You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the Track Record Period, together with the accompanying notes, as included in the Accountants' Report set out in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with the IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements as a result of various factors, including but not limited to those discussed in "Risk Factors" and elsewhere in this Document.

OVERVIEW

We are the world's third-largest and China's largest dozer manufacturer in terms of sales volume in 2025, according to Frost & Sullivan. We ranked fifth among Chinese construction machinery companies in the world in terms of the global revenue of construction machinery product in 2025, according to the same source. We enjoy a 10.2% global market share and a 63.0% Chinese market share in the dozer sector, and a 0.9% global market share in the construction machinery industry in 2025, according to Frost & Sullivan. While dozers represented approximately 4% of global construction machinery revenue in 2025, this segment represents one of the most technically advanced and indispensable categories in the industry, serving as a cornerstone for large-scale infrastructure and earthmoving projects. We are dedicated to the R&D, manufacturing, sales, and servicing of a comprehensive range of construction machinery, including dozers, excavators, loaders, road machinery, mining trucks, and concrete machinery, as well as spare parts. We are also committed to becoming a leader in smart construction solutions. We have held the No. 1 position in China's dozer sector for 22 consecutive years since 2004 in terms of sales volume, which translated into a market share constantly above 60% from 2010 to 2025, according to Frost & Sullivan.

In 2023, 2024 and 2025, our revenue was RMB11,364.4 million, RMB14,218.6 million and RMB14,620.2 million, respectively. From 2023 to 2025, our revenue grew at a compound annual growth rate of 13.4%, significantly outperforming the industry average CAGR of -1.2% from 2023 to 2025, according to Frost & Sullivan. The share of our overseas revenue increased from 51.7% in 2023 to 52.1% in 2024, and further increased to 59.8% in 2025, maintaining a leading position in the industry. With sound cost control and ongoing optimization of operating expenses, our gross profit margin steadily improved through the Track Record Period, while our selling and marketing expenses and administrative expenses as percentages to our total revenue steadily optimized. As a result, our net profit increased rapidly from RMB795.8 million in 2023 to RMB1,215.3 million in 2025. Our net profit margin increased from 7.0% in 2023 to 8.3% in 2025, and our return on equity increased from 13.5% in 2023 to 21.2% in 2025, outperforming the industry average, according to Frost & Sullivan.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, investment properties and financial liabilities at fair value through profit or loss. See Note 2.1 of the Accountants' Report in Appendix I to this Document for more information on the basis of preparation of the historical financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Market Demand for Construction Machinery

According to Frost & Sullivan, the market demand of China's construction machinery industry decreased in 2023, principally owing to the downturn in the real estate market sector, a deceleration in infrastructure investment and heightened global economic uncertainty. However, with the PRC government's implementation of multiple growth-stabilizing policies and enhanced infrastructure investment, market demand recovered during the second half of 2024. The market size of China's construction machinery industry is projected to grow from US$28.0 billion in 2025 to US$57.3 billion by 2030, representing a CAGR of 15.4%. In addition, the global construction machinery market is also expected to continue to grow, driven by rising infrastructure investment, increasing energy demand, the industry shift toward intelligent construction, technological upgrades in mining and excavation and the rapid adoption of electrification and smart technologies. The global construction machinery market size reached US$222.0 billion in 2025 and is expected to increase to US$298.5 billion in 2030, representing a CAGR of 6.1%, according to the same source.

We are the world's third largest and China's largest dozer manufacturer in terms of sales volume in 2025, according to Frost & Sullivan. While dozers represented approximately 4% of global construction machinery revenue in 2025, this segment represents one of the most technically advanced and indispensable categories in the industry, serving as a cornerstone for large-scale infrastructure and earthmoving projects. We also ranked top five among Chinese construction machinery manufacturers in terms of revenue in 2025, according to the same source. Our revenue amounted to RMB11,364.4 million, RMB14,218.6 million and RMB14,620.2 million in 2023, 2024 and 2025, respectively. Our revenue grew at a CAGR of 13.4% from 2023 to 2025, significantly outperforming the industry average CAGR of -1.2% from 2023 to 2025, according to Frost & Sullivan. We believe we are able to capitalize the potential growth of market demand of both China's and global construction machinery industry and strengthen our leadership in the construction machinery industry.

Our Ability to Continuously Upgrade and Expand Product and Solution Offerings

Our revenue and profitability depend on our ability to continuously upgrade and expand our product and solution offerings. During the Track Record Period, we primarily generated revenue from the sales of (i) construction machinery, mainly including dozers, excavators, loaders, road machinery, mining trucks and concrete machinery; and (ii) spare parts, mainly including crawler-type undercarriage parts and transmission parts. We are also an early mover in China's smart construction solutions. We provide our end users with smart construction solutions featuring intelligent construction machinery and smart construction platforms. Our intelligent construction machinery primarily includes intelligent dozers, intelligent loaders, intelligent motor graders and intelligent rollers. Our smart construction platforms are Kunlun mining smart construction service platform, Pangu earthworks smart construction service platform and Xuanyuan road smart construction service platform, servicing three major construction scenarios, namely, mining, earthworks and roadworks and helping customers address key pain points during construction. In June 2025, we released our AI strategy and technology roadmap globally, mapping out a comprehensive technological roadmap for smart construction solutions, progressing from L1 (partial assistance) to L5 (fully automated operations). We also delivered the world's first AI-powered dozer to customers, advancing our transformation towards AI and lead the industry's intelligent transformation and fulfilling our mission of "Making Construction Easier." See "Business—Our Products and Solutions."

During the Track Record Period, we generated most of our revenue from the sales of construction machinery. Our revenue from the sales of construction machinery amounted to RMB7,940.5 million, RMB9,990.5 million and RMB10,950.1 million in 2023, 2024 and 2025, respectively, accounting for 69.9%, 70.3% and 74.9% in the same respective years. The increase in our gross profit margin of construction machinery during the Track Record Period was primarily driven by the increased sales volume of our construction machinery in the overseas markets, including mining dozers and large excavators, which entailed relatively higher gross margin.

Looking forward, we plan to continue to iterate and upgrade our product and solution offerings that cater to varied user preferences and operating conditions for both domestic and overseas markets to further drive our revenue growth.

Our Ability to Expand and Manage Our Sales Network

We have established an extensive domestic and overseas sales network. As of the Latest Practicable Date, our products have reached over 160 countries and regions worldwide. Our sales channels are comprised of both distributorship and direct sales. During the Track Record Period, a majority of our revenue was generated from sales through distribution partners, which amounted to RMB6,094.0 million, RMB8,017.2 million and RMB7,548.0 million in 2023, 2024 and 2025, respectively, accounting for 53.6%, 56.4% and 51.6% of our total revenue in the same respective years. As of December 31, 2025, we have established a comprehensive network with 220 PRC distribution partners to cover most of prefectural-level cities in Chinese Mainland as well as 151 overseas distribution partners to cover Africa, Asia, Europe and the Americas markets. In addition, we have established more than 500 PRC end outlets and more than 520 overseas end outlets. As of December 31, 2025, we operated 369 domestic and 383 international service outlets. Such a comprehensive sales and service network enables us to efficiently reach local customers and provide them with high-quality service support. In the future, we will continue to maintain and expand our sales and service network. We believe that the further expansion of our global sales and service network can help us penetrate local markets, enhance customer stickiness and cater to varying market demand, thereby driving sales growth in the future.

Our Ability to Control Costs and Improve Operational Efficiency

Our ability to control costs and enhance operational efficiency would impact on our results of operations. Our cost of sales amounted to RMB9,234.7 million, RMB11,466.8 million and RMB11,592.8 million, accounting for 81.3%, 80.6% and 79.3% of our revenue, respectively. Our cost of sales primarily consists of material costs, manufacturing costs and labor costs. Changes in the major component of our cost of sales would affect our overall cost structure which, in turn, would have an impact on our gross profit and gross profit margin. In particular, our material costs amounted to RMB6,439.3 million, RMB8,277.9 million and RMB8,838.4 million in 2023, 2024 and 2025, respectively, accounting for 69.7%, 72.2% and 76.2% of our total cost of sales in the same respective years.

We are dedicated to improving cost efficiency of raw material procurement. Our procurement department has established a dynamic supplier grading system to optimize resource integration and management. Moreover, we also implement a series of mechanisms to mitigate risks associated with price and supply fluctuation in raw materials, including (i) adopting a market-oriented pricing approach through centralized procurement, joint procurement and competitive bidding; (ii) strategic cooperation of major suppliers and proactively conducting secondary price negotiations when raw material prices fluctuate significantly; (iii) maintaining backup suppliers to avoid reliance on a single supplier; and (iv) establishment of different safety stock levels based on material types to effectively reduce the risk of supply chain disruptions. See "Business—Procurement."

In addition, our operating expenses primarily consisted of selling and marketing expenses, administrative expenses and research and development costs during the Track Record Period. Our total operating expenses amounted to RMB1,460.2 million, RMB1,643.0 million and RMB1,690.1 million, accounting for 12.8%, 11.6% and 11.6% of our total revenue in the same respective years. Our ability to effectively manage our operating expenses may also affect our profitability.

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements and the understanding of our financial condition and results of operations. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Set out below are a summary of our revenue recognition policy. See Notes 2.3 and 3 to the Accountants' Report in Appendix I to this Document for further detailed description of our material accounting policies, judgments and estimates.

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception.

Sale of Products

A contract for the sale of products between us and the customer usually only includes the performance obligation to transfer the products, with no continued management and effective control of the products associated with ownership. We generally recognize the revenue when the relevant products are delivered to customer and confirmed as accepted by the customer, on the basis of taking full consideration of the following factors: the present right to collect payment for the products, the transfer of the key risks and returns in the product ownership, the transfer of the legal ownership of the products and the transfer of the physical asset of the products.

Volume Rebates

Our contracts with certain customers include sales rebate arrangements, resulting in variable consideration. We determine the best estimate of variable consideration using either the expected value or the most likely amount method, provided that the transaction price inclusive of variable consideration does not exceed the amount for which it is highly probable that cumulative recognized revenue will not be subject to significant reversal when the related uncertainty is resolved.

Warranties

We provide warranties in connection with the sale of construction machinery and equipment in accordance with the contract and the relevant laws and regulations, which are assurance-type warranties that provide the customer with the assurance that the good complies with agreed-upon specifications. In assessing whether quality assurance is provided as a separate service other than providing guarantee to the customers that the goods sold meet the established quality standards, the factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of our commitment to perform our obligations.

We reasonably estimates warranty rates for different products based on historical warranty data, current warranty policies and all relevant factors. The estimated warranty rates may differ from actual warranty rates in the future. We reassess these rates at each reporting date and adjusts the provision for warranties based on the updated estimates.

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations in absolute amounts and as percentages of our revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Revenue	**11,364,392**	**100.0**	**14,218,639**	**100.0**	**14,620,170**	**100.0**
Cost of sales	(9,234,738)	(81.3)	(11,466,786)	(80.6)	(11,592,774)	(79.3)
Gross profit	**2,129,654**	**18.7**	**2,751,853**	**19.4**	**3,027,396**	**20.7**
Other income and gains	245,793	2.2	261,069	1.8	170,103	1.2
Selling and marketing expenses	(380,936)	(3.4)	(591,630)	(4.2)	(621,265)	(4.2)
Administrative expenses	(520,874)	(4.6)	(509,459)	(3.6)	(493,990)	(3.4)
Research and development costs	(558,386)	(4.9)	(541,863)	(3.8)	(574,885)	(3.9)
Foreign exchange gains/(losses), net	1,623	0.0	39,143	0.3	(18,269)	(0.1)
Impairment losses on financial instruments and contract assets, net	(28,466)	(0.3)	(147,297)	(1.0)	(101,256)	(0.7)
Other expenses	(21,377)	(0.2)	(36,592)	(0.3)	(29,138)	(0.2)
Finance costs	(75,941)	(0.7)	(67,368)	(0.5)	(100,793)	(0.7)
Share of profits and losses of associates	43,322	0.4	52,761	0.4	27,588	0.2
Profit before tax	**834,412**	**7.3**	**1,210,617**	**8.5**	**1,285,491**	**8.8**
Income tax expense	(38,621)	(0.3)	(96,539)	(0.7)	(70,236)	(0.5)
Profit for the year	**795,791**	**7.0**	**1,114,078**	**7.8**	**1,215,255**	**8.3**

Revenue

Our revenue was RMB11,364.4 million, RMB14,218.6 million and RMB14,620.2 million in 2023, 2024 and 2025, respectively.

Revenue by Product Category

During the Track Record Period, we primarily generated revenue from the sales of (i) construction machinery, mainly including dozers, excavators, loaders, road machinery, mining trucks and concrete machinery; and (ii) spare parts, mainly including crawler-type undercarriage parts and transmission parts. The following table sets forth a breakdown of our revenue by product category in absolute amounts and as percentages of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Construction machinery	7,940,544	69.9	9,990,475	70.3	10,950,090	74.9
Dozers	*3,376,697*	*29.7*	*3,951,362*	*27.8*	*3,481,619*	*23.8*
Excavators	*2,117,497*	*18.7*	*3,021,728*	*21.3*	*3,935,700*	*26.9*
Loaders	*1,119,394*	*9.9*	*1,252,741*	*8.8*	*1,647,682*	*11.3*
Road machinery	*486,185*	*4.3*	*798,272*	*5.6*	*1,059,998*	*7.3*
Mining trucks	*153,154*	*1.3*	*274,676*	*1.9*	*89,332*	*0.6*
Concrete machinery	*458,276*	*4.0*	*464,621*	*3.3*	*459,700*	*3.1*
Other construction machinery	*229,341*	*2.0*	*227,075*	*1.6*	*276,059*	*1.9*

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Spare parts	2,186,107	19.2	2,918,058	20.5	2,667,607	18.2
Crawler-type undercarriage parts	*1,064,752*	*9.4*	*1,246,470*	*8.8*	*1,402,486*	*9.6*
Transmission parts	*125,253*	*1.1*	*155,581*	*1.1*	*165,954*	*1.1*
Other spare parts	*996,102*	*8.8*	*1,516,007*	*10.7*	*1,099,167*	*7.5*
Others(1)	1,237,741	10.9	1,310,106	9.2	1,002,473	6.9
Total	**11,364,392**	**100.0**	**14,218,639**	**100.0**	**14,620,170**	**100.0**

(1) Mainly include income from sales of materials, mainly representing steel, and rental income.

The following table sets forth a breakdown of our revenue from the sales of construction machinery by intelligent or conventional construction machinery in absolute amounts and as percentages of our revenue from the sales of construction machinery for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Conventional construction machinery	7,935,366	99.9	9,839,554	98.5	10,892,112	99.5
Intelligent construction machinery	5,178	0.1	150,921	1.5	57,978	0.5
Total	**7,940,544**	**100.0**	**9,990,475**	**100.0**	**10,950,090**	**100.0**

Revenue by Geographical Region

During the Track Record Period, we generated revenue from both domestic and overseas markets. The following table sets forth a breakdown of our revenue by geographical region both in absolute amounts and as percentages of total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Chinese Mainland	5,486,190	48.3	6,807,302	47.9	5,878,913	40.2
Overseas	5,878,202	51.7	7,411,337	52.1	8,741,257	59.8
– Africa	*1,177,313*	*10.4*	*1,944,302*	*13.7*	*2,846,410*	*19.5*
– Asia	*1,818,599*	*16.0*	*2,048,296*	*14.4*	*2,940,715*	*20.1*
– Europe	*2,383,147*	*21.0*	*2,926,578*	*20.6*	*2,316,598*	*15.8*
– the Americas	*499,143*	*4.3*	*492,161*	*3.4*	*637,534*	*4.4*
Total	**11,364,392**	**100.0**	**14,218,639**	**100.0**	**14,620,170**	**100.0**

Revenue by Sales Channel

During the Track Record Period, we generated revenue from sales through distribution partners and direct sales. During the Track Record Period, a majority of our revenue was generated from sales through distribution partners, which accounted for 53.6%, 56.4% and 51.6% of our total revenue in 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our revenue from the sales of construction machinery and spare parts by sales channel in absolute amounts and as percentages of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Construction machinery and spare parts						
Distribution partners	6,094,000	53.6	8,017,160	56.4	7,547,975	51.6
– Chinese Mainland	*1,722,462*	*15.2*	*2,627,906*	*18.5*	*2,246,410*	*15.4*
– Overseas	*4,371,538*	*38.4*	*5,389,254*	*37.9*	*5,301,565*	*36.2*
Direct sales	4,032,651	35.5	4,891,373	34.4	6,069,722	41.5
– Chinese Mainland	*2,525,987*	*22.2*	*2,869,290*	*20.2*	*2,630,030*	*18.0*
– Overseas	*1,506,664*	*13.3*	*2,022,083*	*14.2*	*3,439,692*	*23.5*
Others(1)	1,237,741	10.9	1,310,106	9.2	1,002,473	6.9
Total	**11,364,392**	**100.0**	**14,218,639**	**100.0**	**14,620,170**	**100.0**

(1) Mainly including income from sales of materials and rental income.

Cost of Sales

Our cost of sales mainly consisted of (i) material costs; (ii) manufacturing costs; and (iii) labor costs. The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as percentages of total cost of sales for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Material costs	6,439,338	69.7	8,277,872	72.2	8,838,363	76.2
Manufacturing costs	861,680	9.3	971,335	8.5	964,755	8.3
Labor costs	333,260	3.6	432,968	3.8	473,354	4.1
Others(1)	1,600,460	17.4	1,784,611	15.5	1,316,302	11.4
Total	**9,234,738**	**100.0**	**11,466,786**	**100.0**	**11,592,774**	**100.0**

(1) Mainly include costs related to our sales of materials.

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB2,129.7 million, RMB2,751.9 million and RMB3,027.4 million in 2023, 2024 2025, respectively. Our gross profit margin was 18.7%, 19.4%, and 20.7% in 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	GPM	Gross profit	GPM	Gross profit	GPM
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Construction machinery	1,769,858	22.3	2,277,640	22.8	2,715,754	24.8
Dozers	*1,359,942*	*40.3*	*1,519,891*	*38.5*	*1,317,233*	*37.8*
Excavators	*241,394*	*11.4*	*518,831*	*17.2*	*1,092,315*	*27.8*
Loaders	*17,694*	*1.6*	*38,149*	*3.0*	*51,883*	*3.1*
Road machinery	*32,038*	*6.6*	*78,953*	*9.9*	*141,070*	*13.3*
Mining trucks	*10,271*	*6.7*	*29,965*	*10.9*	*5,884*	*6.6*
Concrete machinery	*76,266*	*16.6*	*71,215*	*15.3*	*84,402*	*18.4*
Other construction machinery	*32,253*	*14.1*	*20,636*	*9.1*	*22,967*	*8.3*
Spare parts	244,446	11.2	340,311	11.7	241,167	9.0
Crawler-type undercarriage parts	*163,940*	*15.4*	*216,673*	*17.4*	*168,983*	*12.0*
Transmission parts	*10,420*	*8.3*	*15,360*	*9.9*	*23,072*	*13.9*
Other spare parts	*70,085*	*7.0*	*108,279*	*7.1*	*49,112*	*4.5*
Others[(1)]	115,350	9.3	133,902	10.2	70,475	7.0
Total	**2,129,654**	**18.7**	**2,751,853**	**19.4**	**3,027,396**	**20.7**

(1) Mainly include income from sales of materials and rental income.

The following table sets forth a breakdown of our gross profit and gross profit margin of construction machinery by intelligent or conventional construction machinery for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	GPM	Gross profit	GPM	Gross profit	GPM
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Conventional construction machinery	1,769,841	22.3	2,229,971	22.7	2,702,847	24.8
Intelligent construction machinery	17	0.3	47,669	31.6	12,908	22.3
Total	**1,769,858**	**22.3**	**2,277,640**	**22.8**	**2,715,755**	**24.8**

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical region for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	GPM	Gross profit	GPM	Gross profit	GPM
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Chinese Mainland	490,739	8.9	725,132	10.7	567,146	9.6
Overseas	1,638,915	27.9	2,026,721	27.3	2,460,250	28.1
Total	**2,129,654**	**18.7**	**2,751,853**	**19.4**	**3,027,396**	**20.7**

Other Income and Gains

Our other income and gains mainly consists of (i) interest income, mainly representing interest income generated from our bank deposits; (ii) government grants, mainly representing tax refunds to support our business operations; and (iii) gains on disposal of items of property, plant and equipment. The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Other income			
Interest income	60,568	86,413	60,990
Government grants			
– Related to assets	8,731	6,760	7,353
– Related to income	110,132	88,056	32,004
Others	46,307	74,873	58,684
Total other income	**225,738**	**256,102**	**159,031**
Gains			
Gains on disposal of items of property, plant and equipment, net	6,968	–	279
Net realized gains on financial assets instruments at fair value through profit or loss and derivative financial instruments	4,544	861	–
Fair value gains on financial assets at fair value through profit or loss and derivatives financial instruments	1,513	–	–
Others	7,030	4,106	10,793
Total gains	**20,055**	**4,967**	**11,072**
Total other income and gains	**245,793**	**261,069**	**170,103**

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) employee benefits expenses, mainly representing salaries, bonuses and other benefits relating to our sales and marketing staff; (ii) traveling expenses; (iii) business development expenses; and (iv) advertising and promotion expenses for our marketing and promotional activities. The following table sets forth a breakdown of our selling and marketing expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Employee benefit expenses	169,853	44.6	256,490	43.4	322,557	51.9
Traveling expenses	78,326	20.6	131,442	22.2	125,777	20.3
Business development expenses	43,383	11.4	84,304	14.2	47,572	7.7
Advertising and promotion expenses	30,727	8.1	59,261	10.0	58,086	9.3
Depreciation and amortization	3,161	0.8	3,446	0.6	3,883	0.6
Share-based payment expense	2,400	0.6	1,175	0.2	–	–
Others[(1)]	53,086	13.9	55,512	9.4	63,390	10.2
Total	**380,936**	**100.0**	**591,630**	**100.0**	**621,265**	**100.0**

(1) Mainly representing rental expenses, office expenses and other miscellaneous expenses.

Administrative Expenses

Our administrative expenses mainly consist of (i) employee benefit expenses, mainly representing salaries, bonuses and other benefits relating to our administrative staff; (ii) tax and surcharges, mainly representing stamp duty and property tax; (iii) depreciation and amortization, mainly representing the depreciation of property, plant and equipment and amortization of intangible assets and right-of-use assets related to administration; and (iv) consultancy and advisory fees, mainly representing fees for accounting and consulting services. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Employee benefits expenses	299,676	57.5	318,250	62.5	301,350	61.0
Tax and surcharges	52,191	10.0	53,221	10.4	53,937	10.9
Depreciation and amortization	63,787	12.2	50,824	10.0	51,541	10.4
Consultancy and advisory fee	10,958	2.1	9,348	1.8	11,114	2.3
Share-based payment expense	2,810	0.5	1,009	0.2	–	–
Others[(1)]	91,452	17.7	76,807	15.1	76,048	15.4
Total	**520,874**	**100.0**	**509,459**	**100.0**	**493,990**	**100.0**

(1) Mainly representing financial service charges and other miscellaneous expenses.

Research and Development Costs

Our research and development costs mainly consist of (i) employee benefit expenses, mainly representing salaries, bonuses and other benefits relating to our research and development staff; (ii) material fees, mainly representing the costs of materials directly used for research and development; (iii) testing expenses; and (iv) depreciation and amortization, mainly representing the depreciation of property, plant and equipment and amortization of intangible assets and right-of-use assets related to research and development. The following table sets forth a breakdown of our research and development costs for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Employee benefits expenses	195,619	35.0	238,811	44.1	294,601	51.2
Material fees	297,085	53.2	207,601	38.3	204,884	35.6
Testing expenses	32,931	5.9	37,946	7.0	11,206	2.0
Depreciation and amortization	14,072	2.5	21,473	4.0	28,410	5.0
Share-based payment expense	2,093	0.4	1,023	0.2	–	–
Others[(1)]	16,586	3.0	35,009	6.4	35,784	6.2
Total	**558,386**	**100.0**	**541,863**	**100.0**	**574,885**	**100.0**

(1) Mainly representing utilities, offices expenses and traveling expenses.

Net Foreign Exchange Gains/(Losses)

Our net foreign exchange gains are mainly the results of fluctuations in foreign currency exchange rates that affect our international transactions and currency holdings. In 2023 and 2024, our net foreign exchange gains amounted to RMB1.6 million and RMB39.1 million, respectively. In 2025, we recorded net foreign exchange losses of RMB18.3 million.

During the Track Record Period, we had entered into forward currency contracts with certain banks to manage the currency risks arising from our operations and our sources of finance. When determining the notional amounts and maturities of such forward contracts, we take into account the scale of our revenue, expected collection of trade receivables and payment obligations, and we adjust the settlement amounts accordingly. See Note 49 of the Accountants' Report in Appendix I to this Document.

Net Impairment Losses on Financial Instruments and Contract Assets

Our net impairment losses on financial instruments and contract assets mainly represented provisions for impairment of trade and bills receivables, contract assets and other receivables. In 2023, 2024 and 2025, our net impairment losses on financial instruments and contract assets amounted to RMB28.5 million, RMB147.3 million and RMB101.3 million, respectively.

Other Expenses

Our other expenses, net mainly consisted of fair value changes of our investment properties. In 2023, 2024 and 2025, our other expenses, net amounted to RMB21.4 million, RMB36.6 million and RMB29.1 million, respectively.

Finance Costs

Our finance costs mainly consisted of (i) interest on bank loans and other borrowings; and (ii) interests on lease liabilities. In 2023, 2024 and 2025, our finance costs amounted to RMB75.9 million, RMB67.4 million and RMB100.8 million, respectively.

Share of Profits and Losses of Associates

Our share of profits and losses of associates primarily represented profits and losses we recognized in proportion to our equity interests from investments in associates, mainly including Shandong Heavy Industry Group Finance Co., Ltd. and Shandong Hengji Material Forming Co., Ltd., which amounted to profit of RMB43.3 million, RMB52.8 million and RMB27.6 million in 2023, 2024 and 2025, respectively.

Income Tax Expense

Our Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operate. We recorded income tax expense of RMB38.6 million, RMB96.5 million and RMB70.2 million in 2023, 2024 and 2025, respectively.

Chinese Mainland

Under the EIT Law and its implementation regulations, the EIT rate of our PRC subsidiaries is 25%, unless subject to preferential tax. Our Company and our certain PRC subsidiaries were recognized as a High-Tech Enterprise under relevant tax regulations in 2020 and 2023, thereby qualifying for a preferential corporate income tax rate of 15% during the Track Record Period. This qualification is subject to triennial review by the Chinese tax authorities every three years.

Hong Kong

The first HKD2,000,000 of assessable profits of our subsidiary incorporated in HK are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

Other Jurisdictions

Our other overseas subsidiaries are subject to income tax at rates ranging from 9% to 30%. See Note 10 to the Accountants' Report in Appendix I to this Document.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2025 Compared with Year ended December 31, 2024

Revenue

Our revenue increased by 2.8% from RMB14,218.6 million in 2024 to RMB14,620.2 million in 2025, primarily due to the increase in revenue from the sales of construction machinery, partially offset by the decrease in revenue from the sales of spare parts and other business.

Revenue by Product Category

Construction machinery. Our revenue from the sales of construction machinery increased by 9.6% from RMB9,990.5 million in 2024 to RMB10,950.1 million in 2025, primarily due to (i) the increase in revenue from the sales of excavators, mainly as a result of the increased sales volume of excavators in overseas markets and domestic market; (ii) the increase in revenue from the sales of loaders, mainly as a result of the increased sales volume of loaders in overseas markets; and (iii) the increase in revenue from the sales of road machinery, mainly as a result of the increased sales volume of road machinery in overseas markets. These increases in sales volume were primarily driven by (i) the growth of the infrastructure investments and mining industry in overseas markets, driving the demand of our large excavators and loaders; (ii) the increased market recognition of our new energy construction machinery; and (iii) our enhanced sales and marketing efforts to promote our construction machinery in overseas markets.

Spare parts. Our revenue from spare parts decreased by 8.6% from RMB2,918.1 million in 2024 to RMB2,667.6 million in 2025, primarily due to our strategic focus on spare parts with higher added value.

Others. Our revenue from other business decreased by 23.5% from RMB1,310.1 million in 2024 to RMB1,002.5 million in 2025, primarily due to the decrease in the income from sales of materials.

Revenue by Geographical Region

Our revenue from Chinese Mainland decreased by 13.6% from RMB6,807.3 million in 2024 to RMB5,878.9 million in 2025, primarily due to the decreased demand for dozers, medium and large excavators and other construction machinery in the domestic market. This decline resulted from the downturn in the real estate sector and a deceleration in infrastructure investments in the Chinese Mainland.

Our revenue from overseas markets increased by 19.7% from RMB7,411.3 million in 2024 to RMB8,741.3 million in 2025, primarily due to the increase in the revenue from Asia and Africa markets, mainly as a result of the increased sales volume of our construction machinery in these markets. Our increased sales volume in Asian market was primarily driven by the accelerating infrastructure development and economic diversification initiatives in Middle East and the accelerated urbanization and industrialization as well as infrastructure investments in Southeast Asia. Our increased sales volume in Africa was primarily driven by the demand in mining and infrastructure sectors and initiatives to facilitate industrial transformation.

Cost of Sales

Our cost of sales remained relatively stable at RMB11,592.8 million in 2025 and RMB11,466.8 million in 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 10.0% from RMB2,751.9 million in 2024 to RMB3,027.4 million in 2025. Our gross profit margin increased from 19.4% in 2024 to 20.7% in 2025, primarily due to the increased sales volume of construction machinery in overseas markets, which entailed relatively higher gross profit margin.

Gross Profit Margin by Product Category

Construction machinery. The gross profit margin of construction machinery increased from 22.8% in 2024 to 24.8% in 2025, primarily due to the increases in the gross profit margin of excavators, road machinery and concrete machinery, partially offset by the decrease in the gross profit margin of mining trucks. The increase in gross profit margin of excavators, road machinery and concrete machinery was primarily due to the increased sales volume of excavators, road machinery and concrete machinery in the overseas markets, which entailed relatively higher gross profit margin.

Spare parts. The gross profit margin of spare parts decreased from 11.7% in 2024 to 9.0% in 2025, primarily due to (i) the decrease in the selling prices of crawler-type undercarriage parts due to market competition, and (ii) the increase in the cost of materials.

Others. The gross profit margin of other business decreased from 10.2% in 2024 to 7.0% in 2025, primarily due to the increased sales of the materials with relatively lower gross profit margin as well as the increase in the cost of materials.

Gross Profit Margin by Geographical Region

Our gross profit margin from Chinese Mainland decreased from 10.7% in 2024 to 9.6% in 2025, primarily due to (i) the increased sales of crawler-type undercarriage parts with a relatively lower gross profit margin, and (ii) the increase in the cost of materials.

Our gross profit margin from overseas markets increased from 27.3% in 2024 to 28.1% in 2025, primarily due to the increased sales volume of excavators, which entailed relatively higher gross profit margin.

Other Income and Gains

Our other income and gains decreased by 34.8% from RMB261.1 million in 2024 to RMB170.1 million in 2025, primarily due to the decrease in government grants.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 5.0% from RMB591.6 million in 2024 to RMB621.3 million in 2025, primarily due to the increase in employee benefit expenses, mainly as a result of the expansion of sales and marketing team as well as the increase in average salaries and benefits paid to our sales and marketing staff.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB494.0 million in 2025 and RMB509.5 million in 2024.

Research and Development Costs

Our research and development costs increased by 6.1% from RMB541.9 million in 2024 to RMB574.9 million in 2025, primarily due to increased employee benefit expenses from RMB238.8 million in 2024 to RMB294.6 million in 2025, mainly as a result of the increase in average salaries and benefits paid to our research and development staff.

Net Foreign Exchange Gains

We recorded net foreign exchange gains of RMB39.1 million in 2024 and net foreign exchange losses of RMB18.3 million in 2025, primarily due to the fluctuation in the exchange rates.

Net Impairment Losses on Financial Instruments and Contract Assets

Our net impairment losses on financial instruments and contract assets decreased by 31.3% from RMB147.3 million in 2024 to RMB101.3 million in 2025, primarily due to the decrease in the provisions for impairment of trade and bills receivables.

Other Expenses

Our other expenses, net decreased by 20.4% from RMB36.6 million in 2024 to RMB29.1 million in 2025, primarily due to the fair value change of our investment properties.

Finance Costs

Our finance costs increased by 49.6% from RMB67.4 million in 2024 to RMB100.8 million in 2025, primarily due to the increase in interest on bank loans and other borrowings, mainly as a result of the increase in our average borrowing level for the year.

Share of Profits and Losses of Associates

Our share of profits and losses of associates decreased by 47.7% from RMB52.8 million in 2024 to RMB27.6 million in 2025, primarily due to the decreases in the percentage of our equity interest in an associate.

Income Tax Expenses

Our income tax expenses decreased by 27.2% from RMB96.5 million in 2024 to RMB70.2 million in 2025, primarily due to the recognition of deferred tax assets in respect of the tax losses of Strong Construction Machinery available for carryforward.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 9.1% from RMB1,114.1 million in 2024 to RMB1,215.3 million in 2025.

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

Revenue

Our revenue increased by 25.1% from RMB11,364.4 million in 2023 to RMB14,218.6 million in 2024, primarily due to the increase in revenue from construction machinery and spare parts.

Revenue by Product Category

Construction machinery. Our revenue from the sales of construction machinery increased by 25.8% from RMB7,940.5 million in 2023 to RMB9,990.5 million in 2024, primarily due to the increase in the revenue from the sales of dozers, excavators, loaders, road machinery and mining trucks, mainly as a result of the increased sales volume of aforesaid construction machinery. These increases in sales volume were primarily driven by (i) the increased sales volume of our construction machinery in overseas markets such as Europe and Africa markets as a result of the increased market demand as well as our enhanced sales and marketing efforts; (ii) the increased demand of construction machinery for infrastructure investments and mining industry in Chinese Mainland; and (iii) the increased sales volume of intelligent construction machinery (including intelligent dozers and intelligent rollers) and electric loaders, which also contributed to our growth.

Spare parts. Our revenue from the sales of spare parts increased by 33.5% from RMB2,186.1 million in 2023 to RMB2,918.1 million in 2024, primarily due to the increased sales of our crawler-type undercarriage parts and transmission parts, driven by our enhanced effort to increase sales to the existing customers as well as expand customer base.

Others. Our revenue from other business increased by 5.8% from RMB1,237.7 million in 2023 to RMB1,310.1 million in 2024, primarily due to the increase in the income from sales of materials.

Revenue by Geographical Region

Our revenue from sales in Chinese Mainland increased by 24.1% from RMB5,486.2 million in 2023 to RMB6,807.3 million in 2024, primarily due to the increase in the revenue from the sales of dozers and excavators, driven by the increased market demand of construction machinery for infrastructure investments and mining industry in Chinese Mainland.

Our revenue from sales in overseas markets increased by 26.1% from RMB5,878.2 million in 2023 to RMB7,411.3 million in 2024, primarily due to the increase in the revenue from Europe and Africa markets, mainly as a result of the increased sales volume of our construction machinery in these markets. The increased sales volume in Europe was primarily driven by the increased market recognition of our mining dozers and large excavators. The increased sales volume in Africa was primarily driven by the demand in mining and infrastructure sectors and initiatives to facilitate industrial transformation. In addition, we also strengthened sales and marketing efforts to promote our construction machinery in overseas markets. Our overseas distribution partners increased from 127 as of December 31, 2023 to 147 as of December 31, 2024.

Cost of Sales

Our cost of sales increased by 24.2% from RMB9,234.7 million in 2023 to RMB11,466.8 million in 2024, which was generally in line with the growth of our revenue in 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 29.2% from RMB2,129.7 million in 2023 to RMB2,751.9 million in 2024. Our gross profit margin remained relatively stable at 19.4% in 2024 and 18.7% in 2023.

Gross Profit Margin by Product Category

Construction machinery. The gross profit margin of construction machinery remained relatively stable at 22.8% in 2024 and 22.3% in 2023, primarily due to an increase in the gross profit margin of excavators, partially offset by the decrease in the gross profit margin of dozers. The increase in gross profit margin of excavators was primarily due to the increased sales volume in overseas markets, which entailed relatively higher gross profit margin. The decrease in gross profit margin of dozers was primarily due to the decreased sales volume of dozers with relatively higher gross profit margin in overseas markets.

Spare parts. The gross profit margin of spare parts remained relatively stable at 11.7% in 2024 and 11.2% in 2023.

Others. The gross profit margin of other business increased from 9.3% in 2023 to 10.2% in 2024, primarily due to the decrease in the cost of materials.

Gross Profit Margin by Geographical Region

Our gross profit margin from Chinese Mainland increased from 8.9% in 2023 to 10.7% in 2024, primarily due to our increased sales volume of mining dozers which had relatively higher gross profit margin, driven by our strategic deployment and enhanced sales efforts of construction machinery in mining industry.

Our gross profit margin from overseas markets remained relatively stable at 27.3% in 2024 and 27.9% in 2023.

Other Income and Gains

Our other income and gains increased by 6.2% from RMB245.8 million in 2023 to RMB261.1 million in 2024, primarily due to the increase in additional input VAT deduction.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 55.3% from RMB380.9 million in 2023 to RMB591.6 million in 2024, primarily due to (i) the increase in employee benefit expenses, mainly as a result of the increase in average salaries and benefits paid to our sales staff and our expansion of sales team; and (ii) the increase in traveling expenses, mainly as a result of our enhanced sales and marketing efforts in the overseas markets.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB509.5 million in 2024 and RMB520.9 million in 2023.

Research and Development Costs

Our research and development costs remained relatively stable at RMB541.9 million in 2024 and RMB558.4 million in 2023.

Net Foreign Exchange Gains

Our net foreign exchange gains increased significantly from RMB1.6 million in 2023 to RMB39.1 million in 2024, primarily due to (i) the fluctuation in exchange rates; and (ii) the increase in our net foreign currency assets, resulting from the increase in revenue generated from our overseas operations.

Net Impairment Losses on Financial Instruments and Contract Assets

Our net impairment losses on financial instruments and contract assets increased significantly from RMB28.5 million in 2023 to RMB147.3 million in 2024, primarily due to the increase in trade receivables, driven by our increased sales of construction machinery.

Other Expenses

Our other expenses increased by 71.2% from RMB21.4 million in 2023 to RMB36.6 million in 2024, primarily due to the fair value change of our investment properties.

Finance Costs

Our finance costs decreased by 11.3% from RMB75.9 million in 2023 to RMB67.4 million in 2024, primarily due to the decrease in interest on bank borrowings, mainly as a result of our repayment of bank borrowings.

Share of Profits or Losses of Associates

Our share of profits of associates increased by 21.8% from RMB43.3 million in 2023 to RMB52.8 million in 2024, primarily due to the increase in net profits of an associate.

Income Tax Expense

Our income tax expense increased significantly from RMB38.6 million in 2023 to RMB96.5 million in 2024, primarily due to the increase in profit before taxation.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 40.0% from RMB795.8 million in 2023 to RMB1,114.1 million in 2024.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Non-current assets			
Property, plant and equipment	1,988,560	2,178,315	2,334,999
Investment properties	499,105	477,254	466,118
Right-of-use assets	475,197	470,221	454,503
Goodwill	11,590	11,590	11,590
Other intangible assets	51,264	62,332	65,877
Investments in associates	513,262	549,685	797,866
Financial assets at fair value through other comprehensive income	18,003	18,003	7,697
Trade and bills receivables	127,839	142,882	136,500
Receivables under finance leases	–	74,122	–
Deferred tax assets	166,041	233,947	289,411
Other non-current assets	2,025	2,248	1,713
Total non-current assets	**3,852,886**	**4,220,599**	**4,566,274**
Non-current liabilities			
Interest-bearing bank and other borrowings	90,892	1,464,148	1,059,000
Lease liabilities	955	6,825	6,750
Deferred income	169,237	163,637	170,934
Deferred tax liabilities	14,567	9,055	8,775
Other non-current liabilities	95,714	81,913	54,853
Total non-current liabilities	**371,365**	**1,725,578**	**1,300,312**
Net assets	**6,499,961**	**5,535,449**	**6,470,981**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) buildings, mainly representing our production bases and office buildings; (ii) machinery and equipment, mainly representing our production equipment and machinery; (iii) electronic equipment; (iv) transportation equipment; (v) other equipment, mainly representing construction machinery held for lease; and (vi) construction in progress, mainly representing R&D facilities, testing centers and production equipment for construction machinery. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Buildings	979,331	946,953	992,038
Machinery equipment	677,081	871,978	905,452
Electronic equipment	64,812	60,738	57,171
Transportation equipment	23,150	29,035	29,446
Other equipment	11,660	130,945	199,412
Construction in progress	232,526	138,666	151,480
Total	**1,988,560**	**2,178,315**	**2,334,999**

Our property, plant and equipment increased by 9.5% from RMB1,988.6 million as of December 31, 2023 to RMB2,178.3 million as of December 31, 2024, primarily due to an increase in machinery equipment, mainly as a result of the increase in the production equipment for mining dozers and large excavators. Our property, plant and equipment increased by 7.2% from RMB2,178.3 million to RMB2,335.0 million as of December 31, 2025, primarily due to the increase in (i) other equipment in relation to our financial leasing services; (ii) buildings in relation to new production facilities for our prototype development center; (iii) machinery equipment in relation to dozers; and (iv) construction in progress, mainly related to our prototype development center, testing center and mining trucks production lines.

Right-of-use Assets

Our right-of-use assets primarily include the lease contracts for leasehold properties, office equipment and transportation vehicles we use in respect of our business operations. Our right-of-use assets remained relatively stable at RMB475.2 million, RMB470.2 million and RMB454.5 million as of December 31, 2023, 2024 and 2025, respectively.

Goodwill

Our goodwill remained at RMB11.6 million in 2023, 2024 and 2025. Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses. We determine whether goodwill is impaired at least annually. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires our Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment Testing of Goodwill

Goodwill acquired through business combinations is allocated to the Shantui Janeoo cash-generating unit for impairment testing: and the carrying amount of goodwill allocated to the cash-generating unit is as follows:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Shantui Janeoo	11,590	11,590	11,590

The recoverable amount of the Shantui Janeoo cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rates applied to the cash flow projections were 11.76%, 10.25% and 10.36% as of December 31, 2023, 2024 and 2025. The cash flows beyond the five-year period are extrapolated using zero growth rate and it is assumed that the business would operate perpetually. The following table sets out the key assumptions adopted by management in the impairment assessment:

	As of December 31,		
	2023	2024	2025
Revenue annual growth rate – average rate for the forecast period	6.61%	5.88%	10.23%
Average gross margin	15.83%	15.16%	14.21%
Pre-tax discount rate	11.76%	10.25%	10.36%

Assumptions were used in the value in use calculation of the Shantui Janeoo cash-generating unit for the Track Record Period. The following describes each key assumption on which management has based cash flow projections to undertake impairment testing of goodwill: (i) *Budgeted sales and gross margin* – The basis used to determine the value assigned to the budgeted sales and gross margin (including warranties) is the average results achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development. (ii) *Pre-tax discount rate* – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the Shantui Janeoo cash-generating unit and discount rate are consistent with external information sources.

Sensitivity Analysis of Goodwill

In the opinion of the Directors, for the Shantui Janeoo cash-generating unit, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. The headroom amounted to RMB17.4 million, RMB7.8 million and RMB14.0 million as of December 31, 2023, 2024 and 2025, respectively. If the revenue annual growth rate decreased from 6.61% to 3.25%, from 5.88% to 5.84% and from 10.23% to 10.19% or the average gross margin (including warranties) decreased from 15.83% to 15.51%, from 15.16% to 15.05% and from 14.21% to 13.69%, or the pre-tax discount rate increased from 11.76% to 12.44%, from 10.25% to 10.47% and from 10.36% to 10.73%, an impairment on goodwill would be recognized in 2023, 2024 and 2025, respectively.

Investments in Associates

Our investments in associates primarily consisted of our share of net assets in two associates. Our investments in associates increased by 7.1% from RMB513.3 million as of December 31, 2023 to RMB549.7 million as of December 31, 2024, primarily due to the increase in the share of profits of the associates. Our investments in associates increased by 45.1% to RMB797.9 million as of December 31, 2025, primarily due to our increased investments in the associates. See Note 18 to the Accountants' Report in Appendix I to this Document.

Inventories

Our inventories primarily consist of (i) raw materials; (ii) work in progress; and (iii) finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Raw materials	646,088	840,916	820,228
Work in progress	558,576	449,578	527,290
Finished goods	1,540,830	1,909,601	1,901,651
Total	**2,745,494**	**3,200,095**	**3,249,169**

Our inventories increased by 16.6% from RMB2,745.5 million as of December 31, 2023 to RMB3,200.1 million as of December 31, 2024, primarily due to the increase in finished goods, generally in line with the increase in revenue. Our inventories remained relatively stable at RMB3,200.1 million as of December 31, 2024 and RMB3,249.2 million as of December 31, 2025, respectively.

As of March 31, 2026, approximately RMB2,412.1 million, or 71.1% of our inventories as of December 31, 2025 had been utilized or sold.

The following table sets forth an aging analysis of the inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Within one year	2,667,230	3,170,808	2,917,650
Over one year	162,310	154,756	476,771
Less: write down of inventories	(84,046)	(125,469)	(145,252)
Total	**2,745,494**	**3,200,095**	**3,249,169**

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

	Year ended December 31,		
	2023	**2024**	**2025**
		(days)	
Inventory turnover days(1)	92.8	94.6	101.5

(1.) Inventory turnover days for a year equal the average of opening and closing balance of inventories for the relevant year divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our inventory turnover days were 92.8 days, 94.6 days and 101.5 days in 2023, 2024 and 2025, respectively. Our inventory turnover days increased from 94.6 days in 2024 to 101.5 days in 2025, mainly attributable to our strategic increase in construction machinery inventories in response to the expansion of our overseas operations.

Trade and Bills Receivables

Our trade and bills receivables primarily consisted of receivables from our customers for the sales of our products. Long-term receivables mainly represented amounts due from certain installment sale with payment periods over one year. The following table sets forth details of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Trade and bills receivables — current	4,068,358	5,341,456	6,729,401
Impairment	(502,694)	(630,459)	(742,046)
Net carrying amount	**3,565,664**	**4,710,997**	**5,987,355**
Long-term receivables — current and non-current	461,368	389,771	328,068
Impairment	(25,151)	(23,536)	(21,095)
Net carrying amount	**436,217**	**366,235**	**306,973**
Total	**4,001,881**	**5,077,232**	**6,294,328**
Portion classified as non-current			
– Total current portion	3,874,042	4,934,350	6,157,828
– Total non-current portion	127,839	142,882	136,500

Our trade and bills receivables (net of impairment) increased by 26.9% from RMB4,001.9 million as of December 31, 2023 to RMB5,077.2 million as of December 31, 2024, generally in line with our revenue growth. Our trade and bills receivables (net of impairment) increased by 24.0% to RMB6,294.3 million as of December 31, 2025, primarily due to the increase in our trade receivables, mainly as a result of our increased overseas sales, which was generally in line with the increase in revenue from overseas.

We generally grant credit terms to our customers ranging from one to 12 months. We also require certain customers to make prepayment to our construction machinery without credit terms.

The following table sets forth the aging analysis of our trade and bills receivables (net of impairment), excluding long-term receivables, as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Within one year	3,335,656	3,928,099	4,891,737
One to two years	185,577	698,579	651,737
Two to three years	37,332	69,761	421,245
Three to four years	7,099	14,558	22,636
Total	**3,565,664**	**4,710,997**	**5,987,355**

We maintain strict control over our outstanding receivables and aim to minimize credit risks. Our senior management regularly reviews the recoverability of our outstanding balances and, when appropriate, provides for impairment of these trade receivables. We apply the IFRS 9 simplified approach to measure expected credit losses ("**ECL**") which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging. We also made individual assessment on the recoverability of our trade receivables for certain customers based on historical settlement record. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with us and other indicators of severe financial difficulties.

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

	Year ended December 31,		
	2023	**2024**	**2025**
		(days)	
Trade and bills receivables turnover days(1)	118.7	116.5	141.9

(1.) Trade and bills receivables turnover days for a year equal the average of opening and closing balances of trade and bills receivables, for the relevant year divided by revenue for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our trade and bills receivables turnover days remained relatively stable at 118.7 days in 2023 and 116.5 days in 2024. Our trade and bills receivables turnover days increased from 116.5 days in 2024 to 141.9 days in 2025, primarily due to (i) the significant increase in the trade and bills receivables as of December 31, 2025, driven by our increased sales volume of construction machinery in 2025; and (ii) the increased overseas sales that we granted credit terms.

As of March 31, 2026, approximately RMB2,592.4 million, or 36.7% of our trade and bills receivables as of December 31, 2025 had been settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments to raw material suppliers; (ii) deposits and other receivables, mainly representing export rebates and finance lease deposits; (iii) value-added tax recoverable, mainly representing deductible VAT; (iv) prepaid income taxes; (v) dividend receivables; and (vi) [**REDACTED**]. The following table sets forth details of our trade and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Prepayments	453,901	402,902	334,579
Deposits and other receivables	474,832	714,605	897,427
Value-added tax recoverable	153,268	124,445	123,746
Prepaid income tax	864	2,947	23,682
Dividend receivables	1,231	1,231	1,231
[**REDACTED**]	–	–	[REDACTED]
Others	11,841	7,149	6,407
	1,095,937	**1,253,279**	**[REDACTED]**
Impairment allowance	(249,931)	(265,157)	(263,849)
Total	**846,006**	**988,122**	**[REDACTED]**

Our prepayments, other receivables and other assets increased by 16.8% from RMB846.0 million as of December 31, 2023 to RMB988.1 million as of December 31, 2024, primarily due to the increase in deposits and other receivables, mainly as a result of the increase in finance lease deposits and export rebates along with our growth in business operation. Our prepayments, other receivables and other assets increased by 16.2% from RMB988.1 million as of December 31, 2024 to RMB1,148.0 million as of December 31, 2025, primarily due to (i) the increase in export rebates as our business scaled up; (ii) the increase in [**REDACTED**] incurred in connection with the [**REDACTED**]; and (iii) a rise in value-added tax recoverable, resulting from the growth in overseas revenue.

As of March 31, 2026, approximately RMB360.6 million, or 25.6% of our prepayments, other receivables and other assets as of December 31, 2025 had been settled.

Financial Assets at Fair Value through Other Comprehensive Income

Our non-current portion of financial assets at fair value through other comprehensive income ("**FVOCI**") comprised our unlisted equity investments at fair value. Our non-current portion of financial assets at FVOCI remained relatively stable at RMB18.0 million as of December 31, 2023 and 2024. Our non-current portion of financial assets at FVOCI decreased by 57.2% from RMB18.0 million as of December 31, 2024 to RMB7.7 million as of December 31, 2025, primarily due to the fair value changes in our unlisted equity investments.

Our current portion of financial assets at FVOCI represented our bills receivables at fair value. Our current portion of financial assets at FVOCI decreased by 7.3% from RMB306.4 million as of December 31, 2023 to RMB284.0 million as of December 31, 2024, primarily due to bills receivable discounting. Our current portion of financial assets at FVOCI increased by 106.7% from RMB284.0 million as of December 31, 2024 to RMB587.0 million as of December 31, 2025, primarily due to increased bills receivable from customers.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily were structured deposits. Our financial assets at fair value through profit or loss decreased from RMB151.9 million as of December 31, 2023 to nil as of December 31, 2024, because we gradually reduced purchase of structured deposits. Our financial assets at fair value through profit or loss remained nil as of December 31, 2025. See Note 28 to the Accountants' Report in Appendix I to this Document. After [**REDACTED**], our investments in financial assets at fair value through profit or loss will be subject to compliance with Chapter 14 of the Listing Rules.

From time to time, we may purchase wealth management products. During the Track Record Period, we invested in structured deposits to generate additional returns on cash reserves while ensuring capital preservation. We primarily selected products with high security, strong liquidity and principal protection, such as structured deposits and time deposits with a term of no more than 12 months. We only invest in products offered by reputable commercial banks that guarantee principal repayment, and we seek products that provide competitive returns compared with similar alternatives.

We established internal control and risk management measures for the purchase and management of wealth management products as follows. (i) ***Board oversight.*** Our board of directors determines the annual limit and types of wealth management products permitted for investment. (ii) ***Approval mechanism.*** Any purchase of wealth management products requires approval by the chairman of the Board or a duly delegated person. (iii) ***Implementation and monitoring.*** Our finance department manages the execution, monitors investment performance on an ongoing basis, and takes timely measures to mitigate risks when adverse factors are identified; and (iv) ***Management expertise.*** Our Chief Financial Officer and members of the finance department have extensive financial expertise and experience.

Pledged Deposits

Our pledged deposits primarily consisted of bank deposits pledged for the issuance of bank acceptance bills and letters of credit. Our pledged deposits increased by 58.7% from RMB2,095.1 million as of December 31, 2023 to RMB3,325.9 million as of December 31, 2024, primarily due to the increase in bank deposits pledged for the issuance of bank acceptance bills, driven by our business growth. Our pledged deposits decreased by 32.7% from RMB3,325.9 million as of December 31, 2024 to RMB2,239.3 million as of December 31, 2025, primarily due to the decrease in bank deposits pledged for the issuance of bank acceptance bills.

Trade and Bills Payables

Our trade and bills payables primarily represented our payables to suppliers for the procurement of raw materials. Our trade and bills payables increased by 34.1% from RMB6,568.9 million as of December 31, 2023 to RMB8,806.0 million as of December 31, 2024, primarily due to increased purchase of raw materials, driven by the increased sales volume of our construction machinery. Our trade and bills payables decreased slightly from RMB8,806.0 million as of December 31, 2024 to RMB8,668.3 million as of December 31, 2025, primarily due to our settlement of bank acceptance bills upon maturity. The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Bills payables	4,296,753	6,174,735	5,620,477
Trade payables	2,272,123	2,631,286	3,047,786
Total	**6,568,876**	**8,806,021**	**8,668,263**

Our suppliers generally granted us a credit period of one month to three months during the Track Record Period. The following table sets forth an aging analysis of the trade and bills payables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within one year	6,466,250	8,621,800	8,429,225
Over one year	102,626	184,221	239,038
Total	**6,568,876**	**8,806,021**	**8,668,263**

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

	Year ended December 31,		
	2023	2024	2025
		(days)	
Trade and bills payables turnover days[(1)]	226.4	244.7	275.1
– Trade payables turnover days[(2)]	86.1	78.0	89.4

(1.) Trade and bills payables turnover days for a year equal the average of opening and closing balances of trade and bills payables for the relevant year divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year which is 365 days for each year.

(2.) Trade payables turnover days for a year equal the average of opening and closing balances of trade payables for the relevant year divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year which is 365 days for each year.

Our trade and bills payables turnover days increased from 226.4 days in 2023 to 244.7 days in 2024, primarily due to the increased bank acceptance bills used for settlement with suppliers. Our trade and bills payables turnover days increased further to 275.1 days in 2025, primarily due to the faster growth of our trade and bills payables than the growth of our cost of sales.

As of March 31, 2026, approximately RMB4,483.8 million, or 51.7% of our trade and bills payables as of December 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals mainly consisted of (i) accruals and other payables, mainly representing performance bonds and tender bid bonds in relation to our business operations and amount due to third parties; (ii) payroll and welfare payables; (iii) other tax payables; (iv) dividends payables; and (v) repurchase obligation for restricted shares related to the 2020 Restricted Stock Incentive Scheme. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Accruals and other payables	321,392	473,685	492,780
Payroll and welfare payables	131,377	160,167	158,299
Other tax payable	32,475	48,785	37,469
Dividends payable	1,506	47,438	–
Repurchase obligation for restricted shares	27,774	13,887	–
Others	64	919	2,950
Total	**514,588**	**744,881**	**691,498**

Our other payables and accruals increased by 44.8% from RMB514.6 million as of December 31, 2023 to RMB744.9 million as of December 31, 2024, primarily due to (i) the increase in accruals and other payables, mainly as a result of the increase in transportation costs to be paid; (ii) the increase in dividends payables, primarily due to our declared dividends at the end of 2024; and (iii) the increase in payroll and welfare payable, mainly as a result of the expected increase in year-end bonuses payable to our employees. Our other payables and accruals decreased by 7.2% to RMB691.5 million as of December 31, 2025, primarily due to (i) the significant decrease of our dividends payable because full settlement of our outstanding dividends payable; and (ii) full settlement for our repurchase obligations for restricted shares.

As of March 31, 2026, approximately RMB272.6 million, 39.4% of our other payables and accruals as of December 31, 2025 had been settled.

Contract Liabilities

Our contract liabilities primarily represent advance payments received from customers to purchase our construction machinery. Our contract liabilities decreased by 28.6% from RMB467.3 million as of December 31, 2023 to RMB333.6 million as of December 31, 2024, primarily due to the decrease in advance payments received from overseas customers. Our contract liabilities increased by 25.3% from RMB333.6 million as of December 31, 2024 to RMB417.9 million as of December 31, 2025, primarily due to the increase in advance payments received from overseas customers which is in line with our revenue growth from overseas markets.

As of March 31, 2026, approximately RMB122.4 million, or 29.3% of our contract liabilities as of December 31, 2025 had been recognized as revenue.

Provision

Our provision was related to product warranties on our certain construction machinery provided to customers from six months to two years. During the Track Record Period, our provision increased along with the sales growth of our construction machinery. Our provisions increased by 78.0% from RMB132.8 million as of December 31, 2023 to RMB236.4 million as of December 31, 2024, primarily due to the increased sales volume of excavators. Our provisions amounted to RMB226.3 million as of December 31, 2025 and RMB236.4 million as of December 31, 2024.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have historically funded our cash requirements principally from proceeds from our business operations, bank borrowings and equity financing. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations and the net [**REDACTED**] from the [**REDACTED**]. We do not anticipate any changes in the availability of financing to fund our operations in the future.

Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash flows from operating activities	376,832	515,124	781,122
Net cash flows from/(used in) investing activities	122,450	124,422	(310,030)
Net cash flows used in financing activities	(474,464)	(1,117,636)	(659,826)
Net increase/(decrease) cash and cash equivalents	**24,818**	**(478,090)**	**(188,734)**
Cash and cash equivalents at end of year	**1,715,861**	**1,246,736**	**1,076,789**

Net Cash Generated from Operating Activities

Our net cash flows from operating activities primarily represented our profit before tax for the year adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In 2025, our net cash flows from operating activities was RMB781.1 million, which was primarily attributed to profit before tax of RMB1,285.5 million, adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB266.3 million; and (ii) movements in working capital, primarily comprising (a) increase in inventories of RMB271.5 million, (b) a decrease in pledged deposits of RMB514.4 million, and (c) an increase in trade and bills receivables of RMB1,174.9 million.

In 2024, our net cash flows from operating activities was RMB515.1 million, which was primarily attributed to profit before tax of RMB1,210.6 million, adjusted by (i) non-cash and non-operating items, primarily comprising (a) depreciation of property, plant and equipment of RMB212.5 million, and (b) impairment of trade receivables of RMB125.2 million; and (ii) movements in working capital, primarily comprising (a) an increase in trade and bills payables of RMB1,101.1 million, (b) an increase in trade and bills receivables of RMB1,481.5 million, and (c) an increase in inventories of RMB560.8 million.

In 2023, our net cash flows from operating activities was RMB376.8 million, which was primarily attributed to profit before tax of RMB834.4 million, adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB204.7 million; and (ii) changes in working capital, primarily comprising (a) an increase in trade and bills payables of RMB841.4 million, (b) an increase in inventories of RMB856.1 million, and (c) an increase in trade and bills receivables of RMB742.6 million.

Net Cash Used in or from Investing Activities

In 2025, our net cash flow used in investing activities was RMB310.0 million, which primarily attributed to (i) investments in associates of RMB261.4 million; and (ii) purchases of property, plant and equipment of RMB50.9 million.

In 2024, our net cash flow from investing activities was RMB124.4 million, which was primarily attributed to proceeds from disposal of financial assets at fair value through profit or loss of RMB252.8 million, partially offset by (i) purchases of financial assets at fair value through profit or loss of RMB100.0 million; and (ii) purchases of property, plant and equipment of RMB49.7 million.

In 2023, our net cash flow from investing activities was RMB122.5 million, which was primarily attributed to proceeds from disposal of financial assets at fair value through profit or loss of RMB324.5 million, partially offset by (i) purchases of financial assets at fair value through profit or loss of RMB230.0 million; and (ii) proceeds from disposal of items of property, plant and equipment of RMB80.4 million.

Net Cash Flows Used in Financing Activities

In 2025, our cash flow used in financing activities was RMB659.8 million, primarily attributable to (i) repayment of bank loans and other borrowings of RMB1,005.6 million; and (ii) a decrease in amount from billing financing of RMB791.4 million, partially offset by (i) new bank and other borrowings of RMB987.0 million; and (ii) [**REDACTED**] of RMB[**REDACTED**] million.

In 2024, our net cash flows used in financing activities was RMB1,117.6 million, which was primarily attributed to (i) repayment of bank loans and other borrowings of RMB1,042.2 million; (ii) payment for business combination under common control of RMB1,841.1 million; (iii) an increase in pledged deposits of RMB1,227.4 million; and (iv) dividends paid to equity shareholders of RMB224.1 million, partially offset by (i) new bank loans and other borrowings of RMB2,239.4 million; and (ii) an increase in an amount from billing financing of RMB1,046.9 million.

In 2023, our net cash flows used in financing activities of RMB474.5 million, which was primarily attributed to (i) repayment of bank loans and other borrowings of RMB846.0 million; and (ii) an increase in pledged deposits of RMB924.2 million, partially offset by (i) new bank loans and other borrowings of RMB688.2 million; and (ii) an increase in an amount from billing financing of RMB791.2 million.

NET CURRENT ASSETS

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			(Unaudited)
Current asset				
Inventories	2,745,494	3,200,095	3,249,169	3,615,819
Trade and bills receivables	3,874,042	4,934,350	6,157,828	6,313,667
Receivables under finance leases	–	54,203	–	–
Contract assets	21,766	34,495	32,230	39,589
Prepayments, other receivables and other assets	846,006	988,122	1,147,969	1,659,711
Financial assets at fair value through other comprehensive income	306,430	284,023	587,018	668,414
Financial assets at fair value through profit or loss	151,897	–	–	–
Pledged deposits	2,095,059	3,325,874	2,239,329	2,167,676
Cash and cash equivalents	1,715,861	1,246,736	1,076,789	1,059,451
Total current assets	**11,756,555**	**14,067,898**	**14,490,332**	**15,524,328**
Current liabilities				
Trade and bills payables	6,568,876	8,806,021	8,668,263	9,475,300
Other payables and accruals	514,588	744,881	691,498	622,191
Contract liabilities	467,291	333,590	417,943	393,840
Derivative financial instruments	449	–	–	–
Interest-bearing bank and other borrowings	1,021,812	843,615	1,214,335	1,165,388
Lease liabilities	162	2,067	2,703	2,829
Income tax payable	32,171	60,944	64,241	63,657
Provision	132,766	236,352	226,330	258,376
Total current liabilities	**8,738,115**	**11,027,470**	**11,285,313**	**11,981,581**
Net current assets	**3,018,440**	**3,040,428**	**3,205,019**	**3,542,747**

Our net current assets remained relatively stable at RMB3,018.4 million as of December 31, 2023 and RMB3,040.4 million as of December 31, 2024.

Our net current assets increased by 5.4% from RMB3,040.4 million as of December 31, 2024 to RMB3,205.0 million as of December 31, 2025, primarily due to (i) an increase of trade and bills receivables of RMB1,224.5 million and (ii) an increase of financial assets at fair value through other comprehensive income of RMB303.0 million, partially offset by an increase of interest-bearing bank and other borrowings of RMB370.7 million.

Our net current assets increased by 10.5% from RMB3,205.0 million as of December 31, 2025 to RMB3,542.8 million as of March 31, 2026, primarily due to (i) an increase in prepayments, other receivables and other assets of RMB511.7 million, (ii) an increase in inventories of RMB366.7 million, (iii) an increase in trade and bills receivables of RMB155.8 million, and (iv) an increase in financial assets at fair value through other comprehensive income of RMB81.4 million, partially offset by an increase in trade and bills payables of RMB807.0 million.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including cash and cash equivalents, available banking facilities, cash flows from operating activities and estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Document.

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025, our indebtedness included interest-bearing bank and other borrowings and lease liabilities. As of March 31, 2026, we had unutilized banking facilities of RMB22,295.8 million. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
		(RMB in thousands)		*(Unaudited)*
Current				
Interest-bearing bank and other borrowings	1,021,812	843,615	1,214,335	1,165,388
Lease liabilities	162	2,067	2,703	2,829
Non-current				
Interest-bearing bank and other borrowings	90,892	1,464,148	1,059,000	1,077,090
Lease liabilities	955	6,825	6,750	6,668
Total	**1,113,821**	**2,316,655**	**2,282,788**	**2,251,975**

Interest-bearing Bank and Other Borrowings

As of December 31, 2023, 2024 and 2025, we had interest-bearing bank and other borrowings (including current and non-current portions) of RMB1,112.7 million, RMB2,307.8 million and RMB2,273.3 million respectively. Our interest-bearing bank and other borrowings typically have terms ranging from one year to three years, with effective interest rates ranging from 1.70% to 2.95%. See Note 33 to the Accountants' Report in Appendix I to this Document.

Our interest-bearing bank and other borrowings increased significantly from RMB1,112.7 million as of December 31, 2023 to RMB2,307.8 million as of December 31, 2024, primarily because we incurred bank borrowings for our acquisition of equity interest in Strong Construction Machinery Co. Ltd. to supplement working capital. Our interest-bearing bank and other borrowings remained relatively stable at RMB2,307.8 million as of December 31, 2024 and RMB2,273.3 million as of December 31, 2025, respectively.

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

Lease Liabilities

During the Track Record Period, our lease liabilities were mainly related to leasehold land, office equipment and transportation vehicles we leased for our business operations. As of December 31, 2023, 2024 and 2025, our total lease liabilities amounted to RMB1.1 million, RMB8.9 million and RMB9.5 million, respectively. Our total lease liabilities increased significantly from RMB1.1 million as of December 31, 2023 to RMB8.9 million as of December 31, 2024, primarily due to the increased leases of office equipment and transportation vehicles in support of our business operations. Our total lease liabilities remained relatively stable at RMB8.9 million as of December 31, 2024 and RMB9.5 million as of December 31, 2025.

Contingent Liabilities

Our certain customers finance their purchase of our construction machinery in the form of bank acceptance notes provided by the commercial banks. We undertake the joint liability guarantee for these customers. In the event of customer default, we are required to make payments to commercial banks for the outstanding amounts due from the customers when the bank acceptance notes are due. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the future net cash outflow. Subsequently, the financial guarantee contract was measured at the higher of the initial recognized amount and the expected credit loss allowance. Our maximum exposure to such guarantees was RMB108.0 million, RMB97.1 million and RMB98.3 million as of December 31, 2023, 2024 and 2025, respectively.

Our certain customers finance their purchase of our construction machinery through bank loans, and we provide guarantees to the commercial banks for the amount drawn by customers. Under the guarantee arrangement, in the event of customer default, we are required to make payment to the commercial banks for the outstanding bank loans due from the customer. At the same time, we are entitled to repossess and sell the machinery collateralized to the commercial banks, and retain any net proceeds in excess of the guarantee payments made to the commercial banks. The terms of these guarantees coincide with the tenure of bank loans. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the future net cash outflow. Subsequently, the financial guarantee contract was measured at the higher of the initial recognized amount and the expected credit loss allowance. Our maximum exposure to such guarantees was RMB51.8 million, RMB29.4 million and RMB17.2 million as of December 31, 2023, 2024 and 2025, respectively.

Our certain customers finance their purchase of our construction machinery through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, we provide guarantee to the third-party leasing companies that in the event of customer default, we are required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, we are entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. The terms of these guarantees coincide with the tenure of the lease contracts. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the future net cash outflow. Subsequently, the financial guarantee contract was measured at the higher of the initial recognized amount and the expected credit loss allowance. Our maximum exposure to such guarantees was RMB869.1 million, RMB938.5 million and RMB1,161.2 million as of December 31, 2023, 2024 and 2025, respectively.

Our certain customers finance their purchase of our construction machinery through cargo-backed loans in the form of bank loans provided by the commercial banks. We undertake the joint liability guarantee for these customers. In the event of customer default, we are required to make payments to commercial banks for the outstanding bank loans due from the customers. The initial fair value of the financial guarantees upon the initial recognition was immaterial, which was measured based on the future net cash outflow. Subsequently, the financial guarantee contract was measured at the higher of the initial recognized amount and the expected credit loss allowance. Our maximum exposure to such guarantees was RMB25.1 million, RMB32.6 million and RMB15.4 million as of December 31, 2023, 2024 and 2025, respectively. See Note 43 to the Accountants' Report in Appendix I to this Document.

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of December 31, 2025, being our indebtedness statement date. Our Directors confirm that there have been no material change in our indebtedness since December 31, 2025 and up to the Latest Practicable Date.

OFF-BALANCE SHEET TRANSACTIONS

As of the Latest Practicable Date, save for disclosed above we had not entered into any material off-balance sheet transactions or arrangements.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our selected property interests as of March 31, 2026. See "Appendix VI—Property Valuation Report" to this Document. The following table sets forth a reconciliation of the market value of our selected property as of March 31, 2026 set out in "Appendix VI—Property Valuation Report" to this Document and the net book value of the selected property in the consolidated financial statements as of December 31, 2025 set out in the Accountants' Report in Appendix I to this Document:

	As of March 31, 2026
	(RMB in thousands)
Net book value of our selected property as of December 31, 2025	306,154
Valuation surplus as of March 31, 2026	1,646
Valuation as of March 31, 2026 as set out in Appendix VI to this Document	**307,800**

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures are primarily used for property, plant and equipment which are summarized as follows:

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Additions of property, plant and equipment	321,446	309,629	341,491

In 2023, 2024 and 2025, our capital expenditures were RMB321.4 million, RMB309.6 million and RMB341.5 million, respectively. We funded these expenditures mainly with cash generated from our business operations and equity financing.

CAPITAL COMMITMENTS

Our capital commitments were RMB230.6 million, RMB131.5 million and RMB215.5 million as of December 31, 2023, 2024 and 2025, which were contracted for purchase of property, plant and equipment. See Note 45 to the Accountant's Report in Appendix I to this Document.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. See Note 46 to the Accountants' Report in Appendix I to this Document. Our Directors believe that these transactions were conducted in the ordinary and usual course of business, and did not distort our results of operations or make our historical results unreflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the date or for the year indicated:

	As of/for the year ended December 31,		
	2023	**2024**	**2025**
Gross profit margin(1) (%)	18.7	19.4	20.7
Net profit margin(2) (%)	7.0	7.8	8.3
Current ratio(3) *(times)*	1.3	1.3	1.3
Return on equity(4) (%)	13.5	19.4	21.2

(1) Gross margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

(3) Current ratio equals current assets divided by current liabilities as of the same date.

(4) Return on equity is calculated based on profit for the year attributable to owners of parent divided by the average of the beginning and ending total equity attributable to owners of the parent multiplied by 100%.

FINANCIAL RISKS MANAGEMENT

We are exposed to a variety of financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. Our overall risk management strategy seeks to minimize potential adverse effects of the aforesaid risks on our financial performance. See Note 49 to the Accountant's Report in Appendix I to this Document.

DIVIDEND

We declared dividends of RMB114.1 million, RMB270.1 million and RMB142.1 million and paid dividend to equity shareholders of RMB113.1 million, RMB224.1 million and RMB141.2 million in 2023, 2024 and 2025, respectively. See Note 11 of the Accountants' Report in Appendix I to this Document. At the annual general meeting held on April 10, 2026, our Shareholders considered and approved the resolution in relation to the proposed payment of a final dividend for 2025 totalling RMB148.5 million. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Any future determination of dividends distribution, as well as the amount will be made at the discretion of our Board of Directors which will be subject to the corporate shareholder approval processes and may be based on a number of factors, including but not limited to our future operations and earnings, capital requirements and surplus, cash flows and general financial condition, contractual restrictions, taxation and other factors from time to time that the Board of Directors may deem relevant, and will also be subject to our Articles of Association and constitutional documents, as well as applicable laws and regulations. We shall distribute cash dividends once per financial year, provided that (i) the applicable conditions for cash dividend distribution are fulfilled; and (ii) there are no material investment plans or significant capital expenditure arrangements. In general, the totalling distributed cash dividends for three consecutive years shall no less than 30% of the average annual distributable profits in the consolidated financial statements over those three years. Interim dividends may also be distributed at discretion of our Board when circumstances permit. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company had retained earnings of RMB3,706.7 million. Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Unaudited [**REDACTED**] Financial Information" in Appendix II to this Document for details of our unaudited [**REDACTED**] adjusted consolidated net tangible assets.

[REDACTED]

[**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. Assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), [**REDACTED**] to be borne by us are estimated to be approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million), comprising: (i) [**REDACTED**] of RMB[**REDACTED**] million (HK$[**REDACTED**] million); and (ii) [**REDACTED**] of RMB[**REDACTED**] million (HK$[**REDACTED**] million), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million); and (b) other fees and expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) of which was charged or is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) of which is expected to be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] are expected to represent approximately [**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.

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

Since the COVID-19 outbreak, a series of precautionary and control measures have been implemented worldwide to contain the virus. We adopted several precautionary measures to maintain a safe and hygienic working environment, such as adopting COVID-19 disinfecting techniques for our offices, distributing masks, adopting flexible working schedules and locations, and implementing internal reporting system. Especially considering our solid performance during the Track Record Period, our Directors are of the view that the COVID-19 outbreak did not have a material adverse effect on our business operations, results of operations and financial condition.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.