You should read the following discussion and analysis in conjunction with our consolidated financial information included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes. Our historical financial information and the consolidated financial statements of our Group have been prepared in accordance with the IFRS Accounting Standards, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Appendix I and not rely merely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results could differ materially from those anticipated in the forward-looking statements due to various factors, including those discussed in the sections headed "Forward-Looking Statements," "Risk Factors" and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

OVERVIEW

We are a leading global manufacturer of transformer tap-changers. We ranked second globally and first in the PRC in the tap-changer market, in terms of revenue in 2024, according to Frost & Sullivan. We provide a broad range of tap-changers and related solutions serving traditional and high-growth end markets, anchored in reliability and innovation. As indispensable and mission-critical components of power transformers, tap-changers position us to participate in the broader growth of the power industry driven by demand from new energy sectors, ESS, AIDCs and other end markets.

In addition to our power equipment business, which is our core business and contributed 82.8%, 77.9% and 86.6% of our total revenue in 2023, 2024 and 2025, respectively, we also operate in CNC equipment business and power station EPC business. To allocate resources more efficiently and concentrate on our core business, we are scaling down and will ultimately exit the power station EPC business.

During the Track Record Period, we delivered strong financial performance characterized by high growth, high profitability, robust cash generation, and high returns. Our revenue grew from RMB1,945.6 million in 2023 to RMB2,411.8 million in 2025, with a CAGR of 11.3%. In particular, revenue from our power equipment business grew from RMB1,611.0 million in 2023 to RMB2,088.2 million in 2025, with a CAGR of 13.9%. Our overseas operation was a key growth driver, with revenue from overseas sales contributing approximately 19.9% of our total revenue in 2025, compared to 14.1% in 2023. Our revenue from overseas sales reached RMB478.8 million in 2025 from RMB274.3 million in 2023, with a CAGR of 32.1%. In addition, our overall gross margin reached 53.9% and our net margin reached 29.8% in 2025. These results reflect our strong earnings quality and stable capital returns.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are beyond our control. We believe the following are key factors that affect our results of operations:

Industrial Policies and Growth of Global Tap-changer Market

The demand for our products and solutions is subject to the industrial policies affecting the industry in which we operate and the growth of tap-changer market. Changes in the general industry conditions could affect our business and result of operations.

In recent years, nations across the globe, including the PRC, have implemented policies and taken initiatives to promulgate the clean energy transition and the power grid upgrade, driving demand for new power equipment installations. For instance, in January 2026, State Grid Corporation of China announced the 15th Five-Year Plan (2026-2030), which is expected to further reinforce policy and investment support for the power sector by accelerating the construction of a new-type power system, expanding grid infrastructure, and facilitating large-scale integration of renewable energy to ensure energy security and green transition. The 15th Five-Year Plan further provides that the fixed-asset investment is expected to reach RMB4 trillion and used for the construction of a new-type power system, representing a 40% increase compared with the 14th Five-Year Plan period. In September 2025, the PRC National Energy Administration (國家能源局) and other authorities issued the Guiding Opinions on Promoting the High-Quality Development of Energy Equipment (關於推進能源裝備高質量發展的指導意見), which emphasize strengthening technological breakthroughs in energy transmission equipment and promoting the application of environmentally friendly green equipment. In August 2025, the PRC Ministry of Industry and Information Technology (工業和信息化部), the State Administration for Market Regulation (市場監管總局), and the National Energy Administration (國家能源局) issued the Work Plan for Stabilizing Growth in the Power Equipment Industry (2025-2026) (電力裝備行業穩增長工作方案(2025-2026年)), which sets the targets for steady growth in revenue of new energy equipment and the power equipment sector. These policies support the development of and investment in power equipment, providing a strong foundation for our strengthening operating results. Outside of the PRC, many countries have also implemented policies to support the development of electricity transmission and power sector updates. For instance, in January 2026, the U.S. Federal Energy Regulatory Commission released Energized for 2026, which proposes accelerating the construction of power generation and grid. In June 2025, the European Union issued EU Guidance on Ensuring Electricity Grids Are Fit for the Future, which estimates large amounts of investments in the distribution grid upgrades and the transmission grid development.

The global tap-changer market has demonstrated steady growth in recent years. According to Frost & Sullivan, the global tap-changer market size increased from RMB6.4 billion in 2020 to RMB10.1 billion in 2024, and is expected to further grow to RMB15.4 billion in 2030. The PRC is also one of the major markets for tap-changers. According to Frost & Sullivan, the tap-changer market size in the PRC grew from RMB1.7 billion in 2020 to RMB2.7 billion in

2024, and is expected to further grow to RMB3.8 billion in 2030. Capitalizing on our strong technology capacity and leading market position that allow us to effectively capture market opportunities brought up by the growing market demand of tap-changer and power equipment in the PRC and around the world, we derived revenue of RMB1,945.6 million, RMB2,308.9 million and RMB2,411.8 million in 2023, 2024 and 2025, respectively. Going forward, we believe that we are well-positioned to capture future market opportunities to achieve continuous growth.

Our Ability to Optimize the Mix of Products and Services

Our financial conditions and results of operations are affected by the mix of products and services that we provide, and may vary from period to period due to the change in the composition of our revenue from different categories of products and services. During the Track Record Period, we primarily derived our revenue from power equipment business which constituted our core business. In addition, we operate in CNC equipment business and power station EPC business, and generate income from electricity sales from certain photovoltaic power stations that we own.

The gross profit margin of our different types of products or services varies due to, among other things, the differences in the technological barriers and supply-demand dynamics. In 2023, 2024 and 2025, our gross profit margin was 51.5%, 48.3% and 53.9%, respectively. In the same periods, our gross profit margin for power equipment business was 57.8%, 57.9% and 59.3%, respectively, which remained consistently at a high level and was higher than our overall gross profit margin. We focus on OLTCs as our core offering and continue to deepen our R&D and manufacturing capabilities to meet the advanced requirements of our customers. We believe that our ability to develop and manufacture high-end power equipment products, such as UHV tap-changers and vacuum tap-changers, will continue to support our revenue growth and contribute to our high gross profit margin. In light of the long-term growth potential in CNC equipment, we also plan to continue expanding our CNC equipment business to drive our business growth. In addition, to allocate resources more efficiently and concentrate on our core business, we are scaling down and will ultimately exit the power station EPC business.

Our future success depends on our ability to anticipate industry trends and develop products with high-performance that meet the evolving demand of our customers. We aim to further optimize our product portfolio. By continuously refining the mix of our products and services and leveraging technological innovation, we are committed to sustaining robust financial performance and driving long-term growth. However, fluctuations in product demand, shifts in market dynamics and evolving competitive dynamics may impact our financial performance.

Growth of Customer Base and Expansion of Overseas Markets

The expansion of our customer base is a key driver of our business growth. Our revenue and overall profitability are largely affected by our ability to maintain existing customer cooperation and attract new customers. We have established close long-term collaborations with our major customers by continuously optimizing product quality, upgrading our technologies, and offering reliable services, so as to meet our customers' needs. With enhanced product offerings, we target to further grow our customer base and explore new business opportunities, including expanding our market coverage geographically.

We have witnessed emerging overseas opportunities for tap-changers and CNC equipment in recent years, driven by, among other things, increased infrastructure investment and growing demand from new energy sectors, AIDCs, ESS and other end markets. We have been strategically expanding our international footprint for both the power equipment business and the CNC equipment business. During the Track Record Period, our revenue from overseas sales amounted to RMB274.3 million, RMB307.6 million and RMB478.8 million in 2023, 2024 and 2025, respectively, with a CAGR of 32.1%. Our production facilities in Turkey and Indonesia have commenced operation in 2016 and 2025, respectively, strengthening our ability to serve overseas customers. Going forward, overseas expansion will continue to be one of our key business strategies. See "Business — Future Strategies — Expand global marketing and service networks to strengthen international presence and customer support" and "Business — Future Strategies — Strengthen global production synergy and advance overseas localization" for details. While we believe that our proven track record in serving overseas customers, coupled with our product portfolio and R&D capabilities, well positions us to attract overseas customers, expand our market share in global power equipment market, and increase our future revenue, there is no assurance that our overseas expansion will be successful. In particular, we face more competition in the global market compared to the domestic market. Our competitors in the global market might benefit from their first-mover advantage, readily existing trust from their customers, and local market insights, making it difficult for us to obtain new overseas customers. The expansion of overseas markets and global customer base might cause increased operating costs for, among other things, sales and marketing activities and localized services, which could also affect our financial performance and results of operations.

Management of Costs and Improvement of Operational Efficiency

Our business results, profitability and future growth are affected by our ability to continuously enhance and improve our operational efficiency and cost optimization. Our cost of sales primarily consists of costs of raw materials and components, manufacturing costs, and labor costs related to manufacturing and construction. The cost of raw materials and components, being the largest component of our cost of sales during the Track Record Period, amounted to RMB638.9 million, RMB834.3 million and RMB811.3 million in 2023, 2024 and 2025, respectively, accounting for 67.6%, 69.9% and 73.0% of our total cost of sales in the respective years. Therefore, we are subject to the risks of fluctuations in the price of our key materials and components. Changes in the availability and price of raw materials and components could have a significant impact on our operating costs, profit margin and results of operations. To mitigate supply chain risks and price volatility, we closely monitor raw material costs through market trend analysis, supplier negotiations and periodic price assessments. We procure raw materials and adjust inventory levels based on price forecast to avoid disruption in our supply chain and control our raw material costs. For details of our inventory management, see "Business — Raw Materials, Inventory Management and Suppliers — Inventory Management."

In addition to the cost control, operational efficiency also affects our profitability and future growth. We have implemented various measures to enhance our production efficiency and improve cost-control, including improving raw material utilization and recyclability, upgrading product quality and scale, innovating material processing techniques to reduce reliance on certain raw materials, implementing intelligent manufacturing, and introducing new equipment to promote automation level and reduce the proportion of labor costs to total cost. We believe that our ability to efficiently manage our manufacturing and operations is critical to sustaining the scale of our business, driving the continued growth of our total revenue and gross profit margin, and maintaining our competitiveness in an industry where cost control is key to long-term success. Going forward, we expect to continue enhancing our operational efficiency to mitigate input cost pressures and safeguard our profitability.

Investment in Research and Development and Advance in Technology

Our business growth is largely attributable to strong in-house R&D capabilities. Staying at the forefront of innovation is critical to maintaining our competitiveness and meeting evolving market demands. During the Track Record Period, we have dedicated to investing in technology development and innovation. Our research and development expenses amounted to RMB78.5 million, RMB81.4 million and RMB88.5 million in 2023, 2024 and 2025, respectively, accounting for 4.0%, 3.5% and 3.7% of our revenue, respectively. We have built in-depth industry knowledge and technical know-how of power equipment industry throughout the years. Our investment in R&D activities yielded over 300 issued patents as of the Latest Practicable Date.

Our investment in R&D enabled us to build our market leadership and is expected to yield long-term results. In particular, our development of high-end products, such as UHV tap-changers, enables us to remain at the forefront of industry innovation. While exploring new technological frontiers in the power equipment industry, we also continued to optimize the performance of our existing products through our R&D efforts. As the market evolves, the performance of our products also requires consistent enhancement. Our ability to develop more advanced technologies and design innovative products that tailor to customers' changing requirements has been and will continue to be critical to our ability to maintain our competitive edge and excel in the market. We will continue to invest in proprietary technology development and innovation to grow our competitive strengths and to enhance our market position. Therefore, the outcome and effectiveness of our research efforts could affect our profitability and future results of operations.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. All IFRS effective for the accounting period commencing from January 1, 2026, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention except for certain financial instruments, which have been measured at fair value at the end of each reporting period.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Notes 2.3 and 3 to "Appendix I — Accountants' Report" to this document sets forth certain material accounting policy information, which are important for understanding our financial conditions and results of operations.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. See Notes 2.3 and 3 to "Appendix I — Accountants' Report."

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Revenue	1,945,637	100.0	2,308,875	100.0	2,411,780	100.0
Cost of sales	(944,493)	(48.5)	(1,193,227)	(51.7)	(1,110,905)	(46.1)
Gross profit	**1,001,144**	**51.5**	**1,115,648**	**48.3**	**1,300,875**	**53.9**

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Other income and gains	61,801	3.2	81,952	3.5	111,171	4.6
Sales and marketing expenses	(206,195)	(10.6)	(209,623)	(9.1)	(251,514)	(10.4)
Administrative expenses	(152,973)	(7.9)	(163,203)	(7.1)	(188,369)	(7.8)
Research and development expenses	(78,468)	(4.0)	(81,361)	(3.5)	(88,471)	(3.7)
Reversal of impairment losses/(impairment losses) on financial and contract assets, net	25,927	1.3	(6,488)	(0.3)	455	0.0
Fair value gains on financial assets at fair value through profit or loss, net	6,728	0.3	–	–	7	0.0
Other expenses	(6,189)	(0.3)	(9,956)	(0.4)	(24,684)	(1.0)
Finance costs	(16,299)	(0.8)	(17,255)	(0.7)	(13,437)	(0.6)
Share of profits and losses of:						
Joint ventures	(225)	(0.0)	(466)	(0.0)	2,179	0.1
Associates	10,527	0.5	17,388	0.8	–	–
Profit before tax	645,778	33.2	726,636	31.5	848,212	35.2
Income tax expense	(95,120)	(4.9)	(106,855)	(4.6)	(128,585)	(5.3)
Profit for the year	**550,658**	**28.3**	**619,781**	**26.8**	**719,627**	**29.8**

Revenue

The following table sets forth the breakdown of our revenue by type of goods or services for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Power equipment business	1,611,018	82.8	1,798,909	77.9	2,088,230	86.6
CNC equipment business	160,953	8.3	174,319	7.6	243,481	10.1
Power station EPC business	116,749	6.0	286,711	12.4	28,890	1.2
Others	56,917	2.9	48,936	2.1	51,179	2.1
Total	**1,945,637**	**100.0**	**2,308,875**	**100.0**	**2,411,780**	**100.0**

During the Track Record Period, our revenue was derived primarily from the following types of businesses, including:

(1) **Power equipment business** — Our revenue was principally derived from the research and development, manufacturing, sales and full life-cycle operation and maintenance of tap-changers, which constituted our core business. In 2023, 2024 and 2025, the power equipment business contributed 82.8%, 77.9% and 86.6% of our total revenue, respectively.

(2) **CNC equipment business** — We also generated revenue from the research and development, manufacturing, sales and services of integrated CNC equipment. In 2023, 2024 and 2025, the CNC equipment business contributed 8.3%, 7.6% and 10.1% of our total revenue, respectively.

(3) **Power station EPC business** — A portion of our revenue was generated from the engineering-procurement-construction (EPC) of photovoltaic power stations. In 2023, 2024 and 2025, the power station EPC business contributed 6.0%, 12.4% and 1.2% of our total revenue, respectively.

(4) **Others** — Revenue from other sources mainly included electricity sales generated from certain photovoltaic power stations that we own. To a much lesser extent, it also included rental income from investment property operating leases. In 2023, 2024 and 2025, others business contributed 2.9%, 2.1% and 2.1% of our total revenue, respectively.

During the Track Record Period, our products were sold in both domestic and international markets. Revenue from Chinese mainland represents sales to customers located in Chinese mainland, while revenue from overseas represents (i) sales generated by our overseas subsidiaries and (ii) sales directly exported from Chinese mainland to customers located outside Chinese mainland. The following table sets forth a geographic breakdown of our revenue for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Chinese mainland	1,671,366	85.9	2,001,285	86.7	1,933,013	80.1
Overseas	274,271	14.1	307,590	13.3	478,767	19.9
Total revenue	**1,945,637**	**100.0**	**2,308,875**	**100.0**	**2,411,780**	**100.0**

Cost of Sales

We primarily incur cost of sales in relation to our cost of sales of goods and services, which mainly includes (i) costs of raw materials and components, (ii) manufacturing costs, and (iii) labor costs related to manufacturing and construction. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Costs of raw materials and components	638,922	67.6	834,314	69.9	811,307	73.0
Manufacturing costs	112,989	12.0	126,725	10.6	140,190	12.6
Labor costs	168,583	17.8	203,496	17.1	127,474	11.5
Others[1]	23,999	2.5	28,692	2.4	31,934	2.9
Total	**944,493**	**100**	**1,193,227**	**100**	**1,110,905**	**100**
As % of total revenue		*48.5*		*51.7*		*46.1*

Note:

(1) Others include primarily operating cost of our photovoltaic power stations and impairment losses.

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit and gross margin by type of goods or services for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	(RMB'000, except for percentages)					
Power equipment business	931,809	57.8%	1,041,753	57.9%	1,238,342	59.3%
CNC equipment business	27,213	16.9%	21,425	12.3%	44,918	18.4%
Power station EPC business	7,711	6.6%	27,919	9.7%	(8,085)	(28.0)%
Others	34,411	60.5%	24,551	50.2%	25,700	50.2%
Total	**1,001,144**	**51.5%**	**1,115,648**	**48.3%**	**1,300,875**	**53.9%**

Other Income and Gains

During the Track Record Period, our other income and gains primarily consisted of (i) interest income, primarily representing interest income on our bank deposits; (ii) government grants, mainly representing government subsidies received by us related to income; and (iii) gain on disposal of items of property, plant and equipment. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Other income						
Interest income	26,838	43.4	35,127	42.9	30,822	27.7
Government grants	25,966	42.0	34,573	42.2	22,130	19.9
Value-added tax additional deduction	3,038	4.9	3,109	3.8	4,332	3.9
Dividend income from equity investments at fair value through other comprehensive income	–	–	1,767	2.2	1,767	1.6
Investment income from structured deposits and wealth management products	1,628	2.6	203	0.2	77	0.1
Others	2,209	3.6	6,994	8.5	2,017	1.8
Total other income	**59,679**	**96.6**	**81,773**	**99.8**	**61,145**	**55.0**
Gains						
Gain on disposal of items of property, plant and equipment	–	–	–	–	39,135	35.2
Foreign exchange gains, net	2,122	3.4	–	–	10,477	9.4
Gain on bargain purchase	–	–	–	–	233	0.2
Gain on disposal of financial assets at fair value through profit or loss, net	–	–	179	0.2	104	0.1
Gain on disposal of an asset classified as held for sale	–	–	–	–	77	0.1
Total gains	**2,122**	**3.4**	**179**	**0.2**	**50,026**	**45.0**
Total other income and gains	**61,801**	**100.0**	**81,952**	**100.0**	**111,171**	**100.0**
As % of total revenue		*3.2*		*3.5*		*4.6*

Sales and Marketing Expenses

During the Track Record Period, our sales and marketing expenses primarily consisted of (i) service fees incurred mainly for after-sales services to strengthen customer relationship; (ii) employee compensation for our sales and marketing staff; (iii) marketing expenses; (iv) consultation expenses; and (v) travel expenses. The following table sets forth the breakdown of our sales and marketing expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Service fees	87,293	42.3	89,626	42.8	106,987	42.5
Employee compensation	67,665	32.8	69,970	33.4	71,736	28.5
Marketing expenses	16,737	8.1	17,710	8.4	17,415	6.9
Consultation expenses	20,240	9.8	13,493	6.4	19,461	7.7
Travel expenses	7,684	3.7	10,429	5.0	14,484	5.8
Share-based payment	–	–	–	–	11,218	4.5
Vehicle expenses	962	0.5	341	0.2	1,001	0.4
Office expenses	463	0.2	680	0.3	822	0.3
Others	5,151	2.5	7,374	3.5	8,390	3.3
Total	**206,195**	**100.0**	**209,623**	**100.0**	**251,514**	**100.0**
As % of total revenue		*10.6*		*9.1*		*10.4*

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) employee compensation for our administrative staff; (ii) depreciation and amortization; (iii) professional services fees and consulting fees; and (iv) taxes other than VAT surcharges. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Employee compensation	61,352	40.1	67,640	41.4	74,531	39.6
Share-based payment	–	–	–	–	12,390	6.6
Depreciation and amortization	24,929	16.3	28,227	17.3	26,644	14.1

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Professional service fees/Consulting fees	17,252	11.3	22,083	13.5	24,027	12.8
Taxes other than VAT surcharges	15,669	10.2	17,466	10.7	17,012	9.0
Office expenses	17,469	11.4	10,978	6.7	14,368	7.6
Travel expenses	3,380	2.2	4,009	2.5	4,538	2.4
Others	12,922	8.4	12,800	7.8	14,859	7.9
Total	**152,973**	**100**	**163,203**	**100**	**188,369**	**100**
As % of total revenue		*7.9*		*7.1*		*7.8*

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) material fees; and (ii) employee compensation for our research and development staff. The following table sets forth the breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentages)					
Material fees	30,046	38.3	33,336	41.0	41,732	47.2
Employee compensation	33,812	43.1	35,689	43.9	32,507	36.7
Share-based payment	–	–	–	–	4,609	5.2
Testing fees	4,429	5.6	7,094	8.7	3,967	4.5
Depreciation and amortization	1,819	2.3	1,985	2.4	2,318	2.6
Technical service fees	1,171	1.5	602	0.7	2,030	2.3
Commissioned development expenses	6,263	8.0	943	1.2	472	0.5
Others	928	1.2	1,712	2.1	836	0.9
Total	**78,468**	**100.0**	**81,361**	**100.0**	**88,471**	**100.0**
As % of total revenue		*4.0*		*3.5*		*3.7*

Reversal of Impairment Losses/(Impairment Losses) on Financial and Contract Assets, Net

During the Track Record Period, our net reversal of impairment losses/(impairment losses) on financial and contract assets mainly included the provision or reversal of bad debt reserves for certain trade and bills receivables. We incurred a net reversal of impairment losses on financial and contract assets of RMB25.9 million in 2023, a net impairment loss of RMB6.5 million in 2024, and a net reversal of impairment loss of RMB0.5 million in 2025.

Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss, Net

During the Track Record Period, our net fair value gains on financial assets at fair value through profit or loss mainly included a one-time fair value gain in 2023 from our unlisted equity investment. Following a court ruling on the repurchase price in dispute, the court determined that the counterparty must pay us a higher amount to repurchase our investment than the value we had conservatively estimated and carried on our books. This gain represents the positive adjustment to align the investment's recorded value with the legally mandated settlement. We have collected the mandated repurchase amount from the counterparty in 2024 accordingly. We incurred net fair value gains on financial assets at fair value through profit or loss of RMB6.7 million, nil and RMB0.007 million in 2023, 2024 and 2025, respectively.

Other Expenses

During the Track Record Period, our other expenses primarily included exchange losses, losses on the transfer of financial assets measured at amortized cost, losses on asset disposal, and non-operating expenses. In 2023, 2024 and 2025, our other expenses amounted to RMB6.2 million, RMB10.0 million and RMB24.7 million, respectively.

Finance Costs

During the Track Record Period, our finance costs mainly consisted of (i) interest on interest-bearing bank and other borrowings; and (ii) interest on lease liabilities. In 2023, 2024 and 2025, our finance costs amounted to RMB16.3 million, RMB17.3 million and RMB13.4 million, respectively.

Share of profits and losses of joint ventures and associates

Our share of profits and losses of joint ventures and associates was RMB10.3 million, RMB16.9 million and RMB2.2 million in 2023, 2024 and 2025, respectively, mainly related to our investments in Jinkaiqiyu (Beijing) New Energy Development Partnership (Limited Partnership) (金開啟昱(北京)新能源發展合夥企業(有限合夥)) ("**Jinkaiqiyu**") and Jiaxin Jiaoying Huaming Venture Capital Partnership (Limited Partnership) (嘉興交贏華明創業投資合夥企業(有限合夥)). On December 31, 2024, we and Jinkai New Energy Technology Co., Ltd.

entered into a Partnership Share Transfer Agreement, pursuant to which we shall transfer all of our investments in Jinkaiqiyu to Jinkai New Energy Technology Co., Ltd. and the transaction was completed in December 2025.

Income Tax Expense

We recorded income tax expense of RMB95.1 million, RMB106.9 million and RMB128.6 million in 2023, 2024 and 2025, respectively. Our effective income tax rate, calculated by dividing income tax expense by profit before tax, expressed as a percentage, was 14.7%, 14.7% and 15.2% in 2023, 2024 and 2025, respectively. Our effective income tax rate in each period was lower than the 25% statutory tax rate, primarily because (i) the impact of different tax rates in the jurisdictions where certain of our subsidiaries were domiciled and operated; (ii) the preferential tax rates of the PRC that we or certain of our subsidiaries were benefited from; and (iii) additional deductible allowance for qualified research and development expenses.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and/or operate. We are subject to various rates of income tax under different jurisdictions. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities. For the statutory tax rate and preferential income tax rates applicable to our Company and our subsidiaries, see Note 10 to "Appendix I — Accountants' Report."

Profit for the Year and Net Margin

As a result of the foregoing, our profit was RMB550.7 million, RMB619.8 million and RMB719.6 million in 2023, 2024 and 2025, respectively.

Net margin represents profit for the year divided by revenue, expressed as a percentage. In 2023, 2024 and 2025, our net margin was 28.3%, 26.8% and 29.8%, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 4.5% from RMB2,308.9 million in 2024 to RMB2,411.8 million in 2025, primarily driven by the continued revenue growth of our power equipment and CNC equipment businesses.

- Our revenue generated from power equipment business increased by 16.1% from RMB1,798.9 million in 2024 to RMB2,088.2 million in 2025. This increase was primarily due to the increased demand for tap-changers, especially the increase in the demand for OLTCs and DETCs.

- Our revenue generated from CNC equipment business increased by 39.7% from RMB174.3 million in 2024 to RMB243.5 million in 2025. This increase was primarily due to the increased overseas demand for CNC equipment, in particular in the Middle East and Southern Asia.

- Our revenue generated from power station EPC business decreased by 89.9% from RMB286.7 million in 2024 to RMB28.9 million in 2025. This significant decrease was primarily due to our strategic adjustments to focus on our core business with higher gross margin.

- Our revenue generated from other business increased by 4.6% from RMB48.9 million in 2024 to RMB51.2 million in 2025, primarily driven by the increased number of our photovoltaic power stations. We owned three photovoltaic power stations in 2025 compared to two in 2024.

Our revenue from Chinese mainland decreased by 3.4% from RMB2,001.3 million in 2024 to RMB1,933.0 million in 2025, because we recorded more revenue from our power station EPC business in China in 2024 for a large project. Our revenue from overseas sales increased by 55.7% from RMB307.6 million in 2024 to RMB478.8 million in 2025, primarily attributable to the growing demand for tap-changers and CNC equipment from overseas customers.

Cost of Sales

Our cost of sales decreased by 6.9% from RMB1,193.2 million in 2024 to RMB1,110.9 million in 2025, primarily driven by the decreases in cost of raw materials and components and labor costs, both related to the phasing out of our power station EPC business.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 16.6% from RMB1,115.6 million in 2024 to RMB1,300.9 million in 2025. Our gross margin increased from 48.3% in 2024 to 53.9% in 2025, mainly attributable to the expansion of scale as well as the increase of profit margin of our power equipment business. In addition, our structural adjustments of the business to focus on our core business with a relatively high gross margin also contributed to the overall outcome of our gross profit and gross margin.

- Our gross profit for power equipment business increased by 18.9% from RMB1,041.8 million in 2024 to RMB1,238.3 million in 2025, primarily driven by rapid business growth in 2025. Our gross profit margin for power equipment business increased from 57.9% to 59.3% for the same year, primarily due to optimized product mix. In 2025, we sold more vacuum OLTCs, which generally enjoy relatively higher gross margins.

- Our gross profit for CNC equipment business increased by 109.7% from RMB21.4 million in 2024 to RMB44.9 million in 2025, primarily driven by increased export sales. Our gross profit margin for CNC equipment business increased from 12.3% to 18.4% for the same year, primarily due to increased sales overseas, which generally enjoy higher gross margins.

- For our power station EPC business, we recorded a gross profit of RMB27.9 million with a gross profit margin of 9.7% in 2024, and a gross loss of RMB8.1 million with a gross loss margin of 28.0% in 2025. The gross loss in 2025 was primarily attributable to a one-off adjustment to the estimated revenue attributable to a power station EPC project during contract payment settlement.

- Our gross profit for other business increased by 4.7% from RMB24.6 million in 2024 to RMB25.7 million in 2025, driven by the increased electricity sales from the increased number of photovoltaic power sections we own. Our gross profit margin for other business remained relatively stable at 50.2% in 2024 and 50.2% in 2025.

Other Income and Gains

Our other income and gains increased by 35.7% from RMB82.0 million in 2024 to RMB111.2 million in 2025, primarily due to (i) a gain on disposal of items of property, plant and equipment of RMB39.1 million recognized in 2025 relating to our disposal of certain production facilities and land use rights in the PRC; and (ii) net foreign exchange gains of RMB10.5 million in 2025, as compared to nil in 2024, which was mainly due to the increase of value of certain assets denominated in foreign currencies caused by the change of foreign exchange rates; such a trend was partially offset by a decrease of RMB12.4 million in government grants.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 20.0% from RMB209.6 million in 2024 to RMB251.5 million in 2025, primarily attributable to (i) an increase of RMB17.4 million in service fees related to after-sales services, which was in line with our business growth; and (ii) share-based payment of RMB11.2 million, as compared to nil in 2024, which was mainly relating to the increased compensation provided by us to our employees.

Administrative Expenses

Our administrative expenses increased by 15.4% from RMB163.2 million in 2024 to RMB188.4 million in 2025, primarily attributable to (i) share-based payment of RMB12.4 million, as compared to nil in 2024, which was mainly relating to the increased compensation provided by us to our employees; and (ii) an increase of RMB6.9 million in employee compensation relating to the rising administrative staff headcount and salaries for overseas operations.

Research and Development Expenses

Our research and development expenses increased by 8.7% from RMB81.4 million in 2024 to RMB88.5 million in 2025, primarily attributable to (i) an increase of RMB8.4 million in material fees, as we increased our investment in research and development for our collaboration projects on UHV products to maintain our technological competitiveness; and (ii) share-based payment of RMB4.6 million, as compared to nil in 2024, which was mainly relating to the increased compensation provided by us to our employees.

Reversal of Impairment Losses (Impairment Losses) on Financial and Contract Assets, Net

We recorded a net reversal of impairment losses on financial assets and contract assets of RMB0.5 million in 2025, primarily due to the receipt of payments from a customer in respect of certain contract assets under our power station EPC business that had previously been impaired. Accordingly, the related impairment losses were reversed during the year. We recorded net impairment losses on financial assets and contract assets of RMB6.5 million in 2024, primarily attributable to a payment made in connection with a potential investment project in Southeast Asia, which did not proceed.

Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss, Net

We recorded nil under this item in 2024, while recorded net fair value gains on financial assets at fair value through profit or loss of RMB7,000 in 2025, which was mainly related to a small amount of wealth management product.

Other Expenses

Our other expenses increased by 147.9% from RMB10.0 million in 2024 to RMB24.7 million in 2025, which was mainly related to the loss caused by our disposal of Changzheng Electric.

Finance Costs

Our finance costs decreased by 22.1% from RMB17.3 million in 2024 to RMB13.4 million in 2025, primarily contributed to a decrease in interest on interest-bearing bank and other borrowings due to the reduction in the interest rates.

Share of profits and losses of joint ventures and associates

Our share of profits and losses of joint ventures and associates decreased by 87.0% from RMB16.9 million in 2024 to RMB2.2 million in 2025, primarily due to the sale of our investments in Jinkaiqiyu, which no longer contributed to our share of profits and losses of joint ventures and associates in 2025.

Income Tax Expenses

Our income tax expenses increased by 20.3% from RMB106.9 million in 2024 to RMB128.6 million in 2025, primarily reflecting the growth in our profit before tax.

Profit for the Year and Net Margin

As a result of the foregoing, our profit increased by 16.7% from RMB619.8 million in 2024 to RMB719.6 million in 2025. Our net margin was 26.8% and 29.8% in 2024 and 2025, respectively.

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

Revenue

Our revenue increased by 18.7% from RMB1,945.6 million in 2023 to RMB2,308.9 million in 2024, primarily driven by the revenue growth of power equipment business.

- Our revenue generated from power equipment business increased by 11.7% from RMB1,611.0 million in 2023 to RMB1,798.9 million in 2024. This increase was primarily due to the increased demand for power equipment in both the domestic market and the overseas market, especially the significant increase in the demand for power equipment driven by the growth of power grid investment, new energy sectors, AIDCs and ESS.

- Our revenue generated from CNC equipment business increased by 8.3% from RMB161.0 million in 2023 to RMB174.3 million in 2024, showing a steady growth of this business driven by overseas market growth.

- Our revenue generated from power station EPC business increased by 145.6% from RMB116.7 million in 2023 to RMB286.7 million in 2024. This increase was primarily due to the recognition of revenue for a photovoltaic power station EPC project in Henan Province, the PRC during that year.

- Our revenue generated from other business decreased by 14.0% from RMB56.9 million in 2023 to RMB48.9 million in 2024, primarily affected by the expiration of local government subsidies for photovoltaic power generation. We owned two photovoltaic power stations and generated electricity for sales in 2023 and 2024.

Our revenue from Chinese mainland increased by 19.7% from RMB1,671.4 million in 2023 to RMB2,001.3 million in 2024, primarily attributable to the growing demand for power equipment and CNC equipment in the PRC driven by the power grid investment, as well as completion of a large project under our power station EPC business in 2024. Our revenue from overseas sales increased by 12.1% from RMB274.3 million in 2023 to RMB307.6 million in 2024, primarily attributable to the growing demand for tap-changers and CNC equipment from overseas customers and our active expansion of overseas business.

Cost of Sales

Our cost of sales increased by 26.3% from RMB944.5 million in 2023 to RMB1,193.2 million in 2024, primarily driven by the increased costs related to construction under our power station EPC business, which is consistent with the recognition of revenue for the same period, as well as the increased costs of raw materials and components, mainly attributable to the growth of our production and sale volume.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 11.4% from RMB1,001.1 million in 2023 to RMB1,115.6 million in 2024. Our gross margin decreased from 51.5% in 2023 to 48.3% in 2024, mainly attributable to the relatively low profit margin of the power station EPC business, which constituted a higher portion of our total revenue in 2024 due to the recognition of revenue for a large project during that year.

- Our gross profit for power equipment business increased by 11.8% from RMB931.8 million in 2023 to RMB1,041.8 million in 2024, primarily driven by the growth of our power equipment business in 2024. Our gross profit margin for power equipment business remained relatively stable at 57.8% in 2023 and 57.9% in 2024.

- Our gross profit for CNC equipment business decreased by 21.3% from RMB27.2 million in 2023 to RMB21.4 million in 2024, despite the growth of our CNC equipment business in 2024. Our gross profit margin for this business decreased from 16.9% to 12.3% for the same year, primarily due to (i) increased competition in the domestic market, which led to an overall decrease in selling prices; and (ii) a change in product mix, with increased sales of products with lower gross profit margins.

- Our gross profit for power station EPC business increased by 262.1% from RMB7.7 million in 2023 to RMB27.9 million in 2024, primarily driven by revenue growth of our power station EPC business in 2024. Our gross profit margin for this business increased from 6.6% in 2023 to 9.7% in 2024, primarily attributable to the decrease in prices of raw materials used in the photovoltaic power station construction in 2024.

- Our gross profit for other business decreased by 28.7% from RMB34.4 million in 2023 to RMB24.6 million in 2024, affected by the decrease of gross profit margin. Our gross profit margin for other business decreased from 60.5% in 2023 to 50.2% in 2024, primarily affected by the expiration of local government subsidies.

Other Income and Gains

Our other income and gains increased by 32.6% from RMB61.8 million in 2023 to RMB82.0 million in 2024, primarily due to (i) an increase of RMB8.6 million in government grants relating to income; and (ii) an increase of RMB8.3 million in interest income mainly relating to the increased interest rate for USD.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 1.7% from RMB206.2 million in 2023 to RMB209.6 million in 2024, remained relatively stable, benefiting from our business expansion, enhanced brand building efforts, and solidified relationships with our customers, which led to the economies of scale.

Administrative Expenses

Our administrative expenses increased by 6.7% from RMB153.0 million in 2023 to RMB163.2 million in 2024, primarily due to (i) an increase of RMB6.3 million in employee compensation relating to the rising administrative staff headcount and salaries, (ii) an increase of RMB4.8 million in professional service and consulting fee primarily relating to preliminary due diligence for our projects in Southeast Asia, and (iii) an increase of RMB3.3 million in depreciation and amortization.

Research and Development Expenses

Our research and development expenses increased by 3.7% from RMB78.5 million in 2023 to RMB81.4 million in 2024, primarily due to (i) an increase of RMB3.3 million in material fees and an increase of RMB2.7 million in testing fees, as we increased our investment in research and development for our projects on UHV products to maintain our technological competitiveness; and (ii) an increase of RMB1.9 million in employee compensation due to the rising R&D staff headcount and salaries.

Reversal of Impairment Losses (Impairment Losses) on Financial and Contract Assets, Net

We recorded net reversal of impairment losses on financial assets and contract assets of RMB25.9 million in 2023, as compared to net impairment losses on financial assets and contract assets of RMB6.5 million in 2024. Such a difference was mainly because we previously recorded impairment losses for certain trade and bill receivables of two customers in relation to our power station EPC business, which were collected in 2023, leading to the reversal of impairment losses for these trade and bill receivables in that year.

Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss, Net

We recorded net fair value gains on financial assets at fair value through profit or loss of RMB6.7 million in 2023, while recorded nil under this item for 2024. Such a difference was due to the recognition of a one-time fair value gain related to our unlisted equity investment. See "— Description of Selected Components of Consolidated Statements of Profit or Loss — Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss, Net" for more details.

Other Expenses

Our other expenses increased by 60.9% from RMB6.2 million in 2023 to RMB10.0 million in 2024, which was mainly due to the foreign exchange loss in 2024.

Finance Costs

Our finance costs increased by 5.9% from RMB16.3 million in 2023 to RMB17.3 million in 2024 as a result of the combination of (i) an increase in the interest on interest-bearing bank and other borrowings due to the increased total amount of bank and other borrowings; and (ii) a decrease in the interest on lease liabilities in line with our continuous payments of rents.

Share of Profits and Losses of Joint Ventures and Associates

Our share of profits and losses of joint ventures and associates increased by 64.1% from RMB10.3 million in 2023 to RMB16.9 million in 2024, primarily due to the improved performance of Jinkaiqiyu, which is an investment holding company, as a result of better performance of its underlying investments in the photovoltaic industry.

Income Tax Expenses

Our income tax expenses increased by 12.3% from RMB95.1 million in 2023 to RMB106.9 million in 2024, primarily reflecting the growth in our profit before tax.

Profit for the Year and Net Margin

As a result of the foregoing, our profit increased by 12.6% from RMB550.7 million in 2023 to RMB619.8 million in 2024. Our net margin was 28.3% and 26.8% in 2023 and 2024, respectively.

DISCUSSION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which are extracted from the Accountants' Report included in Appendix I to this document:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
NON-CURRENT ASSETS			
Property, plant and equipment	919,839	948,626	1,170,424
Investment properties	3,999	3,780	3,561
Equity investments designated at fair value through other comprehensive income	72,145	58,270	58,804
Right-of-use assets	193,100	173,266	456,729
Goodwill	99,419	99,419	99,419
Other intangible assets	20,198	16,824	52,050
Investments in a joint venture	27,658	27,192	21,141

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Investments in an associate	110,792	–	–
Deferred tax assets	87,474	94,555	68,205
Prepayments, other receivables and other assets	–	20,853	4,194
Total non-current assets	**1,534,624**	**1,442,785**	**1,934,527**
CURRENT ASSETS			
Inventories	324,174	352,190	386,796
Contract fulfillment cost	41,299	31,377	292
Trade and bills receivables	1,233,239	1,124,585	1,256,267
Contract asset	43,225	58,361	43,255
Prepayments, other receivables and other assets	230,129	155,605	290,914
Financial assets at fair value through profit or loss	56,254	2,129	2,477
Assets classified as held for sale	–	128,180	–
Tax recoverable	609	1,151	1,502
Pledged deposits	62,911	51,402	126,814
Restricted cash	–	6,028	–
Cash and cash equivalents	991,684	1,103,901	1,165,599
Total current assets	**2,983,524**	**3,014,909**	**3,273,916**
CURRENT LIABILITIES			
Trade and bills payables	385,526	422,388	401,334
Contract liabilities	83,274	54,414	67,676
Other payables and accruals	118,689	180,917	242,693
Interest-bearing bank and other borrowings	100,563	250,008	282,920
Lease liabilities	25,309	30,977	43,089
Tax payable	27,194	53,554	43,307
Total current liabilities	**740,555**	**992,258**	**1,081,019**
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	321,128	220,275	553,736
Lease liabilities	34,023	11,210	336,425
Deferred tax liabilities	30,028	25,977	41,732
Provision	–	1,088	3,038
Deferred income	29,703	25,543	20,121
Total non-current liabilities	**414,882**	**284,093**	**955,052**
Net assets	3,362,711	3,181,343	3,172,372

Property, Plant and Equipment

Our property, plant and equipment primarily include photovoltaic power station, buildings, construction in progress, and machinery. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Photovoltaic power station	407,544	389,208	497,096
Buildings	347,610	363,222	378,619
Construction in progress	22,987	57,921	132,149
Machinery	94,745	92,036	121,366
Leasehold improvements	31,705	29,570	21,880
Office equipment and electronic devices	10,360	11,360	12,932
Vehicles	2,983	3,741	4,292
Land	1,905	1,568	2,090
Total	**919,839**	**948,626**	**1,170,424**

Our property, plant and equipment increased from RMB919.8 million as of December 31, 2023 to RMB948.6 million as of December 31, 2024, mainly due to (i) an increase of RMB34.9 million in construction in progress relating to the construction of certain production facilities; and (ii) an increase of RMB15.6 million in buildings relating to the completion of certain production facilities. Such an increase was partially offset by a decrease of RMB18.3 million in photovoltaic power station relating to the depreciation of photovoltaic power stations.

Our property, plant and equipment further increased to RMB1,170.4 million as of December 31, 2025, mainly due to (i) an increase of RMB107.9 million in photovoltaic power stations primarily attributable to our acquisition of Neixiang Tianhai in 2025, whose photovoltaic power stations were consolidated into our assets; (ii) an increase of RMB74.2 million in construction in progress relating to the continued construction of production facilities and the additional construction in progress recorded after the acquisition of Neixiang Tianhai; (iii) an increase of RMB29.3 million in machinery for equipment upgrades and replacement of aging production lines; and (iv) an increase of RMB15.4 million in buildings attributable to the completion of construction-in-progress projects. Such increase was partially offset by a decrease of RMB7.7 million in leasehold improvements primarily due to limited additions during the year and ongoing depreciation.

Right-of-Use Assets

Our right-of-use assets include leasehold land and buildings used in our operations. We have lease contracts for various items of leasehold land and buildings used in our operations. Lump sum lease payments were made upfront to the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years.

Our right-of-use assets decreased from RMB193.1 million as of December 31, 2023 to RMB173.3 million as of December 31, 2024, mainly due to (i) a decrease of RMB15.8 million in leasehold buildings, and (ii) a decrease of RMB4.0 million in leasehold land, both of which were mainly due to the depreciation of these right-of-use assets.

Our right-of-use assets increased to RMB456.7 million as of December 31, 2025, mainly due to (i) an increase of RMB219.8 million in machinery, and (ii) an increase of RMB89.6 million in leasehold buildings, both of which were primarily attributable to our acquisition of Neixiang Tianhai, whose right-of-use assets were consolidated into our assets. Such increase was partially offset by a decrease of RMB26.0 million in leasehold land mainly due to foreign currency translation effects resulting from the amortization of land use right.

Goodwill

Our goodwill mainly arose from our acquisition of the tap-changer business of Changzheng Electric to enhance our product portfolio and production capabilities; we recorded goodwill of RMB99.4 million subsequent to the acquisition. The carrying amount of our goodwill remained at RMB99.4 million as of December 31, 2023, 2024 and 2025. For details on the impairment testing of goodwill, see Note 16 to the Accountants' Report in Appendix I to this document.

Inventories

Our inventories consist of (i) raw materials, representing the various kinds of supplies that we procure for manufacturing our products, which mainly include copper, steel ingots, aluminum ingots and vacuum bubbles; (ii) consigned processing materials, which are consigned to our suppliers to complete certain processes, such as silver coating which we typically outsource; (iii) work in progress; (iv) goods in transit; and (v) finished goods. Under our inventory control policy, we regularly monitor and analyze our historical procurement, inventory level and projected usage of our inventories to meet the demand of our customers in a timely manner without causing inventory accumulation or shortage. We have established an inventory management system that monitors each stage of the warehousing process. See "Business — Raw Materials, Inventory Management and Suppliers."

The following table sets forth our inventory balances as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Raw materials	76,485	91,786	97,014
Consigned processing materials	1,719	851	989
Work in progress	164,704	174,181	193,249
Goods in transit	20,002	25,991	31,947

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Finished goods	67,683	66,531	74,681
	330,593	359,340	397,880
Less: provision for impairment losses on inventories	(6,419)	(7,150)	(11,084)
Total	**324,174**	**352,190**	**386,796**

Our inventories increased from RMB324.2 million as of December 31, 2023 to RMB352.2 million as of December 31, 2024, primarily resulting from (i) an increase of RMB15.3 million in raw materials mainly due to the increased sales volume and business growth of our CNC equipment business; and (ii) an increase of RMB9.5 million in work in progress mainly due to our power equipment and CNC equipment businesses.

Our inventories further increased to RMB386.8 million as of December 31, 2025, primarily due to (i) an increase of RMB19.1 million in work in progress, (ii) an increase of RMB8.2 million in finished goods, and (iii) an increase of RMB5.2 million in raw materials, all of which were mainly in response to the anticipated increase in customer demand for our products, in particular in the overseas market, to ensure timely delivery of our products.

The aging analysis of our inventories as of the dates indicated is as follows:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Within 1 year	283,045	299,469	348,766
1 to 2 years	26,300	20,578	16,797
Over 2 years	14,830	32,143	21,234
Total	**324,174**	**352,190**	**386,796**

We periodically assess the net realizable value of our inventories and provides for inventory impairment based on the difference between the cost of the inventory and the net realizable value. During the Track Record Period, we recorded impairment losses on inventories of RMB1.5 million, RMB4.3 million and RMB6.5 million in 2023, 2024 and 2025, respectively. The increased amounts for impairment losses on inventories from 2023 to 2025 were in line with the increased amounts of inventories in each period.

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

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Inventory turnover days[(1)]	122	103	121

Note:

(1) The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories (net of provision for impairment of inventories) in that period by cost of sales for the corresponding period and then multiplying by 365 days for the years ended December 31, 2023, 2024 and 2025.

In 2023, 2024 and 2025, our inventory turnover days were 122 days, 103 days and 121 days, respectively. The decrease in inventory turnover days from 2023 to 2024 was primarily due to higher growth of cost of sales compared to the growth of inventories, contributed by the expansion of power station EPC business in 2024. The increase in inventory turnover days from 2024 to 2025 was primarily due to an increase in inventories in response to the anticipated increase in customer demand for our products.

As of January 31, 2026, approximately RMB73.9 million, or 19.1%, of our inventories as of December 31, 2025 had been subsequently utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables consist of trade receivables, bank acceptance notes, and commercial acceptance notes. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Trade receivables	636,318	717,960	609,629
Bank acceptance notes	632,185	494,192	616,184
Commercial acceptance notes	180,429	127,527	106,388
Less: Impairment losses	(215,693)	(215,094)	(75,934)
Net carrying amount	**1,233,239**	**1,124,585**	**1,256,267**

Our trade and bills receivables decreased from RMB1,223.2 million as of December 31, 2023 to RMB1,124.6 million as of December 31, 2024, primarily due to (i) a decrease in bank acceptance notes of RMB138.0 million as we arranged for the discount of such bank acceptance notes in 2024; and (ii) a decrease in commercial acceptance notes of RMB52.9

million as we received less commercial acceptance notes from our clients in 2024. Such a decrease was partially offset by an increase in trade receivables of RMB81.6 million, which was in line with our business growth in the same year.

Our trade and bills receivables increased to RMB1,256.3 million as of December 31, 2025, primarily due to higher business volume during that period. In particular, bills receivable increased as a greater number of customers opted to settle through bank acceptance notes. This shift in settlement methods also contributed to a corresponding decrease in trade receivables.

The following table sets forth aging analysis of trade and bills receivables based on transaction dates and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Within 1 year	1,163,181	1,054,795	1,169,527
1-2 year	41,960	36,322	68,433
2-3 year	12,662	18,137	11,677
3-4 year	10,259	9,460	1,522
4-5 year	5,177	5,871	1,039
Over 5 years	–	–	4,069
Total	**1,233,239**	**1,124,585**	**1,256,267**

The following table sets forth the movements in the impairment losses on trade receivables and commercial acceptance notes as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
At beginning of year	252,140	215,693	215,094
Impairment losses (reversed)/recognized	(22,944)	3	324
Amount written off as uncollectible	(13,503)	(602)	(3,000)
Disposal of a subsidiary	–	–	(19,484)
Acquisition of a subsidiary	–	–	(117,000)
At end of year	**215,693**	**215,094**	**75,934**

The bank acceptance notes were issued by reputable banks and with short-term maturity. Accordingly, the identified impairment loss was immaterial at the end of each of the years within the Track Record Period.

Our impairment losses on trade and bills receivables remained relatively stable as of December 31, 2023 and 2024. We recorded a higher amount written off as uncollectible in 2023, primarily due to the write-off of certain long-outstanding receivables during the year. As such receivables had been previously fully provided for, the write-off did not have any material adverse impact on our financial position or results of operations. Our impairment losses on trade and bills receivables decreased significantly from December 31, 2024 to December 31, 2025, as a result of the elimination of trade and bills receivables due from Neixiang Tianhai after our acquisition of Neixiang Tianhai.

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

	Year ended December 31,		
	2023	**2024**	**2025**
		(days)	
Trade and bills receivables turnover days[(1)]	232	186	180

Note:

(1) The trade and bills receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade and bills receivables in that period by revenue for the corresponding period and then multiplying by 365 days for the years ended December 31, 2023, 2024 and 2025.

Our trade and bills receivables turnover days were 232 days, 186 days and 180 days in 2023, 2024 and 2025, respectively. The decrease in our trade and bills receivables turnover days from 2023 to 2024 was primarily due to more bill discounting in 2024. Our trade and bills receivables turnover days remained relatively stable at 186 days in 2024 and 180 days in 2025.

As of January 31, 2026, approximately RMB91.6 million, or 7.3%, of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) deposits and other receivables; (ii) prepayments to suppliers; (iii) other tax recoverable; and (iv) prepayments for items of property, plant and equipment. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Current portion:			
Deposits and other receivables	57,625	64,088	145,095

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Prepayments to suppliers	97,455	35,793	44,971
Other tax recoverable	81,566	63,309	95,612
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Due from related parties	3,528	3,528	3,528
Others	1,178	4,656	3,143
	241,352	171,374	298,980
Impairment allowance	(11,223)	(15,769)	(8,066)
	230,129	155,605	290,914
Non-current portion:			
Prepayments for items of property, plant and equipment	–	20,853	4,194
	–	20,853	4,194
Total	**230,129**	**176,458**	**295,108**

Our prepayments, other receivables and other assets decreased from RMB230.1 million as of December 31, 2023 to RMB176.5 million as of December 31, 2024, mainly due to (i) a decrease of RMB61.7 million in prepayments to suppliers as a result of a substantial advance payment to the suppliers for photovoltaic equipment during the initial phase of a project in 2023, which was no longer recorded as prepayments in 2024 as we had already received the equipment then; and (ii) a decrease of RMB18.3 million in other tax recoverable as a result of a higher output VAT liability relative to the available input VAT credits during the period. Such a decrease was partially offset by (i) an increase of RMB20.9 million in prepayments for items of property, plant and equipment as a result of the prepayments for the acquisition of certain assets for some production facilities that were under construction; and (ii) an increase of RMB6.5 million in deposits and other receivables as a result of the disposal of certain fix assets.

Our prepayments, other receivables and other assets increased to RMB295.1 million as of December 31, 2025, primarily due to (i) an increase of RMB81.0 million in deposits and other receivables, primarily attributable to receivables from the local government arising from land resumption compensation in relation to our CNC equipment production base; and (ii) an increase of RMB32.3 million in other tax recoverable, primarily attributable to the consolidation of tax recoverable of Neixiang Tianhai following its becoming our subsidiary.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB991.7 million, RMB1,103.9 million and RMB1,165.6 million as of December 31, 2023 and 2024 and 2025, respectively. See "— Liquidity and Capital Resources — Cash Flow Analysis" for more details.

Trade and Bills Payables

Our trade and bills payables mainly represent outstanding amounts due to our suppliers of raw materials and equipment as well as our various service providers. The following table sets forth our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Trade payables	187,251	268,376	221,465
Bills payables	198,275	154,012	179,869
Total	**385,526**	**422,388**	**401,334**

Our trade and bills payables increased from RMB385.5 million as of December 31, 2023 to RMB422.4 million as of December 31, 2024, primarily due to (i) capital investment in 2024 to upgrade our production base in Guizhou; and (ii) growth of our power equipment business and power station EPC business.

Our trade and bills payables decreased to RMB401.3 million as of December 31, 2025, primarily due to the settlement of trade and bills payables associated with the capital investment, coupled with a decline in power station EPC business. Meanwhile, we increased our use of bills for settlement purposes, resulting in an increase in bills payables and a corresponding decrease in trade payables.

Our trade payables are interest-free and are normally settled within 120 days upon receipt of the invoice. The following table sets forth an aging analysis of our trade and bills payables, based on invoice date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Within 1 year	360,086	407,088	378,093
Over 1 years	25,440	15,300	23,241
Total	**385,526**	**422,388**	**401,334**

The following table sets forth our trade and bills payables turnover days for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
		(days)	
Trade and bills payables turnover days[(1)]	133	124	135

Note:

(1) The trade and bills payables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade and bills payables in that period by cost of sales for the corresponding period and then multiplying by 365 days for the years ended December 31, 2023, 2024 and 2025.

Our trade and bills payables turnover days were 133 days, 124 days and 135 days in 2023, 2024 and 2025, respectively. The decrease in our trade and bills payables turnover days from 2023 to 2024 was primarily driven by a large amount of costs recognized for a major project under our power engineering business with low outstanding payables. The increase in our trade and bills payables turnover days from 2024 to 2025 was primarily due to the decrease in our trade and bills payables primarily affected by the phasing out in power station EPC business.

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

As of January 31, 2026, approximately RMB60.3 million, or 15.0%, of our trade and bills payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities mainly represent the prepayments received by us for CNC equipment and power station EPC businesses. Our contract liabilities decreased from RMB83.3 million as of December 31, 2023 to RMB54.4 million as of December 31, 2024, primarily because we received a large advance payment for a power engineering project in 2023, which was recognized as contract liabilities in 2023 but gradually recognized as revenue in 2024 as the project progressed and met the revenue recognition criteria. Our contract liabilities increased to RMB67.7 million as of December 31, 2025, primarily due to the increase in advance payments for our CNC equipment exported to the overseas market.

As of January 31, 2026, approximately RMB18.7 million, or 27.6%, of our contract liabilities as of December 31, 2025 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily include (i) payroll and welfare payable; (ii) other tax payables; (iii) dividends payable; (iv) deposits and other payables; and (v) advance of grant of shares under share award scheme. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Payroll and welfare payable	60,808	64,240	65,878
Other tax payables	21,588	24,860	32,769

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Dividends payable	–	50,189	–
Deposits and other payables	36,293	36,152	37,393
Advance of grant of shares under restricted stocks	–	–	95,701
Advance of compensation plans	–	5,476	10,952
Total	**118,689**	**180,917**	**242,693**

Our other payables and accruals increased from RMB118.7 million as of December 31, 2023 to RMB180.9 million as of December 31, 2024, primarily attributable to an increase in dividends payable of RMB50.2 million in 2024. We declared a dividend payment in the fourth quarter of 2024, which was paid in early 2025.

Our other payables and accruals further increased to RMB242.7 million as of December 31, 2025, primarily attributable an increase of RMB101.2 million in advance of grant of shares under restricted stocks and compensation plans in connection with the implementation of our share incentive arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB991.7 million, RMB1,103.9 million and RMB1,165.6 million, respectively, consisting of cash at bank and on hand.

Our primary uses of cash during the Track Record Period were to fund the construction of our manufacturing bases, working capital needs and dividend distribution. Historically, we have financed our operations and other capital requirements primarily through cash generated from our business operations, bank and other borrowings, and equity financing.

Our anticipated cash needs primarily relate to our business operations (especially our overseas operations), expansion of production capacity, product research and development and dividend distribution. We expect to fund our future working capital and other cash requirements primarily with cash generated from our operations, bank and other borrowings, and other financing activities (including the net [**REDACTED**] from the [**REDACTED**]).

Working Capital Sufficiency

Taking into account our internal resources, our cash flow from operating activities and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors believe that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Cash Flow Analysis

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

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Net cash flows from operating activities	621,679	889,357	604,031
Net cash flows from/(used in) investing activities	6,467	(57,047)	50,529
Net cash flows (used in)/from financing activities	(627,639)	(723,845)	(586,998)
Net increase in cash and cash equivalents	**507**	**108,465**	**67,562**
Cash and cash equivalents at beginning of year	986,923	991,684	1,103,901
Effect of foreign exchange rate changes, net	4,254	3,752	(5,864)
Cash and cash equivalents at end of year	**991,684**	**1,103,901**	**1,165,599**

Operating Activities

Net cash generated from or used in operating activities primarily comprised our profit before tax for the period adjusted by (i) non-cash items, (ii) changes in working capital and (iii) the effect of interest received and income tax paid.

In 2025, our net cash from operating activities was RMB604.0 million. Our profit before tax of RMB848.2 million was adjusted to reflect primarily (i) non-cash items of depreciation of property, plant and equipment of RMB76.6 million, share-based compensation of RMB38.1 million, and depreciation of right-of-use assets of RMB27.4 million; and (ii) working capital adjustments for an increase in other payables and accruals of RMB21.0 million and a decrease in contract fulfillment costs of RMB17.9 million. Such adjustments were partially offset by (i) non-cash items of loss on disposal of items of property, plant and equipment and right-of-use assets of RMB39.1 million and interest income of RMB30.8 million; and (ii) working capital adjustments for an increase in trade receivables of RMB230.3 million, an increase in pledged deposits of RMB75.4 million, and an increase in inventories of RMB41.1 million.

In 2024, our net cash from operating activities was RMB889.4 million. Our profit before tax of RMB726.6 million was adjusted to reflect primarily (i) non-cash items of depreciation of property, plant and equipment of RMB72.0 million, depreciation of right-of-use assets of RMB29.0 million, and finance costs of RMB17.3 million, which was partially offset by interest income of RMB35.1 million and share of profits and losses of joint ventures and associates of RMB16.9 million; and (ii) working capital adjustments for a decrease in trade receivables of RMB117.4 million, a decrease in in prepayments, other receivables and other assets of RMB72.8 million, and a decrease in pledged deposits of RMB11.5 million, which was partially offset by an increase in inventories of RMB32.3 million, a decrease in contract liabilities of RMB28.9 million, and an increase in contract assets of RMB17.1 million.

In 2023, our net cash from operating activities was RMB621.7 million. Our profit before tax of RMB645.8 million was adjusted to reflect primarily (i) non-cash items of depreciation of property, plant and equipment of RMB63.4 million, depreciation of right-of-use assets of RMB27.8 million, and finance costs of RMB16.3 million, which was partially offset by interest income of RMB26.8 million, reversal of impairment of trade receivables of RMB22.9 million, and share of profits and losses of joint ventures and associates of RMB10.3 million; and (ii) working capital adjustments for an increase in trade payables of RMB94.5 million, an increase in contract liabilities of RMB51.6 million, a decrease in trade receivables of RMB32.4 million, and an increase in deferred income of RMB20.9 million, which was partially offset by an increase in prepayments, other receivables and other assets of RMB89.6 million, an increase in contract fulfillment cost of RMB41.1 million, an increase in pledged deposits of RMB39.1 million, a decrease in other payables and accruals of RMB22.1 million, and an increase in inventories of RMB19.8 million.

Investing Activities

In 2025, our net cash from investing activities was RMB50.5 million. This net cash inflow was primarily attributable to (i) disposal of assets classified as held for sale of RMB128.3 million; and (ii) redemption of structured deposits and wealth management products of RMB52.2 million, as partially offset by (i) purchases of items of property, plant and equipment of RMB106.6 million; and (ii) purchases of structured deposits and wealth management products of RMB52.4 million.

In 2024, our net cash used in investing activities was RMB57.0 million. This net cash outflow was primarily attributable to (i) purchases of items of property, plant and equipment of RMB113.2 million; and (ii) purchases of structured deposits and wealth management products of RMB72.8 million. This net cash outflow was partially offset by (i) redemption of structured deposits and wealth management products of RMB100.0 million; and (ii) proceeds from disposal of financial assets at fair value through profit or loss of RMB26.8 million.

In 2023, our net cash from investing activities was RMB6.5 million. This net cash inflow was primarily attributable to redemption of structured deposits and wealth management products of RMB180.0 million. This net cash inflow was partially offset by (i) purchases of items of property, plant and equipment of RMB63.0 million; (ii) purchases of structured deposits and wealth management products of RMB60.0 million; and (iii) investment in an associate and joint venture of RMB57.0 million.

Financing Activities

In 2025, our net cash used in financing activities was RMB587.0 million. This net cash outflow was primarily attributable to (i) dividends paid of RMB604.9 million; (ii) repayment of interest-bearing bank and other borrowings of RMB327.3 million; and (iii) repurchase of shares held for a share award scheme of RMB220.9 million, partially offset by (i) new interest-bearing bank and other borrowings of RMB510.1 million, and (ii) proceeds from shares granted under restricted stocks and compensation plans of RMB101.2 million.

In 2024, our net cash used in financing activities was RMB723.8 million. This net cash outflow was primarily attributable to (i) dividends paid of RMB734.9 million, and (ii) repayment of interest-bearing bank and other borrowings of RMB370.0 million, partially offset by new interest-bearing bank and other borrowings of RMB419.4 million.

In 2023, our net cash used in financing activities was RMB627.6 million. This net cash outflow was primarily attributable to (i) dividends paid of RMB511.4 million, and (ii) repayment of interest-bearing bank and other borrowings of RMB238.0 million, partially offset by new interest-bearing bank and other borrowings of RMB160.0 million.

Net Current Assets

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

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	(RMB'000)			(unaudited)
CURRENT ASSETS				
Inventories	324,174	352,190	386,796	425,554
Contract fulfillment cost	41,299	31,377	292	292
Trade and bills receivables	1,233,239	1,124,585	1,256,267	1,203,556
Contract asset	43,225	58,361	43,255	43,393
Prepayments, other receivables and other assets	230,129	155,605	290,914	334,093
Financial assets at fair value through profit or loss	56,254	2,129	2,477	–
Assets classified as held for sale	–	128,180	–	–
Tax recoverable	609	1,151	1,502	2,771
Pledged deposits	62,911	51,402	126,814	96,448
Restricted cash	–	6,028	–	–
Cash and cash equivalents	991,684	1,103,901	1,165,599	893,833
Total current assets	2,983,524	3,014,909	3,273,916	2,999,940

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	(RMB'000)			
				(unaudited)
CURRENT LIABILITIES				
Trade and bills payables	385,526	422,388	401,334	403,400
Contract liabilities	83,274	54,414	67,676	71,001
Other payables and accruals	118,689	180,917	242,693	218,402
Interest-bearing bank and other borrowings	100,563	250,008	282,920	421,157
Lease liabilities	25,309	30,977	43,089	26,074
Tax payable	27,194	53,554	43,307	21,401
Total current liabilities	740,555	992,258	1,081,019	1,161,435
NET CURRENT ASSETS	2,242,969	2,022,651	2,192,897	1,838,505

We recorded net current assets of RMB2,243.0 million, RMB2,022.7 million, RMB2,192.9 million and RMB1,838.5 million as of December 31, 2023, 2024 and 2025, and January 31, 2026, respectively.

Our net current assets decreased from RMB2,243.0 million as of December 31, 2023 to RMB2,022.7 million as of December 31, 2024, primarily due to (i) a decrease of RMB108.7 million in trade and bills receivables; (ii) a decrease of RMB74.5 million in prepayments, other receivables and other assets; and (iii) an increase in current liabilities primarily as a result of an increase of RMB149.4 million in interest-bearing bank and other borrowings and an increase of RMB62.2 million in other payables and accruals; this decrease was partially offset by (i) an increase of RMB128.2 million in assets classified as held for sale; and (ii) an increase of RMB112.2 million in cash and cash equivalents.

Our net current assets increased from RMB2,022.7 million as of December 31, 2024 to RMB2,192.9 million as of December 31, 2025, primarily due to (i) an increase of RMB135.3 million in prepayments, other receivables and other assets; (ii) an increase of RMB131.7 million in trade and bills receivables; (iii) an increase of RMB75.4 million in pledged deposits; and (iv) an increase of RMB61.7 million in cash and cash equivalents; this increase was partially offset by (i) a decrease of RMB128.2 million in assets classified as held for sale; and (ii) an increase of RMB61.8 million in other payables and accruals.

Our net current assets decreased from RMB2,192.9 million as of December 31, 2025 to RMB1,838.5 million as of January 31, 2026, primarily due to (i) a decrease in cash and cash equivalents of RMB271.8 million and (ii) an increase in short-term interest-bearing bank and other borrowings of RMB138.2 million, both related to our repayment of equipment finance lease liabilities to optimize our finance cost structure.

Indebtedness

During the Track Record Period, our indebtedness mainly consisted of interest-bearing bank and other borrowings and lease liabilities. As of January 31, 2026, being the latest practicable date for the purpose of the indebtedness statement, except as disclosed in this document, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. Our Directors confirm that there had been no material change in our indebtedness position since January 31, 2026 and up to the Latest Practicable Date.

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

	As of December 31,			As of January 31,
	2023	2024	2025	2026
		(RMB'000)		
				(unaudited)
Current				
Interest-bearing bank and other borrowings	100,563	250,008	282,920	421,157
Lease liabilities	25,309	30,977	43,089	26,074
Non-current				
Interest-bearing bank and other borrowings	321,128	220,275	553,736	393,645
Lease liabilities	34,023	11,210	336,425	95,666
Total	**481,023**	**512,470**	**1,216,170**	**936,542**

As of January 31, 2026, our total facilities for bank borrowings amounted to RMB936.5 million, of which unutilized bank facilities amounted to RMB912.4 million.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank borrowings and other borrowings, default in payment of bank borrowings and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2025 and up to the Latest Practicable Date, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

We did not have material commitments as of December 31, 2023, 2024 and 2025.

Our capital expenditures during the Track Record Period were primarily for purchase of property, plant and equipment in connection with our production capability expansion. In 2023, 2024 and 2025, we recorded capital expenditures of RMB63.0 million, RMB113.8 million and RMB112.1 million, respectively.

During the Track Record Period, we funded our capital expenditures primarily with cash generated from our business operations, bank and other borrowings, and equity financing. We intend to fund our planned capital expenditures through a combination of cash generated from our operations, bank and other borrowings, and other financing activities (including the net [**REDACTED**] from the [**REDACTED**]).

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

	Year ended December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Purchase of property, plant and equipment	62,959	113,169	106,560
Purchase of other intangible assets	57	608	5,577
Total	**63,016**	**113,777**	**112,137**

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet commitments and arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 42 of the Accountants' Report in Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 42 of the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,		
	2023	2024	2025
Net margin	28.3%	26.8%	29.8%
Return on equity[(1)]	16.2%	18.9%	22.5%
Current ratio[(2)]	4.0	3.0	3.0
Quick ratio[(3)]	3.6	2.7	2.7
Liabilities-to-assets ratio[(4)]	25.6%	28.6%	39.1%

Notes:

(1) Return on equity is calculated based on profit attributable to owners of the parent divided by the arithmetic mean of the opening and closing balances of equity attributable to owners of the parent for the year and multiplied by 100%.

(2) Current ratio equals total current assets divided by total current liabilities of the same date.

(3) Quick ratio equals total current assets less inventories divided by total current liabilities of the same date.

(4) Liabilities-to-asset ratio equals total indebtedness divided by total assets of the same date.

DISCLOSURE ABOUT MARKET RISK

We are exposed to various market risks, including interest rate risk, foreign currency risk, credit risk, and liquidity risk. See Note 46 to "Appendix I — Accountants' Report."

DIVIDENDS

During the Track Record Period, we declared cash dividends to our Shareholders as follows:

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Dividends for ordinary shareholders of the Company declared during the year:			
Interim dividend	241,981	292,169	358,391
Final dividend	268,867	492,925	194,531
Total	**510,848**	**785,094**	**552,922**

As of the Latest Practicable Date, we have paid these dividends in full.

Our Board has considered and approved the conditional proposal of the shareholder return plan of the Company (2026-2028) (the "**Shareholder Return Plan (2026-2028)**"), which is subject to the approval of our A Shareholders. Subject to the conditions and restrictions set out in the Shareholder Return Plan (2026-2028), our Company plans to distribute dividends by way of cash of not less than 60% of the distributable profits of the Company for the relevant year. Our Board will formulate differentiated cash dividend plan, taking into consideration factors such as the characteristics of the industry in which we operates, our stage of development, business model, profitability level, debt repayment capacity, whether there are any material capital expenditure arrangements, and returns to investors, and in accordance with the procedures prescribed in the Articles of Association.

Pursuant to applicable PRC laws and regulations, it is required that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Our dividend policy sets forth that we may distribute dividends out of our after-tax profits only when the following conditions are satisfied: (i) the distributable profits for the relevant financial year (being the after-tax profits remaining after making up prior years' losses and making statutory reserve appropriations) are positive; and (ii) an audit report with an unqualified opinion on our financial statements for such year has been issued by our auditors. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had approximately RMB380 million of retained profits available for distribution to our Shareholders.

[REDACTED] EXPENSES

Our [**REDACTED**] expenses mainly include [**REDACTED**] commissions, legal and other professional fees paid and payable to professional parties, and printing and other expenses for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. We expect to incur a total of approximately [**REDACTED**] of [**REDACTED**] expenses in connection with the [**REDACTED**], representing approximately [**REDACTED**] of the gross [**REDACTED**] from the [**REDACTED**] (based on an [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of our indicative [**REDACTED**] range for the [**REDACTED**], and assuming that the [**REDACTED**] is not exercised), among which (i) [**REDACTED**] expenses, including [**REDACTED**] commission and other expenses, are expected to be approximately [**REDACTED**], and (ii) [**REDACTED**]-related expenses are expected to be approximately [**REDACTED**], comprising (a) fees and expenses of the Joint Sponsors, legal advisors and accountants of approximately [**REDACTED**] and (b) other fees and expenses of approximately [**REDACTED**].

During the Track Record Period, we incurred [**REDACTED**] expenses of [**REDACTED**], which was recognized as prepayments, other receivables and other assets in the consolidated statements of financial position as of December 31, 2025 and to be deducted from equity upon successful [**REDACTED**]. We expect to incur additional [**REDACTED**] expenses of approximately [**REDACTED**], of which approximately [**REDACTED**] is expected to be recognized in the consolidated statements of profit or loss as administrative expenses, and approximately [**REDACTED**] is expected to be recognized as a deduction in equity directly upon the [**REDACTED**].

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

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial, operational or trading position since December 31, 2025 (being the date on which our latest consolidated financial information was prepared), and there has been no event since December 31, 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [**REDACTED**] of the Shares on the Hong Kong Stock Exchange.