

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants’ Report set out in Appendix I to this document. You should read the entire Accountants’ Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance, which involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in “Risk Factors” and elsewhere in this document. For further details, see “Forward-Looking Statements.”

OVERVIEW

We are a leading AI-powered, DES-based modern electricity service provider in China. According to CIC, we are the largest modern electricity service provider in China in terms of DES asset operating scale as of December 31, 2025 with an operating scale of 799.5 MWh and market share of 7.4%. We invest in and develop DES assets and provide electricity services. We are committed to aggregating real-time dispatchable user-end power resources to deliver optimal value on DES assets and power cost savings while contributing to grid stability.

During the Track Record Period, we primarily generated revenue from DES and other asset development, while revenue from electricity services increased steadily. Our revenue fluctuated during the Track Record Period, first decreasing by 28.4% from RMB174.2 million in 2023 to RMB124.6 million in 2024, and then more than quadrupling to RMB520.0 million in 2025, as we gradually established and refined convincing business models to capitalize on the booming of DES assets. We recorded net losses of RMB291.2 million, RMB298.7 million, and RMB235.4 million in 2023, 2024, and 2025, respectively. Our non-IFRS adjusted net loss was RMB207.2 million in 2023, slightly decreased to RMB192.7 million in 2024, and further narrowed to RMB76.9 million in 2025, primarily due to substantial revenue growth attributable to expanded scale of DES assets and our efficiency enhancement initiatives during the Track Record Period. We aim to achieve profitability in the future by capitalizing on the growth of modern electricity service market, focusing on key asset investors to increase DES asset operating scale, optimizing our service offering mix and expanding electricity services, and enhancing operating efficiency. See “—Path to Profitability.”

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors

Our results of operations have been, and are expected to continue to be, affected by the following significant factors affecting the overall industry in which we operate: (i) macroeconomic conditions, (ii) global energy transformation and the growth of the overall modern electricity service market; and (iii) government policies and regulations for DES and electricity trading.

Specific Factors

Our Ability to Adapt to Market Change

Our results of operation depend on market demand and the evolving dynamics of the modern electricity service market in China. There has been a surge in electricity consumption driven by both the rapid proliferation of electric vehicles and the expansion of data centers to meet global computing power demands. This market demand growth has been further fueled by critical factors such as the integration

FINANCIAL INFORMATION

of renewable energy and supportive policies relating to new energy. Against the market backdrop of a persistent mismatch between power consumption demand and supply in terms of timing and geography, the development of DES technology has propelled rapid market expansion. We expect this growth trend to continue in the future, creating favorable conditions for our business expansion and financial optimization. For details, see “Industry Overview” and “Business — Overview — Our Market Opportunities.” Therefore, our ability to anticipate, respond to, and adapt to changes in market conditions has a direct impact on our revenue growth and profitability. In particular, changes in electricity pricing mechanisms, transaction structures, and policy-driven market rules may materially affect customer decision-making, project economics, and the commercial viability of our business model.

A critical determinant of our financial resilience is our ability to rapidly adapt our business model to structural shifts in market pricing. The recent pricing volatility in key regional electricity markets in China has fundamentally reshaped the revenue economics of DES projects, transitioning returns from traditional single-source models, such as peak-valley arbitrage, to complex, multi-stream structures that combine peak-valley arbitrage, VPP participation, and electricity trading. In response, we swiftly executed strategic adjustments to our operational and contractual frameworks through in-depth market analysis and forward-looking assessments. By proactively renegotiating terms with our customers and aligning contract structures with the new revenue composition, we successfully mitigated the risk of margin compression inherent in the transition. This adaptability allows us to capture emerging income streams more effectively, stabilize our revenue base against market fluctuations, and enhance the sustainability of our earnings growth. Consequently, our capacity to adapt to market change timely serves as a key driver in maintaining robust financial performance amidst a rapidly evolving market landscape.

Our Service Offering Mix

The gross profit margin of each of our service offerings varies due to distinct charging models, nature of service, and market dynamics. Accordingly, our service offering mix could affect our overall margin profile. To capitalize on the ongoing electricity market reforms, we shifted our focus from traditional PV assets to bidirectional, dispatchable DES assets. This transition not only strengthened our core competence in the DES sector but also propelled the concurrent growth of our electricity services, which generally have higher gross profit margin than DES and other asset development. In 2023, 2024, and 2025, our gross profit margin was 2.6%, 4.2%, and 10.0%, respectively. We intend to dynamically adjust strategies for our service offering mix to maximize value creation. Looking forward, we expect the continued scale-up of electricity services will further improve our overall gross profit margin.

Our Ability to Manage Our Costs and Improve Operating Efficiency

Our cost management ability is pivotal to improving our gross profitability. Our cost of sales was RMB169.6 million, RMB119.4 million, and RMB468.1 million in 2023, 2024, and 2025, respectively, and material costs were the largest component of our cost of sales. We have implemented a rigorous procurement strategy by establishing annual framework agreements with top-tier suppliers and leveraging competitive bidding to maintain effective control over procurement costs. In addition, we have utilized our accumulated brand reputation to optimize payment terms, gradually eliminating the need for advance payments on projects. While we maintain mechanisms to manage raw material price fluctuations, our continued ability to secure favorable pricing and payment terms is a key factor in sustaining healthy cost of sales.

Our ability to manage and control our operating expenses is also critical for us to achieve profitability. Our operating expenses, comprising selling and distribution expenses, administrative expenses, and research and development expenses, were RMB170.4 million, RMB166.9 million, and RMB143.1 million in 2023, 2024, and 2025, accounting for 97.8%, 133.9%, and 27.5% of our total revenue for the same years, respectively. While our business expanded during the Track Record Period, our operating expenses decreased steadily. This trend underscores a substantial improvement in our per-capita efficiency. As we further scale our business, we expect to benefit from economies of scale to drive further enhancements in our operating efficiency. Looking ahead, we remain committed to continually improving our cost structure and operating efficiency to sustain long-term value creation.

FINANCIAL INFORMATION

PATH TO PROFITABILITY

We had loss and total comprehensive loss of RMB291.2 million, RMB298.7 million, and RMB235.4 million in 2023, 2024, and 2025, respectively. Our non-IFRS adjusted net loss, which adjusts loss and total comprehensive loss for the impact of interest on redemption liabilities on ordinary shares and equity-settled share-based payment expenses, which are non-cash items, and [REDACTED] expenses, which are non-recurring, was RMB207.2 million, RMB192.7 million, and RMB76.9 million in 2023, 2024, and 2025, respectively. We were loss-making during the Track Record Period despite our disciplined level of operating expenses because we began exploring our optimal business model for the emerging modern electricity service market in 2023 and thus recorded relatively low revenue and low gross profit margin.

Our revenue was RMB174.2 million, RMB124.6 million, and RMB520.0 million in 2023, 2024, and 2025, respectively. Our relatively low revenue in 2023 and 2024 was primarily due to our strategic focus on the modern electricity service market, which is still at an early stage to date. Firstly, we discontinued any new initiatives of our prior PV asset development business in 2023 and shifted to and began focusing on DES assets as the foundation to build our electricity services. Secondly, to aggregate real-time dispatchable user-end power resources, we focused on DES asset development and explored its operating model, which was only gradually recognized by asset investors. Thirdly, our electricity services, which we position as our core business for future growth under our business model, depend on a large operating scale of DES assets and are subject to gradual opening up under electricity-related regulatory policies in various regions in China. Despite the foregoing, we achieved significant revenue growth during the Track Record Period, supported by our largest DES asset operating scale as of December 31, 2025 and prompt launches of electricity services in load-heavy regions within the parameters of the regulatory policies in China.

Our gross profit margin was 2.6%, 4.2%, and 10.0% in 2023, 2024, and 2025, respectively. Our relatively low gross profit margin during the Track Record Period was primarily due to the early stage of our development. Firstly, we strategically increased the operating scale of low-margin DES asset development to prepare for our high-margin electricity services. DES and other asset development revenue accounted for 79.0%, 66.0%, and 89.1% of our total revenue in 2023, 2024, and 2025, respectively. The gross loss margin of DES and other asset development was 5.7% in 2023. The gross profit margin of DES and other asset development was 6.5% and 10.1% in 2024 and 2025, respectively. Secondly, the high-margin electricity services presented a temporary downward trend in their gross profit margin during the Track Record Period due to their small scale and the preliminary development stage of electricity trading service. The gross profit margin of electricity services was 48.9%, 38.0%, and 22.0% in 2023, 2024, and 2025, respectively. Despite the foregoing, our financial performance in 2025 demonstrated preliminary effect of economies of scale.

Our loss-making during the Track Record Period reflects the deliberate strategies that we adopted to validate our business model and achieve leading position in a rapidly expanding market rather than inefficiency in operations. We intend to establish a clear, sustainable path to profitability primarily through the following measures.

Capitalizing on the Growth of Modern Electricity Service Market

Modern electricity services are at an early stage of development, and DES asset operating scale is instrumental to electricity services. According to CIC, the size of the DES asset operation service market increased from 0.2 GWh in 2020 to 10.7 GWh in 2025, representing a CAGR of 123.1%, and is expected to reach 123.3 GWh by 2030, representing a CAGR of 62.9% from 2025 to 2030. According to CIC, we are the largest modern electricity service provider in China in terms of DES asset operating scale as of December 31, 2025 with an operating scale of 799.5 MWh and market share of 7.4%. According to CIC, the size of China’s electricity trading service market in terms of service fee in 2025 was RMB361.3 billion while the penetration rate of electricity trading service with underlying operating DES assets is 0.04% and the size of China’s electricity trading service market is expected to reach RMB842.3 billion with the penetration rate expected to reach 0.7% in 2030. The integration of real-time dispatchable user-end power resources, primarily DES assets, with electricity trading is critical to modern electricity services.

We intend to capitalize on our market position in the market’s growth potential, and leverage our growing DES asset operating scale, which will facilitate the continued growth of our revenue.

FINANCIAL INFORMATION

Focusing on Key Asset Investors to Increase DES Asset Operating Scale

We have been focusing on key asset investors to expand our DES asset operating scale and hence both the revenue base and the foundation for our electricity services. We refer to an asset investor that invests in 10 MWh or more DES assets in a given year as a key asset investor. Our DES and other asset development revenue and gross profit growth during the Track Record Period validates the preliminary success of our focus on key asset investors. As we further enhance our reputation in DES asset development, we will leverage key asset investors to reach out to more asset investors and electricity users.

During the Track Record Period, our key asset investors demonstrated a stepwise increase in number. In 2024, we had two key asset investors, from whom we generated revenue of RMB57.7 million accounting for 70.1% of DES and other asset development revenue for the year, and from whom we generated gross profit of RMB4.6 million accounting for 86.7% of DES and other asset development gross profit for the year, laying a solid foundation for our profitability model. In 2025, the number of our key asset investors increased to six, from whom we generated revenue of RMB453.3 million accounting for 97.8% of DES and other asset development revenue for the year, and from whom we generated gross profit of RMB45.3 million accounting for 96.5% of DES and other asset development gross profit for the year, continually enriching our core key investor matrix and significantly enhancing the stability, sustainability, and risk-resistance of profit contributions.

We plan to continue focusing on key asset investors to further enhance our reputation in DES asset development and thus attract additional asset investors and electricity users. Firstly, we will explore more DES asset development opportunities with our existing key asset investors. Through mutual trust built from our prior successful track record in DES asset development, we plan to increase revenue and gross profit contribution from each key asset investor and hence to solidify the foundation for future profitability. Secondly, key asset investors may refer electricity users and DES asset development projects to us, so that we not only can expand our DES asset operating scale efficiently but also increase our revenue generation certainty by securing asset investors for DES asset development projects upfront. Thirdly, our business relationships with key asset investors can enhance our leverage in other business negotiations for DES asset development, helping control our cost efficiency and leading us toward high-quality, profitability-aware growth.

Optimizing Our Service Offering Mix and Expanding Electricity Services

Our main business lines are DES asset development and electricity services. While DES asset development has been and may continue to be our largest business line, we will expand the high-margin electricity services to help us achieve profitability.

Firstly, we will leverage our preparation in prior years and expand electricity services from peak-valley arbitrage to a combination of electricity trading, peak-valley arbitrage, and VPP in key provinces in China. We have secured electricity sales qualifications across Jiangsu, Zhejiang, and Anhui, alongside VPP qualification in Zhejiang. As of December 31, 2025, we had up to approximately six billion kWh of electricity contracted for trading in 2026, which we believe validates our modern electricity service model. As private participation in electricity trading is gradually permitted in various regions in China, we will ramp up our electricity trading service within our electricity service business. Since January 1, 2026 and up to the Latest Practicable Date, we had additional 251.4 million kWh of electricity contracted for trading in 2026.

Secondly, we expect our overall gross profit margin to increase starting in 2026. As our electricity trading service expands in light of the expansion of our DES asset operating scale, its high margin profile can increase our overall gross profit margin. In addition, our AI-powered, coordinated electricity trading and DES asset operating strategies also can improve the gross profit margin of DES asset development, which in the foreseeable future would continue to be our largest business line and thus could further improve our overall gross profit margin.

FINANCIAL INFORMATION

Enhancing Operating Efficiency

We had a disciplined level of operating expenses during the Track Record Period. Our operating expenses, comprising selling and distribution expenses, administrative expenses, and research and development expenses, were RMB170.4 million, RMB166.9 million, and RMB143.1 million in 2023, 2024, and 2025, accounting for 97.8%, 133.9%, and 27.5% of our total revenue for the same years, respectively. While our business expanded during the Track Record Period, our operating expenses decreased steadily. We will continue to strictly control operating expenses and optimize the structure of resource allocation.

Selling and Distribution Expenses

In 2023, 2024, and 2025, our selling and distribution expenses were RMB58.8 million, RMB49.6 million, and RMB47.6 million, accounting for 33.7%, 39.8%, and 9.2% of total revenue for the same years, respectively. We expect that our selling and distribution expenses in an absolute amount will gradually increase starting from 2026 as our business expands, and that our selling and distribution expenses as a percentage of revenue remain relatively stable starting from 2026. We will devote sales resources to heavy-load regions in China and our key asset investors to increase sales efficiency.

Research and Development Expenses

In 2023, 2024, and 2025, our research and development expenses were RMB48.3 million, RMB42.4 million, and RMB19.4 million, accounting for 27.7%, 34.0%, and 3.7% of total revenue for the same years, respectively. We expect that our research and development expenses in an absolute amount will continue to increase starting in 2026 as we began investing in AI application to support our electricity trading service and operations of DES assets, and that our research and development expenses as a percentage of revenue will remain relatively stable. Our research and development team supports the development of our Mushroom Xiaomei AI agent platform, Green Electricity platform, and PSS. The prior achievements already have contributed to generating economic benefits, laying the foundation for future development at a relatively low additional cost. Meanwhile, the coordination of our DES asset development and our electricity services allow us to continually accumulate experience to amplify the economies of scale of technology and strengthen our core competitiveness and sustainable development capabilities.

Administrative Expenses

In 2023, 2024, and 2025, our administrative expenses were RMB63.4 million, RMB74.9 million, and RMB76.0 million, accounting for 36.4%, 60.1%, and 14.6% of total revenue for the same years, respectively. We expect that our administrative expenses in an absolute amount will remain relatively stable in the future, and that our administrative expenses as a percentage of revenue will continue to decline. Our administrative staff efficiently perform supervisory and service functions, ensuring the standardized and efficient advancement of our daily operations, providing solid logistical support for the development of all business activities.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been consistently adopted by us in the preparation of the consolidated financial information throughout the Track Record Period.

The consolidated financial information has been prepared on a going concern basis notwithstanding that, as of December 31, 2025, we had net current liabilities of RMB1.07 billion, primarily due to the significant amount of the redemption liabilities on ordinary shares of RMB1.46 billion arising from the financing with redemption feature from [REDACTED] investors. The redemption liabilities on ordinary

FINANCIAL INFORMATION

shares will not result in future cash payments within the next 12 months from December 31, 2025 because the redemption feature has been irrevocably terminated in April 2026. In this regard, our Directors are of the opinion that we are not obliged to settle the redemption liabilities in the next 12 months from December 31, 2025.

In addition, our Directors have reviewed our cash flow projections, which cover a period of at least 12 months from December 31, 2025. Our Directors are of the opinion that we will have sufficient working capital to meet our financial liabilities and obligations as and when they fall due and to sustain our operations for the next 12 months from December 31, 2025.

The consolidated financial information has been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

For a discussion of our material accounting policies and significant accounting judgments and estimates, see notes 2.3 and 3 to the Accountant’s Report in Appendix I to this document.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income in absolute amount and as a percentage of our revenue for the periods indicated. This information should be read together with our consolidated financial statements and related notes included in Appendix I to this document. The results of operations in any period do not necessarily indicate our future trends.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Continuing Operations						
Revenue	174,152	100.0	124,618	100.0	519,976	100.0
Cost of sales	(169,644)	(97.4)	(119,429)	(95.8)	(468,092)	(90.0)
Gross profit	4,508	2.6	5,189	4.2	51,884	10.0
Other income and gains	5,149	3.0	12,150	9.7	49,798	9.6
Selling and distribution expenses	(58,764)	(33.7)	(49,571)	(39.8)	(47,605)	(9.2)
Administrative expenses	(63,360)	(36.4)	(74,947)	(60.1)	(76,006)	(14.6)
Research and development expenses	(48,264)	(27.7)	(42,400)	(34.0)	(19,447)	(3.7)
Impairment losses on financial assets	(7,191)	(4.1)	(9,162)	(7.4)	(2,630)	(0.5)
Other expenses	(394)	(0.2)	(73)	(0.1)	(20,162)	(3.9)
Changes on unlisted investments at fair value through profit or loss	—	—	(5,034)	(4.0)	(4,742)	(0.9)
Interest expenses on borrowings and lease liabilities	(2,732)	(1.6)	(8,170)	(6.6)	(13,767)	(2.6)
Interest expenses on redemption liabilities on ordinary shares	(80,668)	(46.3)	(97,721)	(78.4)	(143,260)	(27.6)
Changes on financial liabilities due to fund investors	(18,894)	(10.8)	(5,609)	(4.5)	(5,834)	(1.1)
Share of profits and losses of associates	—	—	(4)	(0.0)	(194)	(0.0)

FINANCIAL INFORMATION

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Loss before tax from continuing operations	(270,610)	(155.4)	(275,352)	(221.0)	(231,965)	(44.6)
Income tax expense	—	—	(2,321)	(1.9)	(3,417)	(0.7)
Loss and total comprehensive loss for the year from continuing operations	<u>(270,610)</u>	<u>(155.4)</u>	<u>(277,673)</u>	<u>(222.8)</u>	<u>(235,382)</u>	<u>(45.3)</u>
Discontinued Operation						
Loss and total comprehensive loss for the year from a discontinued operation	(20,584)	(11.8)	(20,989)	(16.8)	—	—
Loss and total comprehensive loss for the year	<u>(291,194)</u>	<u>(167.2)</u>	<u>(298,662)</u>	<u>(239.6)</u>	<u>(235,382)</u>	<u>(45.3)</u>

NON-IFRS FINANCIAL MEASURE

In evaluating our business, we consider and use non-IFRS adjusted net loss, a non-IFRS financial measure, to supplement the review and assessment of our operating performance.

We define non-IFRS adjusted net loss as loss and total comprehensive loss adjusted for the impact of interest on redemption liabilities on ordinary shares and equity-settled share-based payment expenses, which are non-cash items, and [REDACTED] expenses, which are non-recurring.

We believe that the non-IFRS financial measure facilitates comparisons of operating performance from period to period and company to company by adjusting for potential impacts of non-cash and non-recurring items. We believe that non-IFRS adjusted net loss provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. Our presentation of non-IFRS adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS financial measure has limitations as an analytical tool, and you should not consider it isolation from, or as substitutes for analysis of, our results of operations as reported under the IFRS Accounting Standards.

The following table sets forth the reconciliation of non-IFRS adjusted net loss to loss and total comprehensive loss, the nearest measure prepared in accordance with the IFRS Accounting Standards.

	For the Year Ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Loss and total comprehensive loss for the year	(291,194)	(298,662)	(235,382)
Add:			
Interest on redemption liabilities on ordinary shares	80,668	97,721	143,260
Equity-settled share-based payment expenses	3,279	8,259	10,295
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Non-IFRS adjusted net loss for the year	<u>(207,247)</u>	<u>(192,682)</u>	<u>(76,861)</u>

Our non-IFRS adjusted net loss decreased by 7.0% from RMB207.2 million in 2023 to RMB192.7 million in 2024, primarily due to our strategic shift from PV assets to DES assets, which at the time had better margin profiles than PV assets.

FINANCIAL INFORMATION

Our non-IFRS adjusted net loss further narrowed by 60.1% from RMB192.7 million in 2024 to RMB76.9 million in 2025. This improvement was primarily driven by substantial revenue growth, supported by the expanded scale of DES assets under management and enhanced market recognition. Concurrently, we implemented a series of efficiency enhancement initiatives, including organizational optimization and digital transformation, further narrowing the loss.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from DES and other asset development and electricity services.

The following table sets forth a breakdown of our revenue by business line both in absolute amount and as a percentage of our total revenue for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
DES and Other Asset						
Development ⁽¹⁾	137,561	79.0	82,245	66.0	463,528	89.1
Electricity Services ⁽²⁾	18,506	10.6	35,598	28.6	49,038	9.5
Others ⁽³⁾	18,085	10.4	6,775	5.4	7,410	1.4
Total	174,152	100.0	124,618	100.0	519,976	100.0

Notes:

- (1) In 2023, our energy assets primarily consisted of PV assets. In the same year, we strategically shifted from PV assets to DES assets.
- (2) Include peak-valley arbitrage service, operation and maintenance service, and VPP service during the Track Record Period.
- (3) Include license fees to use our Green Electricity platform and revenue from sales of energy storage products.

During the Track Record Period, our revenue fluctuations were primarily driven by our DES and other asset development revenue as we strategically shifted from PV assets to DES assets in 2023, explored and began ramping up our DES asset development business in 2024, and established convincing business model and further expanded DES asset operating scale.

During the Track Record Period, our electricity service revenue continued to increase, consistent with our overall DES scale expansion.

Cost of Sales

Our cost of sales primarily consists of (i) material costs, (ii) construction costs, and (iii) depreciation. Material costs and construction costs are incurred relating to our DES and other asset development business.

The following table sets forth a breakdown of our cost of sales by nature both in absolute amount and as a percentage of total cost of sales for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Material costs	105,888	62.4	59,691	50.0	340,117	72.6
Construction costs	41,471	24.4	16,147	13.5	66,098	14.1

FINANCIAL INFORMATION

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Depreciation	8,329	4.9	19,149	16.0	29,776	6.4
Outsourcing services expenses . . .	3,873	2.3	2,183	1.8	14,001	3.0
Labor costs	7,077	4.2	7,407	6.2	10,626	2.3
Provision of inventories ⁽¹⁾	3,006	1.8	14,852	12.5	7,474	1.6
Total	<u>169,644</u>	<u>100.0</u>	<u>119,429</u>	<u>100.0</u>	<u>468,092</u>	<u>100.0</u>

Note:

- (1) The provision of inventories was made because the net realizable value of certain constructed energy assets fell below their cost, primarily due to changes in the operating conditions of the underlying electricity users.

During the Track Record Period, our cost of sales decreased from RMB169.6 million in 2023 to RMB119.4 million in 2024 and increased to RMB468.1 million in 2025, primarily due to the fluctuations in material costs and construction costs, which were generally in line with our DES asset operating scale and the pace of sale of DES assets.

Gross Profit and Gross Profit Margin

Gross profit represents the difference between revenue and cost of sales. Gross profit margin represents gross profit as a percentage of total revenue. In 2023, 2024, and 2025, our gross profit was RMB4.5 million, RMB5.2 million, and RMB51.9 million, respectively, with gross profit margin of 2.6%, 4.2%, and 10.0% for the respective years.

The following table sets forth a breakdown of our gross profit and gross profit margins by business line for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross Profit RMB	Gross Profit Margin %	Gross Profit RMB	Gross Profit Margin %	Gross Profit RMB	Gross Profit Margin %
	<i>(in thousands, except percentages)</i>					
DES and Other Asset						
Development	(7,851)	(5.7)	5,308	6.5	46,890	10.1
Electricity Services	9,056	48.9	13,531	38.0	10,772	22.0
Others	6,309	34.9	1,202	17.7	1,696	22.9
Less: Provision of inventories ⁽¹⁾	<u>(3,006)</u>	<u>—</u>	<u>(14,852)</u>	<u>—</u>	<u>(7,474)</u>	<u>—</u>
Total	<u>4,508</u>	<u>2.6</u>	<u>5,189</u>	<u>4.2</u>	<u>51,884</u>	<u>10.0</u>

Note:

- (1) The provision of inventories was made because the net realizable value of certain constructed energy assets fell below their cost, primarily due to changes in the operating conditions of the underlying electricity users.

During the Track Record Period, our gross profit continued to increase, primarily due to the expansion of our DES asset operating scale.

FINANCIAL INFORMATION

We incurred gross loss of RMB7.9 million for our DES and other asset development in 2023 primarily due to market volatility affecting our then PV asset development, which constituted our primary revenue source that year before and are the primary reasons for our strategic shift to DES assets. Most of our PV assets were constructed at relatively high raw material prices, locking in higher costs, while raw material prices for PV assets declined rapidly by the time of the sale of PV assets, significantly impeding the sale price considerations.

During the Track Record Period, our gross profit margin continued to increase, primarily due to (i) the growth of DES and other asset development and its gross profit margin and (ii) the growth of electricity services facilitated by the expansion of our DES asset operating scale, which generally have higher gross profit margin than DES and other asset development.

Other Income and Gains

Our other income and gains primarily consist of government grants, bank interest income, and gain on disposal of subsidiary. Our other income and gains were RMB5.1 million, RMB12.2 million, and RMB49.8 million in 2023, 2024, and 2025, respectively.

The following table sets forth a breakdown of our other income and gains both in absolute amount and as a percentage of our total other income and gains for the years indicated.

	For the Year Ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Other income:			
Government grants	1,924	7,027	2,190
Bank interest income	2,241	2,432	1,764
Dividend income from financial assets at fair value through profit or loss	—	1,102	—
Others	127	409	687
	<u>4,292</u>	<u>10,970</u>	<u>4,641</u>
Gains:			
Gain on disposal of subsidiary	151	30	44,696
Investment income on wealth management products	706	1,150	461
	<u>857</u>	<u>1,180</u>	<u>45,157</u>
Total	<u>5,149</u>	<u>12,150</u>	<u>49,798</u>

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee benefit expenses, (ii) marketing and promotional expenses, (iii) travel expenses, and (iv) share-based payment expenses.

The following table sets forth a breakdown of our selling and marketing expenses both in absolute amount and as a percentage of our total selling and marketing expenses for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Employee benefit expenses	40,307	68.6	33,010	66.6	27,007	56.7
Marketing and promotional expenses	12,107	20.6	9,653	19.5	11,085	23.3
Travel expenses	5,265	9.0	4,361	8.8	5,230	11.0
Share-based payment expenses	218	0.4	1,919	3.9	2,069	4.3
Others	867	1.4	628	1.2	2,214	4.7
Total	<u>58,764</u>	<u>100.0</u>	<u>49,571</u>	<u>100.0</u>	<u>47,605</u>	<u>100.0</u>

FINANCIAL INFORMATION

During the Track Record Period, our selling and distribution expenses continued to decrease primarily due to a decrease in employee benefit expenses mainly attributable to the gradual maturity of sales channels in the Yangtze River Delta region, allowing us to proactively optimize the sales team structure.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, (ii) depreciation and amortization expenses, (iii) conference expenses, (iv) share-based payment expenses, (v) [REDACTED] expenses, and (vi) professional service fees.

The following table sets forth a breakdown of our administrative expenses both in absolute amount and as a percentage of our total general and administrative expenses for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Employee benefit expenses	34,388	54.3	35,598	47.5	38,605	50.8
Depreciation and amortization expenses	8,308	13.1	10,579	14.1	9,661	12.7
Conference expenses	3,222	5.1	6,941	9.3	7,978	10.5
Share-based payment expenses . . .	371	0.6	3,246	4.3	5,013	6.6
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Professional service fees	11,897	18.8	12,299	16.4	3,200	4.2
Office expenses	2,699	4.3	2,561	3.4	2,443	3.2
Travel expenses	1,464	2.3	1,619	2.2	1,015	1.3
Others	1,011	1.5	2,104	2.8	3,125	4.2
Total	63,360	100.0	74,947	100.0	76,006	100.0

During the Track Record Period, we maintained a disciplined level of administrative expenses while our revenue increased significantly.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses, (ii) professional service fees, (iii) share-based payment expenses, and (iv) depreciation and amortization.

The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our total research and development expenses for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Employee benefit expenses	37,954	78.6	28,878	68.1	10,107	52.0
Professional service fees	3,799	7.9	8,002	18.9	4,019	20.7
Share-based payment expenses . . .	2,689	5.6	3,094	7.3	3,213	16.5
Depreciation and amortization . . .	932	1.9	1,035	2.4	1,047	5.4
Materials and consumables	1,635	3.4	558	1.3	631	3.2
Others	1,255	2.6	833	2.0	430	2.2
Total	48,264	100.0	42,400	100.0	19,447	100.0

FINANCIAL INFORMATION

During the Track Record Period, our research and development expenses continued to decrease, primarily driven by a decrease in employee benefit expenses resulting from the optimization of our research and development team structure, as we strategically focused on iteration and optimization of algorithm models based on data analytics leveraging our existing Green Electricity platform and PSS.

Impairment Losses on Financial Assets

Our impairment losses on financial assets primarily represent credit impairment losses on trade and bills receivables and other financial assets as calculated based on the expected credit loss model. In 2023, 2024, and 2025, our impairment losses on financial assets were RMB7.2 million, RMB9.2 million, and RMB2.6 million, respectively.

Other Expenses

Our other expenses primarily consist of losses on disposal of property, plant, and equipment and losses on prepayments and other non-current assets. In 2023, 2024, and 2025, our other expenses were RMB0.4 million, RMB73,000, and RMB20.2 million, respectively.

The following table sets forth a breakdown of our other expenses both in absolute amount and as a percentage of our total other expenses for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>					
Losses on prepayments and other non-current assets	—	—	—	—	19,087	94.7
Loss on disposal of property, plant, and equipment	—	—	40	54.8	267	1.3
Others	394	100.0	33	45.2	808	4.0
Total	394	100.0	73	100.0	20,162	100.0

Changes on Unlisted Investments at Fair Value Through Profit or Loss

Changes on unlisted investments at fair value through profit or loss represent changes in the fair value of our minority equity interests in an entity. Our changes on unlisted investments at fair value through profit or loss was nil, RMB5.0 million, and RMB4.7 million in 2023, 2024, and 2025, respectively.

Interest Expenses on Borrowings and Lease Liabilities

Our interest expenses on borrowings and lease liabilities consist of interest on bank borrowings, interest on other borrowings, and interest on lease liabilities. Our interest expenses were RMB2.7 million, RMB8.2 million, and RMB13.8 million in 2023, 2024, and 2025, respectively.

The following table sets forth a breakdown of our interest expenses on borrowings and lease liabilities for the years indicated.

FINANCIAL INFORMATION

	For the Year Ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Interest on bank borrowings	2,165	6,507	9,996
Interest on other borrowings	144	1,167	3,255
Interest on lease liabilities	423	496	516
Total	<u>2,732</u>	<u>8,170</u>	<u>13,767</u>

Interest on Redemption Liabilities on Ordinary Shares

Our interest on redemption liabilities on ordinary shares was RMB80.7 million, RMB97.7 million, and RMB143.3 million, in 2023, 2024, and 2025, respectively. During the Track Record Period, our interest on redemption liabilities on ordinary shares continued to increase primarily due to increased shareholder capital contributions and extended investment periods.

Changes on Financial Liabilities Due to Fund Investors

Our losses on financial liabilities due to fund investors were RMB18.9 million, RMB5.6 million, and RMB5.8 million in 2023, 2024, and 2025, respectively.

TAXATION

Chinese Mainland

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China and the respective regulations, our Company and subsidiaries, which operate in Chinese Mainland, were subject to enterprise income tax at a rate of 25% on the taxable income during the Track Record Period, except that certain subsidiaries were subject to a reduced tax rate of 20% pursuant to Caishui [2023] No. 12 “Circular of the Ministry of Finance, the State Taxation Administration Issued on the Tax Policies for Further Support the Development of Small Low-Profit Enterprises and Self-Employed Businesses” (財政部稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告), which took effect on January 1, 2023 and will expire on December 31, 2027.

Hong Kong

Our subsidiary in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax was provided for as we did not generate any assessable profits arising in Hong Kong during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unsolved tax issues with tax authorities that may have a material adverse impact on our business, financial condition, and results of operations.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue more than quadrupled from RMB124.6 million in 2024 to RMB520.0 million in 2025, primarily due to an increase in DES and other asset development revenue from RMB82.2 million in 2024 to RMB463.5 million in 2025.

FINANCIAL INFORMATION

Our DES and other asset development revenue increased significantly from RMB82.2 million in 2024 to RMB463.5 million in 2025, primarily due to the large-scale sale of DES assets in 2025 attributable to ramp-up of DES asset development in 2024 and establishment of convincing business model in 2025.

Our electricity service revenue increased by 37.8% from RMB35.6 million in 2024 to RMB49.0 million in 2025, primarily due to an expansion of our electricity services leveraging the increase in our DES asset operating scale.

Our other revenue, including license fees to use Green Electricity platform and revenue from sales of energy storage products, remained relatively stable at RMB6.8 million in 2024 and RMB7.4 million in 2025.

Cost of Sales

Our cost of sales increased significantly from RMB119.4 million in 2024 to RMB468.1 million in 2025, which was generally in line with our DES asset operating scale and pace of sale of DES assets.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB5.2 million in 2024 to RMB51.9 million in 2025. Our gross profit margin increased from 4.2% in 2024 to 10.0% in 2025, primarily due to the increase in DES asset development business and its increase of gross profit margin from 6.5% in 2024 to 10.1% in 2025.

Other Income and Gains

Our other income and gains increased significantly from RMB12.2 million in 2024 to RMB49.8 million in 2025, primarily due to an increase in gain on disposal of subsidiary of RMB44.7 million as we actively optimized our business portfolio and completed the strategic disposal of a subsidiary.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 4.0% from RMB49.6 million in 2024 to RMB47.6 million in 2025, primarily due to a decrease in employee benefit expenses of RMB6.0 million resulting from a streamlined sales headcount as the sales channels in the Yangtze River Delta region gradually matured.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB74.9 million in 2024 and RMB76.0 million in 2025, primarily due to our balancing between personnel expansion and cost management.

Research and Development Expenses

Our research and development expenses decreased by 54.1% from RMB42.4 million in 2024 to RMB19.4 million in 2025, primarily due to a decrease in employee benefit expenses of RMB18.8 million resulting from the optimization of our research and development team structure, as we strategically focused on iteration and optimization of algorithm models leveraging our existing Green Electricity platform and PSS.

Impairment Losses on Financial Assets

Our impairment losses on financial assets decreased by 71.3% from RMB9.2 million in 2024 to RMB2.6 million in 2025, primarily due to our strengthened project evaluation and stricter project admission criteria, which improved underlying asset quality and lowered expected credit losses.

FINANCIAL INFORMATION

Other Expenses

Our other expenses increased from RMB73,000 in 2024 to RMB20.2 million in 2025, primarily due to an increase in losses on prepayments and other non-current assets of RMB19.1 million, primarily resulting from the termination of agreements with certain suppliers due to their deteriorating financial condition.

Changes on Unlisted Investments at Fair Value Through Profit or Loss

Our changes on unlisted investments at fair value through profit or loss remained relatively stable at RMB5.0 million in 2024 and RMB4.7 million in 2025.

Interest Expenses on Borrowings and Lease Liabilities

Our interest expenses on borrowings and lease liabilities increased by 68.5% from RMB8.2 million in 2024 to RMB13.8 million in 2025, primarily due to an increase in interest on bank borrowings of RMB3.5 million to support business expansion.

Interest on Redemption Liabilities on Ordinary Shares

Our interest on redemption liabilities on ordinary shares increased by 46.6% from RMB97.7 million in 2024 to RMB143.3 million in 2025, primarily due to increased shareholder capital contributions and extended investment periods.

Changes on Financial Liabilities Due to Fund Investors

Our losses on financial liabilities due to fund investors remained relatively stable at RMB5.6 million in 2024 and at RMB5.8 million in 2025.

Share of Losses of Associates

Our share of losses of associates increased from RMB4,000 in 2024 to RMB0.2 million 2025, primarily due to our associates being in the initial stage of development, where revenue has not yet reached scale to cover operating costs.

Income Tax Expenses

Our income tax expenses increased by 47.2% from RMB2.3 million in 2024 to RMB3.4 million in 2025, primarily due to profit growth of certain DES asset project companies.

Loss and Total Comprehensive Loss for the Year

As a result of the foregoing, our loss and total comprehensive loss for the year decreased by 21.2% from RMB298.7 million in 2024 to RMB235.4 million in 2025.

Non-IFRS Adjusted Net Loss for the Year

Our non-IFRS adjusted net loss for the year decreased by 60.1% from RMB192.7 million in 2024 to RMB76.9 million in 2025.

FINANCIAL INFORMATION

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

Revenue

Our revenue decreased by 28.4% from RMB174.2 million in 2023 to RMB124.6 million in 2024, primarily due to a decrease in DES and other asset development revenue from RMB137.6 million in 2023 to RMB82.2 million in 2024, partially offset by an increase in electricity service revenue from RMB18.5 million in 2023 to RMB35.6 million in 2024.

Our DES and other asset development revenue decreased by 40.2% from RMB137.6 million in 2023 to RMB82.2 million in 2024, primarily due to the strategic pivot from PV assets to DES assets, with the latter in the revenue ramp-up stage.

Our electricity service revenue increased by 92.4% from RMB18.5 million in 2023 to RMB35.6 million in 2024, primarily due to an expansion of our electricity services leveraging the increase in our DES asset operating scale.

Our other revenue, including license fees to use Green Electricity platform and revenue from sales of energy storage products, decreased by 62.5% from RMB18.1 million to RMB6.8 million, primarily due to the strategic shift of our business focus towards DES asset development.

Cost of Sales

Our cost of sales decreased by 29.6% from RMB169.6 million in 2023 to RMB119.4 million in 2024, which was generally in line with our DES asset operating scale and pace of sale of DES assets.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB4.5 million in 2023 to RMB5.2 million in 2024. Our gross profit margin increased from 2.6% in 2023 to 4.2% in 2024, primarily due to our shift from the negative-margin PV asset development to positive-margin DES asset development.

Other Income and Gains

Our other income and gains increased significantly from RMB5.1 million in 2023 to RMB12.2 million in 2024, primarily due to an increase in government grants of RMB5.1 million, mainly attributable to subsidies for digital energy operations, financial support subsidies, and industrial development guidance funds.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 15.6% from RMB58.8 million in 2023 to RMB49.6 million in 2024, primarily due to a decrease in employee benefit expenses of RMB7.3 million resulting from a streamlined sales headcount.

Administrative Expenses

Our administrative expenses increased by 18.3% from RMB63.4 million in 2023 to RMB74.9 million in 2024, primarily due to (i) an increase in conference expenses of RMB3.7 million, (ii) an increase in share-based payment expenses of RMB2.9 million arising from the new employee share ownership plan implemented in 2024, and (iii) an increase in depreciation and amortization expenses of RMB2.3 million primarily due to office relocation.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses decreased by 12.1% from RMB48.3 million in 2023 to RMB42.4 million in 2024, primarily due to a decrease in employee benefit expenses of RMB9.1 million resulting from the optimization of our research and development team structure, as we strategically focused on iteration and optimization of algorithm models based on data analytics leveraging our existing Green Electricity platform and PSS.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased by 27.4% from RMB7.2 million in 2023 to RMB9.2 million in 2024, primarily as we explored project evaluation mechanisms during the strategic business shift.

Other Expenses

Our other expenses decreased by 81.5% from RMB0.4 million in 2023 to RMB73,000 in 2024.

Changes on Unlisted Investments at Fair Value Through Profit or Loss

Our changes on unlisted investments at fair value through profit or loss increased significantly from nil in 2023 to RMB5.0 million in 2024, primarily due to the increase in our minority equity interests in an entity.

Interest Expenses on Borrowings and Lease Liabilities

Our interest expenses on borrowings and lease liabilities increased significantly from RMB2.7 million in 2023 to RMB8.2 million in 2024, primarily due to an increase in interest on bank borrowings of RMB4.3 million to support business shift.

Interest on Redemption Liabilities on Ordinary Shares

Our interest on redemption liabilities on ordinary shares increased by 21.1% from RMB80.7 million in 2023 to RMB97.7 million in 2024 primarily due to increased shareholder capital contributions and extended investment periods.

Share of Losses of Associates

Our share of losses of associates increased from nil in 2023 to RMB4,000 in 2024, primarily because our associates commenced operations from 2024.

Changes on Financial Liabilities Due to Fund Investors

Our losses on financial liabilities due to fund investors decreased by 70.3% from RMB18.9 million in 2023 to RMB5.6 million in 2024, primarily due to an increase in the fair value of minority limited partnership interests in a consolidated fund, driven by the robust operating performance of its underlying DES assets and subsequent capital expansion.

Income Tax Expenses

We did not have income tax expenses in 2023 while we had income tax expenses of RMB2.3 million in 2024, primarily due to the recognition of taxable profits by certain of our subsidiaries in 2024.

FINANCIAL INFORMATION

Loss and Total Comprehensive Loss for the Year

As a result of the foregoing, our loss and total comprehensive loss for the year increased by 2.6% from RMB291.2 million in 2023 to RMB298.7 million in 2024.

Non-IFRS Adjusted Net Loss for the Year

Our non-IFRS adjusted net loss for the year decreased by 7.0% from RMB207.2 million in 2023 and RMB192.7 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Total current assets	666,188	999,645	999,931
Total non-current assets	90,340	82,542	102,026
Total assets	756,528	1,082,187	1,101,957
Total current liabilities	1,233,322	1,819,836	2,070,131
Total non-current liabilities	37,380	63,089	57,951
Total liabilities	1,270,702	1,882,925	2,128,082
Net current liabilities	(576,134)	(820,191)	(1,070,200)
Paid-in capital	9,478	12,394	12,394
Reserves	(524,380)	(815,539)	(1,040,963)
Non-controlling interest	728	2,407	2,444
Total deficits	(514,174)	(800,738)	(1,026,125)

We had total deficits as of the end of each year during the Track Record Period. Our total deficits increased from RMB514.2 million as of December 31, 2023 to RMB800.7 million as of December 31, 2024, primarily due to RMB298.7 million loss and total comprehensive loss for the year. Our total deficits further increased from RMB800.7 million as of December 31, 2024 to RMB1.03 billion as of December 31, 2025, primarily due to RMB235.4 million loss and total comprehensive loss for the year.

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

	As of December 31,			As of
	2023	2024	2025	February 28, 2026
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Current assets:				
Inventories	111,982	426,115	342,738	355,451
Trade and bills receivables	151,847	105,894	285,177	145,268
Prepayments, other receivables, and other assets	90,726	114,471	62,183	76,228
Pledged and restricted deposits	38,974	46,720	70,610	68,540
Amounts due from related companies	242	—	4,478	4,922

FINANCIAL INFORMATION

	As of December 31,			As of
	2023	2024	2025	February 28, 2026
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Financial assets at fair value at profit or loss	40,000	40,000	10,000	40,000
Cash and cash equivalents	232,417	266,445	224,745	202,138
Total current assets	666,188	999,645	999,931	892,547
Current liabilities:				
Redemption liabilities on ordinary shares	1,035,605	1,313,326	1,456,586	1,474,473
Interest-bearing bank and other borrowings	68,693	286,250	387,071	333,904
Financial liabilities due to fund investors	26,191	43,558	3,650	3,685
Trade and bills payables	57,877	108,036	182,376	137,115
Other payables and accruals	29,665	27,499	26,777	23,601
Contract liabilities	7,390	34,385	4,606	6,089
Lease liabilities	7,901	4,461	5,070	4,502
Tax payable	—	2,321	3,995	4,035
Total current liabilities	1,233,322	1,819,836	2,070,131	1,987,404
Net current liabilities	(567,134)	(820,191)	(1,070,200)	(1,094,857)

We had net current liabilities of RMB567.1 million, RMB820.2 million, RMB1.07 billion, and RMB1.09 billion as of December 31, 2023, 2024, and 2025, and February 28, 2026. Our net current liabilities positions as of each of these dates were primarily attributable to redemption liabilities on ordinary shares, partially offset by our cash and cash equivalents, inventories, and prepayments, other receivables, and other assets. We expect that we will turn into a net current assets and net assets position as of the date of this document after reclassifying the redemption liabilities on ordinary shares.

Our net current liabilities remained relatively stable at RMB1.07 billion as of December 31, 2025 and RMB1.09 billion as of February 28, 2026. This was primarily due to (i) a decrease in trade and bills receivables of RMB139.9 million, (ii) a decrease in cash and cash equivalents of RMB22.6 million, and (iii) an increase in redemption liabilities on ordinary shares of RMB17.9 million, partially offset by (i) a decrease in interest-bearing bank and other borrowings of RMB53.2 million, (ii) a decrease in trade and bills payables of RMB45.3 million (iii) an increase in prepayments, other receivables, and other assets of RMB14.0 million, and (iv) an increase in inventories of RMB12.7 million.

Our net current liabilities increased by 30.5% from RMB820.2 million as of December 31, 2024 to RMB1.07 billion as of December 31, 2025. The increase was mainly due to (i) an increase in redemption liabilities on ordinary shares of RMB143.3 million, (ii) an increase in interest-bearing bank and other borrowings of RMB100.8 million, and (iii) a decrease in inventories of RMB83.4 million, partially offset by (i) an increase in trade and bill receivables of RMB179.3 million and (ii) a decrease in financial liabilities due to fund investors of RMB39.9 million.

Our net current liabilities increased by 44.6% from RMB567.1 million as of December 31, 2023 to RMB820.2 million as of December 31, 2024. The increase was mainly due to (i) an increase in redemption liabilities on ordinary shares of RMB277.7 million, (ii) an increase in interest-bearing bank and other borrowings of RMB217.6 million, and (iii) an increase in trade and bills payables of RMB50.2 million, partially offset by an increase in inventories of RMB314.1 million.

FINANCIAL INFORMATION

Inventories

Our inventories consist of (i) work in progress, which represents DES and other assets under construction, and (ii) finished goods, which represent DES and other assets that have been constructed but not yet sold.

The following table sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Work in progress	40,648	77,551	25,916
Finished goods	71,334	348,564	316,822
Total	<u>111,982</u>	<u>426,115</u>	<u>342,738</u>

Our inventories increased significantly from RMB112.0 million as of December 31, 2023 to RMB426.1 million as of December 31, 2024, primarily due to an increase in finished goods of RMB277.2 million resulting from increased number of completed DES assets as a result of our business expansion.

Our inventories decreased by 19.6% from RMB426.1 million as of December 31, 2024 to RMB342.7 million as of December 31, 2025, primarily due to the large-scale sale of DES assets in 2025.

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

	For the Year Ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	225	822	300

Note:

- (1) Inventory turnover days are calculated as the average of the beginning and ending balances of inventories divided by cost of sales for the year and multiplied by 365 days.

Our inventory turnover days were 225, 822, and 300 days in 2023, 2024, and 2025, respectively. Our inventory turnover days increased significantly from 2023 to 2024, primarily due to the inherent time mismatch between the completion and sale of DES assets as we began ramping up our DES asset development business in 2024. Our inventory turnover days decreased significantly from 2024 to 2025, primarily due to the large-scale sale of DES assets in 2025.

The following table sets forth an aging analysis of our inventories.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within 1 year	116,218	375,725	202,486
Over 1 year and within 2 years	—	67,982	121,022
Over 2 years	—	—	42,696
Inventory provision	<u>(4,236)</u>	<u>(17,592)</u>	<u>(23,466)</u>
Total	<u>111,982</u>	<u>426,115</u>	<u>342,738</u>

FINANCIAL INFORMATION

As of February 28, 2026, none of our inventories as of December 31, 2025 had been subsequently sold.

Trade and Bills Receivables

Our trade and bills receivables consisted of trade receivables and bills receivables at amortized cost, net of impairment.

The following table sets forth the details of our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Trade receivables	157,410	118,659	301,507
Bills receivables at amortized cost	465	2,190	890
Impairment	<u>(6,028)</u>	<u>(14,955)</u>	<u>(17,220)</u>
Total	<u>151,847</u>	<u>105,894</u>	<u>285,177</u>

Our trade and bills receivables decreased by 30.3% from RMB151.8 million as of December 31, 2023 to RMB105.9 million as of December 31, 2024, primarily due to our shift from PV assets to DES assets and ramp-up of DES asset development business in 2024.

Our trade and bills receivables increased significantly from RMB105.9 million as of December 31, 2024 to RMB285.2 million as of December 31, 2025, primarily due to our significant growth in the DES asset development business in 2025.

The following table sets forth our trade and bills receivable turnover days for the periods indicated.

	For the Year Ended December 31,		
	2023	2024	2025
Trade and bills receivable turnover days ⁽¹⁾	279	377	137

Note:

(1) Trade and bills receivable turnover days are calculated as the average of the beginning and ending balances of trade and bills receivables divided by revenue for the year multiplied by 365 days.

Our trade and bills receivable turnover days were 279, 377, and 137 days in 2023, 2024, and 2025, respectively. Our trade and bills receivable turnover days increased from 2023 to 2024, primarily due to (i) a decrease in revenue during our shift from PV assets to DES assets and (ii) prolonged aging of certain receivables from prior years. Our trade and bills receivable turnover days decreased from 2024 to 2025, mainly due to (i) an increase in revenue in line with our business expansion and (ii) our strengthened receivable collection efforts and improved collection efficiency.

We implement and improve strict control over trade receivables by optimizing asset investor and other customer profiling and adjusting payment terms, as applicable, as our position in the DES asset development market strengthens, thereby reducing capital occupation and optimizing cash flow.

The following table sets forth an aging analysis of our trade and bills receivables.

FINANCIAL INFORMATION

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within 180 days	143,986	62,341	275,032
Over 180 days and within 1 year	3,163	1,648	3,433
Over 1 year and within 2 years	4,698	41,905	3,886
Over 2 years and within 3 years	—	—	2,826
Total	151,847	105,894	285,177

We recorded a higher proportion of aged receivables in 2024, primarily due to contractual payment mechanisms for a PV project, where collections were pending the fulfillment of predefined performance criteria. The aging profile subsequently improved in 2025 as the criteria was met and payments were received.

As of February 28, 2026, RMB165.4 million, or 58.0% of our trade and bills receivables as of December 31, 2025, had been subsequently collected.

Prepayments, Other Receivables, and Other Assets

Our prepayments, other receivables, and other assets primarily consisted of prepayments to suppliers, deposits and other receivables, and value-added tax recoverable.

The following table sets forth our prepayments, other receivables, and other assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Non-current:			
Deposits and other receivables	2,151	5,515	8,153
Value-added tax recoverable	11,233	24,173	29,972
Current:			
Deposits and other receivables	17,656	7,022	18,893
Prepayments	61,277	77,690	30,730
Prepaid value-added tax	—	18,040	15,493
Value-added tax recoverable	11,793	11,719	6,113
Deferred issue costs	—	—	934
Provision impairment allowance	—	—	(9,980)
Total	104,110	144,159	100,308

Our prepayments, other receivables, and other assets increased by 38.5% from RMB104.1 million as of December 31, 2023 to RMB144.2 million as of December 31, 2024 primarily attributable to (i) an increase in prepaid value-added tax of RMB18.0 million; and (ii) an increase in prepayment to suppliers of RMB16.4 million, primarily due to the escalating procurement demand for equipment and construction to support the development of DES assets in 2024.

Our prepayments, other receivables, and other assets decreased by 30.4% from RMB144.2 million as of December 31, 2024 to RMB100.3 million as of December 31, 2025, primarily attributable to a decrease in prepayments to suppliers of RMB47.0 million, primarily due to our enhanced position in the industry, which enabled us to optimize settlement terms with suppliers and extend procurement payment periods, partially offset by an increase in deposits and other receivables of RMB14.5 million, primarily due to the expansion of business.

FINANCIAL INFORMATION

Trade and Bills Payables

Our trade and bills payables consist of amounts due to suppliers for design, equipment, and construction. Our trade and bills payables are non-interest-bearing and are normally settled on the terms within 180 days.

Our trade payables increased by 86.7% from RMB57.9 million as of December 31, 2023 to RMB108.0 million as of December 31, 2024, and further increased by 68.8% to RMB182.4 million as of December 31, 2025, primarily attributable to (i) the escalating procurement demand to support the development of DES assets in 2024 and 2025 and (ii) our optimization of payment terms with suppliers, through which we extended the procurement payment cycle and reduced the capital occupation from procurement activities.

The following table sets forth our trade and bills payable turnover days for the periods indicated.

	For the Year Ended December 31,		
	2023	2024	2025
Trade and bills payable turnover days ⁽¹⁾	231	254	113

Note:

- (1) Trade and bills payable turnover days are calculated as the average of the beginning and ending balances of trade and bills payables divided by the cost of sales for the year multiplied by 365 days.

Our trade and bills payable turnover days were 231, 254, and 113 days in 2023, 2024, and 2025, respectively. Our trade and bills payable turnover days increased from 2023 to 2024, primarily due to strong procurement demand during the development and construction phase of DES assets in 2024 after the strategic shift from PV assets to DES assets. Our trade and bills payable turnover days decreased from 2024 to 2025 mainly due to the large-scale sale of DES assets in 2025 following the project accumulation in 2024.

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
	<i>(RMB in thousands)</i>		
Within 1 year	57,173	107,061	181,624
Over 1 year and within 2 years	639	788	601
Over 2 years	65	187	151
Total	57,877	108,036	182,376

As of February 28, 2026, RMB56.8 million, or 31.1% of our trade and bills payables as of December 31, 2025 had been settled.

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of financial liabilities due to fund investors, redemption liabilities on ordinary shares, interest-bearing bank and other borrowings, and lease liabilities. February 28, 2026 is the latest practicable date for the purpose of this statement of indebtedness in this document.

FINANCIAL INFORMATION

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

	As of December 31,			As of
	2023	2024	2025	February 28, 2026
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Current:				
Redemption liabilities on ordinary shares	1,035,605	1,313,326	1,456,586	1,474,473
Interest-bearing bank and other borrowings	68,693	286,250	387,071	333,903
Lease liabilities	7,901	4,461	5,070	4,502
Financial liabilities due to fund investors	26,191	43,558	3,650	3,685
	<u>1,138,390</u>	<u>1,647,595</u>	<u>1,852,377</u>	<u>1,816,563</u>
Non-current:				
Interest-bearing bank and other borrowings	18,027	50,117	49,546	57,814
Lease liabilities	19,353	9,160	4,515	3,662
	<u>37,380</u>	<u>59,277</u>	<u>54,061</u>	<u>61,476</u>
Total	<u>1,175,770</u>	<u>1,706,872</u>	<u>1,906,438</u>	<u>1,878,039</u>

Redemption Liabilities on Ordinary Shares

Our redemption liabilities on ordinary shares, including series A, B, B+, C, D, D+ shares, increased by 26.8% from RMB1.04 billion as of December 31, 2023 to RMB1.31 billion as of December 31, 2024, and further increased by 10.9% to RMB1.46 billion as of December 31, 2025, primarily due to the measurement mechanism, which sets the redemption price at the higher of the principal plus simple interest at 10% or the fair value. Our redemption liabilities on ordinary shares increased as the investment period extended and the fair value of our Company increased alongside our business development.

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings represented secured and unsecured bank loans and the borrowings related to sales and leaseback arrangements.

The following table sets forth a breakdown of our interest-bearing bank and other borrowings as of the dates indicated.

	As of December 31,			As of
	2023	2024	2025	February 28, 2026
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Unsecured	10,009	57,808	24,831	10,000
Guaranteed	49,942	207,466	344,196	312,165
Secured and guaranteed	6,542	13,506	10,250	9,702
Secured	20,227	57,587	57,340	59,851
Total	<u>86,720</u>	<u>336,367</u>	<u>436,617</u>	<u>391,718</u>

FINANCIAL INFORMATION

Our interest-bearing bank and other borrowings increased significantly from RMB86.7 million as of December 31, 2023 to RMB336.4 million as of December 31, 2024 and further increased by 29.8% to RMB436.6 million as of December 31, 2025 primarily due to increased financial leverage to support business expansion.

As of February 28, 2026, we had interest-bearing bank and other borrowings of RMB391.7 million.

Our bank and other borrowings bore interest at 2.60% to 5.40%, 2.05% to 5.04%, and 1.55% to 6.04% per annum, as of December 31, 2023, 2024, and 2025, respectively.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining bank and other borrowings, default in payment of bank and other borrowings, or breach of covenants. As of the Latest Practicable Date, except for our existing bank and other borrowings, we did not have plans for any other material external debt financing.

Lease Liabilities

We had lease liabilities of RMB27.3 million, RMB13.6 million, RMB9.6 million and RMB8.2 million as of December 31, 2023, 2024, and 2025 and as of February 28, 2026, respectively.

Our lease liabilities decreased by 50.0% from RMB27.3 million as of December 31, 2023 to RMB13.6 million as of December 31, 2024, and further decreased by 29.6% to RMB9.6 million as of December 31, 2025, primarily attributable to the sale of the charging pile business in 2024.

The following table sets forth our lease liabilities as of the dates indicated.

	As of December 31,			As of February 28, 2026
	2023	2024	2025	
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Lease liabilities:				
Current	7,901	4,461	5,070	4,502
Non-current	19,353	9,160	4,515	3,662
Total	<u>27,254</u>	<u>13,621</u>	<u>9,585</u>	<u>8,164</u>

Statement of Indebtedness

Saved as disclosed above, as of February 28, 2026, we had no bank loans, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees, or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2026 and up to the date of this document, except that we had subsequently incurred bank loans of RMB20.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary uses of cash are to fund our working capital requirements and other recurring expenses. During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through cash generated from our operating activities, bank loans, and equity financing.

FINANCIAL INFORMATION

Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash generated from our operating activities, bank loans, the estimated [REDACTED] from the [REDACTED], and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital and diligently review future cash flow requirements and adjust our operations and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into consideration of financial resources presently available to us, our Directors are of the view that our available cash and cash equivalents, anticipated cash flow from operations, bank loans, and the estimated [REDACTED] from the [REDACTED] will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this document.

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the years indicated.

	For the Year Ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Net cash flows used in operating activities	(332,538)	(385,537)	(180,981)
Net cash flows generated from/(used in)			
investing activities	16,639	(6,742)	19,632
Net cash flows from financing activities	287,181	426,320	119,649
Net (decrease)/increase in cash and cash			
equivalents	(28,718)	34,041	(41,700)
Cash and cash equivalents at the beginning of			
the year	261,460	232,417	266,445
Effect of foreign exchange rate changes, net . . .	(325)	(13)	—
Cash and cash equivalents at the end of the			
 year	232,417	266,445	224,745

Net cash flows used in operating activities

In 2025, we had net cash flows used in operating activities of RMB181.0 million, primarily due to loss before tax from continuing operations of RMB232.0 million, as adjusted by certain non-cash and non-operating items, mainly including interest on redemption liabilities on ordinary shares of RMB143.3 million, gain on disposal of subsidiary of RMB44.7 million, and interest expenses on borrowings and lease liabilities of RMB13.8 million, and changes in working capital that positively affected our cash flows, mainly including an increase in trade and bills payable of RMB78.4 million and a decrease in prepayment, other receivables, and other assets of RMB24.8 million, partially offset by changes in working capital that negatively affected our cash flows, mainly including an increase in trade and bills receivables of RMB176.1 million and an increase in pledged and restricted deposits of RMB33.9 million.

In 2024, we had net cash flows used in operating activities of RMB385.5 million, primarily due to loss before tax from continuing operations of RMB275.4 million and loss before tax from discontinued operations of RMB21.0 million, as adjusted by certain non-cash and non-operating items, mainly including interest on redemption liabilities on ordinary shares of RMB97.7 million and depreciation of property, plant, and equipment of RMB16.5 million, and changes in working capital that positively affected our cash flows, mainly including an increase in trade and bills payables of RMB65.1 million and a decrease in trade and bills receivables of RMB29.1 million, partially offset by changes in working capital that negatively affected our cash flow, mainly including an increase in inventories of RMB329.0 million and an increase in prepayment, other receivables, and other assets of RMB62.6 million.

FINANCIAL INFORMATION

In 2023, we had net cash flows used in operating activities of RMB332.5 million, primarily due to loss before tax from continuing operations of RMB270.6 million, as adjusted by certain non-cash and non-operating items, mainly including interest on redemption liabilities on ordinary shares of RMB80.7 million and depreciation of property, plant, and equipment of RMB24.2 million, partially offset by changes in working capital that negatively affected our cash flows, mainly including an increase in trade and bills receivables of RMB133.7 million and an increase in prepayment, other receivables, and other assets of RMB38.4 million.

Net cash flows generated from or used in investing activities

In 2025, our net cash flows generated from investing activities was RMB19.6 million, primarily due to proceeds from disposal of financial assets at fair value through profit or loss of RMB209.1 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB177.2 million.

In 2024, our net cash flows used in investing activities was RMB6.7 million, primarily due to purchase of financial assets at fair value through profit or loss of RMB305.5 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB286.9 million and disposal of subsidiaries of RMB18.1 million.

In 2023, our net cash flows generated from investing activities was RMB16.6 million, due to proceeds from disposal of financial assets at fair value through profit or loss of RMB458.1 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB417.0 million.

Net cash flows generated from financing activities

In 2025, our net cash flows generated from financing activities was RMB119.6 million, primarily due to new bank loans and other borrowings of RMB542.3 million, partially offset by repayment of bank loans and other borrowings of RMB406.5 million.

In 2024, our net cash flows generated from financing activities was RMB426.3 million, primarily due to new bank loans and other borrowings of RMB457.6 million and contribution from shareholders of RMB182.2 million, partially offset by repayment of bank loans and other borrowings of RMB209.1 million.

In 2023, our net cash flows generated from financing activities was RMB287.2 million, primarily due to contribution from shareholders of RMB252.6 million and new bank loans and other borrowings of RMB105.5 million, partially offset by repayment of bank loans and other borrowings of RMB68.0 million.

CONTINGENT LIABILITIES

We did not have contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure primarily consisted of purchases of items of property, plant and equipment.

Our capital expenditure was RMB16.8 million, RMB7.6 million, and RMB4.7 million in 2023, 2024, and 2025, respectively.

We expect to incur capital expenditure in the near future primarily on purchase of hardware and software for research and development to refine and iterate Mushroom Xiaomei AI agent platform. We intend to fund our future capital expenditure with a combination of cash flow generated from operating

FINANCIAL INFORMATION

activities, bank loans, equity financing, and the [REDACTED] from the [REDACTED]. See “Future Plans and [REDACTED]” for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately RMB[REDACTED] (HK\$[REDACTED]) assuming no new Shares are issued under the [REDACTED]. Such estimated total [REDACTED] expenses include (i) [REDACTED] related expenses of approximately RMB[REDACTED] (HK\$[REDACTED]); (ii) fees and expenses of our legal advisors and reporting accountant of approximately RMB[REDACTED] (HK\$[REDACTED]); and (iii) other fees and expenses of approximately RMB[REDACTED] (HK\$[REDACTED]).

Up to December 31, 2025, [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]) were charged to our profit or loss, while as of December 31, 2025, approximately RMB[REDACTED] (HK\$[REDACTED]) was recognized as [REDACTED] expenses to be capitalized in prepayments, and such amount is expected to be recognized directly as a deduction from equity upon the [REDACTED].

We expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), of which approximately RMB[REDACTED] (HK\$[REDACTED]) is expected to be charged to our consolidated statement of profit or loss and approximately RMB[REDACTED] (HK\$[REDACTED]) will be deducted from equity.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into various related party transactions. For more details about our related party transactions, see note 38 to the Accountant’s Report in Appendix I to this document and “Relationship with Our Controlling Shareholders.”

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

	For the Year Ended December 31,		
	2023	2024	2025
Gross profit margin (%)	2.6	4.2	10.0
Non-IFRS adjusted net loss margin ⁽¹⁾ (%)	(119.0)	(154.6)	(14.8)
	As of December 31,		
	2023	2024	2025
Current ratio ⁽²⁾ (times)	0.5	0.5	0.5
Quick ratio ⁽³⁾ (times)	0.4	0.3	0.3

Notes:

- (1) Non-IFRS adjusted net loss margin is calculated as non-IFRS adjusted net loss for the year divided by total revenue.
- (2) Current ratio is calculated as total current assets divided by total current liabilities.

FINANCIAL INFORMATION

- (3) Quick ratio is calculated as total current assets less inventories divided by total current liabilities.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks mainly arising from our financial instruments, including interest rate risk, foreign currency risk, credit risk, and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For more details, including relevant sensitivity analysis, see note 40 to the Accountants' Report as set out in Appendix I of this document.

Interest Rate Risk

We are exposed to interest rate risk for changes in interest rates related primarily to our bank borrowings with floating interest rates. We do not use derivative financial instruments to hedge our interest rate risk.

Credit Risk

We trade only with recognized and creditworthy third parties. Our policy stipulates that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Liquidity Risk

To manage liquidity risk, we continuously monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows.

DIVIDENDS

We are a joint stock company incorporated under PRC laws. According to the PRC Company Law, a PRC-incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, determined under PRC GAAP, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, no dividend will be declared or payable, unless we have profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, if any, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

We did not pay or declare any dividends during the Track Record Period. Currently, we do not have a formal dividend policy.

DISTRIBUTABLE RESERVES

As of February 28, 2026, we had no distributable reserves.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, except as otherwise disclosed in this section, there have been no material adverse changes in our financial, operational, or trading position or prospects since December 31, 2025, being the date of the latest reporting period ended of our consolidated financial statements as set out in the Accountant’s Report in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountant’s Report included in Appendix I to this document.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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