	6,384,492
Financing cash flows	(14,839)	(17,509)	(219,161)	(246,747)	(127,087)	–	(625,343)
Non-cash changes							
– Dividend declared	–	–	219,161	–	–	–	219,161
– Interest expenses	–	5,650	–	246,747	–	–	252,397
– Lease modifications	–	(33,140)	–	–	–	–	(33,140)
– Addition of leases	–	35,328	–	–	–	–	35,328
– Acquisition of a subsidiary	19,575	3,351	–	–	6,243	–	29,169
– Exchange difference	–	(10,673)	–	(8,878)	66,826	–	47,275
As at December 31, 2023	104,778	156,432	–	7,863	6,040,266	–	6,309,339
Financing cash flows	(3,000)	(21,630)	(136,573)	(248,281)	874,154	–	464,670
Non-cash changes							
– Dividend declared	–	–	136,573	–	–	–	136,573
– Interest expenses	–	4,038	–	249,153	–	–	253,191
– Lease modifications	–	(28,571)	–	–	–	–	(28,571)
– Addition of leases	–	31,452	–	–	–	–	31,452
– Exchange difference	–	(20,069)	–	(3,314)	(46,887)	–	(70,270)
As at December 31, 2024	101,778	121,652	–	5,421	6,867,533	–	7,096,384
Financing cash flows (unaudited)	(4,000)	(11,895)	(210,963)	(101,481)	215,359	–	(112,980)
Non-cash changes							
– Dividend declared (unaudited)	–	–	210,963	–	–	–	210,963
– [REDACTED] expenses (unaudited)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Interest expenses (unaudited)	–	1,607	–	101,750	–	–	103,357
– Lease modifications (unaudited)	–	(1,040)	–	–	–	–	(1,040)
– Addition of leases (unaudited)	–	60,268	–	–	–	–	60,268
– Disposal of subsidiaries (unaudited)	(97,778)	(67,280)	–	(1,438)	(354,846)	–	(521,342)
– Exchange difference (unaudited)	–	1,676	–	309	30,207	–	32,192
As at June 30, 2025 (unaudited)	–	104,988	–	4,561	6,758,253	2,449	6,870,251

APPENDIX I

ACCOUNTANTS’ REPORT

45. RETIREMENT BENEFIT PLANS

In accordance with the rules and regulations in the mainland China, the employees of the Group based in the mainland China participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the mainland China under which the Group and the relevant employees are required to make monthly contributions to these plans calculated at a certain percentage of the employees’ salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired mainland-China-based employees’ payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government. The contributions to these plans are recognized as employee benefit charged to profit or loss and capitalized where applicable.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB104,202,000, RMB105,425,000, and RMB111,559,000, RMB61,308,000 and RMB39,241,000 for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively.

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged.

The capital structure of the Group consists of net debt, which includes bank and other borrowings and lease liabilities disclosed in notes 31 and 34, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the issue of new shares, new debts or the redemption of existing debts.

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Financial assets				
Financial assets at amortized cost	7,664,714	7,951,833	9,061,209	9,582,019
Financial assets at FVTPL	680,154	858,443	1,109,059	1,215,047
Receivables at FVTOCI.	956,502	995,221	613,522	549,208
	<u>9,301,370</u>	<u>9,805,497</u>	<u>10,783,790</u>	<u>11,346,274</u>
Financial liabilities				
Financial liabilities at amortized cost	12,077,373	12,532,962	13,577,863	12,984,369
Financial liabilities at FVTPL	1,619	221	189	2,161
	<u>12,078,992</u>	<u>12,533,183</u>	<u>13,578,052</u>	<u>12,986,530</u>
Lease liabilities	<u>173,425</u>	<u>156,432</u>	<u>121,652</u>	<u>104,988</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Financial assets				
Financial assets at amortized cost	4,326,061	4,747,587	6,178,807	7,456,976
Financial assets at FVTPL	673,366	851,998	1,088,146	1,181,715
Receivables at FVTOCI.	295,243	273,833	117,811	121,088
	<u>5,294,670</u>	<u>5,873,418</u>	<u>7,384,764</u>	<u>8,759,779</u>
Financial liabilities				
Financial liabilities at amortized cost	7,159,816	7,946,024	9,264,647	9,641,025
Financial liabilities at FVTPL	800	—	—	—
	<u>7,160,616</u>	<u>7,946,024</u>	<u>9,264,647</u>	<u>9,641,025</u>
Lease liabilities	<u>1,701</u>	<u>273</u>	<u>2,925</u>	<u>47,306</u>

Financial risk management objectives and policies

The Group’s major financial instruments include trade, bills and other receivables, financial assets at FVTPL, receivables at FVTOCI, restricted bank deposits, cash and cash equivalents, trade, bills and other payables, bank and other borrowings, financial liabilities at FVTPL and other non-current liabilities. The Company’s major financial instruments include those aforementioned as well as amounts due from/to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group’s activities expose it primarily to currency risk and interest rate risk. There had been no change in the Group’s exposure to these risks or the manner in which it managed and measured the risks during the reporting period.

(i) Currency risk

Several subsidiaries of the Company have foreign currency transactions, including sales and purchase, which expose the Group to foreign currency risk. Certain of the Group’s bank balances and cash, trade, bills and other receivables, trade, bills and other payables and bank and other borrowings are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities’ foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group mainly exposes to foreign currency of US\$ and EUR. The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities as at December 31, 2022, 2023 and 2024 and June 30, 2025 are as follows:

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Assets				
US\$	1,087,417	1,338,693	1,880,932	2,049,544
EUR	1,010,362	707,670	833,691	1,087,051
	<u>1,087,417</u>	<u>1,338,693</u>	<u>1,880,932</u>	<u>2,049,544</u>
Liabilities				
US\$	525,692	289,622	263,468	344,066
EUR	1,986,241	1,309,534	1,288,990	1,348,487
	<u>1,986,241</u>	<u>1,309,534</u>	<u>1,288,990</u>	<u>1,348,487</u>

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A negative number below indicates an decrease in post-tax profit and other equity where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be positive.

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
US\$ impact				
– If US\$ strengthens against RMB	28,086	52,454	80,873	85,274
– If US\$ weakens against RMB	(28,086)	(52,454)	(80,873)	(85,274)
	<u>28,086</u>	<u>52,454</u>	<u>80,873</u>	<u>85,274</u>

	As at December 31,			As at June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
EUR impact				
– If EUR strengthens against RMB	(48,794)	(30,093)	(22,765)	(13,072)
– If EUR weakens against RMB	48,794	30,093	22,765	13,072
	<u>(48,794)</u>	<u>(30,093)</u>	<u>(22,765)</u>	<u>(13,072)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Interest rate risk

The Group and the Company is exposed to fair value interest rate risk in relation to fixed-rate cash and cash equivalents, bank and other borrowings and lease liabilities, (details are set out in notes 29, 31 and 34, respectively). The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and bank and other borrowings (details are set out in notes 30 and 32, respectively). The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range.

The Group currently does not have formal interest rate hedging policies. The management of the Group monitors the Group’s exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points lower/higher and all other variables were held constant, the Group’s and the Company’s pre-tax profit for the year/period would increase/(decrease) by the following magnitude:

The Group

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Increase/(decrease) in profit for the year/period	33,656	33,765	44,011	49,614

The Company

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)
Increase/(decrease) in profit for the year/period	15,298	16,665	27,488	37,013

Credit risk and impairment assessment

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

APPENDIX I

ACCOUNTANTS' REPORT

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits, bank balances and financial guarantee contracts.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The restricted bank deposits, bank balances, bills receivables and receivables at FVTOCI are determined to have low credit risk at the end of each reporting period. The credit risk on restricted bank deposits, bank balances, bills receivables and receivables at FVTOCI is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Our Group has concentration of credit risk as 2.79%, 2.42%, 2.36% and 2.14% of the total trade receivables was due from our Group's largest customer as of December 31, 2022, 2023, 2024 and June 30, 2025, respectively. Also, our Group has concentration of credit risk as 8.08%, 7.93%, 8.41% and 9.02% of the total trade receivables was due from our Group's five largest customers as of December 31, 2022, 2023, 2024 and June 30, 2025, respectively.

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, that are subjected to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the impairment loss allowance based on lifetime ECL rather than 12m ECL.

Trade receivables, bills receivables and contract assets

For trade receivables, bills receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customers classified as credit-impaired or collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimize credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorize exposures according to their degree of risk of default.

Other receivables

For other receivables, the Group has applied the general approach in IFRS 9 to measure the impairment loss allowance at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk.

In determining the ECL, the management of the Group has taken into account the historical credit loss experience based on the past default experience of the counterparty, general economic conditions of the industry in which the counterparty operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Financial guarantee contracts

At the end of each reporting period, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows the Group’s credit risk grading framework in respect of financial assets and contract assets:

Categories	Description	Trade receivables/ bills receivables/ contract assets	Other financial assets
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	Lifetime ECL – not credit-impaired	12m ECL
Stage 2	For financial assets where has been a significant increase in credit risk since initial recognition but that are not credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

The tables below detail the credit risk exposure of the Group’s financial assets and contract assets which are subjected to ECL assessment:

The Group

December 31, 2022	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (Note)	24	–	–	–	4,971,880	4,971,880
Bills receivables (Note)	24	–	–	–	200,179	200,179
Contract assets (Note)	26	–	–	–	62,977	62,977
Other receivables	25	708,640	–	–	–	708,640
Receivables at FVTOCI	28	956,502	–	–	–	956,502
Restricted bank deposits	29	294,868	–	–	–	294,868
Cash and cash equivalents	29	2,010,171	–	–	–	2,010,171

December 31, 2023	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (Note)	24	–	–	–	5,440,751	5,440,751
Bills receivables (Note)	24	–	–	–	166,371	166,371
Contract assets (Note)	26	–	–	–	86,890	86,890
Other receivables	25	309,177	–	–	–	309,177
Receivables at FVTOCI	28	995,221	–	–	–	995,221
Restricted bank deposits	29	188,871	–	–	–	188,871
Cash and cash equivalents	29	2,458,333	–	–	–	2,458,333

APPENDIX I

ACCOUNTANTS’ REPORT

December 31, 2024	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Note)	24	–	–	–	6,100,059	6,100,059
Bills receivables (Note)	24	–	–	–	231,037	231,037
Contract assets (Note)	26	–	–	–	191,518	191,518
Other receivables	25	202,627	–	–	–	202,627
Receivables at FVTOCI	28	613,522	–	–	–	613,522
Restricted bank deposits	29	511,253	–	–	–	511,253
Cash and cash equivalents	29	2,675,965	–	–	–	2,675,965

June 30, 2025 (unaudited)	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Note)	24	–	–	–	5,972,579	5,972,579
Bills receivables (Note)	24	–	–	–	98,777	98,777
Contract assets (Note)	26	–	–	–	106,434	106,434
Other receivables	25	555,352	–	–	–	555,352
Receivables at FVTOCI	28	549,208	–	–	–	549,208
Restricted bank deposits	29	809,802	–	–	–	809,802
Cash and cash equivalents	29	2,791,556	–	–	–	2,791,556

The tables below detail the credit risk exposure of the Company’s financial assets and contract assets which are subjected to ECL assessment:

The Company

December 31, 2022	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Note)	24	–	–	–	1,136,460	1,136,460
Bills receivables (Note)	24	–	–	–	37,209	37,209
Contract assets (Note)	26	–	–	–	9,236	9,236
Other receivables	25	2,853,944	–	–	–	2,853,944
Receivables at FVTOCI	28	295,243	–	–	–	295,243
Restricted bank deposits	29	89,821	–	–	–	89,821
Cash and cash equivalents	29	323,545	–	–	–	323,545

APPENDIX I

ACCOUNTANTS’ REPORT

December 31, 2023	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (Note)	24	–	–	–	1,315,026	1,315,026
Bills receivables (Note)	24	–	–	–	77,110	77,110
Contract assets (Note)	26	–	–	–	7,414	7,414
Other receivables	25	3,037,798	–	–	–	3,037,798
Receivables at FVTOCI	28	273,833	–	–	–	273,833
Restricted bank deposits	29	39,835	–	–	–	39,835
Cash and cash equivalents	29	419,643	–	–	–	419,643

December 31, 2024	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (Note)	24	–	–	–	1,700,439	1,700,439
Bills receivables (Note)	24	–	–	–	58,766	58,766
Contract assets (Note)	26	–	–	–	7,547	7,547
Other receivables	25	3,832,660	–	–	–	3,832,660
Receivables at FVTOCI	28	117,811	–	–	–	117,811
Restricted bank deposits	29	415,559	–	–	–	415,559
Cash and cash equivalents	29	321,830	–	–	–	321,830

June 30, 2025 (unaudited)	NOTES	12-month ECLs	Lifetime ECLs			Total gross carrying amount
		Stage 1	Stage 2	Stage 3	Simplified approach	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables (Note)	24	–	–	–	1,724,334	1,724,334
Bills receivables (Note)	24	–	–	–	31,881	31,881
Contract assets (Note)	26	–	–	–	7,520	7,520
Other receivables	25	4,682,646	–	–	–	4,682,646
Receivables at FVTOCI	28	121,088	–	–	–	121,088
Restricted bank deposits	29	624,557	–	–	–	624,557
Cash and cash equivalents	29	550,517	–	–	–	550,517

Note: For trade receivables, bills receivables and contract assets, the Group and the Company has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL.

APPENDIX I

ACCOUNTANTS’ REPORT

On that basis, the ECL allowance as at December 31, 2022, 2023 and 2024 and June 30, 2025 was determined as follows for both trade receivables, bills receivables and contract assets:

The Group

	Trade receivables			Bills receivables			Contract assets		
	Gross carrying amount	ECL allowance	Expected loss rate	Gross carrying amount	ECL allowance	Expected loss rate	Gross carrying amount	ECL allowance	Expected loss rate
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
As at December 31, 2022									
Assessed based on grouping	4,907,221	(430,321)	9%	200,179	(6)	0.003%	62,977	(3,722)	6%
Assessed individual.	64,659	(63,258)	98%	—	—	N/A	—	—	N/A
	<u>4,971,880</u>	<u>(493,579)</u>		<u>200,179</u>	<u>(6)</u>		<u>62,977</u>	<u>(3,722)</u>	
As at December 31, 2023									
Assessed based on grouping	5,354,885	(494,889)	9%	166,371	(6)	0.004%	86,890	(4,733)	5%
Assessed individual.	85,866	(84,585)	99%	—	—	N/A	—	—	N/A
	<u>5,440,751</u>	<u>(579,474)</u>		<u>166,371</u>	<u>(6)</u>		<u>86,890</u>	<u>(4,733)</u>	
As at December 31, 2024									
Assessed based on grouping	5,986,155	(534,606)	9%	231,037	(10)	0.004%	191,518	(8,418)	4%
Assessed individual.	113,904	(96,967)	85%	—	—	N/A	—	—	N/A
	<u>6,100,059</u>	<u>(631,573)</u>		<u>231,037</u>	<u>(10)</u>		<u>191,518</u>	<u>(8,418)</u>	
As at June 30, 2025 (unaudited)									
Assessed based on grouping	5,866,030	(537,779)	9%	98,777	—	N/A	106,434	(5,322)	5%
Assessed individual	106,549	(93,893)	87%	—	—	N/A	—	—	N/A
	<u>5,972,579</u>	<u>(631,672)</u>		<u>98,777</u>	<u>—</u>		<u>106,434</u>	<u>(5,322)</u>	

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Trade receivables			Bills receivables			Contract assets		
	Gross carrying amount	ECL allowance	Expected loss rate	Gross carrying amount	ECL allowance	Expected loss rate	Gross carrying amount	ECL allowance	Expected loss rate
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
As at December 31, 2022									
Assessed based on grouping	1,094,163	(65,220)	6%	37,209	–	N/A	9,236	(462)	5%
Assessed individually	42,297	(40,896)	97%	–	–	N/A	–	–	N/A
	<u>1,136,460</u>	<u>(106,116)</u>		<u>37,209</u>	<u>–</u>		<u>9,236</u>	<u>(462)</u>	
As at December 31, 2023									
Assessed based on grouping	1,257,971	(68,562)	5%	77,110	–	N/A	7,414	(371)	5%
Assessed individually	57,055	(55,775)	98%	–	–	N/A	–	–	N/A
	<u>1,315,026</u>	<u>(124,337)</u>		<u>77,110</u>	<u>–</u>		<u>7,414</u>	<u>(371)</u>	
As at December 31, 2024									
Assessed based on grouping	1,693,872	(114,344)	7%	58,766	–	N/A	7,547	(452)	6%
Assessed individually	6,567	(6,567)	100%	–	–	N/A	–	–	N/A
	<u>1,700,439</u>	<u>(120,911)</u>		<u>58,766</u>	<u>–</u>		<u>7,547</u>	<u>(452)</u>	
As at June 30, 2025 (unaudited)									
Assessed based on grouping	1,717,767	(117,368)	7%	31,881	–	N/A	7,520	(376)	5%
Assessed individually	6,567	(6,567)	100%	–	–	N/A	–	–	N/A
	<u>1,724,334</u>	<u>(123,935)</u>		<u>31,881</u>	<u>–</u>		<u>7,520</u>	<u>(376)</u>	

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) Movement in ECL that has been recognized for trade receivables, bills receivables and contract assets:

The Group

	Trade receivables		Bills receivables	Contract assets	
	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Lifetime ECL not credit- impaired	Lifetime ECL not credit- impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	372,338	42,751	–	4,232	419,321
Impairment losses					
recognized	118,536	20,507	6	371	139,420
Impairment losses reversed	(26,244)	–	–	(1,031)	(27,275)
Write-offs	(6,814)	–	–	–	(6,814)
Exchange alignment	(27,495)	–	–	150	(27,345)
As at December 31, 2022 . .	430,321	63,258	6	3,722	497,307
Impairment losses					
recognized	88,445	21,327	9	1,596	111,377
Impairment losses reversed	(23,809)	–	(9)	(102)	(23,920)
Write-offs	(15,244)	–	–	(483)	(15,727)
Exchange alignment	15,176	–	–	–	15,176
As at December 31, 2023 . .	494,889	84,585	6	4,733	584,213
Impairment losses					
recognized	41,554	61,590	7	3,757	106,908
Impairment losses reversed .	(16,229)	–	(3)	(72)	(16,304)
Write-offs	(3,041)	(26,736)	–	–	(29,777)
Transfer	22,472	(22,472)	–	–	–
Exchange alignment	(5,039)	–	–	–	(5,039)
As at December 31, 2024 . .	534,606	96,967	10	8,418	640,001
Impairment losses					
recognized (unaudited) . .	46,621	7	–	1,044	47,672
Impairment losses reversed					
(unaudited)	(8,756)	–	–	(773)	(9,529)
Write-offs (unaudited) . . .	(3,348)	(3,081)	(10)	–	(6,439)
Exchange alignment					
(unaudited)	(31,344)	–	–	(3,367)	(34,711)
As at June 30, 2025					
(unaudited)	537,779	93,893	–	5,322	636,994

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Trade receivables		Bills receivables	Contract assets	
	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Lifetime ECL not credit- impaired	Lifetime ECL not credit- impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	64,220	20,802	—	700	85,722
Impairment losses					
recognized	1,462	20,094	—	—	21,556
Impairment losses reversed	(462)	—	—	(238)	(700)
Write-offs	—	—	—	—	—
Exchange alignment	—	—	—	—	—
As at December 31, 2022 . .	65,220	40,896	—	462	106,578
Impairment losses					
recognized	9,355	14,879	—	—	24,234
Impairment losses reversed	(6,001)	—	—	(91)	(6,092)
Write-offs	(12)	—	—	—	(12)
Exchange alignment	—	—	—	—	—
As at December 31, 2023 . .	68,562	55,775	—	371	124,708
Impairment losses					
recognized	23,380	—	—	81	23,461
Impairment losses reversed	—	—	—	—	—
Write-offs	(70)	(26,736)	—	—	(26,806)
Transfer	22,472	(22,472)	—	—	—
Exchange alignment	—	—	—	—	—
As at December 31, 2024 . .	114,344	6,567	—	452	121,363
Impairment losses					
recognized (unaudited) . .	16,296	—	—	—	16,296
Impairment losses reversed					
(unaudited)	(16,167)	—	—	(76)	(16,243)
Write-offs (unaudited) . . .	(267)	—	—	—	(267)
Exchange alignment					
(unaudited)	3,162	—	—	—	3,162
As at June 30, 2025					
(unaudited)	117,368	6,567	—	376	124,311

APPENDIX I

ACCOUNTANTS’ REPORT

Liquidity risk

The management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group’s and the Company’s remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group

As at December 31, 2022	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade, bills and other payables	–	5,973,312	–	–	–	5,973,312	5,973,312
Bank and other borrowings							
– fixed rate	3.06%	1,806,224	730,705	164,713	100,651	2,802,293	2,728,717
– variable rate	3.07%	1,351,959	531,954	1,595,980	175,473	3,655,366	3,365,567
Lease liabilities	4.08%	31,909	56,160	49,634	85,885	223,588	173,425
Financial liabilities at FVTPL	–	1,619	–	–	–	1,619	1,619
Other non-current liabilities	–	9,777	–	–	–	9,777	9,777
		<u>9,174,800</u>	<u>1,318,819</u>	<u>1,810,327</u>	<u>362,009</u>	<u>12,665,955</u>	<u>12,252,417</u>
As at December 31, 2023							
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade, bills and other payables	–	6,489,542	–	–	–	6,489,542	6,489,542
Bank and other borrowings							
– fixed rate	2.85%	1,183,741	1,090,781	396,509	86,709	2,757,740	2,663,799
– variable rate	2.66%	1,316,758	1,339,532	801,877	122,499	3,580,666	3,376,467
Lease liabilities	4.59%	20,836	23,695	57,233	88,588	190,352	156,432
Financial liabilities at FVTPL	–	221	–	–	–	221	221
Other non-current liabilities	–	3,154	–	–	–	3,154	3,154
		<u>9,014,252</u>	<u>2,454,008</u>	<u>1,255,619</u>	<u>297,796</u>	<u>13,021,675</u>	<u>12,689,615</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2024	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables	–	6,710,128	–	–	–	6,710,128	6,710,128
Bank and other borrowings							
– fixed rate	2.19%	2,064,193	314,649	119,059	6,333	2,504,234	2,466,446
– variable rate	3.59%	2,442,766	1,460,864	569,718	99,420	4,572,768	4,401,087
Lease liabilities	4.34%	30,475	20,197	33,132	72,533	156,337	121,652
Financial liabilities at FVTPL	–	189	–	–	–	189	189
Other non-current liabilities	–	202	–	–	–	202	202
		11,247,953	1,795,710	721,909	178,286	13,943,858	13,699,704

As at June 30, 2025 (unaudited)	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables	–	6,226,116	–	–	–	6,226,116	6,226,116
Bank and other borrowings							
– fixed rate	1.81%	1,808,882	643	488	–	1,810,013	1,796,875
– variable rate	2.79%	3,380,966	1,286,165	411,089	–	5,078,220	4,961,378
Lease liabilities	3.45%	37,578	22,736	43,902	5,368	109,584	104,988
Financial liabilities at FVTPL	–	2,161	–	–	–	2,161	2,161
		11,455,703	1,309,544	455,479	5,368	13,226,094	13,091,518

The Company

As at December 31, 2022	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables	–	3,520,554	–	–	–	3,520,554	3,520,554
Bank and other borrowings							
– fixed rate	3.35%	1,386,403	651,470	125,230	–	2,163,103	2,109,500
– variable rate	3.86%	1,012,322	431,622	143,764	–	1,587,708	1,529,762
Lease liabilities	5.00%	1,737	–	–	–	1,737	1,701
Financial liabilities at FVTPL	–	800	–	–	–	800	800
		5,921,816	1,083,092	268,994	–	7,273,902	7,162,317

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2023	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables	–	4,124,024	–	–	–	4,124,024	4,124,024
Bank and other borrowings							
– fixed rate	3.09%	850,189	1,025,094	359,538	–	2,234,821	2,155,500
– variable rate	3.27%	1,035,068	148,010	556,199	–	1,739,277	1,666,500
Lease liabilities	5.00%	277	–	–	–	277	273
		<u>6,009,558</u>	<u>1,173,104</u>	<u>915,737</u>	<u>–</u>	<u>8,098,399</u>	<u>7,946,297</u>
As at December 31, 2024	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables	–	4,986,847	–	–	–	4,986,847	4,986,847
Bank and other borrowings							
– fixed rate	3.10%	1,255,489	298,480	–	–	1,553,969	1,529,000
– variable rate	2.81%	1,246,849	1,152,391	450,906	–	2,850,146	2,748,800
Lease liabilities	5.00%	3,072	–	–	–	3,072	2,925
		<u>7,492,257</u>	<u>1,450,871</u>	<u>450,906</u>	<u>–</u>	<u>9,394,034</u>	<u>9,267,572</u>
As at June 30, 2025 (unaudited)	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables	–	5,444,725	–	–	–	5,444,725	5,444,725
Bank and other borrowings							
– fixed rate	2.88%	499,691	–	–	–	499,691	495,000
– variable rate	2.70%	2,253,467	1,145,690	411,089	–	3,810,246	3,701,300
Lease liabilities	2.4%	13,242	10,242	26,355	–	49,839	47,306
		<u>8,211,125</u>	<u>1,155,932</u>	<u>437,444</u>	<u>–</u>	<u>9,804,501</u>	<u>9,688,331</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value measurements of financial instruments

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

- (i) *Fair value of the Group’s and the Company’s financial assets and liabilities that are measured at fair value on a recurring basis*

Some of the Group’s and the Company’s financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group

	Fair value				Fair value hierarchy	Valuation technique and key inputs	Significant unobservable
	As at December 31,			As at			
	2022	2023	2024	June 30, 2025			
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)			
Financial assets:							
Receivables at FVTOCI	956,502	995,221	613,522	549,208	Level 2	Discounted cash flow method using the discount rate that reflected the credit risk of the corresponding banks which are observable	N/A
Financial assets at FVTPL – Listed equity investments . . .	5,476	14,404	181,971	229,753	Level 1	Quoted bid price in an active market	N/A
Financial assets at FVTPL – Derivatives	–	–	–	3,769	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A
Financial assets at FVTPL – Fund and non-listed equity investments	674,678	844,039	927,088	981,525	Level 3	Market approach – by applying market multiples from comparable companies adjusted by marketability discount	Price earnings ratio and discount for lack of marketability
Financial liabilities:							
Financial liabilities at FVTPL – derivative financial liabilities	1,619	221	189	2,161	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates discounted at a rate that reflects the credit risk of the banks	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Fair value				Fair value hierarchy	Valuation technique and key inputs	Significant unobservable	
	As at December 31,			As at June 30,				
	2022	2023	2024	2025				
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)				
Financial assets:								
Receivables at FVTOCI	295,243	273,833	117,811	121,088	Level 2	Discounted cash flow method using the discount rate that reflected the credit risk of the corresponding banks which are observable	N/A	
Financial assets at FVTPL – Listed equity investments . . .	5,476	14,177	167,020	203,513	Level 1	Quoted bid price in an active market	N/A	
Financial assets at FVTPL – Derivatives	–	–	–	3,259	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A	
Financial assets at FVTPL – Fund and non-listed equity investments	667,890	837,821	921,126	974,943	Level 3	Market approach – by applying market multiples from comparable companies adjusted by marketability discount	Price earnings ratio and discount for lack of marketability	
Financial liabilities:								
Financial liabilities at FVTPL – derivative financial liabilities .	800	–	–	–	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks	N/A	

There were no transfers between level 1 and 2 during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) *Reconciliation of Level 3 fair value measurements*

The Group

	Financial assets at FVTPL – Fund and non-listed equity investments
	<i>RMB’000</i>
As at January 1, 2022	678,588
Additions	90
Changes in fair value through profit or loss	(2,897)
Exchange adjustment	(1,103)
As at December 31, 2022	674,678
Additions	100,840
Changes in fair value through profit or loss	69,647
Disposals	(1,440)
Exchange adjustment	314
As at December 31, 2023	844,039
Additions	1,750
Changes in fair value through profit or loss	81,541
Exchange adjustment	(242)
As at December 31, 2024	927,088
Additions (unaudited)	101,650
Changes in fair value through profit or loss (unaudited)	(11,161)
Disposals (unaudited)	(36,688)
Exchange adjustment (unaudited)	636
As at June 30, 2025 (unaudited)	981,525

The Company

	Financial assets at FVTPL – Fund and non-listed equity investments
	<i>RMB’000</i>
As at January 1, 2022	670,787
Changes in fair value through profit or loss	(2,897)
As at December 31, 2022	667,890
Additions	100,442
Changes in fair value through profit or loss	69,489
As at December 31, 2023	837,821
Additions	1,750
Changes in fair value through profit or loss	81,555
As at December 31, 2024	921,126
Additions (unaudited)	101,650
Changes in fair value through profit or loss (unaudited)	(11,145)
Disposals (unaudited)	(36,688)
As at June 30, 2025 (unaudited)	974,943

APPENDIX I

ACCOUNTANTS’ REPORT

- (iii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information and the Stub Period Financial Information approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

48. RELATED PARTY DISCLOSURES

In addition to the related party transactions and balances disclosed elsewhere in the Historical Financial Information and Stub Period Financial Information, the Group had the following significant transactions and balances with related parties.

(a) Related party transactions

i. Sales of products and service

Relationship		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Wolong Holding* and its subsidiaries	(i)	19,599	27,421	27,936	13,207	2,016
Wolong New Energy* and its subsidiaries	(ii)	298	136	1,231	365	4,933
		<u>19,897</u>	<u>27,557</u>	<u>29,167</u>	<u>13,572</u>	<u>6,949</u>

ii. Purchase of service

Relationship		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Wolong Holding* and its subsidiaries	(i)	8,581	24,909	29,892	12,187	7,667
Wolong New Energy* and its subsidiaries	(ii)	8,504	130,915	14,514	6,812	18,154
		<u>17,085</u>	<u>155,824</u>	<u>44,406</u>	<u>18,999</u>	<u>25,821</u>

iii. Lease – Rental income

Relationship		Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Wolong Holding* and its subsidiaries	(i)	476	476	476	238	2,053
Wolong New Energy* and its subsidiaries	(ii)	476	479	476	238	1,538
		<u>952</u>	<u>955</u>	<u>952</u>	<u>476</u>	<u>3,591</u>

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

iv. Lease – Short-term lease expense

Relationship	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Wolong New Energy* and its subsidiaries (ii)	73	122	46	–	271

v. Lease – Interest expenses on lease liabilities

Relationship	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Wolong Holding* and its subsidiaries (i)	1,970	–	–	–	–
Wolong New Energy* and its subsidiaries (ii)	–	–	–	–	457
	1,970	–	–	–	457

The lease repayments of approximately RMB27,780,000 were made for the year ended December 31, 2022. Included in the lease repayments there were interests paid of approximately RMB1,970,000.

The lease repayments of approximately RMB5,544,000 were made for the year ended June 30, 2025. Included in the lease repayments there were interests paid of approximately RMB457,000.

vi. Capital injection

During the year ended December 31, 2022, Shanghai Wolong Asset Management Co., Ltd.* (上海臥龍資產管理有限公司), a subsidiary of Wolong Holding*, injected capital of approximately RMB2,200,000 into Zhejiang Longneng, a subsidiary of the Group.

vii. Disposal of financial assets at FVTPL

During the six months ended June 30, 2025, the Group disposed of its investment in Zhejiang Longxin Equity Investment Partnership (Limited Partnership)* (浙江龍信股權投資合夥企業(有限合夥)) to Wolong Holding for a consideration of approximately RMB36,688,000.

viii. Disposal of subsidiaries

During the year ended December 31, 2022, the Group disposed of interest in Shanghai Mining to Wolong New Energy.

During the six months ended June 30, 2025, the Group disposed of interest in Shaoxing Shunfeng, Zhejiang Enapter, Zhejiang Chuneng and Zhejiang Longneng to Wolong New Energy.

For details, please refer to note 40 to the Historical Financial Information.

* English name is for identification purpose.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Related party balances of the Group

i. Trade receivables

	Relationship	As at December 31,			As at
		2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
					(unaudited)
Wolong Holding* and its subsidiaries	(i)	6,144	6,162	4,799	576
Wolong New Energy* and its subsidiaries	(ii)	–	–	219	5,233
		<u>6,144</u>	<u>6,162</u>	<u>5,018</u>	<u>5,809</u>

These amounts mentioned above are included in the Group’s trade and bills receivables as set out in note 24.

ii. Other receivables

	Relationship	As at December 31,			As at
		2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
					(unaudited)
Wolong Holding* and its subsidiaries (臥龍控股及其子公司)	(i)	–	13	228	–
Wolong New Energy* and its subsidiaries	(ii)	–	–	–	354,755
		<u>–</u>	<u>13</u>	<u>228</u>	<u>354,755</u>

These amounts mentioned above are included in the Group’s prepayments and other receivables as set out in note 25.

iii. Prepayments

	Relationship	As at December 31,			As at
		2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
					(unaudited)
Wolong Holding* and its subsidiaries (臥龍控股及其子公司)	(i)	–	3,003	1,953	134
Wolong New Energy* and its subsidiaries	(ii)	127,640	–	–	–
		<u>127,640</u>	<u>3,003</u>	<u>1,953</u>	<u>134</u>

These amounts mentioned above are included in the Group’s prepayments and other receivables as set out in note 25.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

iv. Contract assets

	Relationship	As at December 31,			As at
		2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
Wolong New Energy* and its subsidiaries	(ii)	–	–	–	37

v. Trade payables

	Relationship	As at December 31,			As at
		2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
Wolong Holding* and its subsidiaries	(i)	1,498	11,694	16,636	3,832
Wolong New Energy* and its subsidiaries	(ii)	281	–	–	3,041
Wolong Electric Yinchuan Transformer Co., Ltd.* (臥龍電氣銀川變壓器有限公司).	(iii)	1,417	1,417	–	–
		3,196	13,111	16,636	6,873

These amounts mentioned above are included in the Group’s trade, bills and other payables as set out in note 30.

vi. Bills payable

	Relationship	As at December 31,			As at
		2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
Wolong Holding* and its subsidiaries	(i)	–	590	–	–

vii. Other payables

	Relationship	As at December 31,			As at
		2022	2023	2024	June 30,
		RMB'000	RMB'000	RMB'000	2025
Wolong Holding* and its subsidiaries	(i)	–	505	1,092	544
Wolong New Energy* and its subsidiaries	(ii)	–	335	433	–
		–	840	1,525	544

These amounts mentioned above are included in the Group’s trade, bills and other payables as set out in note 30.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Related party guarantees

(i) The Group’s provision of guarantees for related parties as below:

Year ended December 31, 2022

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
RMB'000							
The Company	Wolong Holding*	(i)	117,000	RMB	August 26, 2021	February 24, 2022	Yes
The Company	Wolong Holding*	(i)	250,000	RMB	March 11, 2021	March 10, 2022	Yes
The Company	Wolong Holding*	(i)	100,000	RMB	April 7, 2020	April 6, 2022	Yes
The Company	Wolong Holding*	(i)	100,000	RMB	May 14, 2021	May 13, 2022	Yes
The Company	Wolong Holding*	(i) & (vii)	110,000	RMB	November 19, 2021	November 19, 2023	Yes
The Company	Wolong Holding*	(i) & (vii)	119,000	RMB	February 25, 2022	February 25, 2024	Yes
The Company	Wolong Holding*	(i)	55,000	RMB	April 7, 2021	December 31, 2022	No
The Company	Wolong Holding*	(i)	140,000	RMB	March 24, 2021	March 17, 2023	No
The Company	Wolong Holding*	(i)	50,000	RMB	April 21, 2021	April 20, 2023	No
The Company	Wolong Holding*	(i)	220,000	RMB	November 3, 2021	September 8, 2023	No
The Company	Wolong Holding*	(i)	250,000	RMB	March 30, 2022	March 29, 2024	No
The Company	Wolong Holding*	(i)	330,000	RMB	June 29, 2022	August 29, 2023	No

Year ended December 31, 2023

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
RMB'000							
The Company	Wolong Holding*	(i)	140,000	RMB	March 24, 2021	March 17, 2023	Yes
The Company	Wolong Holding*	(i)	50,000	RMB	April 21, 2021	April 20, 2023	Yes
The Company	Wolong Holding*	(i)	220,000	RMB	November 3, 2021	September 8, 2023	Yes
The Company	Wolong Holding*	(i)	250,000	RMB	March 30, 2022	March 29, 2024	No
The Company	Wolong Holding*	(i)	330,000	RMB	June 29, 2022	August 29, 2023	Yes
The Company	Wolong Holding*	(i)	140,000	RMB	May 29, 2023	March 21, 2025	No
The Company	Wolong Holding*	(i)	50,000	RMB	May 29, 2023	April 19, 2025	No
The Company	Wolong Holding*	(i)	330,000	RMB	September 19, 2023	September 19, 2025	No
The Company	Wolong Holding*	(i)	55,000	RMB	April 7, 2021	December 31, 2022	Yes

Year ended December 31, 2024

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
RMB'000							
The Company	Wolong Holding*	(i)	250,000	RMB	March 30, 2022	March 29, 2024	Yes
The Company	Wolong Holding*	(i)	140,000	RMB	May 29, 2023	March 21, 2025	No
The Company	Wolong Holding*	(i)	50,000	RMB	May 29, 2023	April 19, 2025	No
The Company	Wolong Holding*	(i)	330,000	RMB	September 19, 2023	September 19, 2025	No
The Company	Wolong Holding*	(i)	250,000	RMB	May 23, 2024	May 23, 2026	No

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended June 30, 2025

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
RMB'000							
The Company	Wolong Holding*	(i)	140,000	RMB	May 27, 2025	May 27, 2026	No
The Company	Wolong Holding*	(i)	50,000	RMB	May 27, 2025	May 27, 2026	No
The Company	Wolong Holding*	(i)	330,000	RMB	Sep 19, 2023	Sep 19, 2025	No
The Company	Wolong Holding*	(i)	250,000	RMB	May 23, 2024	May 23, 2026	No
The Company	Zhejiang Longneng*	(i) & (v)	100,000	RMB	Dec 29, 2020	Dec 28, 2026	No
The Company	Zhejiang Longneng*	(i) & (v)	50,000	RMB	May 25, 2021	Dec 28, 2026	No
The Company	Zhejiang Longneng*	(i) & (v)	100,000	RMB	Nov 22, 2021	Nov 22, 2028	No
The Company	Duchang Longenergy Power Development Co., Ltd.* (都昌縣龍能電力發展有限公司)	(ii) & (x) & (xiii)	200,000	RMB	Nov 30, 2019	Nov 29, 2022	Yes
The Company	Zhejiang Chuneng*	(ii) & (xi)	52,000	RMB	May 15, 2024	May 14, 2025	Yes
The Company	Zhejiang Chuneng*	(ii) & (xi)	80,000	RMB	Nov 19, 2024	Nov 19, 2026	No
The Company	Wolong Holding*	(i)	140,000	RMB	May 29, 2023	Mar 21, 2025	Yes
The Company	Wolong Holding*	(i)	50,000	RMB	May 29, 2023	Apr 19, 2025	Yes

(ii) Provision of guarantees by related parties of the Group as:

Year ended December 31, 2022

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
RMB'000							
Wolong Holding*	The Company	(i)	210,000	RMB	June 27, 2018	June 20, 2022	Yes
Wolong Holding*	The Company	(i)	200,000	RMB	September 27, 2021	September 26, 2022	Yes
Wolong Holding*	The Company	(i)	14,400	RMB	January 12, 2022	July 12, 2022	Yes
Wolong Holding*	The Company	(i)	15,556	RMB	March 17, 2022	September 17, 2022	Yes
Wolong Holding*	The Company	(i)	180,000	RMB	February 9, 2021	February 8, 2023	No
Wolong Holding*	The Company	(i)	720,000	RMB	March 1, 2021	March 1, 2023	No
Wolong Holding*	The Company	(i)	500,000	RMB	May 27, 2020	May 26, 2023	No
Wolong Holding*	The Company	(i)	672,000	RMB	July 5, 2016	June 21, 2023	No
Wolong Holding*	The Company	(i)	42,000	US\$	June 27, 2018	May 20, 2025	No
Wolong Holding*	The Company	(i)	43,000	RMB	March 30, 2022	March 29, 2023	No
Wolong Holding*	The Company	(i)	50,000	RMB	June 29, 2022	June 19, 2023	No
Wolong Holding*	The Company	(i)	200,000	RMB	August 31, 2022	August 30, 2024	No
Wolong Holding*	The Company	(i)	220,000	RMB	September 23, 2022	September 22, 2024	No
Wolong Holding*	The Company	(i)	100,000	RMB	September 16, 2022	September 13, 2025	No
Wolong Holding* & the Company	Wolong Italy Holding Group S.R.L. (“Wolong Italy Holding”)	(i) & (vi)	34,000	EUR	December 15, 2015	September 20, 2022	Yes
Wolong Holding* & the Company	Wolong Nanyang Group*	(i) & (iv)	400,000	RMB	November 21, 2016	October 15, 2022	Yes
Wolong Holding*	Zhejiang Longneng*	(i) & (v)	80,000	RMB	June 29, 2015	June 29, 2030	No
Wolong Holding*	Zhejiang Longneng*	(i) & (v)	68,000	RMB	January 21, 2016	January 21, 2030	No

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2023

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
RMB'000							
Wolong Holding* . . .	The Company	(i)	672,000	RMB	July 5, 2016	June 21, 2023	Yes
Wolong Holding* . . .	The Company	(i) & (viii)	42,000	US\$	June 27, 2018	May 20, 2025	Yes
Wolong Holding* . . .	The Company	(i)	500,000	RMB	May 27, 2020	May 26, 2023	Yes
Wolong Holding* . . .	The Company	(i)	180,000	RMB	February 9, 2021	February 8, 2023	Yes
Wolong Holding* . . .	The Company	(i)	720,000	RMB	March 1, 2021	March 1, 2023	Yes
Wolong Holding* . . .	The Company	(i)	43,000	RMB	March 30, 2022	March 29, 2023	Yes
Wolong Holding* . . .	The Company	(i)	50,000	RMB	June 29, 2022	June 19, 2023	Yes
Wolong Holding* . . .	The Company	(i)	200,000	RMB	August 31, 2022	August 30, 2024	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	September 16, 2022	September 13, 2025	No
Wolong Holding* . . .	The Company	(i)	220,000	RMB	September 23, 2022	September 22, 2024	No
Wolong Holding* . . .	The Company	(i)	180,000	RMB	February 8, 2023	February 7, 2025	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	March 24, 2023	March 23, 2025	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	February 21, 2023	February 20, 2025	No
Wolong Holding* . . .	The Company	(i)	500,000	RMB	June 21, 2023	June 20, 2026	No
Wolong Holding* . . .	The Company	(i) & (ix)	669,000	RMB	March 1, 2023	August 23, 2023	No
Wolong Holding* . . .	The Company	(i)	57,000	RMB	January 1, 2023	December 31, 2024	No
Wolong Holding* . . .	The Company	(i)	43,000	RMB	April 10, 2023	April 9, 2025	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	July 21, 2023	January 20, 2025	No
Wolong Holding* . . .	The Company & Wolong Nanyang Group*	(i) & (iv)	500,000	RMB	April 28, 2023	April 27, 2028	No
Wolong Holding* . . .	Zhejiang Longneng*	(i) & (v)	80,000	RMB	June 29, 2015	June 29, 2030	No
Wolong Holding* . . .	Zhejiang Longneng*	(i) & (v)	68,000	RMB	January 21, 2016	January 21, 2030	No

Year ended December 31, 2024

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
RMB'000							
Wolong Holding* . . .	The Company	(i)	200,000	RMB	August 31, 2022	August 30, 2024	Yes
Wolong Holding* . . .	The Company	(i)	100,000	RMB	September 16, 2022	September 13, 2025	No
Wolong Holding* . . .	The Company	(i)	220,000	RMB	September 23, 2022	September 22, 2024	Yes
Wolong Holding* . . .	The Company	(i)	180,000	RMB	February 8, 2023	February 7, 2025	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	March 24, 2023	March 23, 2025	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	February 21, 2023	February 20, 2025	No
Wolong Holding* . . .	The Company	(i)	500,000	RMB	June 21, 2023	June 20, 2026	No
Wolong Holding* . . .	The Company & Wolong Nanyang Group*	(i) & (iv)	500,000	RMB	April 28, 2023	April 27, 2028	No
Wolong Holding* . . .	The Company	(i) & (viii)	669,000	RMB	March 1, 2023	August 23, 2023	Yes
Wolong Holding* . . .	The Company	(i)	57,000	RMB	January 1, 2023	December 31, 2024	Yes
Wolong Holding* . . .	The Company	(i)	43,000	RMB	April 10, 2023	April 9, 2025	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	July 21, 2023	January 20, 2025	No

APPENDIX I

ACCOUNTANTS’ REPORT

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
			RMB'000				
Wolong Holding* . . .	The Company	(i)	325,000	RMB	January 15, 2024	January 15, 2026	No
Wolong Holding* . . .	The Company	(i)	300,000	RMB	June 26, 2024	September 26, 2029	No
Wolong Holding* . . .	The Company	(i)	220,000	RMB	September 19, 2024	September 18, 2026	No
Wolong Holding* . . .	The Company	(i)	150,000	RMB	August 20, 2024	August 19, 2026	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	August 23, 2024	August 22, 2026	No
Wolong Holding* . . .	Zhejiang Longneng*	(i) & (v)	80,000	RMB	June 29, 2015	June 29, 2030	No
Wolong Holding* . . .	Zhejiang Longneng*	(i) & (v)	68,000	RMB	January 21, 2016	January 21, 2030	No

Six months ended June 30, 2025

Guarantors	Guaranteed parties	Relationship	Amounts	Currency	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
			RMB'000				
Wolong Holding* . . .	The Company	(i)	500,000	RMB	Apr 28, 2023	Apr 27, 2028	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Sep 16, 2022	Sep 13, 2025	No
Wolong Holding* . . .	The Company	(i)	220,000	RMB	Sep 19, 2024	Sep 18, 2026	No
Wolong Holding* . . .	The Company	(i)	150,000	RMB	Aug 20, 2024	Aug 19, 2026	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Aug 23, 2024	Aug 22, 2026	No
Wolong Holding* . . .	The Company	(i)	500,000	RMB	Jun 21, 2023	Jun 20, 2026	No
Wolong Holding* . . .	The Company	(i)	300,000	RMB	Jun 26, 2024	Jun 26, 2029	No
Wolong Holding* . . .	The Company	(i)	180,000	RMB	Feb 8, 2023	Feb 7, 2025	Yes
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Mar 24, 2023	Mar 23, 2025	Yes
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Feb 21, 2023	Feb 20, 2025	Yes
Wolong Holding* . . .	The Company	(i)	43,000	RMB	Apr 10, 2023	Apr 9, 2025	Yes
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Jul 21, 2023	Jan 20, 2025	Yes
Wolong Holding* . . .	The Company	(i)	325,000	RMB	Jan 15, 2024	Jan 15, 2026	Yes
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Jan 16, 2025	Jan 15, 2027	No
Wolong Holding* . . .	The Company	(i)	80,000	RMB	Feb 7, 2025	Feb 6, 2027	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Feb 10, 2025	Feb 9, 2027	No
Wolong Holding* . . .	The Company	(i)	100,000	RMB	Mar 13, 2025	Mar 12, 2027	No

Notes:

- (i) Wolong Holding was the controlling shareholder of the Company. Wolong Holding and its subsidiaries excluding Wolong New Energy and its subsidiaries.
- (ii) Wolong New Energy* is a subsidiary of its controlling shareholder namely Wolong Holding during the Relevant Periods and the six months ended June 30, 2025.

Duchang Longenergy Power Development Co., Ltd.* (都昌縣龍能電力發展有限公司) and Zhejiang Chuneng are subsidiaries of Wolong New Energy since March 2025.
- (iii) This entity was a subsidiary of an associate of the Group during the period from December 31, 2022 to July 26, 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

- (iv) Wolong Nanyang Group is a subsidiary of the Company.
- (v) Zhejiang Longneng was a subsidiary of the Company until its disposal in March 2025. The details of the disposal are disclosed in note 40 to the Historical Financial Information.
- (vi) Wolong Italy Holding is a subsidiary of the Company.
- (vii) In 2022, Wolong Holding fully repaid the outstanding loan, resulting in the release of the Company’s related guarantee obligation as at December 31, 2022.
- (viii) In 2023, the Company fully repaid the outstanding loan, resulting in the release of the Wolong Holding’s related guarantee obligation as at December 31, 2023.
- (ix) The original guarantee contract expired on August 23, 2023. As at December 31, 2023, the loan remained outstanding and Wolong Holding’s guarantee obligation was consequently still in effect. The guarantee was fully released in 2024 upon the Company’s complete repayment of the loan.
- (x) Duchang Longenergy Power Development Co., Ltd.* (都昌縣龍能電力發展有限公司) is a subsidiary of the Zhejiang Longneng, Zhejiang Longneng was a subsidiary of the Company until its disposal in March 2025.
- (xi) Zhejiang Chuneng was a subsidiary of the Company until its disposal in March 2025.
- (xii) Wolong Energy Storage (Baotou) Technology Co., Ltd.* (臥龍儲能(包頭)科技有限公司) is a subsidiary of Zhejiang Chuneng.
- (xiii) The original guarantee contract expired on November 29, 2022, the loan remains outstanding and Wolong Holding’s guarantee obligation is consequently still in effect.

* English name is for identification purpose

(d) Compensation of key management personnel

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Salaries and other benefits	7,495	8,442	8,994	5,223	5,544
Retirement benefits scheme contributions	242	275	334	170	176
Discretionary performance related bonus	1,094	1,436	1,281	652	1,620
Share-based payments	8,183	3,793	8,211	–	–
	<u>17,014</u>	<u>13,946</u>	<u>18,820</u>	<u>6,045</u>	<u>7,340</u>

The remuneration of key management personnel (being Chairman and director of the Company and other key management of the Group), is determined with reference to the performance of individuals and market trends.

APPENDIX I

ACCOUNTANTS’ REPORT

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Authorized share/registered capital	Equity interest attributable to the Company										Principal activities	Notes
			As at December 31, 2022		As at December 31, 2023		As at December 31, 2024		As at June 30, 2025		As at the date of this report			
			direct	indirect	direct	indirect	direct	indirect	direct	indirect	direct	indirect		
Wolong ZF Automotive Motor Co., Ltd.* (臥龍采埃孚汽車電機有限公司)	The PRC, December 18, 2020	RMB412,106,154	74.00%	-	74.00%	-	74.00%	-	74.00%	-	[●]	[●]	R&D, manufacturing and sales of electric drive products	(a)
Wolong Nanyang Group*	The PRC, March 3, 1998	RMB337,960,000	100.00%	-	100.00%	-	100.00%	-	100.00%	-	[●]	[●]	R&D, manufacturing and sales of electric drive products	(a)
Shaoxing OLI*	The PRC, June 30, 1999	USD48,348,100	54.00%	41.86%	54.00%	41.86%	54.00%	41.86%	54.00%	41.86%	[●]	[●]	R&D, manufacturing and sales of electric drive products	(b)
Wolong Huian*	The PRC, August 7, 2003	RMB359,000,000	-	100.00%	-	100.00%	-	100.00%	-	100.00%	[●]	[●]	R&D, manufacturing and sales of electric drive products	(c)
Wolong Electric (Jinan) Motor Co., Ltd.* (臥龍電氣(濟南)電機有限公司)	The PRC, January 30, 1994	RMB202,890,000	-	70.00%	-	70.00%	-	70.00%	-	70.00%	[●]	[●]	R&D, manufacturing and sales of electric drive products	(a)

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Authorized share/registered capital	Equity interest attributable to the Company										Principal activities	Notes
			As at December 31, 2022		As at December 31, 2023		As at December 31, 2024		As at June 30, 2025		As at the date of this report			
			direct	indirect	direct	indirect	direct	indirect	direct	indirect	direct	indirect		
Wolong Liaoning*	The PRC, February 22, 2011	RMB100,000,000	90.44%	9.56%	94.92%	5.08%	94.92%	5.08%	94.92%	5.08%	●	●	R&D, manufacturing and sales of converters	(d)
Wolong (Zhejiang) Enterprise Headquarters Management Co., Ltd.* (臥龍(浙江)企業總部管理有限公司)	The PRC, October 19, 2022	RMB100,000,000	-	100.00%	-	100.00%	-	100.00%	-	100.00%	●	●	Corporate services	(e)
Wolong Electric Group Supply Chain Management Co., Ltd.* (臥龍電氣集團供應鏈管理有限公司)	The PRC, February 22, 2018	RMB50,000,000	100.00%	-	100.00%	-	100.00%	-	100.00%	-	●	●	Procurement and sales of main materials for electric drive products	(k)
Wolong Nanyang Industrial*	The PRC, March 31, 1998	RMB50,000,000	-	100.00%	-	100.00%	-	100.00%	-	100.00%	●	●	R&D, manufacturing and sales of electric drive products	(f)
Hong Kong Wolong Holding Group Co., Ltd.* (香港臥龍控股集團有限公司)	Hong Kong, August 29, 2011	USD100,000,000	100.00%	-	100.00%	-	100.00%	-	100.00%	-	●	●	Investment holding	(g)
OLI S.P.A.	Italy, July 31, 1998	EUR1,190,000	-	91.00%	-	91.00%	-	91.00%	-	91.00%	●	●	R&D, manufacturing and sales of electric drive products	(h)

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Authorized share/registered capital	Equity interest attributable to the Company										Principal activities	Notes
			As at December 31, 2022		As at December 31, 2023		As at December 31, 2024		As at June 30, 2025		As at the date of this report			
			direct	indirect	direct	indirect	direct	indirect	direct	indirect	direct	indirect		
Wolong Italy Holding	Italy, October 20, 2015	EUR11,000	-	100.00%	-	100.00%	-	100.00%	-	100.00%	●	●	Investment holding	(h)
Wolong Electric Industrial Motors, S. DE R.L. DE C.V.	Mexico, April 7, 1995	MXN1,267,346,985	-	100.00%	-	100.00%	-	100.00%	-	100.00%	●	●	R&D, manufacturing and sales of electric drive products	(i)
Wolong Electric (Vietnam) Co., Ltd.	Vietnam, December 4, 2017	US\$10,000,000	-	100.00%	-	100.00%	-	100.00%	-	100.00%	●	●	R&D, manufacturing and sales of electric drive products	(j)
Wolong Electric America LLC	United States, February 15, 2018	US\$80,000,000	-	100.00%	-	100.00%	-	100.00%	-	100.00%	●	●	Investment holding and sales of electric drive products	(k)
Wolong America Holding LLC	United States, February 15, 2018	US\$80,000,000	100.00%	-	100.00%	-	100.00%	-	100.00%	-	●	●	Investment holding	(k)

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (a) The statutory financial statements of these entities for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by SHINEWING Certified Public Accountants LLP* (信永中和會計師事務所 (特殊普通合伙)) for the years ended December 31, 2022, 2023 and 2024, Certified Public Accountants registered in the PRC.
- (b) The statutory financial statements of these entities for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Shaoxing Tongji Certified Public Accountants Co., Ltd.* (紹興同濟會計師事務所有限公司) for the years ended December 31, 2022, 2023 and 2024, Certified Public Accountants registered in the PRC.
- (c) The statutory financial statements of this entity for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises. They were audited by Jiangsu Yicheng Certified Public Accountants (General Partnership)* (江蘇益誠會計師事務所 (普通合伙)) for the years ended December 31, 2022 and 2023 and Nanjing Hengyu Certified Public Accountants (General Partnership)* (南京衡譽會計師事務所 (普通合伙)) for the year ended December 31, 2024, Certified Public Accountants registered in the PRC.
- (d) The statutory financial statements of this entity for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Anshan Zhongkehua Certified Public Accountants Co., Ltd.* (鞍山中科華會計師事務所有限公司) for the years ended December 31, 2022, 2023 and 2024, Certified Public Accountants registered in the PRC.
- (e) No audited statutory financial statements were prepared for this entity for the year ended December 31, 2022 as there are no statutory audit requirements. The financial statements of this entity for the year ended December 31, 2023 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Shaoxing Tongji Certified Public Accountants Co., Ltd.* (紹興同濟會計師事務所有限公司), Certified Public Accountants registered in the PRC.
- (f) The statutory financial statements of this entity for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises. They were audited by Henan Ranxing Certified Public Accountants (General Partnership)* (河南冉星會計師事務所 (普通合伙)) for the year ended December 31, 2022 and Shenzhen Zhixin Certified Public Accountants (General Partnership)* (深圳市知信會計師事務所 (普通合伙)) for the years ended December 31, 2023 and 2024, Certified Public Accountants registered in the PRC.
- (g) The statutory financial statements of this entity for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by SHINEWING (HK) CPA Limited for the years ended December 31, 2022, 2023 and 2024, Certified Public Accountants, Hong Kong.

APPENDIX I

ACCOUNTANTS’ REPORT

- (h) The statutory financial statements of these entities for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with Italian Generally Accepted Accounting Principles and were audited by BDO Italia S.p.A. for the years ended December 31, 2022, 2023 and 2024, Certified Public Accountants, Italy.
- (i) The statutory financial statements of this entity for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with Mexican Financial Reporting Standards and audited by Mazars Auditors, S. de R.L. de C.V. for the years ended December 31, 2022, 2023 and 2024, Certified Public Accountants, Mexico.
- (j) The statutory financial statements of this entity for the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with Vietnamese Accounting Standards and audited by CÔNG TY TNHH HĂNG KIỂM TOÁN VÀ TƯ VẤN IPA for the years ended December 31, 2022, 2023 and 2024, Certified Public Accountants, Vietnam.
- (k) No audited statutory financial statements were prepared for these entities for the years ended December 31, 2022, 2023 and 2024, where applicable, as there are no statutory audit requirements.
- (l) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

* *English name is for identification purpose*

The financial year end date for all the subsidiaries above are same as the Company. None of the subsidiaries had issued any debt securities at the end of each reporting period during the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

50. INVESTMENTS IN SUBSIDIARIES

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				(unaudited)
Cost of investments, unlisted shares.	5,916,465	6,311,350	6,464,197	5,854,667

51. MOVEMENTS OF THE COMPANY’S RESERVES

	Treasury share	Capital reserve	Statutory surplus reserve	Other comprehensive income reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January, 2022	(147,855)	2,677,692	470,278	(219,359)	2,837,683	5,618,439
Profit and total comprehensive (expense) income for the year	–	–	–	(790)	591,653	590,863
Restricted shares vested on expiry of the lock-up period	26,539	–	–	–	–	26,539
Dividends recognized as distributions	–	–	–	–	(196,276)	(196,276)
Recognition of share-based payment expenses	–	28,750	–	–	–	28,750
Repurchase and cancellation of treasury shares under share incentive scheme	5,572	(3,577)	–	–	–	1,995
Transfer to statutory reserve	–	–	59,165	–	(59,165)	–
Others	2,947	(6,332)	–	–	–	(3,385)
As at December 31, 2022	(112,797)	2,696,533	529,443	(220,149)	3,173,895	6,066,925
Profit and total comprehensive income for the year	–	–	–	317	93,950	94,267
Dividends recognized as distributions	–	–	–	–	(195,855)	(195,855)
Reversal of share-based payment expenses	–	(14,110)	–	–	–	(14,110)
Repurchase and cancellation of treasury shares under share incentive scheme	25,635	(21,715)	–	–	–	3,920
Transfer to statutory reserve	–	–	9,395	–	(9,395)	–
Others	–	1,845	–	–	–	1,845
As at December 31, 2023	(87,162)	2,662,553	538,838	(219,832)	3,062,595	5,956,992
Profit and total comprehensive (expense) income for the year	–	–	–	(1,707)	449,139	447,432
Repurchase of ordinary shares	(60,013)	–	–	–	–	(60,013)
Dividends recognized as distributions	–	–	–	–	(129,837)	(129,837)
Repurchase and cancellation of treasury shares under share incentive scheme	21,053	(18,104)	–	–	–	2,949
Cancellation of treasury shares	66,109	(60,441)	–	–	–	5,668
Transfer to statutory reserve	–	–	44,914	–	(44,914)	–
Transfer of fair value reserve upon disposal of investment in an associate	–	–	–	221,533	(221,533)	–
Others	–	181	–	–	–	181
As at December 31, 2024	(60,013)	2,584,189	583,752	(6)	3,115,450	6,223,372
Profit and total comprehensive income for the period (unaudited)	–	–	–	34	512,333	512,367
Dividends recognized as distributions (unaudited)	–	–	–	–	(194,621)	(194,621)
Stock dividends (note 38) (unaudited)	–	(259,495)	–	–	–	(259,495)
Others (unaudited).	–	(16,642)	–	–	(607)	(17,249)
As at June 30, 2025 (unaudited)	(60,013)	2,308,052	583,752	28	3,432,555	6,264,374

APPENDIX I

ACCOUNTANTS’ REPORT

52. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Relevant Periods and up to the date of this report.

53. SUBSEQUENT EVENTS

No significant subsequent events have occurred since the Relevant Periods and up to the date of this report.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

The unaudited [REDACTED] financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set out in Appendix I to this document.

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following is the unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group as at June 30, 2025 (the “**Unaudited [REDACTED] Financial Information**”) which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the proposed [REDACTED] and [REDACTED] of the H Shares of the Company (the “[REDACTED]”) as if the [REDACTED] had been taken place on June 30, 2025 and based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2025.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

This unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the [REDACTED] been completed as at June 30, 2025 or at any further dates. It is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2025 as derived from the Accountants’ Report set out in Appendix I to this document and adjusted as described below.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2025		Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2025	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share as at June 30, 2025	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	7,452,985	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	7,452.985	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- The amount of unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2025 amounting to approximately RMB7,452,985,000 is based on the unaudited consolidated net assets of the Group attributable to the owners of the Company of approximately RMB10,460,234,000 as at June 30, 2025 less intangible assets and goodwill of the Group attributable to the owners of the Company of approximately RMB1,538,958,000 and RMB1,468,291,000, respectively as at June 30, 2025 as extracted/derived from the Accountants’ Report of the Group set out in Appendix I to this document.
- The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] at the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], being the low-end and high-end of the stated [REDACTED] Range, after deduction of the estimated [REDACTED] fees and commissions and other related expenses payable by the Company (excluding the [REDACTED] expenses that have been charged to profit or loss during the Relevant Periods and the six months ended June 30, 2025). It does not take into account of any share which may be allotted and issued upon the exercise of the [REDACTED].

For the purpose of this unaudited [REDACTED] statement, the estimated [REDACTED] from the [REDACTED] are converted from HK\$ into RMB at an exchange rate of RMB0.9097 to HK\$1.00, which was the exchange rate prevailing on August 6, 2025 (latest practicable date) with reference to the rate published by the People’s Bank of China. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

3. The unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share is arrived at on the basis that [REDACTED] (excluding treasury shares) were in issue assuming that the [REDACTED] had been completed on June 30, 2025 and without taking into account of any share which may be allotted and issued upon the exercise of the [REDACTED].
4. The unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share, is converted from RMB into HK\$ at an exchange rate of RMB0.9097 to HK\$1.00, which was the exchange rate prevailing on August 6, 2025 (latest practicable date) with reference to the rate published by the People’s Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.
5. No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets of the Group as at June 30, 2025 to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2025.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

The Articles of Association, which are adopted by the shareholders in the general meeting, will become effective on the date that the H shares of the Company are listed on the Stock Exchange. The primary purpose of this appendix is to provide potential [REDACTED] with an overview of the Articles of Association of the Company. Accordingly, it may not contain all the information that may be considered material or relevant by potential [REDACTED].

1. DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue shares

The Articles of Association do not contain clauses that authorize the board of directors to allocate or issue shares. The board of directors shall prepare suggestions for share allotment or issue, which are subject to approval by the shareholders at the shareholders' general meeting in the form of a special resolution.

Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of the company or any subsidiary

The sale of substantial assets that exceeds 30% of total assets of the latest audited financial statement are subject to approval by the shareholders at the general meeting in the form of a special resolution. The board of directors may decide the Company's outbound investments, purchase and sale of assets, pledge of assets, external guarantees, entrusted wealth management, related-party transactions, external donations and other matters within the scope authorized by the shareholders.

(3) Emoluments or compensation for directors' loss of office

There is no provision in the Articles of Association regarding the provision of emoluments or compensation to the directors for their loss of office.

(4) Loans to directors

There is no provision in the Articles of Association regarding the provision of loans to the directors.

(5) Provide financial assistance for acquiring the shares of the Company

The Company or its subsidiaries (including affiliates of the Company) shall not provide any financial assistance in the form of gifts, advances, or loans for the acquisition of the Company's or its parent company's shares by third parties, except for employee shareholding schemes.

The Company may provide financial assistance for the acquisition of the Company's or its parent company's shares by third parties provided that such financial assistance is for the benefit of the Company and has been duly approved either by a resolution of shareholders in general meeting or by a resolution of the board of directors acting pursuant to authority granted under the Articles of Association or by shareholders. The aggregate amount of any such financial assistance shall in no event exceed 10% of the Company's total issued share capital. Any resolution of the board of directors approving such financial assistance must be passed by a super majority of not less than two-thirds of all directors then in office.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

(6) Disclosure of interests in contracts with the Company and/or its affiliates

No director shall, without prior disclosure to and approval by either the board of directors or the general meeting in accordance with the Articles of Association, directly or indirectly enter into any contract or transaction with the Company.

(7) Remuneration

The remuneration of directors shall be approved by the shareholders at the general meeting in the form of an ordinary resolution.

(8) Appointment, Resignation and Dismissal

The board of directors consists of ten directors, including at least three independent non-executive directors (constituting of no fewer than one third of all board members).

Directors are elected or replaced by the general meeting. The general meeting may remove any director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract, provided that such removal is in compliance with relevant laws and regulations.

The board of directors has one chairman. The chairman of the board shall be elected and dismissed by a vote of more than one half of the directors.

The term of office of a director shall be calculated from the date of assumption of office until the expiration of the current term of office of the board of directors, which is a three-year term. Upon expiration of the term, the director may be re-elected in accordance with the relevant regulatory rules where the Company's shares are listed.

In the event a director is not re-elected in time for the expiration of his/her term of office, or if a director resigns during his/her term of office, resulting in the number of the board of directors being less than the minimum number required by law, before the re-elected director assumes his/her office, the original director shall still perform the duties of a director in accordance with the provisions stipulated by laws, administrative regulations, departmental rules, and the Articles of Association.

In the event a director resigns, the director shall notify the Company in writing, and the resignation shall take effect on the date the Company receives the notification; however, if the circumstances set forth in the preceding paragraph exist, the director shall continue to perform the duties.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

None of the following persons shall serve as our director:

- (i) a person who has no civil capacity or has limited civil capacity;
- (ii) a person who has been imposed penalty for the offense of corruption, bribery, embezzlement, larceny, disrupting the socialist economic order or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence; in the case of a probation, less than two years have elapsed since the date of expiration of the probationary period;
- (iii) a person who is a former director, factory manager or general manager of a company or enterprise that is bankrupt and liquidated because of poor operation, was personally liable for the bankruptcy of such company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of such company or enterprise;
- (iv) a person who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, and is within three years of the date on which the business license of such company or enterprise was revoked;
- (v) a person listed by the people's court as dishonest judgment debtors, who has a relatively large sum of debt, which was not paid at maturity;
- (vi) a person who is prohibited by relevant securities regulator from entering into the securities market and is still in such prohibition period;
- (vii) a person who has been publicly determined by the stock exchange to be not suitable to serve as a director or senior management of a listed company, and the period has not elapsed; or
- (viii) any other person who is otherwise not eligible under laws, administrative regulations, regulations of the authorities, regulatory documents and other conditions set out by the Listing Rules.

The election, appointment or engagement of a director shall be invalid if such election, appointment or engagement violates the above-mentioned provisions. If a director falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by the Company.

(9) Borrowing powers

The Articles of Association do not contain any specific provisions regarding directors' power of borrowing money.

The board of directors shall be entitled to develop proposals for the Company to issue bonds and to list its shares, and that such bond issues must be approved by the shareholders by a special resolution at the general meeting.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

2. MODIFICATION OF THE ARTICLE OF ASSOCIATION

The Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

In the event that the amendments to the Articles of Association passed by a general meeting need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3. MODIFICATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

There are no provisions for modification of rights in respect of existing shares or classes of shares in the Articles of Association.

4. SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the shareholders (including proxies of shareholders) attending the general meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the shareholders (including proxies of shareholders) attending the general meeting.

5. VOTING RIGHTS

When shareholders (including proxies) vote at the general meeting, they exercise their voting rights based on the number of voting shares they represent, and each share has one voting right.

The shares held by the Company itself shall have no voting right and shall not be counted in the total number of voting shares at the general meeting.

Any shareholder who is required by the Listing Rules to abstain from voting on a matter or is limited to an affirmative or negative vote shall abstain from voting or be required to so vote; any vote cast by or on behalf of relevant shareholder which is cast in violation of such requirement or restriction shall not be counted in the voting result.

6. RULES ON ANNUAL GENERAL MEETINGS

The general meetings are divided into an annual general meeting and an extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

7. ACCOUNTS AND AUDITS

(1) Financial and accounting policies

The Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent authorities.

Within four months after the end of each fiscal year, the Company shall submit and disclose the annual report to CSRC and the stock exchange where the Company is listed. Within two months after the end of the first six months of each fiscal year, the Company shall submit and disclose the semi-annual report to the local branch of CSRC and the stock exchange where the Company is listed. Within one month after the end of the first three months and the first nine months of each fiscal year, the Company shall submit and disclose the quarterly reports to the local branch of CSRC and the stock exchange where the Company is listed.

(2) Appointment and Dismissal of Accountants

The Company shall appoint an accounting firm which complies with the Securities Law to conduct financial statements audit, net assets verification and other related consulting services, etc. The term of appointment is one year and can be renewed.

The appointment of an accounting firm by the Company shall be agreed by a majority of all members of the audit committee before being submitted to the board of directors for consideration, and shall be determined by the general meeting, and the board of directors shall not appoint an accounting firm before the decision of the general meeting is made.

The Company shall guarantee to provide the accounting firm it appoints with true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information, and shall not refuse, conceal or make false statements.

The audit fees payable to the accounting firm shall be determined by the general meeting.

The Company shall notify the accounting firm 30 days in advance when it dismisses or no longer renews the accounting firm. The accounting firm may express its opinions when the resolution regarding the dismissing of the accounting firm is voted at the general meeting of the Company.

Where the accounting firm proposes to resign, it shall explain to the general meeting whether the Company has any improper situation.

8. NOTICE AND AGENDA OF GENERAL MEETINGS

Under any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months:

- (i) the number of directors is less than the number specified in the Company Law or less than two thirds of the number required in the Articles of Association;

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

- (ii) the uncovered losses of the Company reach one-third of its total paid-in registered capital;
- (iii) when deemed necessary by the board of directors;
- (iv) the shareholders with 10% or more shares of the Company (including preference shares with restored voting rights) separately or jointly request to convene an extraordinary general meeting in writing;
- (v) the board of directors considers it necessary;
- (vi) the audit committee makes such proposal;
- (vii) any other circumstances stipulated in laws, regulations, the Listing Rules, the Articles of Association.

In the event that the general meeting is convened, the board of directors, the audit committee and shareholders who separately or jointly hold more than 1% of the shares of the Company (including preference shares with restored voting rights) may submit a proposal.

When convening an annual general meeting, the Company shall notify shareholders by announcement 21 days before it is convened. When convening an extraordinary general meeting, the Company shall send a written notice 15 days before it is convened.

The notice of the general meeting shall be made in writing, including the following contents:

- (i) the place, the date and date of the meeting;
- (ii) the matters and proposals to be discussed at the meeting;
- (iii) conspicuous statement that all shareholders are entitled to attend the meeting and appoint proxy to attend and vote and that proxy need not be a shareholder;
- (iv) the date of shareholding registration for the shareholders who are entitled to attend the meeting;
- (v) the name and telephone number of the contact person for the meeting;
- (vi) the voting time and voting procedure for internet or other alternative voting methods.

The notice of general meeting and any supplementary notice shall contain full and complete disclosure of all substantive details of every proposed resolution.

The resolution of the general meeting includes ordinary resolution and special resolution. The following matters shall be approved by the general meeting through ordinary resolutions:

- (i) work report of the board of directors;

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

- (ii) plans of earnings distribution and loss make-up schemes drafted by the board of directors;
- (iii) appointment or dismissal of the members of the board of directors and their enumeration and payment methods;
- (iv) other matters other than those approved by special resolution stipulated in the laws, administrative regulations, Listing Rules or the Articles of Association.

The following matters shall be approved by special resolution at the general meeting:

- (i) the increase or decrease of the registered capital;
- (ii) division, split, merger, dissolution and liquidation of the Company;
- (iii) amendment of the Articles of Association;
- (iv) the purchase or sale of material assets of the Company or provision of guarantees to others by the Company within one year exceeding 30% of the latest audited total assets of the Company;
- (v) share incentive scheme;
- (vi) other matters recognized by ordinary resolution of the general meeting that could materially affect the Company and need to be approved by special resolution or as required by the laws, administrative regulations, Listing Rules or the Articles of Association.

In the event that any resolution of the general meeting or resolution of the board of directors violates laws or administrative regulations, any shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the general meeting or meeting of the board of directors violates any of laws, administrative regulations or the Articles of Association, or the content of resolution violates the Articles of Association, any shareholder is entitled to request the court to revoke the relevant resolution within 60 days after the resolution was adopted, unless there is only a minor defect in the procedures for convening a general meeting or a meeting of the board of directors or in the manner of voting, which does not materially affect the resolution.

9. SHARES TRANSFERS

The shares issued before the public issuance of shares by the Company shall not be transferred within one year of the date on which the stocks of the Company are listed and traded on a stock exchange.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

The directors and senior managements of the Company shall declare, to the Company, information on their holdings of the shares of the Company and the changes thereto. The shares transferable by them during each year of their term of office shall not exceed 25% of the total shares of the Company held by them. The shares of the Company held by them shall not be transferred within one year of the date on which the stocks of the Company are listed and traded on a stock exchange. The aforesaid persons shall not transfer their shares of the Company within six months from the date of their resignation.

In the event the securities regulatory authorities in the place where the Company's shares are listed have any other provisions on the transfer restrictions of H shares, such provisions shall prevail.

10. POWERS OF THE COMPANY TO REPURCHASE ITS SHARES

The Company shall not repurchase its shares except under any of the following circumstances provided that such repurchase does not violate laws, regulations, the Listing Rules, and the Articles of Association:

- (i) reduce the Company's registered capital;
- (ii) merger with other companies which hold our shares;
- (iii) granting shares to the staff of the Company as incentives;
- (iv) requesting the Company to buy back its shares from shareholders who vote against any resolution adopted at the general meeting concerning the merger and division of the Company;
- (v) to convert shares into bond issued by the Company which is convertible to stock of the Company;
- (vi) necessary for the Company to maintain the Company's value and shareholders' interests.

A resolution at a general meeting is required when the Company repurchases its shares under the circumstances set out in (i) or (ii) above. Where the Company repurchases its shares under the circumstances set out in (iii), (v) or (vi) above, a board resolution shall be passed by more than two-thirds of the directors attending the board meeting, provided that it complies with the applicable securities regulatory rules of the places where the Company's shares are listed. After the Company has repurchased its own shares in accordance with the circumstances set out in (i) to (vi) above, the shares repurchased under the circumstance set out in (i) above shall be canceled within 10 days from the date of repurchase, the shares repurchased under the circumstances set out in (ii) or (iv) above shall be transferred or canceled within six months, and for the shares repurchased under the circumstances set out in (iii), (v) or (vi) above, the total number of the Company's shares held by the Company shall not exceed 10% of the total issued shares of the Company, and the shares so repurchased shall be transferred or canceled within three years. If a share repurchase shall be made under the circumstances stipulated in (iii), (v) or (vi) above, it shall be conducted by way of public centralized bidding transactions.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

The Company may purchase its own shares by centralized bidding transactions or other means approved by laws, administrative regulations and the securities regulatory authorities, provided that it complies with the applicable securities regulatory rules of the places where the Company's shares are listed.

11. POWER FOR ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

There are no provisions in the Articles of Association relating to ownership by subsidiary of the Company of shares in its parent.

12. DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company may distribute dividends in the manner of cash or stock.

The board of directors of the Company shall complete the distribution of dividends (or shares) within two months after the general meeting has passed a resolution on the profit distribution plan, or upon the formulation of a specific plan by the board of directors in accordance with the conditions and ceiling for interim dividends in the following year approved at the annual general meeting.

13. SHAREHOLDER PROXIES

Shareholders may attend the general meeting in person or authorize a representative, who is not a shareholder, to attend and vote on their behalf.

Any proxy statement issued by a shareholder who authorizes a proxy to attend the general meeting on his/her behalf shall include the following details:

- (i) the name or title of the appointer, class and number of the Company shares held;
- (ii) the name or title of the proxy;
- (iii) the shareholder's specific instructions, including respective instructions on for, against or abstention voting on each item for deliberation listed in the general meeting agenda;
- (iv) the issuance date and valid period of the proxy statement;
- (v) the signature (or seal) of the appointer. Where the appointer is a corporate shareholder, the corporate seal of the legal entity shall be affixed.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association regarding the calls on shares and forfeiture of shares.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

15. INSPECTION OF THE REGISTER OF SHAREHOLDERS

The Company establishes the register of shareholders according to the certificate provided by the securities registration authority. The register of shareholders is sufficient evidence to prove that the shareholders hold the Company's shares. Shareholders enjoy rights and assume obligations according to the type and number of shares they hold.

Shareholders holding the same type of Shares shall enjoy the same rights and undertake the same obligations.

The original register of the shareholders of the H Shares listed in Hong Kong shall be kept in Hong Kong.

When the Company convenes the general meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of identities, the board of directors shall fix a date as the equity registration date, upon expiration of which the shareholders whose names registered on the register of shareholders shall be the shareholders entitled to relevant equity.

16. QUORUM FOR GENERAL MEETINGS

There are no provisions in the Articles of Association regarding the quorum for general meetings.

17. RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION

If any director or senior management (other than a member of the Audit Committee) violates laws, administrative regulations or the Articles of Association in fulfilling his/her duties, thereby causing any loss to the Company, the shareholder(s) severally or jointly holding 1% or more shares of the Company for more than 180 consecutive days shall have the right to request the Audit Committee in writing to institute legal proceedings at the People's Court; if the member of the Audit Committee violates laws, administrative regulations or the Articles of Association in fulfilling his/her duties, thereby causing any loss to the Company, the aforementioned shareholders shall have the right to request the board of directors in writing to institute legal proceedings at the People's Court.

If the Audit Committee or the board of directors refuses to institute legal proceedings after receipt of the aforesaid written request or fails to institute legal proceedings within 30 days after receipt of the aforesaid written request, or if under urgent circumstances that any delay of legal proceedings may cause irrecoverable damages to the interests of the Company, the shareholders specified above shall have the right to directly institute legal proceedings at the People's Court in their own names for the interest of the Company.

If any other person infringes upon the legitimate rights and interests of the Company, thereby causing any loss to the Company, the shareholders specified in paragraph 1 may institute legal proceedings at the People's Court pursuant to the preceding provisions.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

Where a director, supervisor or senior management of a wholly-owned subsidiary of the Company violates laws and administrative regulations or the Articles of Association in fulfilling his/her duties, thereby causing any loss to the Company, or where a third party infringes upon the lawful rights and interests of such wholly-owned subsidiary thereby causing losses, any shareholders who individually or jointly holding no less than 1% of the Company's shares for no less than 180 consecutive days shall have the right to submit a written request to the board of Supervisors or the board of directors of the wholly-owned subsidiary to initiate legal proceedings with the People's Court in accordance with the relevant provisions of the Corporate Law or directly initiate legal proceedings with the People's Court in their own name.

If a wholly-owned subsidiary of the Company does not set up a board of Supervisors or does not have a supervisor, and sets up an Audit Committee instead, the relevant procedure specified in paragraph 1 and 2 above shall be followed.

If any director or senior management violates the laws, administrative regulations or the Articles of Association, thereby causing any loss to the shareholders' interests, the shareholders may institute legal proceedings at the People's Court.

18. LIQUIDATION PROCEDURES

The Company shall be dissolved under any of the following circumstances:

- (i) the expiration of the business period as stipulated in the Articles of Association or the occurrence of other grounds for dissolution as stipulated in the Articles of Association;
- (ii) the general meeting resolves to dissolve the Company;
- (iii) dissolution is necessary as a result of the merger or division of the Company;
- (iv) the business license of the Company is revoked, or the Company is ordered to be closed down, or it is deregistered according to law; and
- (v) the Company is confronted with serious difficulties in operation and management, and its continued existence may cause material loss to the interests of its shareholders, and the difficulties cannot be resolved through other means, in which case the shareholders holding 10% or more of the voting rights held by all the shareholders of the Company may request a People's Court to dissolve the Company.

Where any ground for dissolution as specified in the preceding paragraph arises in respect of the Company, the Company shall within 10 days publish such ground for dissolution via the National Enterprise Credit Information Publicity System.

Where the Company is to be dissolved pursuant to items (i), (ii), (iv) or (v) above, it shall undergo liquidation. Directors shall act as the liquidation obligor and establish a liquidation committee within 15 days from the date when the event of dissolution occurs. The members of the liquidation committee shall be composed of the directors or the personnel appointed by the general meeting.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

Within 10 days of the establishment of the liquidation committee, the creditors shall be notified and an announcement shall be published within 60 days. Creditors shall file their claims with the liquidation committee within 30 days of receiving the notice, or within 45 days from the publication if any such creditor has not received the notice.

After identifying the Company's assets and preparing the balance sheet and schedule of assets, the liquidation committee shall formulate a liquidation plan and submit it to the general meeting or the People's Court for confirmation.

Upon completion of the Company's liquidation, the liquidation committee shall prepare a liquidation report, submit it to the general meeting or the People's Court for confirmation, and file it with the Company registry to apply for deregistration of the Company.

19. OTHER IMPORTANT PROVISIONS FOR THE COMPANY OR SHAREHOLDERS

(1) General Provisions

The Company is a permanently existing joint stock limited company.

According to the Articles of Association, any shareholder may bring a lawsuit against another shareholder, a director, or the senior management, any shareholder may bring a lawsuit against the Company, and the Company may bring a lawsuit against any shareholder, director or the senior management.

(2) Capital increase and capital reduction

The Company may increase stock capital by the following means in accordance with laws and regulations, subject to the approval by the general meeting, for management and operation needs:

- (i) issuing shares in a public offering;
- (ii) issuing shares via a private placement;
- (iii) giving bonus shares to existing shareholders;
- (iv) converting reserve funds into shares; and
- (v) other means approved by the laws, administrative regulations, departmental rules and relevant regulatory authorities where the Company's shares are listed and the CSRC (if necessary).

The Company may decrease our registered capital and shall comply with the procedures stipulated in Company Law of the PRC, the Listing Rules, other relevant regulations and the Articles of Association.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

(3) Shareholders

Shareholder is entitled to rights and assumes obligations pursuant to the classification of his or her shares. Shareholder holding the same classified share has the same rights and assumes the same obligations.

The rights of our ordinary shareholders are as follows:

- (i) to receive distribution of dividends and other forms of benefits according to the number of shares held;
- (ii) to legally require, convene, preside over, participate in or authorize proxies of shareholders to participate in and exercise corresponding voting rights at the general meeting;
- (iii) to supervise and manage business and operational activities of the Company, and to provide suggestions or submit queries;
- (iv) to transfer, grant or pledge the Company's shares he/she held according to the provisions of the laws, administrative regulations, regulatory rules where the Company's shares are listed and the Articles of Association;
- (v) to obtain relevant information according to the provisions of the Articles of Association, including reading and copying the Articles of Association, register of shareholders, minutes of general meetings, resolutions of meetings of the board of directors; eligible shareholders may inspect the accounting books and accounting vouchers;
- (vi) to participate in the distribution of residual properties of the Company in proportion to the number of shares held in the event of the termination or liquidation of the Company;
- (vii) to request the Company to buy back their shares as dissenting shareholders voting against any resolutions adopted at the general meeting concerning the merger and division the Company;
- (viii) other rights conferred by laws, administrative regulations, departmental rules, the Listing Rules, and the Articles of Association.

(4) The board of directors

The board of directors is responsible to the general meeting.

The board of directors exercises the following powers:

- (i) to convene the general meeting and report on its work to the general meeting;

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

- (ii) implement the resolutions of the general meeting;
- (iii) determine the business and investment plans of the Company;
- (iv) formulate the earnings distribution and loss offset plans of the Company;
- (v) formulate the proposals for increasing or decreasing the Company's registered capital, issuance of corporate bonds or other securities and the listing plan of the Company;
- (vi) prepare plans for major acquisition, stocks buy-back, corporate merger, separation, dissolution and change corporate form of the Company;
- (vii) determine, in accordance with the Articles of Association or within the scope authorized by the general meeting, such matters as the Company's external investments, the purchase and sale of assets, asset mortgages, external guarantees, entrusted management of finance, related-party transactions and external donations;
- (viii) decide on the setup of the Company's internal management organization;
- (ix) appoint or dismiss the president, secretary of the board, and other senior managers of the Company; based on the nomination of the president, appoint or dismiss senior managements of the Company such as vice president, financial controller and other senior managers and determine their remuneration, reward and disciplinary matters;
- (x) formulate the basic internal management systems of the Company;
- (xi) formulate the modification plan to the Articles of Association;
- (xii) managing the information disclosure of the Company;
- (xiii) make proposals to the general meeting on the appointment or replacement of the accounting firm that provides audit services to the Company;
- (xiv) listen to work report of president and inspect the president's work; and
- (xv) other powers and duties authorized by the laws, administrative regulations, regulations of the authorities, the Listing Rules and the Articles of Association.

Board meeting shall be held only if more than one half of the directors are present. Unless otherwise provided in the Articles of Association, resolutions of the board of directors shall be passed by a simple majority of all directors.

The board of directors of the Company shall give an explanation to the general meeting on the non-standard audit report issued by the certified public accountants on the financial reports of the Company.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

(5) Independent Non-executive Director

The board of directors of the Company has at least three independent non-executive directors.

(6) Secretary of the Board of Directors

The Secretary of the board of directors, as a senior management officer of the Company, shall be responsible for organizing the shareholders' general meetings and board meetings, maintaining corporate records, managing shareholder information, and handling disclosure matters, while complying with all applicable laws, administrative regulations, departmental rules, and the provisions of these Articles of Association. The Company has one secretary of the board of directors.

(7) Audit committee

The Company shall set up an audit committee.

The audit committee consists of three directors.

The audit committee shall consist of directors who are not senior managements of the Company, among them there are two independent directors, and an accounting professional among these two independent directors shall act as the convener.

The audit committee shall be responsible for review of the Company's financial information and disclosure thereof, supervision and evaluation of internal and external audit work and internal control. The following matters shall, upon consent by more than half of all the members of the audit committee, be present to board meeting for deliberation:

- (i) disclosure of financial information in financial accounting reports and periodic reports, internal control evaluation report;
- (ii) engagement or dismissal of accounting firm which undertakes audit business of a listed company;
- (iii) engagement or dismissal of the financial controller of a listed company;
- (iv) change in accounting policies or accounting estimates or correction of material accounting error for a reason other than change in accounting standards; and
- (v) any other matters stipulated by laws, administrative regulations, the CSRC and the articles of association.

(8) President

The Company has one president, appointed or dismissed by the board of directors. The president of the Company is responsible to the board of directors.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

(9) Reserve fund

When the annual after-tax profits of the Company are distributed, the Company shall allocate 10% of the profits to the statutory reserve fund of the Company. Allocations to the Company's statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital.

If the Company's statutory reserve fund is insufficient to offset our losses during the previous year, the profits generated during the current year shall be used to cover such losses before allocating the statutory reserve in accordance with the requirements set forth above.

After allocation to the statutory reserve fund from the after-tax profits of the Company, we may also allocate to the discretionary reserves fund will from after-tax profits in line with the resolution(s) adopted at the general meeting.

After the Company has covered for its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders, unless otherwise specified by the Articles of Association.

If the general meeting violates the above provisions and profits are distributed to the shareholders, the profits distributed in violation of the provisions shall be returned by such shareholders to the Company. If the Company suffers losses, the shareholders and responsible directors, senior managements shall be liable for compensation.

The shares held by the Company itself shall not be subject to profit distribution.

The Company's reserve fund shall be used to offset losses of the Company, expanding the scale of business and operations or for conversion into and increase our capital.

Where reserve fund is used to offset loss of the Company, the discretionary reserve fund and statutory reserve fund shall be firstly used; in the event they are insufficient for offsetting loss, the capital reserve fund may be applied to cover the Company's losses.

Where the statutory reserve fund converses into the registered capital, the remaining statutory reserve shall not be less than 25% of the registered capital of the Company before such conversion.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of Our Company

The Company was established as a limited liability company under the laws of the PRC on December 21, 1995 and was converted into a joint stock company with limited liability on October 21, 1998. Our Company completed the listing of our A Shares on the Shanghai Stock Exchange (stock code: 600580) on June 6, 2002. Our registered office is located at 1/F, No. 580 Fuxing West Road, Cao’e Subdistrict, Shangyu District, Shaoxing, Zhejiang Province, PRC.

Our Company has established a place of business in Hong Kong at 46/F Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●], with Mr. NG Tung Ching Raphael has been appointed as the Hong Kong authorized representative of the Company for acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in “Regulatory Overview” and Appendix III to this document.

2. Changes in the Share Capital of the Company

As approved by our Board on September 7, 2023 and April 25, 2024, our Company repurchased and cancelled 126,000 A Shares and 2,949,000 A Shares, respectively, granted to certain participants but not yet unlocked under a share option and restricted share incentive plan adopted on September 10, 2021. Upon completion of this repurchase and cancellation, the total registered capital of our Company was decreased from 1,311,366,126 A Shares to 1,308,291,126 A Shares.

As approved by our Board on September 18, 2024, our Company repurchased and cancelled 5,668,500 A Shares. Upon completion of this repurchase and cancellation, the total registered capital of our Company was decreased from 1,308,291,126 A Shares to 1,302,622,626 A Shares.

Pursuant to a profit distribution plan approved by our Shareholders’ general meeting on May 19, 2025, a total dividend of RMB194,621,163.90 was declared and paid to our Shareholders, comprising 0.2 bonus shares per Share for all Shareholders (excluding 5,148,200 treasury Shares). As a result, our Company’s total share capital was increased from 1,302,622,626 A Shares to 1,562,117,511 A Shares.

Save as disclosed above and in “— 4. Resolutions Passed by Our Shareholders’ General Meeting in Relation to the [REDACTED],” there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Changes in the Share Capital of Our Major Subsidiaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in relation to the disclosure of information relating to the changes in the share capital of any member of our Group within the two years immediately preceding the date of this document. For details, see “Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Alteration in Share Capital” in this document.

On December 23, 2024, the registered capital of Wolong Electric Huaian Qingjiang Motor Co., Ltd. was increased from RMB323.1 million to RMB359.0 million.

On September 20, 2023, the registered capital of Wolong Electric Group Liaoning Rongxin Electric Drive Co., Ltd. was increased from RMB53.11 million to RMB100.0 million.

Save as disclosed above, there has been no alteration in the registered capital of our Major Subsidiaries within two years preceding the date of this document.

4. Resolutions Passed by Our Shareholders’ General Meeting in Relation to the [REDACTED]

At the extraordinary general meeting of our Shareholders held on August 6, 2025, the following resolutions, among other things, were duly passed:

- (i) the [REDACTED] by our Company of [REDACTED] with a nominal value of RMB1.00 each and such [REDACTED] be [REDACTED] on the Stock Exchange;
- (ii) the number of [REDACTED] to be [REDACTED] shall be no more than [REDACTED] of the total issued share capital upon completion of the [REDACTED] (before the exercise of the [REDACTED]), and the grant of the [REDACTED] in respect of no more than [REDACTED]% of the above number of [REDACTED] to be [REDACTED] pursuant to the [REDACTED];
- (iii) authorization of the Board and its authorized person to handle all matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of [REDACTED] on the Stock Exchange; and
- (iv) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED].

5. Restrictions on Repurchase

For details of the restrictions on share repurchases by our Company, see “Appendix III — Summary of Articles of Association — 10. Powers of the Company to Repurchase its Shares” in this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

We have entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

- (a) the [REDACTED].

2. Intellectual Property

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
1.	WOLONG	9	Our Company	PRC	75414523A	July 20, 2034
2.	WOLONG	7	Our Company	PRC	72646180A	May 6, 2034
3.	WOLONG	9	Our Company	PRC	72651033	October 27, 2034
4.	WOLONG	9	Our Company	PRC	72651033A	April 13, 2034
5.	WOLONG	7	Our Company	PRC	69728829	October 27, 2033
6.	WOLONG	39	Our Company	PRC	68221818	August 13, 2033
7.	WOLONG	40	Our Company	PRC	68201016	May 27, 2033
8.	WOLONG	9	Our Company	PRC	68221814A	July 13, 2033
9.	WOLONG	7	Our Company	PRC	66504012	February 13, 2034
10.	WOLONG	7	Our Company	PRC	63662106	January 13, 2034
11.	MORLEY	7	Our Company	PRC	62913976	December 27, 2032
12.	WOLONG	7	Our Company	PRC	61201396	September 27, 2033

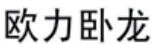
APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
13.	WOLONG	12	Our Company	PRC	61126323	May 20, 2033
14.	MORLEY	7	Our Company	PRC	59178839	March 6, 2033
15.	MORLEY	9	Our Company	PRC	59175706	March 6, 2033
16.	WOLONG 卧龙	7	Our Company	PRC	61843388A	August 6, 2032
17.	LAURENCE SCOTT	7	Our Company	PRC	59174161	March 6, 2032
18.	LAURENCE SCOTT	9	Our Company	PRC	59174207	March 6, 2032
19.	WOLONG	12	Our Company	PRC	58075350	March 27, 2033
20.	WOLONG	7	Our Company	PRC	58066654	September 27, 2033
21.	MOTOR EDGE	7	Our Company	PRC	55814280	December 6, 2031
22.	i-WOLONG	7	Our Company	PRC	55792681	December 6, 2031
23.	MOTOR EXPLORE	7	Our Company	PRC	55790404	November 27, 2031
24.	SCHORCH	7	Our Company	PRC	53745386	November 27, 2031
25.	SCHORCH-CH	7	Our Company	PRC	53759453	September 13, 2031
26.	SCHORCH 嗽驰	7	Our Company	PRC	53745403	November 27, 2031
27.	WOLONG	7	Our Company	PRC	49574007	July 13, 2032
28.	♂布鲁克	7	Our Company	PRC	45140348	April 20, 2031
29.	卧龙	7	Our Company	PRC	24396028	November 20, 2028
30.	卧龙	9	Our Company	PRC	24396029	November 6, 2028
31.	WOLONG	7	Our Company	PRC	24396027	September 13, 2028
32.	WOLONG	9	Our Company	PRC	24396026	November 6, 2028
33.	WOLONG	35	Our Company	PRC	24352038	September 13, 2028

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date
34.		35	Our Company	PRC	24356671	October 20, 2028
35.		12	Our Company	PRC	24348770	September 13, 2028
36.		36	Our Company	PRC	24352611	October 20, 2028
37.		7	Our Company	PRC	21250351	January 13, 2028
38.		7	Our Company	PRC	20587681	August 27, 2027
39.		12	Our Company	PRC	7960045	December 27, 2031
40.		36	Our Company	PRC	7959955	May 6, 2034
41.		7	Our Company	PRC	7960004	October 6, 2031
42.		7	Our Company	PRC	7955580	April 13, 2031
43.		9	Our Company	PRC	7955608	May 27, 2031
44.		9	Our Company	PRC	6105272	March 27, 2030
45.		7	Our Company	PRC	1207306	September 13, 2028
46.		7	Wolong Nanyang Group	PRC	5088847	January 13, 2029
47.		7	Wolong Nanyang Group	PRC	1125012	November 6, 2027

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Class	Applicant	Place of Application	Application Number	Application date
1.	WOLONG	7, 9, 11, 12, 42	Our Company	Hong Kong	306936607	June 19, 2025

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

No.	Domain name	Registered owner	Expiry date
1.	wolong.com.cn	Our Company	June 18, 2034
2.	olimc.com	Shaoxing OLI	January 24, 2026
3.	oli-wolong.com	Shaoxing OLI	April 15, 2026
4.	cn-nf.com	Wolong Nanyang Group	December 20, 2025
5.	kfcne.com	Wolong Nanyang Group	May 30, 2026

(c) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to the business of our Group:

No.	Patent	Type	Patent holder	Place of registration	Patent number	Grant date
1.	An Integrated Variable-Frequency Motor System with Intelligent Control	Invention	Our Company	PRC	ZL201510974696.2	June 5, 2018
2.	Multi-converter Control Systems and Control Method	Invention	Our Company	PRC	ZL201611269262.3	February 21, 2020
3.	A STO Circuit and Variable Frequency Drivers Incorporating the STO Circuit	Invention	Our Company	PRC	ZL202010277591.2	May 30, 2025
4.	Large-Capacity Cylindrical Rotors with Laminated Core for Synchronous Generators	Invention	Wolong Nanyang Group	PRC	ZL200710189681.0	June 30, 2010
5.	Flameproof Low-Voltage Explosion-Proof Generator	Invention	Wolong Nanyang Group	PRC	ZL200810140601.7	July 14, 2010
6.	Vertical Water-Cooled Three-Phase Asynchronous Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL202310006665.2	January 14, 2025
7.	High-Speed Motor Shielded Rotor Balancing Device, Method, and High-Speed Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL202211474589.X	October 27, 2023

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Patent	Type	Patent holder	Place of registration	Patent number	Grant date
8.	A Back-to-Back Multi-Excitation Hybrid Generator Based on Homopolar Electromagnetic Pole Coupling	Invention	Wolong Nanyang Group, Our Company	PRC	ZL202111426897.0	April 2, 2024
9.	A Centralized Control Method and System for Motor Operation	Invention	Our Company, Zhejiang Longchuang Motor Technology Innovation Co., Ltd. (浙江龍創電機技術創新有限公司) (“Zhejiang Longchuang”), Wolong Nanyang Group, Wolong Electric (Shanghai) Central Research Institute Co., Ltd. (臥龍電氣(上海)中央研究院有限公司) (“Wolong Shanghai Research Institute”)	PRC	ZL202110461411.0	September 23, 2022
10.	A Three-Phase Switched Reluctance Motor Rapid Braking Control System and Control Method	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201911258950.3	August 6, 2024
11.	A Large-Scale Enclosed Variable-Frequency Variable-Speed Synchronous Brushless Excitation Generator	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201911098624.0	May 17, 2024
12.	A Dual Redundant Discrete Inductive Position Sensor Signal Intelligent Acquisition and Processing Device	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201911088023.1	May 24, 2024
13.	A Multi-Pole High-Power High-Voltage High-Efficiency Three-Phase Asynchronous Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201911086636.1	July 2, 2024
14.	A Low-Noise Rapid-Cooling High-Power Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201811568309.5	October 15, 2024
15.	A Specialized Explosion-Proof Motor for Coal Mills	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201811567458.X	September 27, 2024
16.	A Low-Noise Mine Local Ventilator	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201811563613.0	November 22, 2024

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Patent	Type	Patent holder	Place of registration	Patent number	Grant date
17.	A High-Speed High-Capacity Three-Phase Asynchronous Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201811562786.0	July 16, 2024
18.	A Low-Voltage Pre-Excitation System and Method for High-Voltage High-Power Rectifier Devices	Invention	Our Company, Wolong Nanyang Group	PRC	ZL201811554329.7	November 24, 2023
19.	An On-Line Rotor Grounding Brush Replacement System for Generators	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201811501992.0	November 26, 2024
20.	A Parameter Identification Method for Switched Reluctance Motors Based on Asymmetric Half-Bridge Circuits	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201711385184.8	March 9, 2021
21.	A High-Voltage Flameproof Variable-Frequency Drive Three-Phase Permanent Magnet Synchronous Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201711382564.6	May 24, 2024
22.	A Flameproof Dual-Speed High-Temperature-Resistant Three-Phase Asynchronous Motor for Ships	Invention	Our Company, Wolong Nanyang Group	PRC	ZL201711371662.X	September 12, 2023
23.	An Enclosed Twelve-Phase Rectifier Generator	Invention	Our Company, Wolong Nanyang Group	PRC	ZL201711361993.5	December 5, 2023
24.	A Pressurized Explosion-Proof Generator	Invention	Our Company, Wolong Nanyang Group	PRC	ZL201711336808.7	February 6, 2024
25.	A High-Power Dust Explosion-Proof Coal Mill Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201711142906.7	May 28, 2024
26.	A High-Capacity High-Efficiency Air-to-Air Cooled Vertical Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201710994669.0	July 2, 2024
27.	A Novel High-Starting-Torque Three-Phase Asynchronous Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201710629286.3	March 1, 2024
28.	Air-to-Air Cooled Box-Type Variable-Frequency Motor	Invention	Wolong Nanyang Group, Our Company	PRC	ZL201611166500.8	August 4, 2023
29.	An Automobile, Chassis, and Its Adaptive Suspension System	Invention	Our Company, Wolong Shanghai Research Institute	PRC	ZL201910926646.5	June 29, 2021
30.	A Permanent Magnet Motor	Invention	Wolong Shanghai Research Institute, Our Company	PRC	ZL201910926650.1	October 18, 2024

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Patent	Type	Patent holder	Place of registration	Patent number	Grant date
31.	A High-Temperature Superconducting Motor	Invention	Our Company, Wolong Shanghai Research Institute	PRC	ZL201911082295.0	December 31, 2024
32.	A Hybrid Cooling Axial Flux Permanent Magnet Motor	Invention	Our Company, Wolong Shanghai Research Institute	PRC	ZL202010475825.4	May 23, 2025
33.	A Hybrid Cooling Outer Rotor Permanent Magnet Motor	Invention	Our Company, Wolong Shanghai Research Institute	PRC	ZL202010475855.5	May 6, 2025
34.	A Heat Pipe Heat Sink for Motor-Integrated Drivers	Invention	Our Company, Wolong Shanghai Research Institute	PRC	ZL202010477961.7	May 6, 2025
35.	A Hybrid Cooling Dual-Rotor Single-Stator Disc Permanent Magnet Motor	Invention	Our Company, Wolong Shanghai Research Institute	PRC	ZL202010478004.6	May 6, 2025
36.	A Motor Cable Outlet Sealing Device and Motor	Invention	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	ZL202011062879.4	June 27, 2025
37.	A Surface-Mounted Permanent Magnet Synchronous Motor Assembly Tool and Its Usage Method	Invention	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	ZL202011066474.8	August 27, 2024
38.	An Internally Magnetized Trapped Bulk High-Temperature Superconducting Motor	Invention	Our Company, Wolong Shanghai Research Institute, Shanghai University (上海大學) and Zhejiang Longchuang	PRC	ZL202011112969.X	November 1, 2024
39.	A Bulk High-Temperature Superconducting Motor	Invention	Our Company, Wolong Shanghai Research Institute, Shanghai University (上海大學) and Zhejiang Longchuang	PRC	ZL202011112971.7	October 1, 2024

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Patent	Type	Patent holder	Place of registration	Patent number	Grant date
40.	A Permanent Magnet Motor Rotor and Stator Housing Assembly Device and Its Usage Method	Invention	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	ZL202011271112.2	November 5, 2024
41.	A Discrete Semiconductor Circuit and Power Electronic Device	Invention	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	ZL202011435474.0	May 2, 2025
42.	Ferrite-Assisted Synchronous Reluctance Motor Rotor Structure and Permanent Magnet Synchronous Motor	Invention	Our Company	PRC	ZL202410458179.9	July 26, 2024
43.	A Dynamic Pressure Adjustment System for Square Sodium-Ion Battery Modules	Invention	Our Company	PRC	ZL202411016937.8	October 22, 2024
44.	An ECM Control System Based on Intelligent Adapter Board	Invention	Our Company	PRC	ZL201810105048.7	July 12, 2024
45.	An ECM Motor and Method for Constant Torque Control Based on Precise Flux Lookup Table	Invention	Our Company	PRC	ZL201810105077.3	July 25, 2023
46.	A Segmented Core IPM Plastic-Encapsulated Rotor	Invention	Our Company	PRC	ZL201810772509.6	December 5, 2023
47.	An Expandable Winding Hinged Self-Locking Stator Core for Motors	Invention	Our Company	PRC	ZL201810902560.4	October 20, 2023
48.	An ECM Motor Current Processing System and Operating Method	Invention	Our Company	PRC	ZL201811597799.1	February 6, 2024
49.	A Brushless DC Outer Rotor Fan	Invention	Our Company	PRC	ZL202011259748.5	July 22, 2025
50.	A Permanent Magnet Synchronous Motor Controller for Washing Machines	Invention	Our Company	PRC	ZL202011285280.7	May 13, 2025
51.	An Active Abnormal Sound Elimination Method and Device for BLDC Motors Across Full Speed Range	Invention	Our Company	PRC	ZL202011549875.9	June 6, 2025
52.	Sensorless Salient-Pole Permanent Magnet Synchronous Motor and Motor Starting Control Method	Invention	Our Company	PRC	ZL202110147852.3	December 9, 2022
53.	A Motor and Vacuum Cleaner	Invention	Our Company	PRC	ZL202111043292.3	May 6, 2025
54.	A Heat Dissipation Structure for Outer Rotor Motors	Invention	Our Company	PRC	ZL202111405498.6	April 25, 2025
55.	Carrier Mode Control Method, Device, and Medium for Air Conditioner Motors	Invention	Our Company	PRC	ZL202111582561.3	November 26, 2024
56.	An Intelligent Kitchen Waste Disposer Control Method and System	Invention	Our Company	PRC	ZL202111679350.1	July 18, 2023

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Patent	Type	Patent holder	Place of registration	Patent number	Grant date
57.	A Communication Adapter Device and Its Gear-Shift Compatible Circuit	Invention	Our Company	PRC	ZL202210095936.1	September 26, 2023
58.	Terminal Block, Motor, and Wiring Method	Invention	Our Company	PRC	ZL202210256575.4	October 25, 2024
59.	A Method and Device for Detecting Pollution Level in Air Conditioner Indoor Units	Invention	Our Company	PRC	ZL202210507903.3	June 9, 2023
60.	Electric Motor	Invention	Our Company, Shaoxing OLI	PRC	ZL201710774026.5	September 1, 2023
61.	A Vacuum Resin-Potted Stator Vibration Motor and Its Assembly Manufacturing Method	Invention	Our Company, Shaoxing OLI	PRC	ZL201811379926.0	March 1, 2024
62.	A Long-Span Vibration Motor	Invention	Our Company, Shaoxing OLI	PRC	ZL201811379944.9	March 22, 2024

(d) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be material to the business of our Group:

No.	Software name	Registrant	Place of registration	Registration number	Registration date
1.	Electric Aviation Controller Upper Computer Debugging Software	Our Company, Zhejiang Longchuang and Wolong Shanghai Research Institute	PRC	2025SR0507421	March 24, 2025
2.	Health Diagnostic and Analysis Software for Distributed Electric Drive Systems	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2024SR2020119	December 9, 2024
3.	Intelligent Parking Position Recognition System for Large Mining Trucks	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2024SR2014137	December 9, 2024
4.	Automatic Charging Pile Information Collection and Cloud Upload Software	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2024SR1528353	October 15, 2024
5.	Qt-based Magnetic Levitation Controller Monitoring System	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2024SR1527938	October 15, 2024
6.	LabView-based Magnetic Levitation Controller Monitoring System	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2024SR1527666	October 15, 2024

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Software name	Registrant	Place of registration	Registration number	Registration date
7.	Robotic Arm Automatic Dispatch System Software	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2024SR1087581	July 30, 2024
8.	Hydraulic System Energy Saving Dual-pressure Setting and Dual-channel DA Hydraulic Station Software	Our Company, Zhejiang Longchuang	PRC	2024SR0783281	June 7, 2024
9.	Drive Control Software for High-speed PM Converters	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2024SR0476612	April 9, 2024
10.	High-reluctance Torque Motor Driver Control Software	Our Company	PRC	2024SR0457749	April 2, 2024
11.	Upper Computer Control Software for Ferrite-Assisted Motor Driver	Our Company	PRC	2024SR0430949	March 26, 2024
12.	PV Cleaning Robot Control System	Our Company	PRC	2024SR0311240	February 26, 2024
13.	Control Platform for Surface-mounted PMSM Rotor Initial Position Detection and Polarity Identification Algorithm Based on High-frequency Injection and Linear Calculation	Wolong Shanghai Research Institute , Zhejiang Longchuang and Our Company	PRC	2022SR1555145	November 21, 2022
14.	Intelligent Motor Temperature, Vibration and Current Data Collection and Upload Software	Zhejiang Shunyun Internet Technology Co., Ltd. (浙江舜雲互聯技術有限公司), Our Company	PRC	2022SR0513142	April 24, 2022
15.	DSP Program for Software Upgrade and Update Based on CAN Bus	Wolong Shanghai Research Institute, Our Company	PRC	2022SR0053277	January 10, 2022
16.	Electric Vehicle Drive Software Control System	Our Company, Wolong Electric Group Hangzhou Research Institute Co., Ltd. (臥龍電氣集團杭州研究院有限公司)	PRC	2015SR227064	November 19, 2015
17.	Three-phase HALL Signal Real-Time Testing System	Our Company	PRC	2015SR113265	June 24, 2015

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Software name	Registrant	Place of registration	Registration number	Registration date
18.	Integrated Fan Sensorless PMSM Vector Control System	Our Company	PRC	2015SR068381	April 24, 2015
19.	Brushless Control System for Industrial Sewing Machine	Our Company	PRC	2015SR007381	January 13, 2015
20.	Air Purifier Control System	Our Company	PRC	2011SR025722	May 4, 2011
21.	Rongxin Flameproof and Intrinsically Safe Variable-frequency Governor Control System for Ventilators	Wolong Liaoning	PRC	2018SR662671	August 20, 2018
22.	Rongxin Flameproof and Intrinsically Safe VFD Control System for Mine	Wolong Liaoning	PRC	2018SR662665	August 20, 2018
23.	Rongxin Flameproof and Intrinsically Safe High-voltage AC Soft Starter Control System for Mine	Wolong Liaoning	PRC	2018SR652715	August 16, 2018
24.	Rongxin Flameproof and Intrinsically Safe HVC Control System for Mine	Wolong Liaoning	PRC	2018SR652705	August 16, 2018
25.	Rongxin High-voltage Solid-state Soft Starter Control System	Wolong Liaoning	PRC	2018SR652693	August 16, 2018
26.	Rongxin Flameproof and Intrinsically Safe Chain-type SVG Control System for Mine	Wolong Liaoning	PRC	2018SR652711	August 16, 2018
27.	Rongxin Step-wave Frequency Conversion with Stepless Voltage Regulation HV Motor Soft-start Control System	Wolong Liaoning	PRC	2018SR652725	August 16, 2018
28.	Rongxin Variable Frequency Power Supply Control System	Wolong Liaoning	PRC	2018SR652700	August 16, 2018
29.	Rongxin Substation VFD Control System	Wolong Liaoning	PRC	2018SR652709	August 16, 2018
30.	Rongxin Flameproof and Intrinsically Safe SVG Control System for Mine	Wolong Liaoning	PRC	2018SR652717	August 16, 2018
31.	Air-Water Cooler Computing and Analysis Software	Wolong Nanyang Group	PRC	2020SR1735169	December 4, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Software name	Registrant	Place of registration	Registration number	Registration date
32.	Smart Motor Data Recorder Display System	Wolong Nanyang Group	PRC	2020SR0167967	February 24, 2020
33.	Remote Monitoring System for Fan Motors	Wolong Nanyang Group	PRC	2020SR0036252	January 8, 2020
34.	A Smart Motor Operating Data Collector Software	Wolong Nanyang Group	PRC	2020SR0035949	January 8, 2020
35.	Product Intelligent Quotation and Selection Software	Wolong Nanyang Group	PRC	2020SR0036259	January 8, 2020
36.	Nanfeng Materials Quota Management System	Wolong Nanyang Group	PRC	2020SR0036266	January 8, 2020
37.	Wolong Hydrogen Generation Power System Monitoring Software	Our Company, Zhejiang Longchuang and Wolong Shanghai Research Institute	PRC	2023SR1207907	October 10, 2023
38.	Wolong Monocrystalline Silicon Multi-Wire Cutting Automated Smart Production System Control Software	Shaoxing OLI	PRC	2025SR0464351	March 17, 2025
39.	Flywheel Converter Control Software	Our Company, Wolong Shanghai Research Institute and ATB Motors (Shanghai) Co., Ltd. (奥特彼电机(上海)有限公司)	PRC	2025SR1211008	July 9, 2025
40.	Low-voltage Variable Frequency Random Wound Stator Pear-shaped Slot Rotor Built-in Multi-pole Few-slot PM Motor Calculation Software	Our Company, Wolong Shanghai Research Institute	PRC	2021SR2135537	December 24, 2021
41.	High-performance PMSM Control Software	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2025SR1202649	July 9, 2025
42.	CAN Smart Data Collection Control Software for Joint Actuators	Our Company, Wolong Shanghai Research Institute and Zhejiang Longchuang	PRC	2025SR1283697	July 17, 2025

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Software name	Registrant	Place of registration	Registration number	Registration date
43.	Emergency Power Supply Converter Control Software	Our Company, ATB Motors (Shanghai) Co., Ltd., and Wolong Shanghai Research Institute	PRC	2025SR1202782	July 9, 2025
44.	Wolong BLDC Motor Drive Control Software	Our Company	PRC	2021SR0325234	March 2, 2021
45.	Wolong ECM Motor Drive Control Software	Our Company	PRC	2021SR0325235	March 2, 2021

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) *Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations*

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our H Shares are [REDACTED]:

Name	Nature of interest	Description of Shares	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the issued share capital of our Company immediately after the [REDACTED]
Mr. PANG Xinyuan ⁽²⁾	Interest of spouse	A Shares	581,446,107 (L)	[REDACTED]%
	Beneficial interest	A Shares	977,471 (L)	[REDACTED]%
Mr. WAN Chuangqi ⁽³⁾	Beneficial interest	A Shares	2,081,192 (L)	[REDACTED]%
Mr. ZHANG Hongxin	Beneficial interest	A Shares	194,400 (L)	[REDACTED]%
Mr. ZHANG Wengang	Beneficial interest	A Shares	67,200 (L)	[REDACTED]%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) See “Substantial Shareholders” in this document for details.
- (3) Mr. WAN Chuangqi is deemed to be interested in (i) 1,642,108 A Shares directly owned by him, and (ii) 439,084 A Shares underlying the awards granted to him pursuant to the Stock Ownership Scheme.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(b) Interests of substantial shareholders

Save as disclosed below and in the section headed “Substantial Shareholders” of this document, immediately following the completion of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any member of our Group.

Member of our Group	Name of substantial shareholder	Approximate percentage of interest
Wolong Electric (Jinan) Motor Co., Ltd. (臥龍電氣(濟南)電機有限公司)	Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	30.00%
Zhejiang Wolong Servo Technology Co., Ltd. (浙江臥龍伺服技術有限公司)	WEI Minghua (魏明華) LU Aiguo (陸愛國)	17.67% 15.67%
Zhejiang Longchuang Motor Technology Innovation Co., Ltd. (浙江龍創電機技術創新有限公司)	Ningbo Qide Axis Industry Co., Ltd. (寧波奇德軸業有限公司) Fuda Bearing Corporation Co., Ltd. (福達軸承集團有限公司) Zhejiang Zhongke Magnetic Industry Co., Ltd. (浙江中科磁業股份有限公司)	15.00% 10.00% 15.00%
Wolong ZF Automotive Motor Co., Ltd. (臥龍采埃孚汽車電機有限公司)	ZF (China) Investment Co., Ltd. (采埃孚(中國)投資有限公司)	26.00%
Shaoxing Shangyu Longshun Enterprise Consulting Partnership (Limited Partnership) (紹興上虞龍舜企業諮詢合夥企業(有限合夥))	CHENG Benjun (程本俊)	21.43%
Wolong (Zhejiang) Power Electronics Co., Ltd. (臥龍(浙江)電力電子有限公司)	Shaoxing Shangyu Longyu Enterprise Management Partnership (Limited Partnership) (紹興上虞龍虞企業管理合夥企業(有限合夥))	40.00%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Particulars of Service Contracts

We have entered into a service contract with each of our Directors. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

For details of the remuneration of Directors, see “Directors and Senior Management — Remuneration” and note 12 in Accountants’ Report as set out in Appendix I to this document.

4. Disclaimers

- (a) Saved as disclosed in this document, none of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [REDACTED] on the Stock Exchange;
- (b) Save as disclosed in the section headed “History, Development and Corporate Structure” of this document, none of the Directors nor any of the parties listed in “— E. Other Information — 8. Qualifications and Consents of Experts” below:
 - (i) has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; or
 - (ii) is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) Save in connection with the [REDACTED], none of the Directors nor any of the parties listed in “— E. Other Information — 8. Qualifications and Consents of Experts” below:
 - (i) is interested legally or beneficially in any securities in any member of our Group; or
 - (i) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (d) So far as is known to the Directors, none of the Directors or their close associates or any Shareholders who are interested in 5% or more of the issued share capital of the Company has any interest in the top five customers or our top five suppliers of the Group.

D. A SHARE EMPLOYEE STOCK OWNERSHIP SCHEME

The following is a summary of the principal terms of the 2021 to 2023 Employee Stock Ownership Scheme (the “**Stock Ownership Scheme**”) adopted on September 10, 2021 (as amended), which is outstanding as of the Latest Practicable Date. The terms of Stock Ownership Scheme do not involve any grant of share incentives by our Company after the [REDACTED] and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the Stock Ownership Scheme are summarized below.

(a) Purposes

The purposes of the Stock Ownership Scheme are to further establish and improve our long-term incentive mechanism for sharing interests among shareholders and employees, attract and retain outstanding talents, and fully motivate their enthusiasm and innovation to enhance cohesion and core competitiveness of our Company.

(b) Administration

The Stock Ownership Scheme is subject to the approval of our Shareholders, and is administered by a committee (the “**Management Committee**”), the members of which are elected by the participants of the scheme. The Management Committee oversees the day-to-day management of the Stock Ownership Scheme, and exercise Shareholders’ rights in respect of the A Shares held under the scheme on behalf of its participants.

(c) Participants of the scheme

The participants of the Stock Ownership Scheme include the presidents of each of our five business divisions as set out in the scheme, which are subject to adjustment as determined by our Board. Under the Stock Ownership Scheme, a separate employee ownership plan shall be established for each year from 2021 to 2023.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(d) Source of shares and participants’ interest in the scheme

A Shares held in the accounts of relevant employee stock ownership plan shall be acquired through secondary market purchases, repurchases by our Company or other methods permitted by laws and regulations.

(e) Term of the scheme

Each plan under the Stock Ownership Scheme shall have a separate term no longer than 36 months, which can be extended pursuant to the terms as set out in the scheme commencing upon publication of an announcement by our Company regarding the transfer of relevant Shares to the account of the relevant employee stock ownership plan.

(f) Vesting of the shares

Each participants’ entitlement to the corresponding portion of Shares (together with any dividend) held by the Stock Ownership Scheme shall be subject to a lock-up period of 12 months from the completion of the transfer of relevant Shares to the account of the relevant employee stock ownership plan. The vesting of A Shares under each employee stock ownership plan shall be subject to attainment of corporate performance targets and relevant business division performance targets for each participant. The vested Shares shall be transferred to the relevant participants.

(g) Total number of shares held by the scheme

The total number of Shares held by the Stock Ownership Scheme shall not exceed 10% of the total number of Shares of the Company, with each participant’s entitlement shall be no more than 1% of the total number of Shares of the Company.

As of the Latest Practicable Date, 499,200 A Shares were held by the Stock Ownership Scheme, representing [REDACTED]% and [REDACTED]% of the Company’s total A Shares and total issued Shares immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised). As of the Latest Practicable Date, the outstanding awards granted under the Stock Ownership Scheme were (i) awards granted to Mr. WAN Chuangqi, our executive Director and president, with entitlement to 439,084 A Shares upon fulfillment of vesting conditions, and (ii) awards granted to a former director, with entitlement to 60,116 A Shares upon fulfillment of vesting conditions, representing [REDACTED]% and [REDACTED]%, respectively, of the Company’s total issued Shares immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of the Group.

2. Litigation

As of the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. The Joint Sponsors' Independence

The Joint Sponsors have made an application on our behalf to the Listing Committee for listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the [REDACTED] (including any additional H Shares which may be issued pursuant to the exercise of the [REDACTED]). All necessary arrangements have been made to enable the H Shares to be admitted into [REDACTED]. Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of US\$550,000 for acting as the sponsors for the [REDACTED].

4. Compliance Adviser

The Company has appointed Huatai Financial Holdings (Hong Kong) Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

The Company has not incurred any material preliminary expenses for the purpose of the Listing Rules.

6. Taxation of Holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transaction is affected on the Stock Exchange. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

7. Promoters

Our promoters at the time of our Company’s conversion into a joint stock limited company on October 21, 1998 are as follows: Shangyu State-Owned Assets Management Corporation (上虞市國有資產經營總公司), Zhejiang Rural Economic Investment Co., Ltd. (浙江農村經濟投資股份有限公司), Zhejiang Wolong Group Corporation (浙江臥龍集團公司), Mr. JC Chen (陳建成), CHEN Yongmiao (陳永苗), QIU Yue (邱躍), XIA Gangfeng (夏鋼峰), WANG Jianqiao (王建喬), CHEN Tiyin (陳體引), CHEN Yurong (陳玉榮), CHI Jianxue (池建學), WANG Caiping (王彩萍), HU Yuerong (胡月榮), XU Guoqing (許國慶), SHEN Jianyao (沈建堯) and CHEN Qiuqiang (陳秋強).

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

8. Qualifications and Consents of Experts

The qualifications of the experts who have given opinions or advice in this document are as follows:

<u>Name of Expert</u>	<u>Qualifications</u>
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities as defined under the SFO

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of Expert	Qualifications
GF Capital (Hong Kong) Limited . .	Licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO
SHINEWING (HK) CPA Limited .	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)
	Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
JunHe LLP	Legal advisers to the Company as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name and qualifications included herein in the form and context in which they respectively appear.

As of the Latest Practicable Date, save as in connection with the [REDACTED], none of the experts named above had any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2025, which would materially affect the information presented in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

12. Miscellaneous

- (a) Within the two years immediately preceding the date of this document, save as disclosed in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) Save as disclosed in this document, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of its subsidiary have been issued or have been agreed to be issued.
- (d) Our Company has no outstanding convertible debt securities or debentures.
- (e) Within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms (except commissions to the [REDACTED]) had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (f) Within the two years immediately preceding the date of this document, no commission has been paid or payable (except commissions to the [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in or debentures of our Company or any of our subsidiaries.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in this document; and
- (b) the written consents referred to in “Appendix IV — Statutory and General Information — E. Other Information — 8. Qualifications and Consents of Experts” in this document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.wolong.com.cn during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited [REDACTED] financial information from SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and 2024 and the reviewed consolidated financial statements of our Group for the six months ended June 30, 2025;
- (e) the legal opinion issued by JunHe LLP, our PRC legal advisors, in respect of certain general corporate matters and property interests of our Group in the PRC;
- (f) the industry report issued by Frost & Sullivan;
- (g) the PRC Company Law, and the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translations;
- (h) the service contracts referred to in “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Service Contracts” in this document;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY**

- (i) the material contract referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract” in this document; and
- (j) the written consents referred to in “Appendix IV — Statutory and General Information — E. Other Information — 8. Qualifications and Consents of Experts” in this document.