

FINANCIAL INFORMATION

You should read the following section in conjunction with our consolidated financial information, including the accompanying notes thereto, as set out in the Accountants’ Report included in Appendix I to this document. Our consolidated financial information for the Track Record Period has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business” in this document.

OVERVIEW

We are a leading one-stop new energy battery thermal safety solutions provider in China, focusing on innovation in new energy battery thermal safety technologies. We specialise in the research, development, manufacturing and sales of new energy battery thermal safety products, offering an integrated four-level closed-loop safety solution and after-sales services that cover active safety (pack-level — Battery Intelligent Thermal Management System), monitoring and early warning (pack-level — Battery Intelligent Detection and Early Warning System), passive safety (pack-level — Battery Intelligent Cooling Suppression System) and fire extinguishing (Cabinet Total Flooding Extinguishing System).”

In FY2023, FY2024, and FY2025, we recorded revenue of RMB234.4 million, RMB386.8 million and RMB916.0 million respectively, and net loss for the same periods amounted to RMB95.8 million, RMB102.3 million, and RMB28.6 million respectively.

BASIS OF PREPARATION

Our historical financial information is prepared under the HKFRS (including the Hong Kong Financial Reporting Standards, the Hong Kong Accounting Standards, and related Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants. We have adopted all HKFRS regulations effective for the accounting period commencing 1 January 2025, and all relevant transitional provisions, throughout the Track Record Period. The historical financial information is prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value.

These statements have been prepared under the going concern basis notwithstanding the fact that, as at 31 December 2025, our Group recorded net liabilities of RMB318.5 million. These statements are prepared for our Group in general, including our Company and its subsidiaries.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OPERATION RESULTS

Our operation results and financial position are affected by a number of factors, including but not limited to those factors set out in the section headed “Risk Factors” in this document, in particular those discussed below:

- Market demand for battery thermal safety solutions for downstream end markets;
- Inherent ability to achieve desired goals from R&D efforts;
- Ability to attract and retain customers, expand market share domestically and globally, and ability to explore and capitalise on opportunities from overseas markets;
- Impact of supply chain costs and reliability on supply chain stability and product manufacturing turnover;
- Ability to manage working capital requirements and maintain adequate liquidity and capital flow

Market Demand for Battery Thermal Safety Solutions for Downstream end markets

Our business models, including future expansions and revenue growths, have depended, and will continue to depend, on downstream demand of EV OEMs and BESS integrators. We offer, among other things, such systems as battery thermal management, thermal runaway detection and early warning, fire suppression and mitigation, and an integrated system combining our other standalone functions. Most of our revenue was earned from supplying these thermal safety solutions to commercial EV OEMs and BESS integrators. For FY2023, FY2024, and FY2025, revenue from sales of such products and solutions totalled RMB234.4 million, RMB386.8 million and RMB916.0 million respectively.

Demand for our products and solutions is primarily driven by demand by downstream markets battery thermal safety solutions, in particular for EV OEMs and BESS integrators. According to the F&S Report, the market size for Li-ion battery thermal safety solutions in the PRC grew from RMB2.1 billion in 2021 to RMB11.5 billion in 2025, representing CAGR of 52.2% between 2021 and 2025. The market is projected to grow further to RMB60.7 billion in 2030, with a CAGR of 39.3% from 2026 to 2030, indicating that the industry as a whole remains in a phase of rapid development. According to the F&S Report, key factors driving the trends in the EV and BESS industries, especially in the PRC, can be grouped into several main themes:

For EV

- (1) Rising battery capacity and energy density — The capacity for passenger EV battery packs have grown from 50–60 kWh to over 80 kWh, and that for heavy-duty commercial EV battery packs to 400 kWh or higher, increasing energy density and thermal runaway severity and speed;
- (2) High-intensity operating conditions — Commercial EV and other high-load applications make basic thermal management inadequate, driving demand for multi-tiered thermal safety solutions with thermal runaway detection and propagation control;

FINANCIAL INFORMATION

- (3) Tightening safety specifications — The PRC and overseas markets are strengthening battery safety standards (including “no fire, no explosion” policies, early warning, propagation control and protection capabilities), especially for commercial EVs and high-risk applications;
- (4) Shifting to higher-level safety solutions — Authorities such as the Ministry of Transport and Ministry of Emergency Management of the PRC are formulating mandatory standards that promote adoption of safety solutions for battery cells, modules and packs.

For BESS

- (1) Larger system scale and higher energy density — Rapid growth in installed energy storage system capacity, higher cell capacity and greater integration concentrate more energy in limited spaces, raising system-level thermal runaway risks;
- (2) China’s dominant shipment share — The PRC accounted for over 90% of global energy storage system shipments, concentrating demand for advanced thermal safety solutions in its domestic supply chains and supporting markets;
- (3) Stronger safety standards and regulation — For energy storage systems, safety standards in the PRC and overseas are being progressively tightened with more concise requirements on system-level safety, thermal runaway prevention and fire protection;
- (4) Shifts from optional to mandatory multi-tiered failsafe systems — Thermal safety configurations are moving from “optional” to “mandatory”; monitoring, early warning, suppression and fire-extinguishing systems have become standard in utility-scale and high-safety-level projects;
- (5) Evolution to system-level safety architecture — Safety is evolving from single thermal management to system-level thermal protection covering risk identification, propagation/diffusion control and accident response, forming a closed-loop safety system inside the battery pack and at system level.

These factors indicate rapid expansion of downstream applications, specifically those of EVs and BESSs, in the future. The market for new-energy batteries is expected to grow substantially, and thus the market for Li-ion battery thermal safety products and solutions will grow accordingly, presenting a wealth of opportunity for growth and advancement. We believe we are exceptionally and suitably positioned to capture growth opportunities created by these trends with our intensive and extensive collaboration and co-operation with upstream suppliers and downstream customers, taking advantage of our network with leading manufacturers.

FINANCIAL INFORMATION

Inherent ability to achieve desired goals from R&D efforts

The solution specifications usually provided to us by customers evolve in response to market trends and their changing preferences and requirements. Given that most, if not all, orders we receive must, by nature, be customised to order, our ability to design and develop new product lines is highly developed. We rely extensively on the skills and experience gained from these exercises in our business, and we expect these skills will continue to be critical in our ability to cater to the diverse needs of our customers.

During the Track Record Period, our research and development expenses reached RMB66.8 million, RMB45.6 million and RMB49.7 million for FY2023, FY2024 and FY2025, accounting for 28.5%, 11.8% and 5.4% of total revenue for each year respectively. We maintain a highly qualified and capable research and development division which, as at the Latest Practicable Date, comprised 82 employees, of which 68 had attained qualifications of Bachelor’s or above.

We believe that our technological breakthroughs and organisational effectiveness have contributed significantly to the consolidation of our market position in the new-energy battery thermal safety solutions industry and enhanced our capability to provide additional value to our customers. We expect to continue significant investment in research and development and will strive to design and develop more technologically advanced and cost-competitive battery thermal safety solution manufacturing facilities.

Ability to attract and retain customers, expand market share, and ability to explore and capitalise on opportunities from overseas markets

Governments of various countries have issued and are issuing favourable policies to guide and promote the development of the new energy industry. Changes in approaches to battery application scenarios by our clients would require us as safety solution providers to adapt and adjust to the new requirements set by domestic and foreign legislation. Compliance with local regulations necessitates innovation to develop marketable technologies that suit our global clientele. We have formed strategic partnerships with EV OEMs and BESS integrators, which build global product sales and brand presence. Collaboration with local leading PRC clients also increase brand exposure in the PRC.

During the Track Record Period, we did not record any overseas revenue. Our business and operations were exclusively domesticated within the PRC.

Impact of supply chain costs and reliability on supply chain stability and product manufacturing turnover

Effective management of supply chains is essential to our business operations. The majority of our costs of sales were incurred over purchases of raw materials, mainly consisting of components and basic new raw materials, standardised components and basic raw materials. We procure these parts based on sales orders and forecasts. Please refer to the section headed “Business — Our Suppliers” in this document for further information. Our raw material consumption cost amounted to RMB134.3 million, RMB343.0 million and RMB626.4 million for FY2023, FY2024 and FY2025 respectively.

FINANCIAL INFORMATION

Raw materials and supplies for our products and solutions were sourced mainly from suppliers based in China’s Yangtze River Delta Economic Zone. We believe we are not excessively constrained by overreliance on any particular supplier, and there is sufficient leverage to divest and procure alternative supply channels. We generally procure materials on an as-needed basis and therefore do not enter into lock-in or lock-out supply contracts. The prices of our supplies are generally agreed upon prior to delivery and remain constant for the duration of the supply contract, which allow us to better manage our procurement costs and provide customers with more accurate and updated pricing on our products and solutions. We enter into co-operation framework agreements with outstanding suppliers and maintain an internal list of approved suppliers after stringent assessments of their ability to perform consistently, to strengthen our co-operative relationships and build a more robust supply chain. We may also elect to terminate a supply contract in case of poor quality and strike a supplier off of our approved supplier list for consistent breaches of contract provisions. We believe we have robust safeguards for effective management of supply chains and procurement of raw materials and components in the near future and can effectively control procurement prices. This solid foundation for our supply chains would also provide a strong tendency for quicker production and more efficient product turnover.

Ability to manage working capital requirements and maintain adequate liquidity and capital flow

Our business operations require significant working capital. We recognise our revenue from sales of new-energy battery thermal safety products and solutions, fully relying upon customer acceptance and receipt. Our ability to manage the level of trade and bill receivables will directly affect our cash levels and liquidity as well as our overall financial condition. Our finance department monitors payments closely and provides reports on receivables and disbursements for review. Our sales department provides end-to-end follow-up and responses to customers’ product, quality, delivery and after-sales requirements, and also evaluates the pricing of each customer order and follows up on and collects trade receivables.

We have strengthened cash flow management procedures. We are of the opinion that there does not exist a substantial or significant opportunity for our cash flows to deteriorate, and that we are able to provide adequate financial support and liquidity for business operations and expansions and strategic investments in the near future.

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements. For more details of our significant accounting judgments and estimates in applying our accounting policies, please refer to Note 2.3 and Note 3 to the Accountants’ Report in Appendix I to this document.

Accounting Standards and Methods

Our reporting currency is the RMB. Our accounting year is from 1 January to 31 December inclusive.

FINANCIAL INFORMATION

Subsidiaries

The Statements of Financial Position are prepared with reference to our Group, including the Company and its subsidiaries, and the Company. The figures stated in this section refer solely to our Group’s overall finances, and the Company’s finances as an individual entity are available for perusal in the Accountants’ Report in Appendix I to this document.

A subsidiary is an entity (including a structured entity) directly or indirectly controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Company the current ability to direct the relevant activities of the investee). The Company’s subsidiaries are listed in the section headed “History, Development and Corporate Structure”. The results of subsidiaries are included in the Company’s statement of profit or loss to the extent of dividends received and receivable. The Company’s investments in subsidiaries are stated at cost less any impairment losses.

Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our Group’s financial liabilities include trade and other payables, interest-bearing bank and other borrowings, and redemption liabilities.

FINANCIAL INFORMATION

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by our Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from our Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

FINANCIAL INFORMATION

Our Group provides for warranties in relation to the sale of products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by our Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Judgements and Estimates

The preparation of the Accountants' Report requires us to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainties about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

These judgements, estimates and assumptions are detailed below.

Performance obligations in a bundled sale of products and installation services

For some of the sales contracts, we provide installation services bundled together with the sale of products to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between our Group and the customer.

We determined that the promises to transfer the products and to provide installation services are not distinct within the context of the contract. The management is of the view that the products and installation services are highly interdependent or highly interrelated, because the products would not be able to function at a satisfactory level without the technical support from us during the installation process, even the execution of installation services may be carried out by other service providers.

Consequently, we determined that the bundled sale of products and installation services is a single performance obligation, and the contract revenue is recognised upon the completion of installation service.

Deferred tax assets

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. For further details on deferred taxes, please refer to Note 3 to the Accountants' Report in Appendix I to this document.

FINANCIAL INFORMATION

Estimation Uncertainty

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities into the next financial year are described below.

Provision for expected credit losses on trade receivables and contract assets

We use a provision matrix to calculate expected credit losses for trade receivables and contract assets. Provision rates are based on ageing for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on our historical observed default rates. We calibrate the matrix to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which may cause increased defaults in the business sectors in which we operate, the historical rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in our forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecasted economic conditions and expected credit losses is a significant estimate. The amount of credit loss is sensitive to changes in circumstances and forecasted economic conditions. Our historical credit loss experience and forecast may also not be representative of a customer’s actual default in the future. The information about our expected losses on trade receivables and contract assets is disclosed in Note 18 and Note 19 to the Accountants’ Report in Appendix I to this document, respectively.

Leases — Estimating the incremental borrowing rate

We use an incremental borrowing rate (“**IBR**”) to measure lease liabilities when we cannot reliably determine lease interest rates. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and we are required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

FINANCIAL INFORMATION

When value in use calculations are undertaken, we must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Share-based payments

Our Company operates a share option scheme and a restricted share scheme. Employees (including directors) of our Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (the "**equity-settled transactions**"). The costs of equity-settled transactions with employees are measured by reference to the fair values at the date at which they are granted. The fair values are determined by an external valuer using valuation models as detailed in Note 30 of the Accountant's Report in Appendix I to this document.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Overview

The table below sets out our selected consolidated statements of profit or loss and other comprehensive income for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

| | Year ended 31 December | | | | | |
|---|---|----------------------|-------------------------|----------------------|------------------------|---------------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| Revenue | 234,414 | 100.0 | 386,774 | 100.0 | 916,018 | 100.0 |
| Cost of sales | <u>(188,508)</u> | <u>(80.4)</u> | <u>(353,557)</u> | <u>(91.4)</u> | <u>(772,015)</u> | <u>(84.3)</u> |
| Gross profit | 45,906 | 19.6 | 33,217 | 8.6 | 144,003 | 15.7 |
| Other income and gains | 13,705 | 5.8 | 16,491 | 4.3 | 18,665 | 2.0 |
| Selling expenses | (35,847) | (15.3) | (39,966) | (10.3) | (34,677) | (3.8) |
| Administrative expenses | (39,234) | (16.7) | (40,021) | (10.3) | (50,302) | (5.5) |
| Research and development expenses | (66,777) | (28.5) | (45,620) | (11.8) | (49,736) | (5.4) |
| Impairment losses on financial and contract assets, net | (100) | (0.0) | (4,291) | (1.1) | (7,751) | (0.8) |
| Fair value losses on redemption liabilities | (9,091) | (3.9) | (15,098) | (3.9) | (39,101) | (4.3) |
| Other expenses and losses | (306) | (0.1) | (131) | (0.0) | (103) | (0.0) |
| Finance costs | <u>(4,050)</u> | <u>(1.7)</u> | <u>(6,892)</u> | <u>(1.8)</u> | <u>(9,565)</u> | <u>(1.0)</u> |
| Loss before tax | (95,794) | (40.9) | (102,311) | (26.5) | (28,567) | (3.1) |
| Income tax expense | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Loss for the year | <u>(95,794)</u> | <u>(40.9)</u> | <u>(102,311)</u> | <u>(26.5)</u> | <u>(28,567)</u> | <u>(3.1)</u> |

FINANCIAL INFORMATION

Adjusted profit/loss (non-HKFRS measure)

To supplement our consolidated financial statements presented in accordance with HKFRS, we use a non-HKFRS measure, adjusted profit/loss for the year, which is not required by, nor presented in accordance with, the HKFRS. We believe that such an adjustment measure facilitates comparisons of operating performance from period to period and company to company by eliminating items that our management does not consider to be indicative for our operating performance.

We believe that this measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit/loss for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-HKFRS measures have limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analyses of, our results of operations or financial position as reported under the HKFRS. We defined adjusted profit/loss for the year as profit/loss for the year adjusted by adding back (i) equity-settled share-based payment expenses; (ii) fair value profit on financial liabilities at FVTPL, to loss for the year. These adjustments show the effect of non-operational items on profit/loss for the year.

The table below reconciles our adjusted profit/loss (non-HKFRS measure) for the periods indicated with our net profit/loss presented in accordance with HKFRS:

| | Year Ended 31 December | | |
|---|-------------------------------|------------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Loss for the year | (95,794) | (102,311) | (28,567) |
| Add: | | | |
| Equity-settled share-based payment expenses | 112 | 31 | 11,768 |
| Fair value losses on redemption liabilities | <u>9,091</u> | <u>15,098</u> | <u>39,101</u> |
| Adjusted profit/(loss) | | | |
| (Non-HKFRS measure) | <u><u>(86,591)</u></u> | <u><u>(87,182)</u></u> | <u><u>22,302</u></u> |

We recorded (1) an adjusted loss of RMB86.6 million in FY2023 and RMB87.2 million in FY2024; (2) and an adjusted net profit of RMB22.3 million in FY2025 under adjustments by the non-HKFRS measure.

FINANCIAL INFORMATION

Revenue

We generate revenue through the sale of Li-ion battery thermal safety technology solutions for EV OEMs and BESS integrators respectively.

A breakdown of revenue by application for the years indicated is set out below:

| | Year ended 31 December | | | | | |
|----------------------|---|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| EV (L1) | 103,310 | 44.1 | 180,009 | 46.5 | 536,462 | 58.6 |
| BESS (L2+L3+L4) | <u>131,104</u> | <u>55.9</u> | <u>206,765</u> | <u>53.5</u> | <u>379,556</u> | <u>41.4</u> |
| Total revenue | <u>234,414</u> | <u>100.0</u> | <u>386,774</u> | <u>100.0</u> | <u>916,018</u> | <u>100.0</u> |

All of our sales were made to customers in the PRC market, and while we had indirect exports of our products and solutions, we did not generate revenue through direct exports to overseas customers during the Track Record Period.

The AUP and quantity sold of our products, for the years indicated is set out below:

| | Year ended 31 December | | | | | |
|-----------------|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Price</i> | <i>Units</i> | <i>Price</i> | <i>Units</i> | <i>Price</i> | <i>Units</i> |
| | <i>(RMB, except for units sold)</i> | | | | | |
| EV (L1) | 10,007 | 10,324 | 10,066 | 17,883 | 8,969 | 59,814 |
| BESS (L2+L3+L4) | 47,194 | 2,778 | 33,528 | 6,167 | 39,158 | 9,693 |

We have been trying to attract more customers in 2024, and we implemented low-pricing strategies to increase market share in the BESS market. For details, please refer to the section headed “Business — Our Strategies” in this document. We have also imposed expense controls on material procurement to increase our profit margin in 2025; we were able to lower costs under continuously competitive business environments through economies of scale. These strategies allowed us to increase the number of units sold and sales revenue for both EV and BESS products and solutions from FY2023 to FY2025.

Cost of sales

Our costs of sales consist of raw materials, direct labour, other indirect costs, and changes in inventory. We incurred a total cost of sales of RMB188.5 million, RMB353.6 million and RMB772.0 million in FY2023, FY2024 and FY2025 respectively.

FINANCIAL INFORMATION

Breakdowns of our cost of sales by (i) types of costs and (ii) application for the years indicated are set out below:

| | Year ended 31 December | | |
|----------------------------|------------------------|----------------|----------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Raw materials | 134,279 | 342,973 | 626,420 |
| Direct labour | 14,609 | 21,474 | 23,460 |
| Other indirect costs | 36,762 | 55,568 | 106,057 |
| Changes in inventory | 2,858 | (66,458) | 16,078 |
| Total cost of sales | 188,508 | 353,557 | 772,015 |

| | Year ended 31 December | | | | | |
|----------------------------|---|--------------|----------------|--------------|----------------|--------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| EV (L1) | 61,733 | 32.7 | 128,289 | 36.3 | 408,671 | 52.9 |
| BESS (L2+L3+L4) | 126,775 | 67.3 | 225,268 | 63.7 | 363,344 | 47.1 |
| Total cost of sales | 188,508 | 100.0 | 353,557 | 100.0 | 772,015 | 100.0 |

Our changes in inventory comprised finished products or works in progress. In FY2024, the substantial inventory related to finished products that we produced based on certain orders we received and in anticipation of sales in early 2025. In FY2025, there was no such level of orders from customers similar to those in FY2024 where we were required to produce in anticipation of early sales in the following year.

There were no large-denomination one-time expenses during the Track Record Period.

Gross profit and gross profit margin

Our gross profit represents our revenue less cost of sales. Our gross profit margin is calculated by dividing gross profit by revenue.

A breakdown of gross profit by application for the years indicated is set out below:

| | Year ended 31 December | | | | | |
|---------------------|---|-------------|---------------|------------|----------------|-------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| EV (L1) | 41,576 | 40.2 | 51,720 | 28.7 | 127,791 | 23.8 |
| BESS (L2+L3+L4) | 4,329 | 3.3 | (18,503) | (8.9) | 16,212 | 4.3 |
| Gross profit | 45,906 | 19.6 | 33,217 | 8.6 | 144,003 | 15.7 |

A substantial portion of our profit margin was generated from sales of EV products and solutions during the Track Record Period. The fluctuation of the gross profit of our BESS products and solutions was mainly due to our strategic pricing strategy. For details, please refer to the paragraph headed “Statements of Profit or Loss and Other Comprehensive Income — Revenue” in this section.

FINANCIAL INFORMATION

Other income and gains

Our other income and gains mainly represent government grants, interest income, gains on disposal of financial investments at fair value through profit or loss, and other gains.

A breakdown of our other income and gains for the years indicated is set out below:

| | Year ended 31 December | | | | | |
|--|---|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| Government grants | 13,249 | 96.7 | 16,332 | 99.0 | 16,168 | 86.6 |
| Bank interest income | 345 | 2.5 | 50 | 0.3 | 47 | 0.3 |
| Gain on disposal of financial investments at fair value through profit or loss | — | — | — | — | 2,113 | 11.3 |
| Other gains | 111 | 0.8 | 109 | 0.7 | 337 | 1.8 |
| Total other income and gains | <u>13,705</u> | <u>100.0</u> | <u>16,491</u> | <u>100.0</u> | <u>18,665</u> | <u>100.0</u> |

These fluctuations were mainly due to the non-repetitive nature of government grants, which were awarded according to the grant policy of that financial year, and our own initiative in applying for such grants.

Certain government grants were disbursed to us as instalments over several years. For example, our recognition as a “Little Giant” enterprise has allowed us to benefit from a government grant disbursed over three years; these sums were recognised as other income and gains when and as received by our Group.

Selling expenses

Our selling expenses consist of labour costs, travelling expenses, advertisement, exhibitions and professional service expenses, business entertainment expenses, and other expenses.

A breakdown of selling expenses by nature for the years indicated is set out below:

| | Year ended 31 December | | | | | |
|---|---|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| Labour costs | 13,861 | 38.7 | 19,395 | 48.5 | 21,029 | 60.6 |
| Travelling expenses | 5,599 | 15.6 | 7,318 | 18.3 | 6,070 | 17.5 |
| Advertisements, exhibitions and professional service expenses | 6,117 | 17.1 | 5,886 | 14.7 | 3,227 | 9.3 |
| Business entertainment expenses | 6,473 | 18.1 | 5,205 | 13.0 | 2,580 | 7.5 |
| Others | 3,797 | 10.5 | 2,162 | 5.5 | 1,771 | 5.1 |
| Total selling expenses | <u>35,847</u> | <u>100.0</u> | <u>39,966</u> | <u>100.0</u> | <u>34,677</u> | <u>100.0</u> |

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses consist of labour costs, office expenses, rent and utilities, depreciation and amortisation, professional service fees, travelling expenses and other expenses.

A breakdown of administrative expenses by nature for the years indicated is set out below:

| | Year ended 31 December | | | | | |
|--------------------------------------|---|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| Labour costs | 19,501 | 49.7 | 21,889 | 54.7 | 30,992 | 61.6 |
| Office expenses | 3,557 | 9.1 | 5,032 | 12.6 | 7,753 | 15.4 |
| Rent and utilities | 1,791 | 4.6 | 634 | 1.6 | 956 | 1.9 |
| Depreciation and amortisation | 5,005 | 12.7 | 4,873 | 12.2 | 4,378 | 8.7 |
| Professional service fees | 2,743 | 7.0 | 1,170 | 2.9 | 1,576 | 3.1 |
| Travelling expenses | 1,887 | 4.8 | 2,176 | 5.4 | 1,703 | 3.4 |
| Others | <u>4,750</u> | <u>12.1</u> | <u>4,247</u> | <u>10.6</u> | <u>2,944</u> | <u>5.9</u> |
| Total administrative expenses | <u>39,234</u> | <u>100.0</u> | <u>40,021</u> | <u>100.0</u> | <u>50,302</u> | <u>100.0</u> |

Research and development expenses

Our R&D expenses mainly consist of labour costs, direct costs, depreciation and amortisation, amortisation of intangible assets, contracted R&D and other costs.

A breakdown of our R&D expenses for the years indicated is set out below:

| | Year ended 31 December | | | | | |
|-----------------------------------|---|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 2023 | | 2024 | | 2025 | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| | <i>(RMB'000, except for percentage)</i> | | | | | |
| Labour costs | 42,128 | 63.1 | 32,361 | 70.9 | 31,117 | 62.6 |
| Direct costs | 15,144 | 22.7 | 6,433 | 14.1 | 9,279 | 18.7 |
| Depreciation and amortisation | 1,801 | 2.7 | 1,947 | 4.3 | 2,752 | 5.5 |
| Amortisation of intangible assets | 1,195 | 1.8 | 1,272 | 2.8 | 1,438 | 2.9 |
| Contracted R&D | 2,987 | 4.5 | 85 | 0.2 | 298 | 0.5 |
| Other costs | <u>3,522</u> | <u>5.2</u> | <u>3,522</u> | <u>7.7</u> | <u>4,852</u> | <u>9.8</u> |
| Total R&D expenses | <u>66,777</u> | <u>100.0</u> | <u>45,620</u> | <u>100.0</u> | <u>49,736</u> | <u>100.0</u> |

During the Track Record Period, we did not capitalise any of our R&D expenses.

FINANCIAL INFORMATION

Impairment losses on financial and contract assets, net

Our net impairment losses on financial and contract assets mainly represent losses from trade and bill receivables, contract assets and prepayments and other receivables.

A breakdown of our impairment losses for the years indicated is set out below:

| | Year Ended 31 December | | |
|---|-------------------------------|---------------------|---------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Impairment of/(reversal of impairment of) | | | |
| financial and contract assets, net | | | |
| — Trade receivables | 118 | 4,217 | 7,612 |
| — Bill receivables | 1 | 5 | 6 |
| — Contract assets | (82) | 39 | 184 |
| — Prepayments, other receivables and other assets | 63 | 30 | (51) |
| Total | <u>100</u> | <u>4,291</u> | <u>7,751</u> |

Fair value losses on redemption liabilities

The movements of our redemption liabilities for the years indicated is set out below:

| | Year Ended 31 December | | |
|--|-------------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Beginning of year | 147,625 | 236,716 | 281,814 |
| Fair value changes recognised in profit or loss | 9,091 | 15,098 | 39,101 |
| New redemption liabilities | <u>80,000</u> | <u>30,000</u> | <u>—</u> |
| End of year | <u>236,716</u> | <u>281,814</u> | <u>320,915</u> |

All of the financial liabilities above, namely the redemption liabilities that arose from the redemption rights granted to [REDACTED], will be reclassified from liabilities to equity before [REDACTED].

FINANCIAL INFORMATION

Other expenses and losses

Our other expenses and losses include mainly net foreign exchange differences from overseas purchases, net losses on disposal/write-off of PPE and other losses.

A breakdown of our other expenses and losses for the years indicated is set out below:

| | Year Ended 31 December | | |
|--|-------------------------------|-------------|-------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Exchange losses, net | — | 5 | 53 |
| Losses on disposal/write-off of PPE, net | 305 | 126 | — |
| Others | 1 | — | 50 |
| Total other expenses and losses | 306 | 131 | 103 |

Finance costs

Our finance costs mainly represent interest payments for bank and other borrowings, and interest on lease liabilities.

A breakdown of our finance costs for the years indicated is set out below:

| | Year Ended 31 December | | |
|----------------------------|-------------------------------|--------------|--------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Interest on: | | | |
| — Bank borrowings | 3,276 | 6,238 | 9,311 |
| — Other borrowings | 239 | 365 | 165 |
| — Lease liabilities | 535 | 289 | 89 |
| Total finance costs | 4,050 | 6,892 | 9,565 |

Our interest payments were incurred through borrowings and liabilities conducted as part of our normal commercial financing transactions. Increases in finance principal directly precipitate the increase of interest incurred. For details of our interest-bearing borrowings, please refer to the paragraph headed “— Interest-Bearing Bank and Other Borrowings” in this section.

Income tax expenses

During the Track Record Period, we did not generate any taxable profits. For further details, please refer to Note 10 to the Accountants’ Report in Appendix I to this document.

As at the Latest Practicable Date, we had completed our tax registrations and payments in accordance with the law and did not have any material dispute with any tax authority.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2025 compared to FY2024

Revenue

Our revenue increased by 136.8% from RMB386.8 million in FY2024 to RMB916.0 million in FY2025.

Despite the overall industry price pressure, we have received customers’ recognition of the value and performance of our products. This, in turn, led to our market recognition which was reflected in our sales performance during the period that was in line with the growth in the EV and BESS application industry.

Our revenue from the sales of products and solutions to EV OEMs increased by 198.1%, from RMB180.0 million in FY2024 to RMB536.5 million in FY2025 which was primarily due to an increase in the sales of our commercial EV products and solutions to Sinotruk Group by 706.5% from RMB32.3 million in FY2024 to RMB260.5 million in FY2025 from sales of a novel strategic 2-in-1 platform thermal management products solution to EV OEMs. We offered low pricing of our selling prices for EV products and solutions to attract customers in 2025. This pricing strategy accounted for the significant increase in (i) sales of our 2-in-1 platform thermal management products and solutions, and (ii) quantity sold to major customers.

Our revenue from the sales of products and solutions to BESS integrators increased by 83.6%, from RMB206.8 million in FY2024 to RMB379.6 million in FY2025 which was primarily due to an increase in the sales of our BESS products and solutions to Customer E by 223.9% from RMB36.4 million in FY2024 to RMB117.9 million in FY2025 due to sales of a high-end product that increased our sales. We implemented a low-pricing strategy for our high-end BESS products and solutions.

We have been trying to attract more customers during FY2024, and we implemented low-price penetrative strategies to increase market share in BESS. We have also imposed expense controls on material procurement and operation cost to increase our profit margin; we were able to lower costs under continuously competitive business environments. These strategies allowed us to increase the number of units sold for both EV and BESS products and solutions from FY2024 to FY2025.

Cost of sales

Our total cost of sales increased by 118.3% from RMB353.6 million in FY2024 to RMB772.0 million in FY2025, which was primarily attributable to an increase in our consumption of raw materials required to support our sales volume.

Our consumption raw material costs increased by 82.6% from RMB343.0 million in FY2024 to RMB626.4 million in FY2025, which was primarily due to the significantly increased sales by 136.8% from RMB386.8 million in FY2024 to RMB916.0 million in FY2025, requiring a correspondingly significant increase in materials required to meet product demand.

FINANCIAL INFORMATION

Our changes in inventory comprised finished products or works in progress. In FY2024, the substantial inventory related to finished products that we produced based on certain orders we received and in anticipation of sales in early 2025. In FY2025, there was no such level of orders from customers similar to those in FY2024 where we were required to produce in anticipation of early sales in the following year.

Our other indirect costs included transport and logistics expenses and rental and utilities, which increased by 90.8% from RMB55.6 million in FY2024 to RMB106.1 million in FY2025 due to significant increase in overall sales from FY2024 to FY2025 that required additional overhead expenses to meet sales demand.

Gross profit and gross profit margin

Our gross profit increased significantly by 333.7% from RMB33.2 million in FY2024 to RMB144.0 million in FY2025, which was primarily due to an increase in gross profit from sales of EV products and solutions to commercial EV OEMs. The AUP of EV products decreased by 10.9% from RMB10,066 in FY2024 to RMB8,969 in FY2025 and the sales volume of EV products increased by 234.5% from 17,883 units to 59,814 units. Due to a significant increase in sales volume, our gross profit for EV products increased by 147.2% from RMB51.7 million in FY2024 to RMB127.8 million in FY2025. We engaged in promotional discounts for our EV products and solutions, which allowed us to increase market share and increase sales volume through scaling up of sales operations.

Our gross profit margin has followed a similar trend and increased from 8.6% in FY2024 to 15.7% in FY2025, which was primarily due to an improvement of gross margin of BESS products from a loss of -8.9% to a profit of 4.3%. The AUP of our BESS products and solutions increased 16.8% from RMB33,528 to RMB39,158, and the sales volume of BESS products and solutions increased further by 57.2% from 6,167 units to 9,693 units in FY2025. The above reflected our cost control measures with a view to (i) increasing the units sold to our customers, and (ii) enhancing our profit margin for BESS products and solutions in FY2025, together with our expanded sales of high-end products with higher price, thereby increasing both the AUP and units sold, which significantly increased our gross profit.

Other income and gains

Our other income and gains increased by 13.3% from RMB16.5 million in FY2024 to RMB18.7 million in FY2025 which was primarily due to gain on disposal of financial investments at fair value through profit or loss of RMB2.1 million.

Selling expenses

Our selling expenses decreased by 13.3% from RMB40.0 million in FY2024 to RMB34.7 million in FY2025, which was primarily due to stricter internal controls on budgeting, including travelling expenses.

There were decreases in advertisements, exhibitions and professional service expenses by RMB2.7 million as we participated in fewer but more quality exhibitions for higher exposure. As a result, we decreased our travelling expenses by RMB1.2 million.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses increased by 25.8% from RMB40.0 million in FY2024 to RMB50.3 million in FY2025, which was primarily due to a significantly increased equity-settled share-based payments of RMB8.3 million in FY2025, and an increase in office expenses of RMB2.7 million.

Research and development expenses

Our R&D expenses increased by 9.0% from RMB45.6 million in FY2024 to RMB49.7 million in FY2025.

The increase in our R&D expenses was mainly due to, among others, (i) direct costs which increased by 45.3% from RMB6.4 million in FY2024 to RMB9.3 million in FY2025, primarily due to an increase in our material procurement for investments in strategic projects, one of which is the novel strategic 2-in-1 platform thermal management products and solutions for EV OEMs and BESS high-end product development, and (ii) contracted R&D costs for non-essential research which increased by 250.6% from RMB85,000 in FY2024 to RMB298,000 in FY2025, primarily due to an increase in the requirement for contract services in projects for FY2025.

Impairment losses on financial and contract assets, net

Our total impairment losses increased by 81.4% from RMB4.3 million in FY2024 to RMB7.8 million in FY2025, which was primarily due to an increase in trade and bills receivables by 123.9% from RMB266.6 million in FY2024 to RMB596.9 million in FY2025.

Fair value losses on redemption liabilities

Our fair value losses on redemption liabilities increased by 158.9% from RMB15.1 million in FY2024 to RMB39.1 million in FY2025. For details, please refer to the paragraph headed “— Statements of Financial Position — Redemption Liabilities” in this section.

Other expenses and losses

Our other expenses and losses decreased by 21.4% from RMB131,000 in FY2024 to RMB103,000 in FY2025, which was primarily due to a decrease of RMB126,000 in losses on disposal/write-off of PPE, partially offset by the exchange and other losses.

Finance costs

Our finance costs increased by 39.1% from RMB6.9 million in FY2024 to RMB9.6 million in FY2025, which were primarily due to an increase in interests on borrowings and lease liabilities. Our total current and non-current interest-bearing bank and other borrowings increased by 32.7% from RMB250.1 million in FY2024 to RMB332.0 million in FY2025. This corresponds to an increase in our bank borrowings arising from the growth of business, which, in turn, resulted in an increase in interests on bank borrowings by 50.0% from RMB6.2 million in FY2024 to RMB9.3 million in FY2025.

FINANCIAL INFORMATION

Income tax expenses

During the Track Record Period, we did not generate taxable profits and thus incurred no income tax expense.

Loss for the year

Based on the above, our net losses decreased by 72.0% from RMB102.3 million in FY2024 to RMB28.6 million in FY2025.

FY2024 compared with FY2023

Revenue

Our revenue increased by 65.0% from RMB234.4 million in FY2023 to RMB386.8 million in FY2024.

Despite the overall industry price pressure, we have received customers’ recognition of the value and performance of our products. This, in turn, led to our market recognition which was reflected in our sales performance during the period that was in line with the growth in the EV and BESS application industry.

Our revenue from the sales of our products and solutions to commercial EV OEMs increased by 74.2% from RMB103.3 million in FY2023 to RMB180.0 million in FY2024. The unit price of our EV products and solutions remained relatively stable from RMB10,007 in FY2023 to RMB10,066 in FY2024. Total units sold increased by 73.2% from 10,324 units in 2023 to 17,883 units in 2024.

Our revenue from the sales of our products and solutions to BESS integrators increased by 57.7% from RMB131.1 million in FY2023 to RMB206.8 million in FY2024. We engaged in low-pricing strategies of our BESS products and solutions to increase the units sold to our customers, causing our unit price to decrease by 29.0% for RMB47,194 in FY2023 to RMB33,528 in FY2024. However, units sold increased by 122.0% for 2,778 units in 2023 to 6,167 units in 2024.

We increased our sales of commercial EV products and solutions to Customer D by 442.4% from RMB9.2 million in FY2023 to RMB49.9 million in FY2024. Our sales of BESS products and solutions to Customer E, which was a new customer, was RMB36.4 million in FY2024. These primarily contributed to the overall increase in revenue in 2024.

Cost of sales

Our total cost of sales increased by 87.6% from RMB188.5 million in FY2023 to RMB353.6 million in FY2024, which was primarily due to an increase in consumption of raw materials by 155.4% from RMB134.3 million in FY2023 to RMB343.0 million in FY2024. Our other indirect costs increased by 51.1% from RMB36.8 million in FY2023 to RMB55.6 million in FY2024. This was in line with the trend of the significant increases in overall sales from FY2023 to FY2024 that utilised more raw materials required additional overhead expenses to meet sales demand.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit decreased by 27.7% from RMB45.9 million in FY2023 to RMB33.2 million in FY2024 due to a significant decrease in gross profit for BESS products from a gross profit of RMB4.3 million in FY2023 to a gross loss of RMB18.5 million in FY2024, which was primarily due to the implementation of low-price penetrative pricing strategies in BESS application with a view to increasing the units sold to our customers, partially offset by an increase in gross profit by 24.3% from RMB41.6 million in FY2023 to RMB51.7 million in FY2024 for the EV application.

The AUP of EV products increased by 0.59% from RMB10,007 in FY2023 to RMB10,066 in FY2024 and the sales volume of EV products increased by 73.2% from 10,324 units in FY2023 to 17,883 units in FY2024. The AUP of our BESS products and solutions decreased by 29.0% from RMB47,194 to RMB33,528 and the sales volume of BESS products and solutions increased by 122.0% from 2,778 units in FY2023 to 6,167 units in FY2024. Due to a significant increase in sales volume, our gross profit for EV products increased by 24.3% from RMB41.6 million in FY2023 to RMB51.7 million in FY2024. We engaged in promotional discounts for our BESS products and solutions, which allowed us to increase market share and increase sales volume through scaling up of sales operations.

The gross profit margin has followed a similar trend which decreased from 19.6% in FY2023 to 8.6% in FY2024. This was primarily due to a decrease in gross profit margins for (i) EV from 40.2% in FY2023 to 28.7% in FY2024; and (ii) BESS of 3.3% in FY2023 to a gross loss margin of 8.9% in FY2024.

Other income and gains

Our other gains increased by 20.4% from RMB13.7 million in FY2023 to RMB16.5 million in FY2024, which was primarily due to an increase in government grants obtained by 23.5% from RMB13.2 million in FY2023 to RMB16.3 million in FY2024.

Selling expenses

Our selling expenses increased by 11.7% from RMB35.8 million in FY2023 to RMB40.0 million in FY2024, which was primarily due to an increase in our labour costs of RMB5.5 million in 2024 as a result of growth in our business operations by 39.6% from RMB13.9 million in FY2023 to RMB19.4 million in FY2024.

Administrative expenses

Our administrative expenses remained stable at RMB39.2 million in FY2023 and RMB40.0 million in FY2024. There were no significant changes in expenditure composition from FY2023 to FY2024.

Research and development expenses

Our R&D expenses decreased by 31.7% from RMB66.8 million in FY2023 to RMB45.6 million in FY2024.

In 2023, our development focus was primarily on determining which projects were more capable of revenue generation, of which we would select those with higher potential. Starting from 2024, we strategically transitioned from research diversification for identifying market preferences to

FINANCIAL INFORMATION

concentration on projects deemed to be commercially viable and valuable. In 2023, we undertook 116 R&D projects; the number of our projects decreased to 24 in 2024, as we increasingly concentrated our efforts on those projects considered to have a potentially higher return on investment.

The decrease in our R&D expenses was mainly due to, among others (i) direct costs which decreased by 57.6% from RMB15.1 million in FY2023 to RMB6.4 million in FY2024, which was primarily due to the decrease in our material procurement which, in turn, was due to the decrease in the overall number of projects; (ii) labour costs which decreased by 23.0% from RMB42.1 million in FY2023 to RMB32.4 million in FY2024, which was primarily due to streamlining in the R&D process that enabled the optimisation of our staff structure and the enhancement of our overall operational efficiency; and (iii) contracted R&D costs for non-essential research which decreased by 97.2% from RMB3.0 million to RMB85,000, which were primarily due to a decrease in the overall number of projects.

We incurred contracted R&D costs if and as required by project requirements. The fluctuations in contracted R&D costs reflect the specific requirements for third-party research required for each individual project, and do not constitute a pattern of recurring expenses. In 2024, the significant cost reduction in contracted R&D costs reflected the decrease in the number of projects from 116 to 24. The same contracted R&D costs increased to reflect the increased requirement for contract services in the individual outstanding projects for 2023.

Impairment losses on financial and contract assets, net

Our impairment losses increased by 4,200% from RMB100,000 in FY2023 to RMB4.3 million in FY2024, which was primarily due to an increase of trade and bills receivables by 64.7% from RMB161.9 million in FY2023 to RMB266.6 million in FY2024.

Fair value losses on redemption liabilities

Our fair value losses on redemption liabilities increased by 65.9% from RMB9.1 million in FY2023 to RMB15.1 million in FY2024. For details, please refer to the paragraph headed “— Statements of Financial Position — Redemption Liabilities” in this section.

Other expenses and losses

Our other expenses and losses decreased by 57.2% from RMB306,000 in FY2023 to RMB131,000 in FY2024, which was primarily due to a decrease in losses on disposal/write-off of PPE assets by 58.7% from RMB305,000 in FY2023 to RMB126,000 in FY2024.

Finance costs

Our finance costs increased by 68.3% from RMB4.1 million in FY2023 to RMB6.9 million in FY2024, which was primarily due to an increase in interests on borrowings. Our interest-bearing bank and other borrowing increased by 115.8% from RMB115.9 million in FY2023 to RMB250.1 million in FY2024. This corresponds to an increase in interests on bank borrowings by 87.9% from RMB3.3 million in FY2023 to RMB6.2 million in FY2024.

FINANCIAL INFORMATION

Income tax expenses

During the Track Record Period, we did not generate taxable profits and thus incurred no income tax expense.

Loss for the year

Based on the above, our net losses increased by 6.8% from RMB95.8 million in FY2023 to RMB102.3 million in FY2024.

STATEMENTS OF FINANCIAL POSITION

Overview

The following table comprises selected information from our consolidated statements of financial position as at the dates indicated and inclusive, extracted from the same statements which are reproduced in the Accountants’ Report in Appendix I to this document:

| | As at 31 December | | |
|---|--------------------------|-----------------------|-----------------------|
| | <u>2023</u> | <u>2024</u> | <u>2025</u> |
| | <i>(RMB'000)</i> | | |
| Non-current assets: | | | |
| Property, plant and equipment | 41,048 | 41,216 | 33,175 |
| Right-of-use assets | 11,951 | 6,263 | 5,737 |
| Other intangible assets | 11,556 | 11,471 | 10,728 |
| Contract assets | 5,100 | 7,928 | 23,815 |
| Prepayments, other receivables and other assets | <u>3,402</u> | <u>1,156</u> | <u>391</u> |
| Total non-current assets | <u>73,057</u> | <u>68,034</u> | <u>73,846</u> |
| Current assets: | | | |
| Inventories | 64,794 | 139,987 | 136,703 |
| Trade and bill receivables | 161,892 | 266,631 | 596,934 |
| Contract assets | 9,089 | 16,961 | 28,426 |
| Prepayments, other receivables and other assets | 21,054 | 36,742 | 27,437 |
| Prepaid tax | — | 15 | 73 |
| Restricted cash | 5,544 | 1,307 | 6,514 |
| Cash and cash equivalents | <u>9,917</u> | <u>15,834</u> | <u>34,326</u> |
| Total current assets | <u>272,290</u> | <u>477,477</u> | <u>830,413</u> |

FINANCIAL INFORMATION

| | As at 31 December | | |
|--|--------------------------|-------------------------|-------------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Current liabilities | | | |
| Trade and bill payables | 130,448 | 236,771 | 501,826 |
| Contract liabilities | 2,476 | 12,061 | 2,828 |
| Other payables and accruals | 39,617 | 41,749 | 29,132 |
| Interest-bearing bank and other borrowings | 105,835 | 240,120 | 322,034 |
| Lease liabilities | 5,964 | 4,641 | 3,771 |
| Redemption liabilities | — | 281,814 | 320,915 |
| Provision | 3,822 | 4,715 | 8,611 |
| Total current liabilities | <u>288,162</u> | <u>821,871</u> | <u>1,189,117</u> |
| Net current liabilities | (15,872) | (344,394) | (358,704) |
| Total assets less current liabilities | 57,185 | (276,360) | (284,858) |
| Non-current liabilities | | | |
| Other payables and accruals | — | 5,580 | 5,602 |
| Interest-bearing bank and other borrowings | 10,063 | 10,000 | 10,000 |
| Lease liabilities | 4,641 | — | — |
| Redemption liabilities | 236,716 | — | — |
| Provision | 5,138 | 9,713 | 17,992 |
| Total non-current liabilities | <u>256,558</u> | <u>25,293</u> | <u>33,594</u> |
| Net liabilities | (199,373) | (301,653) | (318,452) |
| Deficit | | | |
| Paid-up capital | 35,592 | 36,185 | 36,185 |
| Reserves | (234,965) | (337,838) | (354,637) |
| Total deficit | <u>(199,373)</u> | <u>(301,653)</u> | <u>(318,452)</u> |

FINANCIAL INFORMATION

PPE

Our PPE primarily consist of plant and machinery, testing equipment, electronics and other equipment, motor vehicles, leasehold improvements, and constructions in progress. PPE remained relatively stable from RMB41.0 million as at 31 December 2023 to RMB41.2 million as at 31 December 2024. The table below sets out our net carrying amount of PPE as at the dates indicated:

| | As at 31 December | | |
|---------------------------------|--------------------------|---------------|---------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Plant and machinery | 13,613 | 18,917 | 16,992 |
| Testing equipment | 10,372 | 9,650 | 11,425 |
| Electronics and other equipment | 5,391 | 4,328 | 3,386 |
| Motor vehicles | 859 | 616 | 1,052 |
| Leasehold improvements | 5,776 | 3,523 | 95 |
| Construction in progress | 5,037 | 4,182 | 225 |
| Net carrying amount | 41,048 | 41,216 | 33,175 |

Our total plant and machinery increased from FY2023 to FY2024 by RMB5.3 million, which was due to the transfers of RMB7.2 million from construction in progress.

Our testing equipment increased by 17.5% from RMB9.7 million as at 31 December 2024 to RMB11.4 million as at 31 December 2025 due to the transfers of RMB5.2 million from construction in progress. The lease improvements, which related to renovation costs, had decreased by 39.7% from RMB5.8 million as at 31 December 2023 to RMB3.5 million as at 31 December 2024, and decreased further by 97.3% to RMB95,000 as at 31 December 2025, primarily due to the depreciation charges incurred during the year.

Right-of-use assets

Our right-of-use assets represents interests in land and leasehold properties. Our right-of-use assets decreased significantly by 47.5% from RMB12.0 million as at 31 December 2023 to RMB6.3 million as at 31 December 2024; and further decreased by 9.5% to RMB5.7 million as at 31 December 2025.

The movement of our right-of-use assets for the years indicated is set out below:

| | Year ended 31 December | | |
|-----------------------|-------------------------------|--------------|--------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Opening amount | 17,639 | 11,951 | 6,263 |
| Depreciation | (5,688) | (5,688) | (5,527) |
| Lease modifications | — | — | 5,001 |
| Closing amount | 11,951 | 6,263 | 5,737 |

FINANCIAL INFORMATION

These right-of-use assets mainly represented the lease of production facilities and offices in Shanghai, the PRC.

Our lease modifications are related to our Shanghai facilities. These facilities were originally leased from 1 October 2022 to 30 September 2025 which was extended from 1 October 2025 to 30 September 2026.

Other intangible assets

Our intangible assets mainly consist of proprietary software, which were purchased from third parties, used in our daily operations. We possessed software assets worth RMB11.6 million as at 31 December 2023 which decreased to RMB11.5 million as at 31 December 2024, and further decreased to RMB10.7 million as at 31 December 2025.

Software is stated at cost less impairment losses and is amortised linearly over a lifespan of 10 years. The principal annual rate used is 10%. For details, please refer to Note 2.3 of the Accountant’s Report in Appendix I of this document.

Contract assets

Our contract assets comprise retention receivables from sale of products and solutions. Due to an increase in sales, our long-term and current contract assets increased by 75.4% from RMB14.2 million as at 31 December 2023 to RMB24.9 million as at 31 December 2024, and further increased by 109.6% to RMB52.2 million as at 31 December 2025.

Our retention receivables usually comprise 5% to 10% of our sales amount. As such the total amount of our contract assets increased in the same pace as our revenue, which amounted to RMB234.4 million, RMB386.8 million and RMB916.0 million in FY2023, FY2024 and FY2025, respectively.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets consist of prepayments, deposits, other receivables, and VAT recoverables and other prepaid taxes. Our total prepayments, other receivables and other assets increased by 54.7% from RMB24.5 million as at 31 December 2023 to RMB37.9 million as at 31 December 2024,; and decreased by 26.6% to RMB27.8 million as at 31 December 2025.

FINANCIAL INFORMATION

A breakdown of our prepayments, other receivables and other assets as at the dates indicated is set out below:

| | As at 31 December | | |
|--|--------------------------|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Current: | | | |
| Prepayments | 6,433 | 7,846 | 5,076 |
| Deposits | 1,121 | 2,121 | 17,926 |
| Other receivables | 1,134 | 996 | 842 |
| VAT recoverable and other prepaid taxes | 12,429 | 25,872 | 3,635 |
| Impairment | <u>(63)</u> | <u>(93)</u> | <u>(42)</u> |
| Total current | <u>21,054</u> | <u>36,742</u> | <u>27,437</u> |
| Non-current: | | | |
| Prepayments | 2,855 | 1,156 | 391 |
| Deposits | <u>547</u> | <u>—</u> | <u>—</u> |
| Total non-current | <u>3,402</u> | <u>1,156</u> | <u>391</u> |
| Total prepayments, other receivables and other assets | <u>24,456</u> | <u>37,898</u> | <u>27,828</u> |

Some of the new suppliers of high-end components with whom our Group did not collaborate before may require us to prepay a certain sum before delivery of good. This accounted for an increase in current prepayments of RMB1.4 million from 31 December 2023 to 31 December 2024.

Our deposits increased significantly by 752.4% from RMB2.1 million as at 31 December 2024 to RMB17.9 million as at 31 December 2025; this was mainly due to a deposit of RMB16.6 million made to Zhangjiang Torch in November 2025 in order to guarantee its equity transfer. The transfer was subsequently completed in March 2026. For details, please refer to the section headed “History, Development and Corporate Structure — [REDACTED] Investments — Equity transfers in March 2026” in this document and Note 36(a) to the Accountants’ Report in Appendix I to this document.

Our VAT recoverables increased from RMB12.4 million in FY2023 to RMB25.9 million in FY2024, a rise of 108.9%. VAT is payable on price for the sale of goods, and since we had deductible VAT balance in FY2023 and had a lower profit margin in FY2024, resulting in a corresponding increase in the balance of VAT recoverables.

Prepaid tax

We incurred prepaid tax of nil in FY2023, RMB15,000 in FY2024, and RMB73,000 in FY2025.

FINANCIAL INFORMATION

Inventories

Our inventories primarily consist of raw materials, works-in-progress, finished goods and contract fulfilment costs. Our inventories increased by 116.0% from RMB64.8 million as at 31 December 2023 to RMB140.0 million as at 31 December 2024, and subsequently slightly decreased by 2.4% to RMB136.7 million as at 31 December 2025.

Our inventories as at the dates indicated is set out below:

| | As at 31 December | | |
|---------------------------|--------------------------|----------------|----------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Raw materials | 38,512 | 47,486 | 60,545 |
| Works in progress | 1,911 | 3,802 | 3,697 |
| Finished goods | 23,254 | 87,821 | 71,848 |
| Contract fulfilment costs | 1,117 | 878 | 613 |
| Total inventories | 64,794 | 139,987 | 136,703 |

Our inventory stocks are directly correlated with the growth of our business and operations. We significantly increased our entire inventory stock in 2024 due to a substantial growth in business, which related to a significant increase in our sales to our major customers, and the need to maintain sufficient buffer stocks to meet expected sales demands from customers. We accordingly purchased significant stocks of raw materials and produced significant stocks of finished goods. Confirmed sales orders necessitated corresponding increases in the appropriate inventory categories.

Our inventory turnover days for the years indicated is set out below:

| | Year Ended 31 December | | |
|---|-------------------------------|-------------|-------------|
| | 2023 | 2024 | 2025 |
| | <i>(days)</i> | | |
| Inventory turnover days (<i>Note</i>) | 122 | 106 | 65 |

An ageing analysis of our inventories as at the dates indicated is set out below:

| | As at 31 December | | |
|--------------------------|--------------------------|----------------|----------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Within one year | 63,042 | 131,414 | 130,990 |
| One to two years | 1,752 | 8,568 | 5,710 |
| Over two years | — | 5 | 3 |
| Total inventories | 64,794 | 139,987 | 136,703 |

Note: Inventory turnover days was calculated on the average of opening and closing balance of inventories for the relevant period, divided by the total cost of sales for the same year and multiplied by the number of days in that year.

FINANCIAL INFORMATION

Trade and bills receivables

Our trading terms with our customers are mainly on credit, except for new and/or small customers, where payment in advance is normally required. The credit period is generally between one and three months, extending up to six months for major customers. Each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly by senior management. Notwithstanding that our Group has concentration of credit risk as further detailed in Note 39 to the Accountants’ Report in Appendix I to this document, our Directors are of the view that there has been no significant increase in credit risk of default because the amounts are generally from customers with good repayment history. Our Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Our trade and bills receivables increased by 64.7% from RMB161.9 million as at 31 December 2023 to RMB266.6 million as at 31 December 2024, and further increased by 123.9% to RMB596.9 million as at 31 December 2025. This was in line with our sales growth.

A breakdown of our trade and bill receivables less impairment for credit allowances as at the dates indicated is set out below:

| | As at 31 December | | |
|--|--------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Trade receivables | 124,402 | 237,526 | 537,644 |
| Less: impairment | <u>(132)</u> | <u>(4,340)</u> | <u>(11,952)</u> |
| Net carrying amount | <u>124,270</u> | <u>233,186</u> | <u>525,692</u> |
| | | | |
| Bills receivables | 37,623 | 33,451 | 71,254 |
| Less: Impairment | <u>(1)</u> | <u>(6)</u> | <u>(12)</u> |
| Net carrying amount | 37,622 | 33,445 | 71,242 |
| | | | |
| Total trade and bills receivables | <u>161,892</u> | <u>266,631</u> | <u>596,934</u> |

Our credit policy has not changed substantially during the Track Record Period but contracts for BESS systems may be subject to an extended credit period as compared to EV contracts. Turnover days for receivables were 200 days in FY2023, 204 days in FY2024, and 175 days in FY2025. We calculate our turnover days for receivables by dividing our average trade and bills receivables over total revenue over the years.

Our impairment policy for our receivable include: the impairment of usual receivables using provision matrix, and a case-by-case assessment to determine if further impairment for any particular customer is required.

FINANCIAL INFORMATION

Trade Receivables

An ageing analysis of trade receivables based on the date of invoice, or product receipt or completion of installation services, if required, as confirmed by customers, or the date of bill issuance, as at the dates as at the dates indicated:

| | As at 31 December | | |
|--------------------------------|--------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Within 12 months | 110,235 | 227,438 | 518,193 |
| 13 to 24 months | 14,032 | 5,406 | 7,090 |
| 25 to 36 months | <u>3</u> | <u>342</u> | <u>409</u> |
| Total trade receivables | <u>124,270</u> | <u>233,186</u> | <u>525,692</u> |

We fully impair our trade receivables that remain outstanding for over 36 months.

Impairment Losses

The movements in impairment of trade receivables for the years indicated is set out below:

| | Year Ended 31 December | | |
|----------------------------|-------------------------------|---------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Beginning of year | 17 | 132 | 4,340 |
| Impairment losses | 118 | 4,217 | 7,612 |
| Write-off as uncollectible | <u>(3)</u> | <u>(9)</u> | <u>—</u> |
| End of year | <u>132</u> | <u>4,340</u> | <u>11,952</u> |

Restricted cash

We accumulated restricted cash generally in the form of deposits of bills payable for exchange bills, being cash funds with restrictions on instant conversion. Our restricted cash reserves decreased by 76.4% from RMB5.5 million as at 31 December 2023 to RMB1.3 million as at 31 December 2024 and further increased significantly by 400.0% to RMB6.5 million in FY2025.

There was a significant increase in restricted cash from FY2024 to FY2025 which was primarily attributable to deposits we placed with banks to obtain bank guarantees in favour of certain customers as guarantee towards our product quality and performance of our obligations under our contracts with these customers. Since this arrangement was in response to a customer obligation, we believe that there was no risk of recurrence or of a normalised practice in increasing restricted cash.

FINANCIAL INFORMATION

Cash and cash equivalents

Our cash and cash equivalents mainly consist of cash and bank balances. We calculate our total usable cash and cash equivalents by subtracting the amount of restricted cash from the sum of cash and bank balances, and short-term deposits. Our cash and cash equivalents increased by 59.6% from RMB9.9 million as at 31 December 2023 to RMB15.8 million as at 31 December 2024, and further increased by 117.1% to RMB34.3 million as at 31 December 2025.

A breakdown of our net cash and cash equivalents as at the dates indicated is set out below:

| | As at 31 December | | |
|--|--------------------------|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Cash and bank balances | 14,310 | 17,084 | 21,943 |
| Short-term deposits | 1,151 | 57 | 18,897 |
| Less: Restricted cash | <u>(5,544)</u> | <u>(1,307)</u> | <u>(6,514)</u> |
| Total cash and cash equivalents | <u>9,917</u> | <u>15,834</u> | <u>34,326</u> |

Trade and bills payables

Our trade and bill payables increased by 81.5% from RMB130.4 million as at 31 December 2023 to RMB236.8 million as at 31 December 2024. Then further increased by 111.9% to RMB501.8 million as at 31 December 2025.

An ageing analysis of our trade and bills payables as at the dates indicated is set out below:

| | As at 31 December | | |
|---------------------------------------|--------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Within 12 months | 127,604 | 232,665 | 495,922 |
| 13 to 24 months | 2,752 | 1,537 | 2,520 |
| 25 to 36 months | 92 | 2,560 | 1,091 |
| Over 36 months | <u>—</u> | <u>9</u> | <u>2,293</u> |
| Total trade and bills payables | <u>130,448</u> | <u>236,771</u> | <u>501,826</u> |

Our trade and bills payables had increased from RMB130.4 million as at 31 December 2023, to RMB236.8 million by 81.6% and further to RMB501.8 million by 111.9% which are basically co-related to our corresponding increases in total revenue and cost of sales over the Track Record Period.

Our trade and bills payables have turnover days of 201 days in FY2023, 190 days in FY2024, and 175 days in FY2025. This was generally in line with our trade and bills receivables.

FINANCIAL INFORMATION

Contract liabilities

Our contract liabilities mainly consist of advances received in relation to sales of our products and solutions. Our contract liabilities increased by 384.0% from RMB2.5 million as at 31 December 2023 to RMB12.1 million as at 31 December 2024, and further decreased by 76.9% to RMB2.8 million as at 31 December 2025.

These contract liabilities are incurred as part of our payment options for our customers and are part of normal commercial negotiations and business operations. We provide customer prepayment options as part of our negotiations, on a case-by-case basis if and as required or requested by our customers.

Other payables and accruals

Our payables and accruals include payroll and welfare payables, other tax payables, payables for PPE purchases and other payables. Our payables and accruals increased by 19.4% from RMB39.6 million as at 31 December 2023 to RMB47.3 million as at 31 December 2024, and further decreased by 26.6% to RMB34.7 million as at 31 December 2025.

A breakdown of our other payables and accruals as at the dates indicated is set out below:

| | As at 31 December | | |
|--|--------------------------|---------------|---------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Current: | | | |
| Payroll and welfare payables | 11,754 | 11,590 | 14,430 |
| Other tax payables | 1,878 | 3,269 | 377 |
| Payables for PPE purchases | 8,313 | 9,734 | 2,821 |
| Other payables | 17,672 | 17,156 | 11,504 |
| Total | 39,617 | 41,749 | 29,132 |
| Non-current: | | | |
| Deferred income | — | 5,580 | 5,602 |
| Total | — | 5,580 | 5,602 |
| Total other payables and accruals | 39,617 | 47,329 | 34,734 |

Our payroll and welfare payables increased by 24.1% from RMB11.6 million as at 31 December 2024 to RMB14.4 million as at 31 December 2025, mainly due to a significant increase in revenue allowing higher bonuses and accrued social security payments for employees.

Interest-bearing bank and other borrowings

We incur interest payments on bank and other borrowings. We have short- and long-term borrowings, secured and unsecured; and we also segment our long-term borrowings into current and non-current portions. Our total borrowings, increased by 115.8% from RMB115.9 million as at 31 December 2023 to RMB250.1 million as at 31 December 2024, and further increased by 32.7% to RMB332.0 million as at 31 December 2025.

FINANCIAL INFORMATION

A breakdown of our non-current and current interest-bearing bank and other borrowings as at the dates indicated is set out below:

| | As at 31 December | | |
|---|--------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Current borrowings: | | | |
| Bank borrowings, unsecured | 99,907 | 198,618 | 321,034 |
| Bank borrowings, secured | 5,928 | 31,074 | 1,000 |
| Current portion of long-term other borrowings, unsecured | — | 10,428 | — |
| Total current | <u>105,835</u> | <u>240,120</u> | <u>322,034</u> |
| Non-current borrowings: | | | |
| Bank borrowings, unsecured | — | 10,000 | 10,000 |
| Other borrowings, unsecured | 10,063 | — | — |
| Total non-current | <u>10,063</u> | <u>10,000</u> | <u>10,000</u> |
| Total bank and other borrowings | <u>115,898</u> | <u>250,120</u> | <u>332,034</u> |

An ageing analysis of our borrowings repayable for the years indicated is set out below:

| | Year Ended 31 December | | |
|--|-------------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB in thousands)</i> | | |
| Bank borrowings repayable: | | | |
| Within one year | 105,835 | 229,692 | 322,034 |
| In the second year | — | — | 10,000 |
| In the third to fifth years, inclusive | — | 10,000 | — |
| Total bank borrowings | <u>105,835</u> | <u>239,692</u> | <u>332,034</u> |
| Other borrowings repayable: | | | |
| Within one year | — | 10,428 | — |
| In the second year | 10,063 | — | — |
| Total other borrowings | <u>10,063</u> | <u>10,428</u> | <u>—</u> |
| Total bank and other borrowings | <u>115,898</u> | <u>250,120</u> | <u>332,034</u> |

FINANCIAL INFORMATION

As at 31 December 2023, 31 December 2024 and 31 December 2025, our bank borrowings, comprising short-term and long-term bank loans as well as bank borrowings from bills discounting, carried fixed interest rates ranging from 3.20% to 3.85%, 2.95% to 3.95%, and 2.60% to 3.95%, respectively, and they will mature during the years from FY2024 to FY2025, FY2025 to FY2027, and FY2026 to FY2027, respectively.

Our Directors confirm that we do not have financial difficulties. Our Directors are of the opinion that these borrowings constitute normal financing activities in the course of our business, and do not constitute an excessive reliance on external funds for operations. The increase in total bank and other borrowings during the Track Record Period was generally in line with increase in our revenue and scale of operations.

Lease liabilities

Our lease liabilities are mainly attributable to the lease of production facilities and offices in Shanghai, the PRC. Our lease liabilities decreased by 56.6% from RMB10.6 million in FY2023 to RMB4.6 million in FY2024, and decreased by 17.4% from RMB4.6 million as at 31 December 2024 to RMB3.8 million as at 31 December 2025.

The movements of our lease liabilities for the years indicated is set out below:

| | Year ended 31 December | | |
|---------------------------------------|-------------------------------|--------------|--------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Carrying amount at beginning of year | 16,323 | 10,605 | 4,641 |
| Accretion of interest | 535 | 289 | 89 |
| Payments | (6,253) | (6,253) | (5,960) |
| Lease modifications | — | — | 5,001 |
| | — | — | 5,001 |
| Carrying amount at end of year | 10,605 | 4,641 | 3,771 |

A maturity analysis of our lease liabilities as at the dates indicated is set out below:

| | As at 31 December | | |
|---------------------------------------|--------------------------|--------------|--------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Repayable: | | | |
| Within one year | 5,964 | 4,641 | 3,771 |
| In the second year | 4,641 | — | — |
| | 4,641 | — | — |
| Carrying amount at end of year | 10,605 | 4,641 | 3,771 |

FINANCIAL INFORMATION

Redemption liabilities

Our redemption liabilities arise from redemption rights granted to our [REDACTED]. These liabilities are initially measured at the carrying amount of the redemption amount and subsequently measured at fair value, which will be reclassified from liabilities to equity before [REDACTED].

Our redemption liabilities increased by (i) 19.1% from RMB236.7 million as at 31 December 2023 to RMB281.8 million as at 31 December 2024, and (ii) 13.9% from RMB281.8 million as at 31 December 2024 to RMB320.9 million as at 31 December 2025.

The movement of our redemption liabilities for the years indicated is set out below:

| | Year ended 31 December | | |
|---|-------------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Beginning of year | 147,625 | 236,716 | 281,814 |
| Fair value changes recognised in profit or loss | 9,091 | 15,098 | 39,101 |
| New redemption liabilities | <u>80,000</u> | <u>30,000</u> | <u>—</u> |
| End of year | <u>236,716</u> | <u>281,814</u> | <u>320,915</u> |

Deferred Tax

Our deferred tax relates to right-of-use assets and lease liabilities. During the Track Record Period, we did not incur deferred tax liabilities, nor accrue deferred tax assets.

A breakdown of our unrecognised deferred tax assets as at the dates indicated is set out below:

| | As at 31 December | | |
|------------------------------------|--------------------------|-----------------------|-----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Tax losses: | | | |
| to be expired in one to five years | — | 612 | 3,109 |
| to be expired in one to ten years | <u>350,882</u> | <u>538,651</u> | <u>599,631</u> |
| Total tax losses | 350,882 | 539,263 | 602,740 |
| Temporary differences | <u>1,862</u> | <u>6,992</u> | <u>12,131</u> |
| Total | <u>352,744</u> | <u>546,255</u> | <u>614,871</u> |

FINANCIAL INFORMATION

Provision

Provision is made for predicted expenses in after-sales services such as maintenance and warranty. Our provision increased by 60.0% from RMB9.0 million as at 31 December 2023 to RMB14.4 million as at 31 December 2024, and further increased by 84.7% to RMB26.6 million as at 31 December 2025.

The movement of our provision for the years indicated is set out below:

| | Year ended 31 December | | |
|--------------------------|------------------------|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Beginning of year | 4,485 | 8,960 | 14,428 |
| Additional provision | 5,838 | 10,085 | 20,949 |
| Utilised during the year | <u>(1,363)</u> | <u>(4,617)</u> | <u>(8,774)</u> |
| End of year | <u>8,960</u> | <u>14,428</u> | <u>26,603</u> |

Following the increases in our revenue, we expect an increase in the number of products requiring after-sales services and the amount of maintenance and warranty-related fees to be incurred; therefore, provision would increase accordingly. The increase in our provision was also led by the actual increases in maintenance costs. During the Track Record Period, the increasing trend of the provision was generally in line with our revenue.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity resources are (i) cash generated from operating activities; (ii) cash generated from investing activities; and (iii) cash received from financing activities. Our cash requirements primarily relate to (i) cash paid for goods and services; (ii) cash paid toward and on behalf of employees; (iii) cash paid for operating activities; (iv) cash for investing activities; and (v) payment of debts and liabilities. The residual cash at year-end is mainly used to finance day-to-day operations, as well as meet debt obligations and other needs.

A summary of our cash flows for the years indicated is set out below:

| | Year ended 31 December | | |
|--|------------------------|-----------|----------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Net cash flows from/(used in) operating activities | (63,463) | (135,994) | 35,931 |
| Net cash flows used in investing activities | (30,347) | (9,455) | (194) |
| Net cash flows from/(used in) financing activities | 85,073 | 151,366 | (17,245) |
| Net increase/(decrease) in cash and cash equivalents | (8,737) | 5,917 | 18,492 |
| Opening balance of cash and cash equivalents | 18,654 | 9,917 | 15,834 |
| Closing balance of cash and cash equivalents | 9,917 | 15,834 | 34,326 |

FINANCIAL INFORMATION

Operating activities

Our cash flows generated from/(used in) in operating activities for the years indicated is set out below:

| | Year ended 31 December | | |
|---|-------------------------------|-------------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Loss before tax | (95,794) | (102,311) | (28,567) |
| Adjustments for: | | | |
| Fair value losses on redemption liabilities | 9,091 | 15,098 | 39,101 |
| Finance costs | 4,050 | 6,892 | 9,565 |
| Bank interest income | (345) | (50) | (47) |
| Gain on disposal of financial investments at fair value through profit or loss | — | — | (2,113) |
| Depreciation of PPE | 8,324 | 10,933 | 11,512 |
| Depreciation of right-of-use assets | 5,688 | 5,688 | 5,527 |
| Amortisation of other intangible assets | 1,316 | 1,435 | 1,574 |
| Loss on disposal/write-off of PPE | 305 | 126 | — |
| Impairment of trade receivables | 118 | 4,217 | 7,612 |
| Impairment of bills receivable | 1 | 5 | 6 |
| Impairment/(reversal of impairment) of contract assets | (82) | 39 | 184 |
| Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets | 63 | 30 | (51) |
| Write-down of inventories to net realisable value | 984 | 4,013 | 2,898 |
| Equity-settled share-based payment expense | 112 | 31 | 11,768 |
| Subtotal | <u>(66,169)</u> | <u>(53,854)</u> | <u>58,969</u> |
| Decrease/(increase) in inventories | (4,782) | (79,206) | 386 |
| Increase in trade and bill receivables | (66,637) | (108,961) | (346,064) |
| Increase in contract assets | (3,855) | (10,739) | (27,536) |
| Decrease/(increase) in prepayments, other receivables and other assets | 5,578 | (15,171) | 25,996 |
| Decrease/(increase) in restricted cash | 47 | 4,237 | (5,207) |
| Increase in trade and bill payables | 53,469 | 106,323 | 332,138 |
| Increase/(decrease) in contract liabilities | 1,822 | 9,585 | (9,233) |
| Increase/(decrease) in other payables and accruals | 12,244 | 6,289 | (5,682) |
| Increase in provision | 4,475 | 5,468 | 12,175 |
| Cash generated from/(used in) operations | <u>(63,808)</u> | <u>(136,029)</u> | <u>35,942</u> |
| Bank interest received | 345 | 50 | 47 |
| Profits tax paid | — | (15) | (58) |
| Net cash flows from/(used in) operating activities | <u>(63,463)</u> | <u>(135,994)</u> | <u>35,931</u> |

FINANCIAL INFORMATION

Our net cash flows used in operating activities was RMB63.5 million in FY2023, which was attributable to loss before tax of RMB95.8 million, mainly adjusted by: (i) fair value losses on redemption liabilities of RMB9.1 million; (ii) finance costs of RMB4.1 million; (iii) depreciation of PPE of RMB8.3 million; (iv) depreciation of right-of-use assets of RMB5.7 million; (v) amortisation of other intangible assets of RMB1.3 million; (vi) increase in inventories of RMB4.8 million; (vii) increase in trade and bills receivables of RMB66.6 million; (viii) increase in contract assets of RMB3.9 million; (ix) decrease in prepayments, other receivables and other assets of RMB5.6 million; (x) increase in trade and bills payables of RMB53.5 million; (xi) increase in contract liabilities of RMB1.8 million; (xii) increase in other payables and accruals of RMB12.2 million; and (xiii) increase in provision of RMB4.5 million.

Our net cash flows used in operating activities was RMB136.0 million in FY2024, which was attributable to loss before tax of RMB102.3 million, mainly adjusted by: (i) fair value losses on redemption liabilities of RMB15.1 million; (ii) finance costs of RMB6.9 million; (iii) depreciation of PPE of RMB10.9 million; (iv) depreciation of right-of-use assets of RMB5.7 million; (v) amortisation of other intangible assets of RMB1.4 million; (vi) impairment of trade receivables of RMB4.2 million; (vii) write-down of inventories to net realisable value of RMB4.0 million; (viii) increase in inventories of RMB79.2 million; (ix) increase in trade and bills receivables of RMB109.0 million; (x) increase in contract assets of RMB10.7 million; (xi) increase in prepayments, other receivables and other assets of RMB15.2 million; (xii) decrease in restricted cash of RMB4.2 million; (xiii) increase in trade and bills payables of RMB106.3 million; (xiv) increase in contract liabilities of RMB9.6 million; (xv) increase in other payables and accruals of RMB6.3 million; and (xvi) increase in provision of RMB5.5 million.

Our net cash flows generated from operating activities was RMB35.9 million in FY2025, which was attributable to loss before tax of RMB28.6 million, mainly adjusted by: (i) fair value losses on redemption liabilities of RMB39.1 million; (ii) finance costs of RMB9.6 million; (iii) gain on disposal of financial investments at fair value through profit or loss of RMB2.1 million; (iv) depreciation of PPE of RMB11.5 million; (v) depreciation of right-of-use assets of RMB5.5 million; (vi) amortisation of other intangible assets of RMB1.6 million; (vii) impairment of trade receivables of RMB7.6 million; (viii) write-down of inventories to net realisable value of RMB2.9 million; (ix) equity-settled share-based payment expense of RMB11.8 million; (x) increase in trade and bills receivables of RMB346.1 million; (xi) increase in contract assets of RMB27.5 million; (xii) decrease in prepayments, other receivables and other assets of RMB26.0 million; (xiii) increase in restricted cash of RMB5.2 million; (xiv) increase in trade and bills payables of RMB332.1 million; (xv) decrease in contract liabilities of RMB9.2 million; (xvi) decrease in other payables and accruals of RMB5.7 million; and (xvii) increase in provision of RMB12.2 million.

The above indicates that net cash flows from/used in operating activities has gradually improved from FY2023 to FY2025.

To continue improving our net operating cash outflow positions, we are improving our management on trade receivables and inventories while enhancing our operational efficiency. For further details, please refer to the section headed “— Statements of Financial Position” in this section. Going forward, we will further improve our net operating cash outflow position through the following measures:

- improving our profitability by implementing our strategies. For details, please refer to the section headed “Business — Our Strategies” in this document;

FINANCIAL INFORMATION

- further strengthening trade receivables management by (i) assessing business customers’ credit status, financial conditions and reputation, among others, before establishing business relationships, and (ii) continuing to timely track customers’ payment status and take proactive collection measures for overdue trade receivables;
- refining our management and enhancing our operational efficiency to reduce unnecessary costs and expenses;
- optimising inventory by prudently evaluating demands and implementing inventory control strategy to optimise inventory levels;
- negotiating with our suppliers for better payment terms, leveraging our growing bargaining power.

Investing activities

Net cash flows used in investing activities decreased by 68.6% from RMB30.3 million in FY2023 to RMB9.5 million in FY2024, and decreased further by 98.0% to RMB194,000 in FY2025.

A breakdown of our cash flows used in investing activities for the years indicated is set out below:

| | Year ended 31 December | | |
|--|-------------------------------|-----------------------|---------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| Reductions of/(additions to) prepayments for property, plant and equipment and other intangible assets | (2,787) | 1,699 | 765 |
| Purchases of property, plant and equipment | (24,207) | (9,823) | (10,384) |
| Proceeds from disposal of property, plant and equipment | 5 | 19 | — |
| Purchases of other intangible assets | (3,358) | (1,350) | (831) |
| Proceeds from disposal of financial investments | — | — | 10,256 |
| Net cash flows used in inventory activities | <u>(30,347)</u> | <u>(9,455)</u> | <u>(194)</u> |

Our net cash flows used in investing activities was RMB30.3 million in FY2023, mainly due to purchases of PPE of RMB24.2 million, purchases of other intangible assets of RMB3.4 million and additions to prepayments to PPE of RMB2.8 million.

Our net cash flows used in investing activities was RMB9.5 million in FY2024, mainly due to purchases of PPE of RMB9.8 million and purchases of other intangible assets worth RMB1.4 million, partially offset by reductions in prepayments to PPE of RMB1.7 million.

Our net cash flows used in investing activities was RMB194,000 in FY2025, mainly due to proceeds from disposal of financial investments of RMB10.3 million, partially offset by purchases of PPE of RMB10.4 million.

FINANCIAL INFORMATION

Financing Activities

A breakdown of our cash flows from financing activities for the years indicated is set out below:

| | Year ended 31 December | | |
|---|-------------------------------|----------------|-----------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB'000)</i> | | |
| New redemption liabilities | 80,000 | 30,000 | — |
| New bank borrowings | 108,228 | 252,248 | 300,262 |
| Repayment of bank borrowings | (88,402) | (118,502) | (275,017) |
| New other borrowings | 10,000 | — | — |
| Repayment of other borrowings | (15,000) | — | (10,000) |
| Bank and other borrowings' interest paid | (3,500) | (6,127) | (9,890) |
| Principal portion of lease payments | (5,718) | (5,964) | (5,871) |
| Interest portion of lease payments | (535) | (289) | (89) |
| Deposits paid | — | — | (16,640) |
| | — | — | (16,640) |
| Net cash flows generated from/(used in) financing activities | 85,073 | 151,366 | (17,245) |

Net cash flows generated from financing activities was RMB85.1 million in FY2023, attributable primarily to new redemption liabilities of RMB80.0 million, new bank borrowings of RMB108.2 million, and new other borrowings of RMB10 million, partially offset by repayment of bank borrowings of RMB88.4 million and repayment of other borrowings of RMB15 million.

Net cash flows generated from financing activities was RMB151.4 million in FY2024, attributable primarily to new redemption liabilities of RMB30.0 million and new bank borrowings of RMB252.2 million, partially offset by repayment of bank borrowings of RMB118.5 million.

Net cash flows used in financing activities was RMB17.2 million in FY2025, attributable primarily to new bank borrowings of RMB300.3 million, partially offset by repayment of bank borrowings of RMB275.0 million, repayment of other borrowings of RMB10 million and deposits paid of RMB16.6 million.

FINANCIAL INFORMATION

Net current liabilities

A breakdown of our net current liabilities as at the dates indicated is set out below:

| | As at 31 December | | | As at |
|---|------------------------|-------------------------|-------------------------|-------------------------|
| | 2023 | 2024 | 2025 | 31 March |
| | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| | | | | <i>(unaudited)</i> |
| Current assets: | | | | |
| Inventory | 64,794 | 139,987 | 136,703 | 157,809 |
| Trade and bills receivables | 161,892 | 266,631 | 596,934 | 680,050 |
| Contract assets | 9,089 | 16,961 | 28,426 | 29,903 |
| Prepayments, other receivables and other assets | 21,054 | 36,742 | 27,437 | 9,225 |
| Prepaid tax | — | 15 | 73 | 73 |
| Restricted cash | 5,544 | 1,307 | 6,514 | 6,515 |
| Cash and cash equivalents | <u>9,917</u> | <u>15,834</u> | <u>34,326</u> | <u>57,149</u> |
| Total current assets | <u>272,290</u> | <u>477,477</u> | <u>830,413</u> | <u>940,724</u> |
| Current liabilities | | | | |
| Trade and bills payables | 130,448 | 236,771 | 501,826 | 541,158 |
| Contract liabilities | 2,476 | 12,061 | 2,828 | 2,588 |
| Other payables and accruals | 39,617 | 41,749 | 29,132 | 26,697 |
| Interest-bearing bank and other borrowings | 105,835 | 240,120 | 322,034 | 361,968 |
| Lease liabilities | 5,964 | 4,641 | 3,771 | 2,527 |
| Redemption liabilities | — | 281,814 | 320,915 | 323,317 |
| Provision | <u>3,822</u> | <u>4,715</u> | <u>8,611</u> | <u>9,186</u> |
| Total current liabilities | <u>288,162</u> | <u>821,871</u> | <u>1,189,117</u> | <u>1,267,441</u> |
| Net current liabilities | <u>(15,872)</u> | <u>(344,394)</u> | <u>(358,704)</u> | <u>(326,717)</u> |

FINANCIAL INFORMATION

Our net current liabilities increased from RMB15.9 million as at 31 December 2023 to RMB344.4 million as at 31 December 2024, primarily due to substantial increases in (i) redemption liabilities of RMB281.8 million; (ii) interest-bearing bank and other borrowings of RMB134.3 million; and (iii) trade and bills payables of RMB106.3 million, which were partially offset by asset increases of (i) inventory of RMB75.2 million; and (ii) trade and bills receivables of RMB104.7 million.

Our net current liabilities increased slightly from RMB344.4 million as at 31 December 2024 to RMB358.7 million as at 31 December 2025, which was primarily due to liability increases in (i) trade and bills payables of RMB265.1 million; and (ii) interest-bearing bank and other borrowings of RMB81.9 million, partially offset by asset increases in (i) trade and bills receivables of RMB330.3 million; and (ii) cash and cash equivalents of RMB18.5 million.

Our net current liabilities decreased slightly from RMB358.7 million as at 31 December 2025 to RMB326.7 million as at 31 March 2026, which was primarily due to asset increases in (i) inventories of RMB21.1 million, (ii) trade and bills receivables of RMB83.1 million; and (iii) cash and cash equivalents of RMB22.8 million, partially offset by liability increases in (i) trade and bills payables of RMB39.3 million; and (ii) interest-bearing bank and other borrowings of RMB39.9 million.

Working Capital Sufficiency

We intend to continue to finance our working capital with cash generated from our operations, bank loans, [REDACTED] from the [REDACTED] and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into account below sources of liquidity available to us:

- (i) the classification of redemption obligations of RMB320.9 million as at 31 December 2025 as financial liabilities, whose holders have agreed that their redemption rights will automatically be cancelled before [REDACTED] and the related liabilities will be re-classified to equity;
- (ii) future projection of our profit and cash inflows from operations;
- (iii) bank borrowings and financing; and
- (iv) [REDACTED] from the [REDACTED],

our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this document.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and borrowings, and no material breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

INDEBTEDNESS

The table below sets out our Group’s indebtedness as at the respective financial position dates below including 31 March 2026, being the latest practicable dates for determining our indebtedness:

| | As at 31 December | | | As at 31 March |
|---|-----------------------|-----------------------|-----------------------|--|
| | 2023 | 2024 | 2025 | 2026 |
| | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> <i>(unaudited)</i> |
| Current: | | | | |
| Bank borrowings, unsecured | 99,907 | 198,618 | 321,034 | 360,968 |
| Bank borrowings, secured | 5,928 | 31,074 | 1,000 | 1,000 |
| Current portion of long-term other borrowings, unsecured | — | 10,428 | — | — |
| Lease liabilities | 5,964 | 4,641 | 3,771 | 2,527 |
| Redemption liabilities | — | 281,814 | 320,915 | 323,317 |
| Total current | <u>111,799</u> | <u>526,575</u> | <u>646,720</u> | <u>687,812</u> |
| Non-current: | | | | |
| Bank borrowings, unsecured | — | 10,000 | 10,000 | 10,000 |
| Other borrowings, unsecured | 10,063 | — | — | — |
| Lease liabilities | 4,641 | — | — | — |
| Total non-current | <u>14,704</u> | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> |
| Total indebtedness | <u>126,503</u> | <u>536,575</u> | <u>656,720</u> | <u>697,812</u> |

During the Track Record Period, our bank borrowings increased by 115.8% from RMB115.9 million at 31 December 2023 to RMB250.1 million as at 31 December 2024 and increased further by 32.7% to RMB332.0 million at 31 December 2025. Our bank borrowings amounted to approximately RMB372.0 million as at 31 March 2026. Please refer to Note 25 of the Accountants’ Report in Appendix I to this document. Our bank borrowings had effective interest rates ranging from 3.2% to 3.85% from 2024 to 2025, 2.95%–3.95% from 2025 to 2027, and 2.60%–3.95% from 2026 to 2027.

Our lease liabilities primarily represent our obligations on leasing of office and factory premises during the Track Record Period. Lease liabilities are recognised at the commencement date of the lease at the present value to be made over the lease term. Our lease liabilities decreased from RMB10.6 million as at 31 December 2023 to RMB4.6 million as at 31 December 2024, then decreased further to RMB3.8 million as at 31 December 2025. This is primarily reflective of the accounting treatment of leases expiring within FY2025. For details, please refer to the paragraph headed “— Lease Liabilities” in this section above.

FINANCIAL INFORMATION

Indebtedness Statement

Except as disclosed above, as at [31 March 2026], being the latest practicable date for determining our indebtedness, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. Our Directors confirm that there have been no material change in our indebtedness since 31 March 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITY

As at the Latest Practicable Date, we did not have any material contingent liabilities. Please refer to Note 33 to the Accountants’ Report in Appendix I to this document.

CAPITAL EXPENDITURES

Our capital expenditure primarily relates to expenditures on PPE and intangible assets. Our capital expenditures were RMB30.2 million, RMB12.6 million and RMB4.3 million for FY2023, FY2024 and FY2025, respectively. The table below sets out our capital expenditures as at the dates indicated:

| | As at 31 December | | |
|-------------------|--------------------------|---------------|--------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB’000)</i> | | |
| PPE | 26,858 | 11,244 | 3,471 |
| Intangible assets | 3,358 | 1,350 | 831 |
| Total | 30,216 | 12,594 | 4,302 |

We expect to fund our future capital expenditures with our operating cash flows as well as with our own funds or other funds raised. We may adjust our capital expenditures for any given period according to our ongoing business needs and in light of market conditions or other factors we believe appropriate.

RELATED PARTY TRANSACTIONS AND BALANCES

We enter into transactions with our related parties from time to time. During the Track Record Period, we had entered into a number of related party transactions, see Note 36 to the Accountants’ Report in Appendix I to this document. Our Directors believe that our transactions with related parties during the Track Record Period had been conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in Note 35 to the Accountants’ Report in Appendix I to this document, as at 31 December 2023, 2024 and 2025 and the Latest Practicable Date, we did not enter into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative agreements that are indexed to our equity interests and classified as shareholder’s equity, or that are not reflected in our consolidated financial statements. We do not have any material off-balance sheet arrangements, nor do we have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

The table below sets out certain financial ratios relating to our Group at the dates or for the periods indicated:

| | Year ended 31 December | | |
|--------------------------------|-------------------------------|-------------|-------------|
| | 2023 | 2024 | 2025 |
| Gross profit margin (%) | 19.6 | 8.6 | 15.7 |
| Current ratio (<i>times</i>) | 0.94 | 0.58 | 0.70 |
| Quick ratio (<i>times</i>) | 0.72 | 0.41 | 0.58 |

1. Gross profit margin is calculated based on the gross profit for each financial year divided by total revenue for each financial year and multiplied by 100%.
2. Current ratio is calculated based on total current assets divided by total current liabilities as at the end of each financial year.
3. Quick ratio is calculated based on total current assets excluding inventories divided by total current liabilities as at the end of each financial year.

For discussions of our gross profit margin, please refer to the paragraph headed “— Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin” in this section above.

Our current ratio decreased from 0.94 to 0.58 from FY2023 to FY2024, due mainly to an increase in redemption liabilities of RMB281.8 million as a result of an increase in entity value. Our current ratio increased to 0.70 in FY2025, due to the increase in trade and bills receivables from RMB266.6 million as at 31 December 2024 to RMB596.9 million as at 31 December 2025 as a result of an increase of revenue of RMB529.2 million in FY2025.

Our quick ratio decreased from 0.72 to 0.41 from FY2023 to FY2024 and increased to 0.58 in FY2025. Inventory levels account for the difference between the current and quick ratios.

FINANCIAL INFORMATION

FINANCIAL RISKS

Our Group's principal financial instruments comprise bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our Group's operations. Our Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from these financial instruments are interest rate risk, credit risk, and liquidity risk. For more details of these and other risks, please refer to Note 39 to the Accountants' Report in Appendix I to this document. Our Directors review and approve policies for management of these risks, the key points of which are summarised below:

Credit Risk

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

Liquidity Risk

Our Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

DIVIDENDS

We have not declared or paid any dividends during the Track Record Period.

After the completion of the [REDACTED], our shareholders will be entitled to receive dividends if and as declared by us. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends.

The decision of whether or not to pay a dividend, and of what amount, is based on our results of operations, cash flows, financial condition, capital requirements and other factors the Directors may deem relevant. Although currently we do not have a formal dividend policy, any dividend distribution will also be subject to the approval of the Shareholders in the Shareholders' meeting and compliance with our Articles of Association and relevant regulatory requirements.

DISTRIBUTABLE RESERVES

Our capital reserves mainly consist of the excess of capital contribution received by our Company over the paid-in capital amount of our Company; and the accumulated equity-settled share-based payment expense attributable to the share options, and the excess of the fair value of restricted shares of our Company granted to our Group's employees over their respective grant prices.

As at the Latest Practicable Date, we did not have any distributable reserves available for distribution to our shareholders.

FINANCIAL INFORMATION

[REDACTED]

Our [REDACTED] mainly include sponsor fees, [REDACTED] commissions, professional fees paid to legal advisers, auditors and other professional advisers for services rendered in relation to the [REDACTED] and the [REDACTED]. Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the indicative [REDACTED] range as stated in this document), the estimated total [REDACTED] for the [REDACTED] would be approximately RMB[REDACTED] million (equivalent to HK\$[REDACTED] million), accounting for approximately [REDACTED] of our gross [REDACTED]. Among such estimated total [REDACTED], we expect to pay [REDACTED]-related expenses of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million), professional fees for the [REDACTED], our legal advisers and reporting accountants of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million) and other fees and expenses of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million). An estimated amount of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million) for our [REDACTED] is expected to be expensed through the statement of profit or loss and an estimated amount of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million) is expected to be recognised directly as a deduction from equity upon the [REDACTED]. During the Track Record Period, we had not incurred any [REDACTED].

[REDACTED] NET TANGIBLE ASSETS

Please refer to Appendix II to this document for the [REDACTED] statement of adjusted net tangible assets of our Group, which is set out therein to illustrate the effect of the [REDACTED] on the net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2025.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 31 December 2025 and up to the date of this document, (i) our business continued to grow and there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants’ Report included in Appendix I to this document; and (ii) there has been no material adverse change in our business, the industries in which we operate and/or market or regulatory environment to which we are subject.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were not aware of any circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.