
FINANCIAL INFORMATION

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

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us 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, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed “Forward-Looking Statements,” “Risk Factors” and “Business” in this document.

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is presented on a consolidated basis.

OVERVIEW

We are a leading global industrial technology group driven by innovation. Embracing the revolutionary development of industrial intelligence and energy transition and leveraging our deep technological expertise and continuous cutting-edge innovation in automation, digitalization and intelligentization, we have built an expansive ecosystems of synergistic businesses spanning industrial automation and digitalization, NEV powertrain systems, intelligent robots and digital energy solutions. We are dedicated to providing global customers with intelligent, efficient, green and safe integrated products and solutions, advancing industry technology for a better world through technological breakthroughs and innovative applications.

We achieved steady revenue growth during the Track Record Period. Our revenue increased from RMB30,392.4 million in 2023 to RMB37,013.3 million in 2024 and further increased to RMB45,085.3 million in 2025, representing a CAGR of 21.8% from 2023 to 2025. We recorded profit for the year of RMB4,775.6 million, RMB4,346.4 million and RMB5,172.7 million in 2023, 2024 and 2025, respectively.

BASIS OF PRESENTATION

We prepared our historical financial information in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective terms include all applicable individual International Accounting Standards and Interpretations, issued by the International Accounting Standards Board (“IASB”). For the purpose of preparing our historical financial information, we have adopted all IFRS accounting standards that are effective for 2025, together with the relevant transitional provisions, consistently for the Track Record Period.

The historical financial information has been prepared under the historical cost convention, except for financial assets at FVTOCI and financial assets at FVTPL, which are measured at fair value at the end of each year.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The success of our business depends on many factors. The following are the principal factors that have affected and will continue to affect our business, financial condition, results of operations and prospects.

FINANCIAL INFORMATION

Our Ability to Capitalize on Growth Opportunities within Our Core Businesses

The performance of our core businesses, namely industrial automation and digitalization and NEV powertrain systems, is closely correlated with macroeconomic conditions, particularly manufacturing activity levels and capital expenditure cycles of the relevant industries.

Our industrial automation and digitalization business is affected by fixed asset investment, automation upgrade demand and labor cost dynamics in China’s manufacturing sector, which can be cyclical. However, our products and solutions are deployed across a broad spectrum of more than 40 industries, and we continue to expand into new ones, which are at different stages of development and subject to different demand cycles. Such diversified industry exposure creates a natural hedge that can help us mitigate the impact of cyclical fluctuations and capture opportunities across sectors, contributing to more stable overall financial performance. In addition, we expect the trend of digitalization and intelligent transformation of manufacturing in China and beyond to continue, which will support structural demand growth over the medium-to-long term.

Our NEV powertrain system business is primarily influenced by the pace of growth in NEV penetration, which in turn is driven by technological development, regulatory policies and consumer confidence. During the Track Record Period, our revenue from this business segment recorded rapid growth, with a CAGR of 47.3% from 2023 to 2025. Going forward, we believe that our NEV powertrain system business will maintain growth momentum.

Our Ability to Develop and Scale our Emerging Businesses

We are expanding our business into intelligent robots and digital energy solutions, which represent potential new growth drivers. These businesses are at various stages of development and, during the Track Record Period, recorded substantial revenue growth, at a CAGR of 32.8% from 2023 to 2025. These businesses generally align with industry opportunities related to intelligent manufacturing, decarbonization and AI, among others. Given their early stages of development, the profitability of these businesses has further room for improvement as they achieve greater scale and operational efficiency. We plan to further expand our product and project pipeline and enhance margin profiles over time.

We plan to leverage existing capabilities from our core businesses, including underlying technologies, industrial know-how, customer resources and large-scale manufacturing capabilities, to accelerate the development of these businesses and enhance their profitability over time.

Our Ability to Maintain Technology Leadership and Meet Customer Demands

Our R&D capabilities enable us to convert technological capabilities into products and solutions that meet ever-evolving customer demands. Such capabilities are critical to maintaining our long-term competitiveness and have a direct impact on our financial performance. In the context of rapid technological evolution and increasing digitalization, we continuously invest in technology iteration to maintain our technology leadership. During the Track Record Period, our cumulative R&D expenses exceeded RMB10.0 billion, representing 8.9% of our cumulative revenue. Supported by our platform-based and modular technology architecture, we have developed rapid product development and efficient technology replication capabilities, enabling us to expand from supplying a single product to providing comprehensive solutions, thereby deepening our penetration within existing customers and acquiring new customers in the same industry. Furthermore, we are able to rapidly replicate and adapt our solutions to new industries, enabling us to accelerate our entry into new markets, broaden our industry coverage and capture additional growth opportunities. Our ability to anticipate industry trends, gain insights into customer demands, align product development with applications and bring end-to-end solutions to market with high efficiency will continue to help us capture market opportunities and will be important to the pace and scale of our business expansion.

FINANCIAL INFORMATION

Our Ability to Manage Product Mix, Cost Structure and Profitability

Our different business segments have different margin profiles. During the Track Record Period, our industrial automation and digitalization business generally had higher gross profit margins compared to our NEV powertrain system business, while our emerging businesses were still at an early stage of development. Changes in their growth rates and revenue contributions may lead to fluctuations in our overall gross margin. Within each segment, profitability may vary depending on product positioning, degree of customization, technology complexity and competitive dynamics. To support our overall profitability, we proactively focus on developing, marketing and supplying products with a high gross profit margin within each segment.

Our cost of sales is influenced by the prices of key components and raw materials, including power semiconductors, chips, wire and permanent magnets. We respond to these cost impacts through measures such as leveraging our purchasing scale and improving production efficiency, as well as continuously optimizing our production planning and resource allocation. We also rely on economies of scale and supply chain optimization to enhance our operational efficiency and strengthen cost control.

Our Ability to Expand into Overseas Markets

Our future growth may also be contingent upon our ability to expand our presence in overseas markets. Global demand for industrial automation and digitalization as well as NEV solutions continues to grow, and Chinese manufacturing enterprises and automotive customers are increasingly expanding internationally. These trends may create opportunities for us to grow our overseas business.

Our international expansion is currently at a relatively early stage. Although our overseas revenue accounted for only 5.9% of our total revenue in 2025, it recorded a CAGR of 23.4% from 2023 to 2025, suggesting substantial potential and momentum for further growth. Our ability to successfully expand into overseas markets depends on, among other things, our capability to capture overseas customers and effectively address differences in regulatory environments, customer preferences, competition and operational complexity. We have established overseas R&D centers, production bases as well as sales and service networks, and plan to further expand our international footprint. Going forward, we plan to grow our overseas revenue by deepening cooperation with existing customers, supporting Chinese customers in their overseas expansion and actively acquiring new overseas customers through the expansion of our local sales and service networks and the enhancement of our localized product offerings.

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information. See note 4 and 5 to the Accountants’ Report in Appendix I to this document for details of our material accounting policies, estimates and judgments.

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FINANCIAL INFORMATION

DESCRIPTION OF KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>(RMB in thousands, except for percentages)</i>					
Revenue	30,392,392	100.0%	37,013,308	100.0%	45,085,253	100.0%
Cost of sales	<u>(20,767,055)</u>	<u>(68.3)%</u>	<u>(26,694,061)</u>	<u>(72.1)%</u>	<u>(32,405,051)</u>	<u>(71.9)%</u>
Gross profit	<u>9,625,337</u>	<u>31.7%</u>	<u>10,319,247</u>	<u>27.9%</u>	<u>12,680,202</u>	<u>28.1%</u>
Selling and distribution expenses	(1,574,384)	(5.2)%	(1,480,878)	(4.0)%	(1,535,569)	(3.4)%
Administrative expenses	(1,503,237)	(4.9)%	(1,781,614)	(4.8)%	(2,107,732)	(4.7)%
Research and development expenses	(2,624,148)	(8.6)%	(3,147,081)	(8.5)%	(4,255,774)	(9.4)%
Other income, gains and losses, net	904,450	3.0%	821,945	2.2%	971,838	2.2%
Finance costs	(178,388)	(0.6)%	(161,645)	(0.4)%	(170,396)	(0.4)%
Share of result of joint ventures and associates	<u>350,612</u>	<u>1.1%</u>	<u>38,861</u>	<u>0.1%</u>	<u>(149,174)</u>	<u>(0.3)%</u>
Profit before tax	<u>5,000,242</u>	<u>16.5%</u>	<u>4,608,835</u>	<u>12.5%</u>	<u>5,433,395</u>	<u>12.1%</u>
Income tax expense	<u>(224,670)</u>	<u>(0.8)%</u>	<u>(262,438)</u>	<u>(0.8)%</u>	<u>(260,701)</u>	<u>(0.6)%</u>
Profit for the year	<u>4,775,572</u>	<u>15.7%</u>	<u>4,346,397</u>	<u>11.7%</u>	<u>5,172,694</u>	<u>11.5%</u>
Profit for the year attributable to:						
Owners of the Company	<u>4,741,864</u>	<u>15.6%</u>	<u>4,285,493</u>	<u>11.5%</u>	<u>5,050,002</u>	<u>11.2%</u>
Non-controlling interests	<u>33,708</u>	<u>0.1%</u>	<u>60,904</u>	<u>0.2%</u>	<u>122,692</u>	<u>0.3%</u>

Revenue

During the Track Record Period, we generated revenue primarily from industrial automation and digitalization, NEV powertrain systems and emerging businesses. In 2023, 2024 and 2025, our revenue was RMB30,392.4 million, RMB37,013.3 million and RMB45,085.3 million, respectively.

FINANCIAL INFORMATION

Revenue by Business Line

The following table sets forth a breakdown of our revenue by business line for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>(RMB in thousands, except for percentages)</i>					
Industrial automation and digitalization	19,365,950	63.7%	18,727,221	50.6%	22,245,402	49.3%
NEV powertrain systems	9,366,813	30.8%	16,079,756	43.4%	20,322,582	45.1%
Emerging businesses	1,017,667	3.3%	1,550,093	4.2%	1,795,019	4.0%
Others ⁽¹⁾	641,962	2.2%	656,238	1.8%	722,250	1.6%
Total	30,392,392	100.0%	37,013,308	100.0%	45,085,253	100.0%

Note:

(1) Primarily representing our rail transit business.

Industrial automation and digitalization. Our industrial automation and digitalization business is our foundational business line. We provide a broad range of automation and digitalization products and solutions built around digital, edge, control, drive, execution and sensing layers. In 2023, 2024 and 2025, revenue from our industrial automation and digitalization business was RMB19,366.0 million, RMB18,727.2 million and RMB22,245.4 million, respectively, representing 63.7%, 50.6% and 49.3% of our total revenue in the same years, respectively.

NEV powertrain systems. Our NEV powertrain systems include components and solutions for BEVs, PHEVs and EREVs, comprising electric drive, power supply and intelligent chassis systems, which together help improve vehicle performance, energy efficiency, safety and system reliability. In 2023, 2024 and 2025, revenue from our NEV powertrain systems was RMB9,366.8 million, RMB16,079.8 million and RMB20,322.6 million respectively, representing 30.8%, 43.4% and 45.1% of our total revenue in the same years, respectively.

Emerging businesses. Our emerging businesses mainly comprise (i) intelligent robots, through which we offer end-to-end industrial robotic solutions, core humanoid robotic components and robotic vision products, and (ii) digital energy solutions, through which we provide PCS, transformer integrated turnkey station, energy storage system and digital energy management system products and solutions designed for industrial customers and ecosystem partners. In 2023, 2024 and 2025, revenue from our emerging businesses was RMB1,017.7 million, RMB1,550.1 million and RMB1,795.0 million respectively, representing 3.3%, 4.2% and 4.0% of our total revenue in the same years, respectively.

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FINANCIAL INFORMATION

Revenue by Geographical Region

In 2023, 2024 and 2025, we generated substantially all of our revenue in the Chinese mainland. The following table sets forth a breakdown of our revenue by region, determined by the jurisdictions where our customers are incorporated, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>(RMB in thousands, except for percentages)</i>					
Chinese mainland	28,652,573	94.3%	34,973,974	94.5%	42,436,361	94.1%
Overseas ⁽¹⁾	<u>1,739,819</u>	<u>5.7%</u>	<u>2,039,334</u>	<u>5.5%</u>	<u>2,648,892</u>	<u>5.9%</u>
Total	<u><u>30,392,392</u></u>	<u><u>100.0%</u></u>	<u><u>37,013,308</u></u>	<u><u>100.0%</u></u>	<u><u>45,085,253</u></u>	<u><u>100.0%</u></u>

Note:

(1) Primarily including certain countries and regions in Asia and Europe.

Cost of Sales

Our cost of sales accounted for 68.3%, 72.1% and 71.9% of our revenue in 2023, 2024 and 2025, respectively. The cost of sales for each of our major business lines is therefore largely affected by changes in the sales of such products in a particular year. The following table sets forth a breakdown of our cost of sales by business line for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>(RMB in thousands, except for percentages)</i>					
Industrial automation and digitalization	11,655,017	56.1%	11,510,333	43.1%	13,328,301	41.1%
NEV powertrain systems	8,056,740	38.8%	13,723,919	51.4%	17,371,181	53.6%
Emerging businesses	613,094	3.0%	1,057,587	4.0%	1,286,261	4.0%
Others ⁽¹⁾	<u>442,204</u>	<u>2.1%</u>	<u>402,222</u>	<u>1.5%</u>	<u>419,308</u>	<u>1.3%</u>
Total	<u><u>20,767,055</u></u>	<u><u>100.0%</u></u>	<u><u>26,694,061</u></u>	<u><u>100.0%</u></u>	<u><u>32,405,051</u></u>	<u><u>100.0%</u></u>

Note:

(1) Primarily representing our rail transit business.

The cost of sales of our NEV powertrain system business increased throughout the Track Record Period, primarily due to (i) the growth in our revenue generated from NEV powertrain system business, and (ii) the relatively higher raw material and manufacturing costs of this business compared to our other business segments.

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FINANCIAL INFORMATION

Our cost of sales primarily consisted of (i) raw material costs, mainly representing the costs for procurement of power semiconductors, chips, wire and permanent magnets, (ii) manufacturing costs and others, and (iii) labor costs. The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>(RMB in thousands, except for percentages)</i>					
Raw material costs	17,388,063	83.7%	22,466,340	84.2%	27,380,329	84.5%
Manufacturing costs and others ⁽¹⁾	2,348,576	11.3%	3,083,337	11.6%	3,588,412	11.1%
Labor costs	829,257	4.0%	842,299	3.1%	1,058,768	3.3%
Loss on inventory and contract costs write-down	201,159	1.0%	302,085	1.1%	377,542	1.1%
Total	<u>20,767,055</u>	<u>100.0%</u>	<u>26,694,061</u>	<u>100.0%</u>	<u>32,405,051</u>	<u>100.0%</u>

Note:

(1) Others primarily representing warranty costs and transportation costs.

Throughout the Track Record Period, the raw material costs increased mainly in line with our revenue growth, and such increases were primarily attributable to the increases in the sales volume of our products.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business line for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<u>Gross profit</u>	<u>Gross profit margin</u>	<u>Gross profit</u>	<u>Gross profit margin</u>	<u>Gross profit</u>	<u>Gross profit margin</u>
	<i>(RMB in thousands, except for percentages)</i>					
Industrial automation and digitalization	7,710,933	39.8%	7,216,888	38.5%	8,917,101	40.1%
NEV powertrain systems	1,310,073	14.0%	2,355,837	14.7%	2,951,401	14.5%
Emerging businesses	404,573	39.8%	492,506	31.8%	508,758	28.3%
Others ⁽¹⁾	199,758	31.1%	254,016	38.7%	302,942	41.9%
Total	<u>9,625,337</u>	<u>31.7%</u>	<u>10,319,247</u>	<u>27.9%</u>	<u>12,680,202</u>	<u>28.1%</u>

Note:

(1) Primarily representing our rail transit business.

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee remuneration expenses, (ii) travel expenses, (iii) professional service fees, (iv) business development expenses, and (v) marketing expenses. In 2023, 2024 and 2025, our selling and distribution expenses amounted to RMB1,574.4 million, RMB1,480.9 million and RMB1,535.6 million, respectively, which accounted for 5.2%, 4.0% and 3.4% of our total revenue, respectively. The following table sets forth a breakdown of our selling and distribution expenses for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>(RMB in thousands, except for percentages)</i>					
Employee remuneration expenses	871,705	55.4%	818,330	55.3%	793,073	51.6%
Travel expenses	174,057	11.1%	167,153	11.3%	164,709	10.7%
Professional service fees	153,888	9.8%	154,353	10.4%	148,100	9.6%
Business development expenses	137,344	8.7%	125,827	8.5%	141,568	9.2%
Marketing expenses	84,975	5.4%	80,550	5.4%	114,579	7.5%
Share-based payment expenses	70,183	4.5%	47,064	3.2%	48,841	3.2%
Depreciation, amortization	18,214	1.2%	17,986	1.2%	29,192	1.9%
Transportation expenses	21,413	1.3%	19,754	1.3%	23,980	1.6%
Rental expenses	17,469	1.1%	15,238	1.0%	16,412	1.1%
Others ⁽¹⁾	25,136	1.5%	34,623	2.4%	55,115	3.6%
Total	1,574,384	100.0%	1,480,878	100.0%	1,535,569	100.0%

Note:

- (1) Primarily representing testing and certification fees, expenses relating to the digital platform development for our sales department, as well as low value consumables.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses primarily consist of (i) employee remuneration expenses, (ii) tax and surcharges, and (iii) depreciation and amortization. In 2023, 2024 and 2025, our administrative expenses amounted to RMB1,503.2 million, RMB1,781.6 million and RMB2,107.7 million, respectively, which accounted for 4.9%, 4.8% and 4.7% of our total revenue, respectively. The following table sets forth a breakdown of our administrative expenses for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>(RMB in thousands, except for percentages)</i>					
Employee remuneration expenses	851,194	56.6%	1,030,555	57.9%	1,126,470	53.4%
Taxes and surcharges	197,209	13.1%	230,523	12.9%	272,863	12.9%
Depreciation and amortization	137,231	9.1%	182,455	10.2%	247,781	11.8%
Logistical and administrative support service fees	29,102	1.9%	42,969	2.4%	68,244	3.2%
Share-based payment expenses	87,313	5.8%	57,832	3.2%	67,028	3.2%
Office expenses	48,182	3.2%	53,371	3.0%	62,322	3.0%
Professional service fees	28,888	1.9%	35,866	2.0%	50,443	2.4%
Travel expenses	25,003	1.7%	28,857	1.6%	33,541	1.6%
Rent and property management expenses	12,905	0.9%	25,291	1.4%	24,499	1.2%
Business development expenses	24,532	1.6%	21,062	1.2%	22,132	1.1%
Maintenance expenses	9,661	0.6%	16,948	1.0%	22,695	1.1%
Bank charges expenses	7,272	0.5%	9,738	0.6%	9,786	0.4%
Others ⁽¹⁾	44,745	3.1%	46,147	2.6%	99,928	4.7%
Total	<u>1,503,237</u>	<u>100.0%</u>	<u>1,781,614</u>	<u>100.0%</u>	<u>2,107,732</u>	<u>100.0%</u>

Note:

(1) Primarily representing expenses for recruitment and testing and certification fees.

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FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses consist of (i) employee remuneration expenses, (ii) professional service fees, (iii) materials and consumables, and (iv) depreciation and amortization. In 2023, 2024 and 2025, our research and development expenses amounted to RMB2,624.1 million, RMB3,147.1 million and RMB4,255.8 million, respectively, which accounted for 8.6%, 8.5% and 9.4% of our total revenue, respectively. The following table sets forth a breakdown of our research and development expenses for the years indicated.

	Year ended December 31,					
	2023	2024		2025		
	<i>(RMB in thousands, except for percentages)</i>					
Employee remuneration expenses	1,753,392	66.8%	2,333,833	74.2%	3,016,704	70.9%
Professional service fees	138,615	5.3%	136,288	4.3%	267,513	6.3%
Materials and consumables	192,579	7.3%	187,712	6.0%	250,690	5.9%
Depreciation and amortization	165,172	6.3%	147,297	4.7%	188,462	4.4%
Travel expenses	54,327	2.1%	86,201	2.7%	135,269	3.2%
Office expenses	71,005	2.7%	70,475	2.2%	119,071	2.8%
Share-based payment expenses	117,499	4.5%	83,779	2.7%	114,925	2.7%
Others ⁽¹⁾	131,559	5.0%	101,496	3.2%	163,140	3.8%
Total	2,624,148	100.0%	3,147,081	100.0%	4,255,774	100.0%

Note:

(1) Primarily representing prototype expenses.

FINANCIAL INFORMATION

Other Income, Gains and Losses, Net

Our net other income, gains and losses primarily comprised (i) VAT refund, (ii) government grants, (iii) bank interest income and (iv) realized and unrealized gains/(loss) from financial assets at FVTPL. The following table sets forth a breakdown of our other income and gains for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Value-added tax (“VAT”) refund	497,386	446,002	474,306
Government grants	170,725	152,402	230,199
Bank interest income	192,060	218,293	229,526
Realized and unrealized gain/(loss) from financial assets at FVTPL	326,703	6,086	180,131
Exchange gain/(loss), net	41,238	(37,538)	27,998
Rental income	27,533	27,644	19,591
VAT input tax surplus deduction	47,263	92,561	17,441
Dividends from financial assets at FVTPL	7,994	5,428	2,691
(Impairment losses)/reversal of impairment loss on contract assets	(1,990)	(3,116)	734
Impairment losses on other receivables and prepayments	(2,191)	(6,762)	(4,273)
(Loss)/gain on disposal and write off of property, plant and equipment and other assets	(16,689)	137,273	(10,673)
Change in fair value for other financial liability	(48,405)	(6,179)	(11,623)
Rental cost	(17,621)	(17,427)	(17,430)
Impairment losses on property, plant and equipment	(15,109)	(67,416)	(30,532)
Impairment losses on goodwill	—	—	(57,924)
Impairment losses on trade and bills receivables, net	(314,820)	(143,203)	(81,902)
Loss on disposal of associates	(1,602)	—	—
Impairment losses on investment in an associate	(18,287)	—	—
Gain on bargain purchase arising on acquisitions of subsidiaries	—	412	—
Others ⁽¹⁾	30,262	17,485	3,578
Total	904,450	821,945	971,838

Note:

- (1) Primarily representing refund of individual income tax service fees, compensation and claims arising from litigation and donation expenditures.

FINANCIAL INFORMATION

Finance Costs

Our finance costs primarily consist of interest on (i) bank borrowings, (ii) discounted bills receivables and (iii) lease liabilities. We recorded finance costs of RMB178.4 million, RMB161.6 million and RMB170.4 million in 2023, 2024 and 2025, respectively.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Interest on:			
Bank borrowings	126,407	118,526	99,144
Discounted bills receivables ⁽¹⁾	44,744	31,519	32,199
Lease liabilities	7,001	9,849	14,386
Others ⁽²⁾	236	1,751	24,667
Total	178,388	161,645	170,396

Notes:

- (1) Representing the bills receivables which were transferred to banks by discounting those receivables.
- (2) Representing (i) the portion of the consideration paid by us in excess of the original subscription principal in connection with the fulfillment of our repurchase obligations, which was recognized as capital occupation costs, and (ii) cash settlement discounts.

Share of Result of Joint Ventures and Associates

Our share of result of joint ventures and associates represents our investment gains or losses from equity investments in our joint venture and associates. Our share of result of joint ventures and associates was substantially affected by our investment gains from an investment fund that is accounted for as a joint venture. We recorded share of profit of joint ventures and associates of RMB350.6 million, RMB38.9 million in 2023 and 2024, respectively, and a share of loss of RMB149.2 million in 2025.

Income Tax Expense

Our income tax expense was RMB224.7 million, RMB262.4 million and RMB260.7 million in 2023, 2024 and 2025, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities, and we did not have any outstanding or potential disputes with such tax authorities.

During Track Record Period, there were intra-group cross-border transactions among our entities in Chinese mainland and overseas. We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Chinese mainland, Hong Kong and other jurisdictions.

Chinese Mainland

Our PRC subsidiaries are subject to the statutory tax rate of 25% on the estimated assessable profits during the Track Record Period. Our Company and certain of our subsidiaries were eligible for preferential income tax rates ranging from 0% to 20% during the Track Record Period.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax, at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong.

FINANCIAL INFORMATION

Other jurisdictions

We have calculated income tax on profit arising from other jurisdictions on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions during the Track Record Period.

See note 10 to the Accountants’ Report set out in Appendix I to this document for details.

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 21.8% from RMB37,013.3 million in 2024 to RMB45,085.3 million in 2025. The increase was primarily driven by the growth of our NEV powertrain system business, as well as steady growth in our industrial automation and digitalization business and emerging businesses, each recorded a revenue growth of 26.4%, 18.8% and 15.8%, respectively.

- Revenue from our industrial automation and digitalization business increased by 18.8% from RMB18,727.2 million in 2024 to RMB22,245.4 million in 2025, primarily attributable to (i) an increase in sales from industries such as lithium batteries, wind power, packaging, logistics equipment and automotive manufacturing, construction machinery, HVAC, injection molding machines, machine tools and precision metal processing, and (ii) an increase in sales of our servo systems, low-voltage AC drives, PLCs, pneumatic components, CNCs and high-efficiency motors, driven by our deep insights into the diversified needs of our customers and the effective implementation of our multi-product cross-selling strategy.
- Revenue from our NEV powertrain system business increased by 26.4% from RMB16,079.8 million in 2024 to RMB20,322.6 million in 2025, primarily driven by increases in the sales volumes of our electric drive system and power supply system products as a result of (i) an increase in the shipment volumes for multiple customers’ vehicle programs on which we had achieved design wins, and (ii) an increase in the number of our automotive OEM customers and an optimized customer mix, enabling us to cover emerging and traditional Chinese automotive OEMs and overseas automotive OEMs.
- Revenue from our emerging businesses increased by 15.8% from RMB1,550.1 million in 2024 to RMB1,795.0 million in 2025, primarily due to increased demand for our industrial robots and energy storage system products.

Cost of Sales

Our cost of sales increased by 21.4% from RMB26,694.1 million in 2024 to RMB32,405.1 million in 2025, in line with our revenue growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB10,319.2 million in 2024 to RMB12,680.2 million in 2025. Our gross profit margin increased from 27.9% in 2024 to 28.1% in 2025.

- Gross profit margin of our industrial automation and digitalization business increased from 38.5% in 2024 to 40.1% in 2025, primarily due to (i) an increase in the revenue contribution from higher-margin products in our sales mix, and (ii) our continued efforts to reduce procurement costs, improve production efficiency and thereby lower manufacturing costs per unit.

FINANCIAL INFORMATION

- Gross profit margin of our NEV powertrain system business remained relatively stable at 14.7% and 14.5% in 2024 and 2025, respectively.
- Gross profit margin of our emerging businesses slightly decreased from 31.8% in 2024 to 28.3% in 2025, primarily due to (i) an increase in the revenue contribution from medium and large six-axis industrial robots, which had relatively lower gross profit margins, and (ii) a slight decrease in the gross profit margin of our digital energy solution projects, mainly because the projects for which revenue was recognized in 2025 had lower gross profit margins, as they involved different mixes of products and services compared to the projects delivered in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 3.7% from RMB1,480.9 million in 2024 to RMB1,535.6 million in 2025, primarily due to (i) an increase in marketing expenses of RMB34.0 million, mainly because we incurred higher expenses for industry exhibitions and marketing activities relating to our industrial digitalization and automation as well as NEV powertrain system businesses in 2025, and (ii) an increase in business development expenses of RMB15.7 million, primarily due to the expansion of our business scale. Our selling and distribution expenses as a percentage of revenue decreased from 4.0% in 2024 to 3.4% in 2025, primarily due to improvements in our operating efficiency.

Administrative Expenses

Our administrative expenses increased by 18.3% from RMB1,781.6 million in 2024 to RMB2,107.7 million in 2025, mainly due to (i) an increase in employee remuneration expenses of RMB95.9 million, mainly as a result of an overall increase in employee remuneration levels, and (ii) an increase in depreciation and amortization of RMB65.3 million as a result of an increase in the depreciation related to the commencement of use of new manufacturing plants.

Research and Development Expenses

Our research and development expenses increased by 35.2% from RMB3,147.1 million in 2024 to RMB4,255.8 million in 2025, mainly due to (i) an increase in employee remuneration expenses of RMB682.9 million as we continued to expand our research and development teams and implemented market-competitive salary adjustments, and (ii) an increase in professional service fees of RMB131.2 million as we engaged more third-party testing to meet more advanced technical and delivery requirements.

Other Income, Gains and Losses, Net

Our net other income, gains and losses increased by 18.2% from RMB821.9 million in 2024 to RMB971.8 million in 2025, primarily due to (i) an increase in realized and unrealized gains from financial assets at FVTPL of RMB174.0 million, mainly due to the disposal of certain equity investments in 2025, and (ii) an increase in government grants of RMB77.8 million, primarily because we received additional subsidies in 2025 relating to our investment projects, partially offset by a change in (loss)/gain on disposal and write-off of property, plant and equipment and other assets from a gain of RMB137.3 million in 2024 to a loss of RMB10.7 million in 2025, mainly because we disposed of certain manufacturing plants in 2024.

Finance Costs

Our finance costs increased by 5.4% from RMB161.6 million in 2024 to RMB170.4 million in 2025, mainly due to an increase in interest paid on others of RMB22.9 million as we paid the portion of the consideration in excess of the original subscription principal in connection with the fulfillment of our repurchase obligations, which was recognized as capital occupation costs, partially offset by a decrease in interest paid on bank borrowings of RMB19.4 million as a result of a reduction in our borrowing scale.

FINANCIAL INFORMATION

Share of Result of Joint Ventures and Associates

We recorded a share of profit of a joint venture and associates of RMB38.9 million in 2024, turned to a share of loss of RMB149.2 million in 2025, primarily due to a decrease in investment gains from an investment fund.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 19.0% from RMB4,346.4 million in 2024 to RMB5,172.7 million in 2025.

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

Revenue

Our revenue increased by 21.8% from RMB30,392.4 million in 2023 to RMB37,013.3 million in 2024. The increase was primarily driven by the rapid growth of our NEV powertrain system business, which recorded a revenue growth of 71.7%.

- Revenue from our industrial automation and digitalization solutions business decreased by 3.3% from RMB19,366.0 million in 2023 to RMB18,727.2 million in 2024, primarily due to (i) the overall downturn in the manufacturing sector and (ii) a decline in demand for our intelligent elevator products as a result of the sluggish real estate market in 2024.
- Revenue from our NEV powertrain system business increased by 71.7% from RMB9,366.8 million in 2023 to RMB16,079.8 million in 2024, primarily driven by rapid growth in the sales volumes of both electric drives and power supply systems, mainly due to (i) the continued increase in the penetration of NEVs, and (ii) our entry into the mass delivery phase for vehicle models for which we had obtained design wins.
- Revenue from our emerging businesses increased by 52.3% from RMB1,017.7 million in 2023 to RMB1,550.1 million in 2024, primarily driven by substantial growth for both of our intelligent robots and digital energy solutions, mainly due to (i) the increased demand from consumer electronics and automotive manufacturing industries and (ii) the expansion of our product portfolio. In particular, new national standards for certain digital energy products took effect in July 2024, and we were one of the first companies to obtain the relevant certifications under these new standards, giving us first-mover advantages over our peers.

Cost of Sales

Our cost of sales increased by 28.5% from RMB20,767.1 million in 2023 to RMB26,694.1 million in 2024, mainly due to an increase in the cost of sales of our NEV powertrain system business of RMB5,667.2 million. This was primarily attributable to significantly higher sales volumes of electric drive systems and power supply systems, which led to higher raw material costs, such as power semiconductors, and manufacturing costs. In addition, leveraging our continued efforts to improve manufacturing automation and increase economies of scale, our labor costs as a percentage of total cost of sales decreased from 4.0% in 2023 to 3.1% in 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB9,625.3 million in 2023 to RMB10,319.2 million in 2024. Our gross profit margin decreased from 31.7% in 2023 to 27.9% in 2024, primarily attributable to an increase in the revenue contribution from our NEV powertrain system business, the gross profit margin of which was relatively low compared with our industrial automation and digitalization business.

FINANCIAL INFORMATION

- Gross profit margin of our industrial automation and digitalization business slightly decreased from 39.8% in 2023 to 38.5% in 2024, primarily due to the decrease in the revenue contribution of our servo drives and PLCs, which had relatively high gross profit margins.
- Gross profit margin of our NEV powertrain system business increased from 14.0% in 2023 to 14.7% in 2024, primarily attributable to the achievement of greater economies of scale in our NEV powertrain system business, which led to lower raw material and manufacturing costs per unit.
- Gross profit margin of our emerging businesses decreased from 39.8% in 2023 to 31.8% in 2024, primarily due to (i) an increase in the revenue contribution from our six-axis robotic products, which had a relatively low gross profit margin, and (ii) an increase in the revenue contribution from our digital energy solution business, which had a relatively low gross profit margin.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 5.9% from RMB1,574.4 million in 2023 to RMB1,480.9 million in 2024, primarily attributable to (i) a decrease in employee remuneration expenses of RMB53.4 million, as we improved our operating efficiency and streamlined our organizational structure; (ii) a decrease in share-based payment expenses of RMB23.1 million, mainly because we typically grant equity incentives on a roughly two-year cycle and there were fewer equity granted in 2024 compared to 2023; and (iii) a decrease in business development expenses of RMB11.5 million mainly attributable to our company-wide cost control initiatives. Our selling and distribution expenses as a percentage of revenue decreased from 5.2% in 2023 to 4.0% in 2024, primarily due to improvements in our operating efficiency.

Administrative Expenses

Our administrative expenses increased by 18.5% from RMB1,503.2 million in 2023 to RMB1,781.6 million in 2024, primarily due to (i) an increase in employee remuneration expenses of RMB179.4 million, mainly as a result of an overall increase in employee remuneration levels, (ii) an increase in depreciation and amortization of RMB45.2 million because of the commencement of use of new office premises and related equipment in Suzhou and Nanjing.

Research and Development Expenses

Our research and development expenses increased by 19.9% from RMB2,624.1 million in 2023 to RMB3,147.1 million in 2024, primarily due to (i) an increase in employee remuneration expenses of RMB580.4 million, and (ii) an increase in travel expenses of RMB31.9 million, mainly as a result of the expansion of our research and development headcount.

Other Income, Gains and Losses, Net

Our net other income, gains and losses decreased by 9.1% from RMB904.5 million in 2023 to RMB821.9 million in 2024, primarily due to a decrease in gains from financial assets at FVTPL of RMB320.6 million, mainly due to changes in the fair value of our equity investments.

Finance Costs

Our finance costs decreased by 9.4% from RMB178.4 million in 2023 to RMB161.6 million in 2024, primarily due to a decrease in interest on discounted bills receivables of RMB13.2 million.

Share of Result of Joint Ventures and Associates

Our share of result of joint ventures and associates decreased significantly from RMB350.6 million in 2023 to RMB38.9 million in 2024, primarily due to a decrease in investment gains from an investment fund which is our joint venture.

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FINANCIAL INFORMATION

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 9.0% from RMB4,775.6 million in 2023 to RMB4,346.4 million in 2024.

DISCUSSION OF CERTAIN KEY COMPONENTS 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>		
Non-current assets			
Property, plant and equipment	6,885,236	8,290,974	11,543,647
Right-of-use assets	698,051	793,442	1,096,997
Investment properties	345,009	327,582	—
Goodwill	2,161,297	2,153,558	2,094,586
Intangible assets	235,234	241,013	233,498
Interest in associates and joint ventures	2,459,068	2,495,703	2,302,274
Financial assets at fair value through profit or loss (FVTPL)	2,385,329	2,605,518	2,737,469
Prepayments	432,454	794,866	656,346
Term deposits	1,093,265	7,837,278	6,191,265
Contract assets	155,348	228,543	308,120
Contract costs	107,129	103,609	1,250
Deferred tax assets	752,682	856,052	1,140,204
Total non-current assets	17,710,102	26,728,138	28,305,656
Current assets			
Inventories and contract costs	6,247,889	6,955,505	8,078,995
Trade and bills receivables	12,589,694	14,219,171	15,744,052
Financial assets at fair value through other comprehensive income (“FVTOCI”)	2,132,435	2,375,164	3,507,049
Contract assets	113,656	101,871	86,084
Other receivables, deposits and prepayments	878,220	990,743	1,281,660
Tax recoverable	23,359	18,427	25,309
Financial assets at FVTPL	671,887	1,782,863	5,127,572
Pledged bank deposits	67,347	92,404	132,397
Term deposits	138,806	710,365	2,184,629
Bank balances and cash	8,384,169	3,204,173	6,840,991
Total current assets	31,247,462	30,450,686	43,008,738
Total assets	48,957,564	57,178,824	71,314,394

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FINANCIAL INFORMATION

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Current liabilities			
Trade, bills and other payables	15,718,800	20,843,828	26,196,530
Contract liabilities	870,689	903,180	775,194
Tax liabilities	127,711	144,964	169,551
Bank and other borrowings	2,880,390	1,392,768	2,619,748
Lease liabilities	46,238	89,223	133,035
Total current liabilities	<u>19,643,828</u>	<u>23,373,963</u>	<u>29,894,058</u>
Net current assets	<u>11,603,634</u>	<u>7,076,723</u>	<u>13,114,680</u>
Total assets less current liabilities	<u>29,313,736</u>	<u>33,804,861</u>	<u>41,420,336</u>
Non-current liabilities			
Bank borrowings	2,345,229	2,874,283	1,572,375
Deferred tax liabilities	261,624	245,817	198,219
Other payables	11,976	13,105	13,337
Lease liabilities	86,628	146,665	211,405
Provision	488,863	650,253	598,564
Deferred income	281,581	372,680	382,441
Other financial liability	836,227	1,071,406	1,306,529
Other non-current liabilities	615	1,522	2,656
Total non-current liabilities	<u>4,312,743</u>	<u>5,375,731</u>	<u>4,285,526</u>
Total liabilities	<u>23,956,571</u>	<u>28,749,694</u>	<u>34,179,584</u>
Net assets	<u>25,000,993</u>	<u>28,429,130</u>	<u>37,134,810</u>

Property, Plant and Equipment

Our property, plant and equipment mainly consist of plants and buildings, machinery and equipment, leasehold improvements and construction in progress.

Our property, plant and equipment increased from RMB6,885.2 million as of December 31, 2023 to RMB8,291.0 million as of December 31, 2024 primarily because of (i) an increase in plants and buildings of RMB1,303.9 million mainly because we commenced the construction of various manufacturing plants and offices, and (ii) an increase in machinery of RMB855.2 million as we procured and installed relevant machinery and equipment for these new manufacturing plants and offices. Our property, plant and equipment further increased from RMB8,291.0 million as of December 31, 2024 to RMB11,543.6 million as of December 31, 2025, primarily attributable to (i) an increase in machinery of RMB1,688.5 million mainly reflecting the commencement of operation of certain new manufacturing plants and additional machinery procurement, (ii) an increase in plants and buildings of RMB894.1 million mainly due to the commencement of the construction of certain new manufacturing plants, and (iii) an increase in leasehold improvements of RMB201.7 million primarily due to increased renovation and related decoration works for new manufacturing plants.

FINANCIAL INFORMATION

Right-of-use Assets

Our right-of-use assets primarily consist of land use rights, leased properties and leased equipment. Our right-of-use assets increased from RMB698.1 million as of December 31, 2023 to RMB793.4 million as of December 31, 2024, primarily due to an increase in leased buildings used as offices and manufacturing plants. Our right-of-use assets increased from RMB793.4 million as of December 31, 2024 to RMB1,097.0 million as of December 31, 2025, primarily due to the acquisition of additional land use rights for new manufacturing plants and the recognition of new leases for warehouses, manufacturing plants and office premises.

Goodwill

Our goodwill arose on business combinations, and is measured at cost, less accumulated impairment losses. We assess whether goodwill is impaired at least once annually. Impairment testing involves estimating the value in use of the cash-generating units (“CGU”) to which goodwill has been allocated. This process requires us to estimate future cash flows expected to be derived from the cash-generating units and to apply an appropriate discount rate to determine the present value of those cash flows. As of December 31, 2023 and 2024, our goodwill remained stable at RMB2,161.3 million and RMB2,153.6 million, respectively, and we did not record any impairment losses on goodwill in the same years. Our goodwill slightly decreased to RMB2,094.6 million as of December 31, 2025, primarily because we recognized goodwill impairment of approximately RMB57.9 million relating to certain acquired businesses, the goodwill of which was relatively small in scale and the related impairment was not material to our consolidated financial statements. For details of the impairment testing for goodwill, see note 18 to the Accountants’ Report in Appendix I to this document.

Financial Assets at FVTPL

Our non-current financial assets at FVTPL primarily represent our minority-interest equity investments in upstream and downstream companies along our value chain in the PRC. We held equity securities of both listed and unlisted companies. Our current financial assets at FVTPL mainly comprise wealth management products and structured deposits. The following table sets out the composition of our financial assets at FVTPL as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Non-current			
Listed equity securities	205,671	158,774	91,890
Unlisted equity securities	2,179,658	2,446,744	2,645,579
	2,385,329	2,605,518	2,737,469
Current			
Wealth management products and structured deposits	671,635	1,782,863	5,124,697
Derivatives	252	—	2,875
	671,887	1,782,863	5,127,572
Total	3,057,216	4,388,381	7,865,041

FINANCIAL INFORMATION

Our non-current portion of financial assets at FVTPL increased by 9.2% from RMB2,385.3 million as of December 31, 2023 to RMB2,605.5 million as of December 31, 2024, primarily reflecting our additional equity investment in 2024. Our non-current portion of financial assets at FVTPL increased by 5.1% from RMB2,605.5 million as of December 31, 2024 to RMB2,737.5 million as of December 31, 2025, primarily due to an increase of RMB198.8 million in our unlisted equity securities mainly reflecting our new equity investments in certain unlisted companies, partially offset by a decrease of RMB66.9 million in our listed equity securities mainly attributable to the disposal of certain equity investments.

Our current portion of financial assets at FVTPL increased by 165.4% from RMB671.9 million as of December 31, 2023 to RMB1,782.9 million as of December 31, 2024, primarily due to our increased investments of cash in wealth management products and structured deposits. Our current portion of financial assets at FVTPL increased significantly from RMB1,782.9 million as of December 31, 2024 to RMB5,127.6 million as of December 31, 2025, primarily due to (i) an increase of RMB3,341.8 million in wealth management products and structured deposits as we purchased new wealth management products and structured deposits and (ii) an increase of RMB2.9 million in our derivatives as we entered into forward foreign exchange contracts to hedge our foreign exchange exposure.

We purchase wealth management products as a supplemental means to improve utilization of our cash on a short-term basis. We believe that investment in low-risk financial products helps us make better use of our cash, expand our source of income while ensuring sufficient cash flow for business operation or capital expenditures. The purchases of wealth management products are carefully reviewed and assessed by our finance department. All purchase contracts are subject to approval by our chief financial officer. We have adopted a comprehensive set of internal policies and guidelines to manage our investments in financial assets at FVTPL. These policies and measures include:

- we make investment decisions after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our working capital conditions and the expected returns;
- we only purchase wealth management products that are low-risk and issued by qualified financial institutions; and
- after making an investment, we closely monitor its performance and fair value on a regular basis.

Upon [REDACTED], we intend to continue to make and manage such investments strictly in accordance with our internal policies and procedures, our articles of association and the applicable compliance requirements under Chapter 14 of the Listing Rules. Our investment strategy for these products focuses on safeguarding capital, improving the efficiency of fund utilization and generating reasonable returns by investing idle funds in bank deposits and wealth management products issued by financial institutions.

Bank Balances and Cash

Our bank balances and cash decreased from RMB8,384.2 million as of December 31, 2023 to RMB3,204.2 million as of December 31, 2024, mainly because we utilized part of our bank balances and cash to purchase term deposits with longer maturities and structured deposits. Our bank balances and cash increased from RMB3,204.2 million as of December 31, 2024 to RMB6,841.0 million as of December 31, 2025, primarily due to our business growth which led to higher cash inflows from operations, as well as our decision to prioritize the purchase of term deposits.

FINANCIAL INFORMATION

Inventories and Contract Costs

Our inventories and contract costs comprise (i) raw materials and consumables, (ii) work in progress, (iii) finished goods, (iv) goods in transit and (v) cost to fulfil contract. The following table sets forth a breakdown of our inventories and contract costs as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Inventories			
Raw materials and consumables	3,110,424	2,639,584	3,064,979
Work in progress	386,255	835,466	1,087,058
Finished goods	1,028,163	1,216,399	1,536,638
Goods in transit	1,897,307	2,464,725	2,792,683
	6,422,149	7,156,174	8,481,358
Write-down	(259,147)	(374,048)	(468,330)
	6,163,002	6,782,126	8,013,028
Contract costs			
Cost to fulfil contract			
Current	120,996	199,216	66,352
Write-down	(36,109)	(25,837)	(385)
	84,887	173,379	65,967
Non-current	107,129	103,609	1,250
	192,016	276,988	67,217

Our inventories and contract costs increased from RMB6,247.9 million as of December 31, 2023 to RMB6,955.5 million as of December 31, 2024, primarily due to an increase of RMB567.4 million in goods in transit, mainly reflecting higher order volume of our power storage products, for which customer acceptance generally occurred over a relatively longer period after delivery, partially offset by a decrease in raw materials and consumables of RMB470.8 million. In 2023, we strategically maintained relatively high levels of raw material reserves for chips, semiconductors and magnetic steel, as there had been supply shortages in the market and we increased purchases towards the end of the year. In 2024, market supply for these raw materials became more stable and we reduced our inventory levels accordingly. Our inventories and contract costs further increased from RMB6,955.5 million as of December 31, 2024 to RMB8,079.0 million as of December 31, 2025, primarily due to (i) an increase of RMB425.4 million in raw materials and consumables as a result of our strategic build-up of raw material reserves which is in line with our business growth, (ii) an increase of RMB328.0 million in goods in transit as a result of higher customer order volumes, particularly for our NEV powertrain system products, and (iii) an increase of RMB320.2 million in finished goods as we maintained higher inventory levels of NEV powertrain system, servo system, industrial robot and AC drive products in line with market demand and our business expansion.

FINANCIAL INFORMATION

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

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	100	87	82

Note:

- (1) Inventory turnover days equal the average of opening balance and closing balance of the inventories for relevant period divided by cost of sales for the same period and multiplied by the number of days during such period, which is 360 days for one fiscal year.

Our inventory turnover days decreased from 100 days in 2023 to 87 days in 2024, primarily because we reduced our raw material reserves in response to market conditions as discussed above. As a result, the overall growth in our inventories was lower than the growth in cost of sales. Our inventory turnover days decreased from 87 days in 2024 to 82 days in 2025, primarily because we dynamically adjusted our inventory levels in response to market conditions, resulting in inventory growth that was slightly lower than the increase in cost of sales.

As of February 28, 2026, RMB4,015.2 million, or 49.7%, of our inventories and contract costs as of December 31, 2025 had been subsequently sold or utilized.

Trade and Bills Receivables

Our trade and bills receivables represent amounts due from customers for products sold in ordinary course of our business. The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Trade receivables	9,608,467	11,404,086	12,281,069
Less: expected credit losses	(813,597)	(690,261)	(762,262)
	8,794,870	10,713,825	11,518,807
Bills receivables	3,796,436	3,506,347	4,225,825
Less: expected credit losses	(1,612)	(1,001)	(580)
	3,794,824	3,505,346	4,225,245
Total	12,589,694	14,219,171	15,744,052

Our trade and bills receivables increased by 12.9% from RMB12,589.7 million as of December 31, 2023 to RMB14,219.2 million as of December 31, 2024, which was primarily driven by an increase in trade receivables mainly attributable to revenue growth in our NEV powertrain system business, which led to a larger trade receivable balances at the end of 2024. Our trade and bills receivables increased from RMB14,219.2 million as of December 31, 2024 to RMB15,744.1 million as of December 31, 2025, primarily due to (i) an increase in trade receivables in line with our business expansion, and (ii) an increase in bills receivables due to an increase in transaction amounts of customers sales settled through bank acceptance and other notes.

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FINANCIAL INFORMATION

We generally grant credit terms to customers of 30 to 150 days. The following table sets forth an aging analysis of our trade receivables based on revenue recognition date as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within 1 year	8,621,857	10,429,060	11,150,345
1 to 2 years	134,160	257,403	297,918
2 to 3 years	37,796	23,976	70,275
Over 3 years	1,057	3,386	269
Total	8,794,870	10,713,825	11,518,807

The following table sets forth the turnover days of our trade receivables for the years indicated.

	As of December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	90	95	89

Note:

- (1) Trade receivables turnover days equal the average of opening balance and closing balance of trade receivables for relevant period divided by total revenue for the same period and multiplied by the number of days during such period, which is 360 days for one fiscal year.

Our trade receivables turnover days remained relatively stable at 90, 95 and 89 days as of December 31, 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB9,227.3 million, or 58.6%, of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Other Receivables, Deposits and Prepayments

Our other receivables, deposits and prepayments primarily consist of (i) prepayments on acquisition of property, plant and equipment, (ii) prepayments to suppliers and others and (iii) value-added tax credit refund.

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FINANCIAL INFORMATION

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

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Non-current			
Prepayment on acquisition of property, plant and equipment	428,449	793,943	656,023
Prepaid consulting service fee	4,005	923	545
Less: expected credit losses	—	—	(222)
	432,454	794,866	656,346
Current			
Prepayments to suppliers and others	384,993	465,815	732,198
Deposits	38,657	64,661	74,051
Staff advances	4,959	2,694	2,856
Value-added tax credit refund	445,500	416,376	474,276
Other receivables	19,058	62,424	20,567
Less: expected credit losses	(14,947)	(21,227)	(22,288)
	878,220	990,743	1,281,660
Total	1,310,674	1,785,609	1,938,006

Our other receivables, deposits and prepayments increased from RMB1,310.7 million as of December 31, 2023 to RMB1,785.6 million as of December 31, 2024, primarily due to (i) an increase in prepayment on acquisition of property, plant and equipment of RMB365.5 million as we made additional prepayments for new manufacturing plants and equipment in line with our business expansion; and (ii) an increase in prepayments to suppliers and others of RMB80.8 million as we increased purchases of raw materials and services, partially offset by a decrease in value-added tax credit refund.

Our other receivables, deposits and prepayments increased from RMB1,785.6 million as of December 31, 2024 to RMB1,938.0 million as of December 31, 2025, primarily due to an increase in prepayments to suppliers and others of RMB266.4 million as a result of an increase in price-locking prepayments for certain raw materials which we expect price increases, partially offset by a decrease in prepayment on acquisition of property, plant and equipment of RMB137.9 million mainly due to the transfer of certain manufacturing machinery and equipment from prepayments to property, plant and equipment upon completion of inspection and acceptance during 2025.

FINANCIAL INFORMATION

Trade, Bills and Other Payables

Our trade, bills and other payables primarily consist of amounts payable to our suppliers and payroll and welfare payables. The following table sets forth our trade, bills and other payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Non-current			
Other payables	11,976	13,105	13,337
Current			
Trade payables	6,644,929	9,779,009	12,064,521
Bills payables	5,120,030	6,858,090	9,184,367
Construction payables	546,201	583,913	592,033
Other taxes payables	288,964	326,913	394,921
Payroll and welfare payables	1,223,092	1,396,445	1,494,774
Endorsed bills receivables to suppliers	1,264,516	1,053,871	1,394,537
Other payables	631,068	845,587	987,994
Provision	—	—	83,383
Sub-total	<u>15,718,800</u>	<u>20,843,828</u>	<u>26,196,530</u>
Total	<u><u>15,730,776</u></u>	<u><u>20,856,933</u></u>	<u><u>26,209,867</u></u>

Our trade, bills and other payables increased from RMB15,730.8 million as of December 31, 2023 to RMB20,856.9 million as of December 31, 2024, primarily because (i) our procurement of raw materials increased in line with the increase in our revenue, and (ii) we negotiated longer payment terms with certain key suppliers, leveraging our strong relationships with suppliers and credit profile.

Our trade, bills and other payables increased from RMB20,856.9 million as of December 31, 2024 to RMB26,209.9 million as of December 31, 2025, primarily due to increases in our procurement scale and production personnel, which is in line with our business expansion.

During the Track Record Period, our suppliers typically granted us a credit period of 30 to 180 days. The following table sets forth an aging analysis of our trade payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within 1 year	6,581,873	9,697,352	11,944,351
1 to 2 years	43,075	46,075	78,005
2 to 3 years	9,259	15,973	16,846
Over 3 years	<u>10,722</u>	<u>19,609</u>	<u>25,319</u>
Total	<u><u>6,644,929</u></u>	<u><u>9,779,009</u></u>	<u><u>12,064,521</u></u>

FINANCIAL INFORMATION

The following table sets forth the turnover days of our trade payables for the years indicated.

	As of December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	94	111	121

Note:

- (1) Trade payables turnover days equal the average of the opening and closing balances of trade payables for relevant period divided by total cost of sales for the same period and multiplied by the number of days during such period, which is 360 days for one fiscal year.

Our trade payables turnover days increased from 94 days in 2023 to 111 days in 2024, and further to 121 days in 2025, primarily because our key suppliers granted us longer credit periods because of our increased procurement scale and our proactive negotiations.

As of February 28, 2026, RMB7,799.8 million, or 37.0%, of our trade and bills payables as of December 31, 2025 had been subsequently settled.

NET CURRENT ASSETS

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

	As of December 31,			As of February 28, 2026
	2023	2024	2025	(Unaudited)
	<i>(RMB in thousands)</i>			
ASSETS				
Current assets				
Inventories and contract costs	6,247,889	6,955,505	8,078,995	9,355,993
Trade and bills receivables	12,589,694	14,219,171	15,744,052	14,122,950
Financial assets at FVTOCI	2,132,435	2,375,164	3,507,049	4,208,231
Contract assets	113,656	101,871	86,084	94,806
Other receivables, deposits and prepayments	878,220	990,743	1,281,660	1,497,633
Tax recoverable	23,359	18,427	25,309	56,297
Financial assets at FVTPL	671,887	1,782,863	5,127,572	4,854,122
Pledged bank deposits	67,347	92,404	132,397	319,001
Term deposits	138,806	710,365	2,184,629	2,133,485
Bank balances and cash	8,384,169	3,204,173	6,840,991	4,389,378
Total current assets	31,247,462	30,450,686	43,008,738	41,031,896
LIABILITIES				
Current liabilities				
Trade, bills and other payables	15,718,800	20,843,828	26,196,530	24,884,197
Contract liabilities	870,689	903,180	775,194	916,836
Tax liabilities	127,711	144,964	169,551	101,190
Bank and other borrowings	2,880,390	1,392,768	2,619,748	2,189,514
Lease liabilities	46,238	89,223	133,035	135,291
Total current liabilities	19,643,828	23,373,963	29,894,058	28,227,028
Net current assets	11,603,634	7,076,723	13,114,680	12,804,868

FINANCIAL INFORMATION

Our net current assets decreased from RMB11,603.6 million as of December 31, 2023 to RMB7,076.7 million as of December 31, 2024, primarily due to (i) a decrease in bank balances and cash of RMB5,180.0 million as we reallocate part of our cash into longer-term time deposits, (ii) an increase in trade, bills and other payables of RMB5,125.0 million mainly due to the increased use of bank acceptance bills in line with the increased procurement scale, partially offset by (i) an increase in trade and bills receivables of RMB1,629.5 million, and (ii) an increase in financial assets at FVTPL of RMB1,111.0 million.

Our net current assets increased from RMB7,076.7 million as of December 31, 2024 to RMB13,114.7 million as of December 31, 2025, primarily due to (i) an increase in bank balances and cash of RMB3,636.8 million, (ii) an increase in financial assets at FVTPL of RMB3,344.7 million as a result of our increased investment in low-risk wealth management products and structured deposits in 2025 as part of our treasury management, (iii) an increase in trade and bills receivables of RMB1,524.9 million, partially offset by an increase in trade, bills and other payables of RMB5,352.7 million.

Our net current assets decreased from RMB13,114.7 million as of December 31, 2025 to RMB12,804.9 million as of February 28, 2026, primarily due to (i) a decrease in bank balances and cash of RMB2,451.6 million and (ii) a decrease in trade and bills receivables of RMB1,621.1 million, partially offset by (i) a decrease in trade, bills and other payables of RMB1,312.3 million, and (ii) an increase in inventories and contract costs of RMB1,277.0 million driven by our expanded business scale.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Sufficiency

Our Directors are of the view, and the Joint Sponsors concur, that taking into account our available resources including cash and cash equivalents on hand, the operating cash flows, the available banking facilities and the net estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

During the Track Record Period and up to the Latest Practicable Date, we primarily funded our cash requirements from cash from operations and bank borrowings. As of February 28, 2026, we had bank balances and cash of RMB4,389.4 million, term deposits of RMB2,133.5 million, current financial assets at FVTPL of RMB4,854.1 million and unutilized credit facilities of RMB46,547.9 million.

Cash Flows

The following table sets forth selected cash flow statements for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Net cash generated from operating activities	3,369,917	7,200,440	6,681,025
Net cash used in investing activities	(454,477)	(10,550,521)	(5,535,672)
Net cash (used in)/generated from financing activities	(322,848)	(1,833,115)	2,891,617
Net increase/(decrease) in cash and cash equivalents	2,592,592	(5,183,196)	4,036,970
Cash and cash equivalents at the beginning of the year	5,964,100	8,537,082	3,337,008
Cash and cash equivalents at the end of the year	8,537,082	3,337,008	7,383,529

FINANCIAL INFORMATION

Net Cash Generated from Operating Activities

In 2025, our net cash generated from operating activities was RMB6,681.0 million, which was primarily attributable to our profit before tax of RMB5,433.4 million, as adjusted by certain non-cash and non-operating items, primarily consisting of (i) depreciation of property, plant and equipment of RMB895.0 million, (ii) write-down of inventories and contract costs of RMB377.5 million, (iii) share-based payment expense of RMB252.9 million, and (iv) interest income of RMB229.5 million. The amount was further adjusted by negative changes in working capital of RMB92.9 million, income tax paid of RMB475.6 million and interest received of RMB25.9 million. The negative changes in working capital were primarily attributable to (i) an increase in trade and bills receivables of RMB2,082.7 million, (ii) an increase in inventories and contract costs of RMB1,501.2 million, and (iii) an increase in financial assets at FVTOCI of RMB1,131.9 million, partially offset by an increase in trade, bills and other payables of RMB5,096.8 million.

In 2024, our net cash generated from operating activities was RMB7,200.4 million, which was primarily attributable to our profit before tax of RMB4,608.8 million, as adjusted by certain non-cash and non-operating items, primarily consisting of (i) depreciation of property, plant and equipment of RMB682.7 million, (ii) write-down of inventories and contract costs of RMB302.1 million, (iii) interest income of RMB218.3 million, and (iv) share-based payment expense of RMB206.5 million. The amount was further adjusted by positive changes in working capital of RMB1,553.5 million, income tax paid of RMB353.2 million and interest received of RMB112.6 million. The positive changes in working capital were primarily attributable to an increase in trade, bills and other payables of RMB4,835.8 million, partially offset by an increase in inventories and contract costs of RMB1,008.8 million.

In 2023, our net cash generated from operating activities was RMB3,369.9 million, which was primarily attributable to our profit before tax of RMB5,000.2 million, as adjusted by certain non-cash and non-operating items, primarily consisting of (i) depreciation of property, plant and equipment of RMB478.4 million, (ii) shares of results of joint ventures and associates of RMB350.6 million, (iii) net realized and unrealized loss from financial assets at FVTPL of RMB326.7 million, and (iv) net impairment losses on trade and bills receivables of RMB314.8 million. The amount was further adjusted by negative changes in working capital of RMB2,482.0 million, income tax paid of RMB75.0 million and interest received of RMB142.4 million. The negative changes in working capital were primarily attributable to an increase in trade and bills receivables of RMB5,311.5 million, partially offset by an increase in trade, bills and other payables of RMB3,920.7 million.

Net Cash Used in Investing Activities

In 2025, our net cash used in investing activities was RMB5,535.7 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB14,556.3 million, and (ii) placement of term deposits of RMB8,625.8 million, partially offset by (i) proceeds upon maturity of financial assets at FVTPL of RMB11,492.8 million and (ii) withdrawals of term deposits of RMB8,993.8 million.

In 2024, our net cash used in investing activities was RMB10,550.5 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB14,532.4 million, (ii) placement of term deposits of RMB12,535.6 million, partially offset by proceeds upon maturity of financial assets at FVTPL of RMB13,162.8 million.

In 2023, our net cash used in investing activities was RMB454.5 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB2,650.0 million, (ii) placement of term deposits of RMB1,971.1 million, (iii) payments for purchase of property, plant and equipment, intangible asset and other non-current assets of RMB1,508.7 million, partially offset by (i) proceeds upon maturity of financial assets at FVTPL of RMB3,703.1 million and (ii) withdrawal of term deposits of RMB2,217.9 million.

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FINANCIAL INFORMATION

Net Cash (Used in)/Generated from Financing Activities

In 2025, our net cash generated from financing activities was RMB2,891.6 million, primarily attributable to (i) net proceeds from issuance of A shares of a subsidiary of RMB3,532.1 million, and (ii) proceeds from bank and other borrowings of RMB3,432.9 million, partially offset by repayment of bank and other borrowings of RMB3,680.5 million.

In 2024, our net cash used in financing activities was RMB1,833.1 million, primarily attributable to (i) repayment of bank borrowings of RMB4,237.6 million, (ii) dividends paid of RMB1,204.7 million, partially offset by proceeds from bank and other borrowings of RMB3,460.6 million.

In 2023, our net cash used in financing activities was RMB322.8 million, primarily attributable to repayment of bank borrowings of RMB3,540.6 million, partially offset by proceeds from bank and other borrowings of RMB3,314.7 million.

INDEBTEDNESS

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

	<u>As of December 31,</u>			<u>As of</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>February 28,</u>
				<u>2026</u>
				<i>(unaudited)</i>
	<i>(RMB in thousands)</i>			
Current				
Bank and other borrowings	2,880,390	1,392,768	2,619,748	2,189,514
Lease liabilities	46,238	89,223	133,035	135,291
Non-current				
Bank borrowings	2,345,229	2,874,283	1,572,375	1,439,741
Lease liabilities	86,628	146,665	211,405	223,902
Total indebtedness	<u>5,358,485</u>	<u>4,502,939</u>	<u>4,536,563</u>	<u>3,988,448</u>

FINANCIAL INFORMATION

Bank and Other Borrowings

The table below sets forth a breakdown of our bank and other borrowings as of the dates indicated.

	As of December 31,			As of
	2023	2024	2025	February 28, 2026
				<i>(unaudited)</i>
	<i>(RMB in thousands)</i>			
Current				
Bank loans-secured	87,257	240,915	500,303	502,187
Bank loans-guaranteed	295	280	104	51
Bank loans-unsecured	1,746,771	950,943	1,415,277	1,272,583
Discounted bills receivables	<u>1,046,067</u>	<u>200,630</u>	<u>704,064</u>	<u>414,693</u>
Sub-total	2,880,390	1,392,768	2,619,748	2,189,514
Non-current				
Bank loans-secured	246,132	874,055	479,898	549,315
Bank loans-guaranteed	397	99	—	—
Bank loans-unsecured	<u>2,098,700</u>	<u>2,000,129</u>	<u>1,092,477</u>	<u>890,426</u>
Sub-total	<u>2,345,229</u>	<u>2,874,283</u>	<u>1,572,375</u>	<u>1,439,741</u>
Total	<u><u>5,225,619</u></u>	<u><u>4,267,051</u></u>	<u><u>4,192,123</u></u>	<u><u>3,629,255</u></u>

As of December 31, 2023, 2024 and 2025 and February 28, 2026, we had unsecured bank loans of RMB3,845.5 million, RMB2,951.1 million, RMB2,507.8 million and RMB2,163.0 million, respectively, and secured and guaranteed bank loans of RMB334.1 million, RMB1,115.3 million, RMB980.3 million and RMB1,051.6 million, respectively. During the Track Record Period, the effective interest rate of our fixed-rate bank borrowings ranged from 0.55% to 4.60% per annum and the effective interest rate of our floating-rate bank borrowings ranged from 2.00% to 4.23% per annum.

As of December 31, 2023, 2024 and 2025 and February 28, 2026, we had discounted bills receivables of RMB1,046.1 million, RMB200.6 million, RMB704.1 million and RMB414.7 million, respectively, representing acceptance bills that we have discounted for early cash proceeds while retaining substantially all the risks and rewards of such bills. See notes 25(b) and 31 to Appendix I to this document for details.

Our bank borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payments of bank loans and other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities are in relation to leases of manufacturing facilities, offices and equipment. As of December 31, 2023, 2024 and 2025 and February 28, 2026, we recognized lease liabilities of RMB132.9 million, RMB235.9 million, RMB344.4 million and RMB359.2 million, respectively. Our lease liabilities increased from RMB132.9 million as of December 31, 2023 to RMB235.9 million as of December 31, 2024, primarily due to additional leases for our manufacturing facilities. Our lease liabilities further increased to RMB344.4 million as of December 31, 2025 and RMB359.2 million as of February 28, 2026, primarily due to additional leases for our office and manufacturing facilities.

FINANCIAL INFORMATION

Save as disclosed above, as of February 28, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since February 28, 2026 and up to the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures were RMB1,508.7 million, RMB2,112.2 million and RMB3,023.9 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our capital expenditures were primarily in relation to property, plant and equipment, right-of-use assets and intangible assets. We expect to finance our capital expenditures through cash flow generated from operating activities, bank loans and the net [REDACTED] from the [REDACTED]. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, we had capital commitments contracted for but not yet incurred primarily relating to prepayment on acquisition of property, plant and equipment. As of December 31, 2023, 2024 and 2025, our capital commitment were RMB412.5 million, RMB298.8 million and RMB604.2 million, respectively. Our Directors confirm that there had been no material adverse change in our capital commitments since December 31, 2025 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any significant contingent liabilities other than financial guarantees we issued to banks in respect of banking facilities granted to certain of our customers. The aggregate amounts that could be required to be paid if the guarantees were called upon in their entirety amounted to RMB600.0 million, RMB900.0 million and RMB900.0 million as of December 31, 2023, 2024 and 2025, respectively. As of December 31, 2023, 2024 and 2025, approximately RMB441.4 million, RMB480.5 million and RMB632.6 million, respectively, had been utilized by our customers. Our Directors confirmed that there had not been any material change in the contingent liabilities of our Company since December 31, 2025 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the years indicated.

	Year ended/As of December 31,		
	2023	2024	2025
Quick ratio ⁽¹⁾	1.3	1.0	1.2
Net profit margin ⁽²⁾	15.7%	11.7%	11.5%
Return on equity ⁽³⁾	21.2%	16.3%	15.8%

Notes:

- (1) Quick ratio is calculated by total current assets less inventories and contract costs, and then divided by total current liabilities as of the date indicated.
- (2) Net profit margin is calculated as net profit for the year divided by revenue for the same year.
- (3) Return on equity is calculated as net profit for the year divided by the average of the beginning and ending total equity for that year.

FINANCIAL INFORMATION

Our quick ratio decreased from 1.3 as of December 31, 2023 to 1.0 as of December 31, 2024, primarily because the increase in our trade, bills and other payables outpaced the increase in our trade and bills receivables. Our quick ratio increased from 1.0 as of December 31, 2024 to 1.2 as of December 31, 2025, primarily due to the increases in our bank balances and cash as well as our financial assets at FVTPL.

Our net profit margin decreased from 15.7% in 2023 to 11.7% in 2024, primarily due to the increased revenue contribution from our NEV powertrain system business, which had a lower gross profit margin. Our net profit margin remained relatively stable at 11.7% and 11.5% in 2024 and 2025, respectively.

Our return on equity decreased from 21.2% in 2023 to 16.3% in 2024, primarily due to a decrease in our profit for the year. Our return on equity remained relatively stable at 16.3% and 15.8% in 2024 and 2025, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

FINANCIAL RISK MANAGEMENT

Our principal financial instruments include financial assets at FVTOCI, financial assets at FVTPL, trade and bills receivables, other receivables and deposits, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. The key risks associated with our financial instruments include market risk, credit risk and liquidity risk. Our Directors regularly review these risks and establish policies to manage and mitigate their impact effectively. For details, see note 41 to the Accountants’ Report included in Appendix I to this document.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had the following material transactions during the Track Record Period with related parties.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Trade:			
Sales of finished goods/provision of services	1,627,372	4,076,716	2,443,651
Purchase of raw materials and finished goods/ acquisition of services	5,023	2,493	1,892
Non-trade:			
Rental income	2,114	5,110	4,923
Utilities expenses paid on behalf	2,388	4,828	3,790
Asset transfer	—	151	—
Purchase assets	—	—	15,500

See note 49 to Appendix I to this document for details of our related party transactions. Our Directors believe that these transactions were conducted on normal commercial terms and on an arm’s length basis in the ordinary and usual course of business and did not distort our results of operations or make our historical results not reflective of our future performance.

DIVIDENDS AND DIVIDEND POLICY

In 2023, 2024 and 2025, our Company declared dividends of RMB957.6 million, RMB1,204.7 million and RMB1,104.4 million, respectively.

FINANCIAL INFORMATION

In accordance with our Articles of Association and the applicable laws and regulations, after making full appropriations to statutory and discretionary reserves, and on the premise that our cash flow is sufficient to meet our normal operations and development plans, our Company intends to distribute profits by way of cash dividends in an amount not less than 10% of the distributable profits realized for that year. In addition, the aggregate amount of profits distributed by way of cash dividends over any consecutive three-year period is not intended to be less than 30% of the average distributable profits realized over such three-year period. The specific dividend payout ratio for any particular year will be proposed by our Board having regard to our annual profitability and future funding plans, and will be subject to approval by our shareholders’ meetings.

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

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had approximately RMB22.0 billion of retained profits available for distribution to our Shareholders.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. [REDACTED] to be borne by us are estimated to be RMB[REDACTED] (HK\$[REDACTED]), comprising: (i) [REDACTED] of RMB[REDACTED] (HK\$[REDACTED]); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] (HK\$[REDACTED]), which are further categorized into: (a) fees and expenses of legal advisers and accountants of RMB[REDACTED] (HK\$[REDACTED]); and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]), RMB[REDACTED] (HK\$[REDACTED]) of which was charged or is expected to be charged to our consolidated statements of profit or loss, and RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be deducted from equity upon the completion of the [REDACTED]. The [REDACTED] are expected to represent [REDACTED]% of the gross [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and that the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Unaudited [REDACTED] Financial Information in Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since December 31, 2025 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial information 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, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.