
BUSINESS

OVERVIEW

Who We Are

We are an established player in the electric drive solutions industry in China with overseas presence. We offer integrated and customized electric drive systems and solutions that power a range of application scenarios worldwide.

Our products and solutions feature high precision, high efficiency, and high torque, and have been widely adopted across multiple foundational industrial sectors. During the Track Record Period, our electric drive solutions have been deployed across two core segments: industrial control and new energy vehicles (NEV). Under the industrial control segment, there are various application scenarios which can be further categorized as specialized precision electric drive systems and industrial automation solutions. We are also expanding into next-generation technologies such as embodied robotics, empowering innovation with precision motion control.

Electric drive systems are complex, typically consisting of three layers: control, drive and execution. The control layer functions as the brain that processes commands and makes decisions; the drive layer functions as the joints that manage energy to maximize efficiency and provide precise power needed for the motor; and the execution layer functions as the muscles that converts electrical energy into physical motion. We are one of the few electric drive providers in China capable of providing integrated solutions covering all three layers, according to CIC.

Our products and solutions are typically tailored to address customer needs. We are able to transform customized designs into scalable, high-volume products while maintaining precision and performance, which allows us to hold established positions in multiple application scenarios. According to CIC:

- we are the third largest provider for specialized electric drive solutions in the industrial control sector in China, in terms of sales revenue in 2025;
- we are the seventh largest third-party provider for passenger vehicle electric drive systems in China, in terms of the sales volume in 2025;
- we ranked second among providers of specialized electric drive solutions in the aerodynamics sector in terms of sales revenue of such solutions in 2024;
- we ranked second among providers of specialized electric drive solutions in the all-electric injection molding machine sector in terms of sales revenue of such solutions in 2024; and
- we ranked third among providers of specialized electric drive solutions in the hydraulic injection molding machine sector in terms of sales revenue of such solutions in 2024.

Over more than two decades since our establishment as a Sino-foreign joint venture, we have integrated international practices with local market experience. Through our operations in China, we have accumulated experience and technological capabilities that we apply in overseas markets. As of December 31, 2025, we had one research and development (R&D) center in Italy, and three sales representative offices in Italy, the US and the UK, respectively. Our products are sold to customers in numerous countries and regions, including Italy, the Netherlands, Belgium, the United States, South Korea, and India, directly competing with leading overseas providers of electric drive solutions in their home markets.

Market Opportunities

Our electric drive systems and solutions address a wide range of application scenarios, positioning us for significant growth in a promising market. According to CIC, the overall market size in terms of sales revenue of electric drive solutions for industrial control sector and the sustainable mobility sector in China, in the aggregate, grew from RMB113.0 billion in 2021 to RMB257.1 billion in 2025, with a CAGR of 22.8%. It is expected to reach RMB485.6 billion by 2030, with an anticipated CAGR of 13.6% from 2025 to 2030.

BUSINESS

As one of China’s technologically advanced providers at the forefront of industrial innovation, we are strategically positioned to capture these market opportunities:

Strong R&D capabilities: We have established a dual-hub R&D structure, comprising facilities in Italy and China. We take pride in our ability to deliver customized solutions for a range of application scenarios, and our systematic R&D capabilities. Being recognized as an industry leader, we have participated in the formulation of five national standards and three industry standards. As domestic substitution has become a major market trend and a key growth driver, we believe that our strong R&D capabilities and technological strengths will allow us to capitalize on this opportunity.

Seamless Supply Chain Management: Our deep roots in China’s manufacturing ecosystem provide access to the world’s most cost-efficient and responsive supply chains. For purchases of core components and critical raw materials, we have established stable partnerships with well-known domestic and international suppliers. To mitigate fluctuations in raw material prices, we deploy strategies such as long-term contracts and quarterly fixed prices to control cost volatility. Our stable supply chain operation effectively supports the timely delivery of our products.

Strong Manufacturing Capability: Our products are primarily manufactured in-house. Aligned with our business strategy, we have established three domestic manufacturing bases in Hangzhou Bay, Zhuzhou and Ganzhou. These locations were chosen to be near clusters of our customers, forming a layout with differentiated product foci and complementary industrial capabilities. We fully leverage and employ our smart manufacturing technologies in our strategically positioned production facilities, to connect advanced equipment, achieving high flexibility and rapid response in quality control and manufacturing throughout the entire life cycle from design to production, management and service. This results in consistently stable product quality enabling us to maintain a strong position within the industry.

Our Products and Application Scenarios

The chart below illustrates our key product offering and its major application scenarios during the Track Record Period:



BUSINESS

Our Financial Performance

We recorded a solid financial performance during the Track Record Period, with particularly strong improvement in 2024 and 2025. Our revenue increased from RMB1,242.8 million in 2023 to RMB1,624.5 million in 2025, representing a CAGR of 14.3%.

While we recorded a loss for the year of RMB112.2 million, RMB177.0 million and RMB61.9 million in 2023, 2024 and 2025, respectively, our financial performance showed a significant turnaround in 2025, with losses substantially narrowing compared to 2024.

Our adjusted EBITDA (a non-HKFRS measure) improved from negative RMB4.0 million and negative RMB71.5 million in 2023 and 2024, respectively, to positive RMB75.9 million in 2025. Correspondingly, our adjusted EBITDA margin (a non-HKFRS measure) improved from negative 0.3% and negative 4.8% in 2023 and 2024, respectively, to 4.7% in 2025.

COMPETITIVE STRENGTHS

China-Leading and Globally-Competing Technological Excellence

We are one of the few providers in China capable of delivering integrated electric drive systems encompassing the control layer, drive layer and execution layer, and our products are recognized as featuring high precision, high efficiency and high torque. In areas such as high-end CNC machine tools, medical electronics and low-altitude economy, we are gradually replacing incumbent foreign suppliers in China and have become one of the few Chinese providers of electric drive systems to relevant customers.

We began strategically expanding into the NEV electric drive solutions market since 2016 which has experienced exponential growth. The rapid evolution of the technologies within the NEV sector has generated strong demand for advanced electric drive solutions. Technologies honed in industrial control, such as motor control algorithms, power module optimization, and system integration, serve as the foundation for NEV traction motors, motor controllers, and energy management systems. Notably, the dynamic responsiveness of servo control systems, originally refined in industrial robotics, translates into superior acceleration performance in NEVs. Meanwhile, thermal management and electromagnetic compatibility solutions proven in industrial settings are now addressing reliability challenges in high-power-density NEV drivetrains. Our successes in the NEV sector validate our technical capabilities within the industry, which has in turn, motivated us to leverage the successes we gained to apply to other industries which also value high power density with lower production costs. As a result, the solutions we have developed for NEVs, including optimized thermal management, compact motor design, and cost-efficient manufacturing, have been further adapted to industrial automation, renewable energy and other high-performance applications, reinforcing our competitive edge across multiple industrial sectors.

Building upon our deep technological expertise, our R&D initiatives transcend the traditional model of limited enhancement on existing designs to address challenges faced by various application scenarios. Our R&D covers five key technological domains, namely power electronics, advanced magnetics, mechanical engineering, real-time control, and thermal and fluid dynamics. Such initiatives haven driven innovation in our products in a variety of aspects, including innovation on materials, design optimization, advanced process engineering, and system integration. These improvements yield measurable improvements in critical performance metrics including energy efficiency, power conversion, speed and responsiveness, which in turn, enable transformative automation and next-generation innovation across a range of application scenarios.

According to CIC,

- we are among the earliest providers in China to provide specialized electric drive systems;
- we are among the earliest providers in China to master and achieve large-scale application of key technologies for rare-earth permanent magnet AC servo motors;

BUSINESS

- we are among the earliest providers in China to master and achieve large-scale application of fully digital programmable servo drive and multi-axis servo motion control technologies;
- we supplied direct-drive motors for the high-speed elevators in Ping An Finance Center in Shenzhen, China, the world’s fifth tallest building as of the Latest Practicable Date;
- we participated in the ALMA large radio astronomical telescope project that captured the first-ever image of M87 black hole, and supplied giant direct-drive permanent magnet synchronous motors (PMSM) used in large-scale astronomical telescopes;
- our XT2300-800-217C 700 kW Cable Car Direct Drive System was recognized as the First Unit (Set) of Major Technical Equipment (中國首台(套)重大技術裝備) by the Ministry of Industry and Information Technology of Zhejiang Province;
- we delivered the 9-km Top Drive Drilling System, being the first-of-its-kind in China; and
- we delivered the customized pitch motor used in China’s first offshore wind turbine, which was the largest in Asia and second largest worldwide at the time, according to CIC; we also supplied pitch motors for the world’s largest offshore 26 MW wind turbine as of the Latest Practicable Date, according to CIC, featuring the highest single-unit capacity and longest rotor diameter.

Our technological leadership is widely recognized by industry associations and reflected in numerous benchmark achievements. We have been recognized as a National-Level Specialized, Refined, Differential and Innovative “Little Giants” Enterprises. In 2022, we participated in the establishment of the Innovation Center in Zhejiang Province, a provincial-level advanced manufacturing innovation platform, as a founding member. In addition, we have participated in the formulation of five national standards and three industry standards, including GB/T 6439-2024 General Specification for AC Servo System, GB/T 44294-2024 General Specification for Electric Spindle Motors, and JB/T 14054-2021 General Specification for Permanent Magnet Brushless Torque Motors, fully demonstrating our industry leadership.

Extensive and Fast-growing Application Scenarios

We offer a wide range of electric drive systems and solutions. Our comprehensive product portfolio covers peak torque ranging from 0.6 Nm to 390,000 Nm and power ranging from 50 W to 1.4 MW. Such broad coverage has enabled the successful application of our products in a wide range of application scenarios, including those under extreme conditions such as astronomical telescopes and deep-sea exploration, and those representing the latest industrial development trends such as embodied robotics, and those with high-volume demands such as CNC machine tools. This extensive deployment across application scenarios helps us capitalize on growth opportunities in multiple application scenarios which helps mitigate the impact of cyclical fluctuations in individual application scenario on our business.

To address the specific requirements of different application scenarios and the needs of our customers, on the one hand, we actively expand our product portfolio to enable entry into new application scenarios, and on the other hand, we strategically develop and improve customized interfaces between our electric drive products and external mechanical equipment to enhance compatibility and ensure smooth functionality. In doing so, we create products with distinct industry-specific application characteristics, tailored to meet varying performance requirements in terms of torque, rotational speed, and positioning accuracy.

BUSINESS

We have established positions across various application scenarios. According to CIC, in terms of sales of electric drive systems and solutions in 2024,

- we ranked second among providers of specialized electric drive solutions in the aerodynamics sector;
- we ranked second among providers of specialized electric drive solutions in the all-electric injection molding machine sector;
- we ranked third among providers of electric drive solutions in the hydraulic injection molding machine sector; and
- we ranked fourth among providers of specialized electric drive solutions in the crystalline silicon cutting sector.

A Well-Established Global Market Presence Built upon our Enduring Pursuit of Global Excellence

We originated as a Sino-foreign joint venture, and have been, since our establishment, serving major multinational corporations. According to CIC, we are among the earliest providers in the PRC who started selling electric drive products overseas since early 2000s. Since the beginning, we have mastered the technological skills and craftsmanship to producing reliable products, with the international leading standards. Over the years, we have integrated overseas technologies with practical experience in the Chinese market, and more importantly, we have leveraged the expertise and technological breakthroughs gained in China — the world’s largest industrial market — and reciprocate the same to the global market.

In 2018, we established a wholly-owned subsidiary in Italy. In 2019, we acquired OSAI ITA, an Italian CNC system company, further strengthening our global footprint in R&D, manufacturing and sales. In 2024, we acquired NGTEC in Italy, which specializes in providing advanced services and software solutions on robotics and related technologies, to enhance our capability in high-growth industrial sectors and software. As of December 31, 2025, we had one R&D center in Italy and three sales representative offices overseas in Italy, the UK and the US, respectively. As of December 31, 2025, we sold our solutions to more than 40 countries and regions including Italy, the Netherlands, Belgium, the United States, South Korea and India, successfully competing with leading international electric drive solution providers in their home markets.

During the Track Record Period, our revenue from overseas markets remained relatively stable. In 2023, 2024 and 2025, our revenue from overseas markets amounted to RMB308.2 million, RMB282.5 million and RMB283.5 million, respectively, representing 24.8%, 18.8% and 17.4% of our total revenue for the same periods, respectively.

Premium Customer Base and Strong Customer Stickiness

We collaborate with top-tier customers across various application scenarios, providing them with reliable electric drive solutions tailored to their specific needs. Our key customers include:

- Photovoltaic crystalline silicon cutting: three out of the top five companies in the PRC by revenue in 2024;
- Wind turbine generator system: four out of the top ten companies in the PRC by revenue in 2024;
- All-electric injection-molding machines: three out of the top five companies in the PRC by revenue in 2024;

BUSINESS

- Aerodynamics: the top two companies globally by revenue in 2024;
- Oil & gas drilling: the largest state-owned enterprise (SOE) in China directly controlled and administered by the central government’s State-owned Assets Supervision and Administration Commission (“**Central SOE**”) by net profit;
- Coal: the two largest Central SOEs by revenue;
- CNC machine tools: two out of the top ten companies by revenue; and
- NEV sector: two out of the top ten Emerging Auto Brands by sales volume of pure-electric models.

We are usually involved at the early stage of the development of our customers’ products to provide customized electric drive solutions. Our customized solutions, powered by our leading technologies, allow us to secure strong customer engagement. Through continuous collaboration with our customers, we strengthen customer loyalty, which in turn facilitates transition to scaled production of our products and greater market penetration. The extended validation process typically required by our customers further solidifies our first-mover advantage in product development.

Flexible Capability to Produce Customized Products at Scale

Our customers have a wide range of customization demands across numerous application scenarios. In the design and development of our products tailored to meet specific customer requirements, we adopt a platform-based and modular production method to improve manufacturing efficiency and scale up production, thereby reducing product costs through large-scale delivery. We have found a balance between customization, modular production, and large-scale delivery, which has enhanced our operational efficiency and strengthened our competitive edge.

We achieve lean production such as flexible manufacturing through integrated process technologies and management capabilities. Over the years, we have continuously advanced the flexibility and intelligence of our production and manufacturing system, implemented ongoing lean production improvements, and introduced advanced automated production lines to enhance our production management capabilities. We have accumulated mature industrialization experience, developed a mechanism for continuous process optimization, and mastered core process technologies such as high-efficiency cooling technology and epoxy potting technology. We ensure product quality and stability through process innovation and optimization. Backed by a stable and reliable production system and an effective quality management system, we have delivered products that are widely recognized by our customers.

Globally Visionary Management Team and Highly Qualified Talent Pool

Our management team brings a wealth of industry experience and a global perspective, with multidisciplinary expertise spanning strategic management, technology R&D, production manufacturing, and market expansion. Mr. Wenjie REN, our founder, chairman, and general manager, has over 20 years of industry experience and possesses a global vision and keen judgment in strategic insight and key decision-making. Since our inception, Mr. REN has demonstrated a clear understanding of industry trends and opportunities, leading us in expanding our presence internationally and domestically, thereby establishing our market position. Most of our senior management team members have been with our Group for more than ten years, showing a high degree of stability.

We are also committed to building a talent platform. By integrating industry, academia, and research, we have assembled a cross-disciplinary R&D team with composite technical capabilities. Core team members each have over 20 years of R&D experience and come from various

BUSINESS

backgrounds such as industrial electrical automation, chemical engineering, control theory, and mechanical engineering. They also bring hands-on experience and technical innovation capabilities from industry leaders, equipping them with in-depth understanding of downstream pain points and the ability to provide targeted technical solutions. As of December 31, 2025, our R&D personnel accounted for 28.5% of our total workforce, of whom more than 71.9% hold a bachelor’s degree or above.

FUTURE STRATEGIES

Continuing to Increase R&D Investment to Maintain Technological Leadership

According to CIC, China’s industrial control electric drive solutions industry is characterized by rapid technological iteration. With the widespread adoption of new power semiconductor devices, high-performance digital signal processors, and advanced control algorithms, servo systems are rapidly evolving towards higher responsiveness, greater precision, and improved energy efficiency.

We will also closely follow industry technology trends and remain committed to technological innovation. We will continue to increase investment in technology development and independent innovation, and further strengthen our fundamental research in five key areas — power electronics, advanced magnetics, mechanical engineering, real-time control, and thermal and fluid dynamics, in order to enhance our overall technological capabilities. We will continuously develop new products and technologies with higher technological content and added value, e.g. high-efficiency design and application technologies for wide-bandgap semiconductor drivers, industrial powertrains systems, high-reliability motors and drive systems, and self-optimizing and predictive fault detection in AI-driven systems. Particularly, we will focus on customized development in digital input and mechanical actuation interfaces, to better meet the needs of existing customers, attract new customers, and solidify our competitive advantage in the market. We expect to further expand into the embodied robotics, low-altitude economy and various application scenarios where specialized precision electric drive systems are required, aiming to leverage our core technologies to provide advanced motion solutions for these emerging fields. For the industrial control sector, we have successfully developed prototype of a 160,000 RPM ultra-high-speed drive by leveraging an optimized and advanced field-oriented control algorithm, combined with the low-loss and high-temperature resistance characteristics of GaN devices. This drive offers high precision and fast response, making it suitable for a wide range of applications in precision manufacturing, semiconductor, and other high-tech industries. In addition, for the NEV sector, we expect to introduce a new winding technology to our manufacturing process that features a shorter motor end-turn, higher efficiency, and reduced copper usage, thereby enhancing our production competitiveness. Leveraging the Innovation Center, which is positioned as a top-tier innovation hub and cross-industry collaboration platform both in China and internationally, we will further enhance collaboration across different sectors and drive the technological development in electric drive industry.

We intend to use approximately 20% of the net [REDACTED] from the [REDACTED] to accelerate our overall R&D activities. See “Future Plans and Use of [REDACTED] — Use of [REDACTED]” for details.

Further Deepening Our Globalization Strategy

Going forward, we will further deepen our globalization strategy. During the Track Record Period, our revenue from overseas markets remained relatively stable. We focus on expanding into the European and North American markets, promoting the sales of our electric drive products and solutions, while building our global R&D, manufacturing, and sales capabilities to accelerate our global business expansion.

BUSINESS

We plan to establish comprehensive overseas business capabilities to replicate our operations in China. We expect to have our China and overseas operations to become integrated and we believe that this dual-hub approach will help fuel our future growth.

To achieve this comprehensive dual-hub operation approach, we intend to further enhance our R&D capability in Italy, to gain in-depth insights into the differentiated needs of overseas regional customers, fully leverage our customization strengths, and deliver tailored products and solutions that address their specific requirements.

To enhance our overseas manufacturing capabilities, we will further set up manufacturing base in Italy that seeks to address the specific needs of overseas customers on a scaled basis and to shorten the delivery cycle for our customers. Furthermore, the overseas manufacturing capability will complement our established local capabilities in R&D and sales capabilities in Italy, thereby forming a complete end-to-end value chain from innovation to production to market delivery. Capitalize on OSAI ITA, our wholly-owned subsidiary in Italy, we intend to use it as a platform to support the expansion of our overseas business. Subject to market conditions and the availability of suitable opportunities, we plan to enhance our local production capacity through potential acquisitions of motor manufacturers in Italy and through investments in additional production equipment to improve industrial production capabilities, with a view to better aligning our production scale with the growth of our overseas operations. Approximately 10% of the net [REDACTED] from the [REDACTED] is expected to be [REDACTED] to fund the acquisition and related equipment investments. For further details, see “Future Plans and Use of [REDACTED] — Use of [REDACTED].”

From the perspective of sales and after-sales operations and maintenance, we will further recruit and train local talent teams at locations close to our customers to directly interact with our local customers on-the-ground which will further enhance our responsiveness to overseas customers. Accordingly, approximately 10% of the net [REDACTED] from the [REDACTED] is expected to be [REDACTED] to the expansion of our global sales channel and the enhancement of our brand presence in Europe and the United States.

In addition, we will strategically expand global merger and acquisition opportunities that are synergistic with our core business to systematically enhance our influence in international markets.

Leveraging Existing R&D and Manufacturing Capabilities to Continually Expand into New Application Scenarios

While consolidating our strengths in existing business areas, we will continue to cultivate and expand into new business fields. We are committed to promoting our technological strengths and product offerings across the entire industrial sector. Through comprehensive analysis of financial indicators and industry prospects of relevant application industries, we strategically target application industries with unmet market demand and significant growth potential, aiming to rapidly elevate our industry position by leveraging our technological edge and marketing capabilities.

The technical R&D and manufacturing capabilities accumulated through our existing business operations are expected to be leveraged and transferred to new application scenarios. Moving forward, we will fully utilize the technical R&D strengths of our research centers to expand into emerging application fields such as the embodied robotics, low-altitude economy and various application scenarios where specialized precision electric drive systems are required. Capitalizing on the vigorous development of these industries, we aim to establish new growth trajectories. We intend to fund this strategy through a combination of cash and cash equivalents, banking facilities, cash generated from our operations and the net [REDACTED] from the [REDACTED].

BUSINESS

Building a Top-tier Talent Team by Integrating Industry-Academia-Research Collaboration Mechanisms and Globalization Strategy

Talents are the core assets of enterprise development. Going forward, we will leverage our industry-academia-research collaboration mechanisms to incubate and deliver high-end talent for us. Specifically, we will cooperate with renowned universities and research institutes such as Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Science (中國科學院寧波材料技術與工程研究所) (“NIMTE”), to jointly build talent cultivation bases. These bases will be dedicated to the targeted cultivation of interdisciplinary young engineers in fields such as industrial control and NEV solutions, with the goal of channeling such talent into our Group.

We are committed to actively implementing our global strategy, with a dedicated focus on the needs of the customers in Europe and the United States. By establishing efficient and collaborative mechanisms, we will respond swiftly to market dynamics and ensure full compliance with stringent international safety certification standards. To further strengthen our global capabilities, we plan to further enhance our R&D capability in Italy, bringing together additional top experts with extensive international project experience and expertise. Such team will work in close collaboration with our R&D team in China to conduct joint research and precision engineering projects, delivering products that meet the demands of the premium markets in Europe and the United States. To support these initiatives, we intend to dedicate approximately 6% of the net [REDACTED] from the [REDACTED] within the overall R&D allocation to expand our R&D team by recruiting technical professionals across various levels in the electric drive system field over the next three years. See “Future Plans and Use of [REDACTED] — Use of [REDACTED]” for further details.

To encourage and incentivize our in-house talents to deliver innovative and effective solutions, we will implement a supporting equity incentive plan for core key personnel, thereby aligning individual contributions with the creation of our long-term value. This will secure the stability and sustained engagement of core talent. Ultimately, we aim to build a sustainable talent team with deep industry and academic knowledge as well as entrepreneurial vision, spanning across domestic and international markets.

Achieving Horizontal Capacity Expansion and Vertical Industry Chain Deployment

To seize industry opportunities and respond to downstream demand, we will further strengthen the industrialization of our electric drive solutions. By expanding production capacity, we aim to capture market share, enhance our production and supply capabilities for electric drive solutions, and meet the evolving development needs of downstream customers. We plan to expand our production capacity in China, to better meet our increasing customer demands. Specifically, we intend to use (i) approximately 35% of the net [REDACTED] from the [REDACTED] to establish a new production facility in China equipped with flexible production lines capable of serving both industrial control segment and NEV segment, and (ii) approximately 5% of the net [REDACTED] from the [REDACTED] to continue the construction of our Beilun facility. See “Future Plans and Use of [REDACTED] — Use of [REDACTED]” for further details.

During our continuous expansion, we will enhance capacity utilization and reduce unit costs and manufacturing expenses by measures such as increasing the automation rate of key production line processes and optimizing bulk procurement costs of raw materials. This will allow us to realize economies of scale and enhance overall profitability.

Meanwhile, to further consolidate our market position, we will continue to advance the strategic deployment along the upstream and downstream of the vertical industrial chain, proactively establishing and strengthening our control and influence over key raw materials, core components, or downstream application scenarios.

BUSINESS

We will also explore upstream and downstream industry chain deployment through acquisitions and incubations, gradually forming a complete industrial ecosystem. This will effectively enhance our overall operational efficiency and profitability, strengthen the resilience and autonomy of our supply chain, and ultimately build core competitive barriers across key segments of the industrial chain, laying a solid foundation for our long-term leadership. We intend to use approximately 10% of the net [REDACTED] from the [REDACTED] for strategic investments and/or acquisitions in line with our growth strategy. See “Future Plans and Use of [REDACTED] — Use of [REDACTED]” for further details.

OUR R&D METHODOLOGY

The optimization of electric motor design is consistently a challenge. To address this challenge, we have developed an innovative R&D platform, Large-Scale Data-Driven Global Optimization Algorithm (GOA), fundamentally revolutionizing the traditional design paradigm of single-point optimization. Our technology is globally driven by our customers’ ultimate objectives, such as efficiency, torque density, NVH performance, and cost constraints under specific operating cycle conditions, thereby inherently moving beyond design approaches limited by local compromises.

The result is an exquisitely balanced solution that meets stringent performance targets while respecting cost constraints — delivering an e-drive system with peak performance and optimal commercial value. This breakthrough not only addresses core industry challenges but also establishes our competitive moat in forward-design and optimization of e-drive systems.

To efficiently navigate this vast design space, our GOA platform innovatively adopts the scientifically validated “genetic algorithm” framework. Through intelligent iteration and population evolution mechanisms, this approach effectively converges originally intractable trillion-scale parameter combinations into a manageable and highly promising core solution set of tens of thousands. Powered by our high-performance computing (HPC) platform, we enable large-scale parallel evaluation of these core solutions. The key driver is our fully autonomous, rapid finite element solver engine — deeply optimized for e-drive system characteristics. It delivers high-fidelity electromagnetic and mechanical simulations for each parameter set in just minutes, achieving an order-of-magnitude (10x+) efficiency gain over a certain international mainstream commercial finite element software commonly used in the industry.

Based on this ultra-efficient computing capability, we can generate a Pareto frontier dataset composed of tens of thousands of rigorously simulated candidate solutions within an extremely short time frame. This dataset visually demonstrates the trade-off relationships among key performance indicators such as efficiency, cost, torque density, and NVH. Clients can use it to make clear and flexible choices for solutions that best align with their strategic goals — whether they prioritize peak-performance products, radically cost-optimized products, or the best cost-performance-balanced products — all with precise matching.

OUR KEY PRODUCTS AND SOLUTIONS

Key Products and Solutions by Function

We provide electric drive systems and solutions. Electric drive systems convert electrical energy into mechanical motion and are widely used in industries and transportation. Servo systems, as a high-performance subset of electric drives, emphasize precision control, dynamic response, and positional accuracy, making them ideal for CNC machines, robotics and other motion-critical applications. While both share core technologies including motors and control algorithms, servo systems demand greater precision and responsiveness.

BUSINESS

Controller

Our controller products are primarily designed in Italy by our wholly-owned subsidiary, OSAI ITA. The controller products act as the central management unit, dynamically adjusting the operation of motors, inverters, and other components. By processing sensor data and high-level commands, it executes torque control, speed regulation, energy optimization and fault protection to ensure efficient, stable, and safe performance while responding to driving demands or automated instructions.

We provide our customers a complete control system that is primarily used in CNC machine tools. Such complete control system comprise our self-designed and developed controller as the core component which is then integrated with an operation panel, industrial personal computer, operator interface and display and input/output modules, among other components.

The following chart illustrates our representative controller products. All of our controller products feature high scalability, enabling cross and volume compensation, advanced software features and multi-axis electronic cams. Our controller products support fieldbuses including EtherCAT, CANopen and Mechatrolink II and III.

Product	Example	Applications	Product Features
OPENprime Advanced Application Platform (OPENprime 高級應用平台)		Processing equipment such as CNC machines and laser cutting machines	Supports up to 64 axes Supports up to 64 interpolation axes Supports control of up to 24 channels Supports interpolation cycle time as fast as 500 µs
OPENkey Intermediate Application Platform (OPENkey 進階應用平台)			Supports up to 24 axes Supports up to 16 interpolation axes Supports control of up to 4 channels Supports interpolation cycle time as fast as 1 ms
OPENsmart Entry-level Platform (OPENsmart 入門級平台)			Supports up to 16 axes Supports up to 8 interpolation axes Supports control of up to 2 channels Supports interpolation cycle time as fast as 2 ms
OPENone Premium Entry-level Integrated Solution (OPENone 高端入門級一體化解決方案)			The modular architecture enables a highly customizable CNC while maintaining full compatibility across product series The modular structure of the real-time software has been ported to the ARM platform, running on a Linux operating system

BUSINESS

Servo Drive

The servo drive products serve as the execution hub of an electric drive system, translating the commands from the controller products into power signals to actuate the servo motors. By precisely regulating inverter switching, it adjusts voltage, current, and frequency to deliver efficient torque and speed output. Additionally, the servo drive products provide real-time monitoring and protection against faults (e.g. overcurrent or overvoltage), ensuring system reliability.

We have independently developed and designed multiple servo drives including the AxN series, which are paired with our proprietary servo motors to deliver high-performance and cost-effective servo system solutions. These solutions have been providing comprehensive electric drive systems for a range of industries such as plastic machinery, wind power, packaging and printing, and machine tools.

The following chart illustrates our representative servo drive products:

Product	Example	Applications	Product Features
AxN Series Fully Digital AC Servo Drive		CNC machine tools, medical treatment, packaging, printing, textile, robotics, photovoltaics, etc.	Built-in PLC, dual-loop position and speed parallel control, high-speed weak magnetic control, and high-speed current loop control Rated power: 4.5~100 kW Input voltage: 0~500 Vac (three-phase) Encoder: supports various mainstream encoders Cooling methods: air cooling, water cooling, oil cooling Bus communication: Modbus, CANopen, EtherCAT
AxN Series CommonDC Bus Multi-axis Drive . .		Multi-axis application scenarios such as machine tools, robotics, packaging, printing, all-electric injection molding machines, and photovoltaics	Built-in PLC, EtherPMC internal bus, high-precision control loop, energy-saving, space-saving, and low cost Rectifier unit: 0~500 Vac, rated power 80 kW, supports parallel rectifier modules Inverter unit: 0~800 Vac, rated power 11~200 kW Bus communication: EtherCAT, EtherPMC Encoder: supports various mainstream encoders Cooling methods: air cooling, liquid cooling
AxN-PD Series Multi-transmission Servo Drive		Injection molding machines, multi-wire cutting machines, CNC machine tools, etc.	Built-in PLC, EtherPMC internal bus, high-precision control loop, integrated design, high computing power Rectifier unit: 380~440 Vac, rated power 45 KW~355 kW, supports parallel rectifier modules Inverter unit: 0~800 Vdc, rated power 1.5~75 kW Bus communication: EtherCAT, CANopen, EtherPMC Encoder: supports various mainstream encoders Cooling method: air cooling

BUSINESS

Product	Example	Applications	Product Features
PH600 Series High-performance Electro-hydraulic Servo Drive		Injection molding machines, extruders, steel metallurgy, die casting machines, hydraulic presses, bending machines, etc.	High configuration, high performance, user-friendly, high reliability Rated power: 7.5~355 kW Maximum frequency: 0~400 Hz Carrier communication: 3~8 kHz Encoder: supports various mainstream encoders Cooling method: air cooling Bus communication: standard Modbus RTU, optional CANopen, EtherCAT, Profinet
PH Series High-performance Closed-loop Vector Drive		Plastic machinery	Designed for high price-performance Supports closed-loop vector control and Modbus communication protocol Offers fast current limiting function and strong overload capacity Features output phase loss protection and strong overload capability Features output phase loss protection, overcurrent/overvoltage, overload/overheat protection

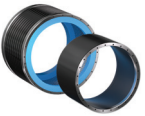
Servo Motor

The design and production of servo motors serves as our foundation with our expertise having developed since our establishment. As the “muscle” of the electric drive system, the servo motors are responsible for directly converting electrical energy into mechanical motion to propel vehicles or equipment.

The following chart illustrates our representative PMSM products:

Product	Example	Applications	Product Features
U Series Integrated Servo Motor		CNC machine tools, plastic machinery, aerospace, packing industry, and others	High torque-to-volume and power-to-volume ratios Low inertia and high rigidity characteristics Excellent motion smoothness Maximum output power up to 350 kW Torque range up to 2,000 Nm
Express Series Servo Motor		CNC machine tools, plastic machinery, aerospace, packing industry, and others	High power density Forced air cooling Maximum output power up to 75 kW Torque range up to 360 Nm
TK Series Servo Motor		Oil and gas drilling, astronomical telescope, cable care, air compressor, and others	Frameless design with separate stator and rotor, suitable for integration into equipment High torque density and peak torque density, high-speed operation, and weak magnetic field speed control capability, with a constant power range up to 10:1 Torque range up to 120,000 Nm Diameter up to 20 meters

BUSINESS

Product	Example	Applications	Product Features
XT Series Frameless Direct-Drive Torque Motor		Five-axis machine tools, direct-drive cradle rotary tables, and direct-drive heads, specifically designed to handle compact spaces and high- torque demanding applications	High power density, extreme space release, low speed and high torque, reliable and durable Torque range: up to 50,000 Nm Speed range: up to 600 rpm Diameter range: 210~1220 mm Cooling method: water cooling

Integrated Products and Comprehensive Solutions

Integrated Motor-Drive System

It refers to an innovative configuration where the motion control system remains unchanged while the servo drive and servo motor are physically integrated (with the drive relocated from the electrical cabinet to the motor shaft). Traditionally, the motor was installed on-site to connect and drive mechanical transmission loads, while the drive unit was housed separately in electrical cabinets to provide adjustable power output. This breakthrough solution proves particularly advantageous for large-scale, multi-axis motion control systems (with long production lines and numerous axes).

Our current implementation successfully integrates servo drives with servo motors, delivering significant benefits including space savings, reduced labor requirements, cost efficiency, and enhanced operational stability. The compact design eliminates lengthy power cabling while maintaining robust performance in demanding industrial environments.

Integrated Drive-Control System

It refers to an advanced architecture where the servo motor remains unchanged while motion control and servo drive functionalities are consolidated into a single unit. This integration achieves compact size, reduced weight, and enhanced performance. The solution significantly improves system flexibility and reliability while lowering costs, enabling faster execution of complex control algorithms. By utilizing shared memory for real-time data exchange, it facilitates instantaneous transmission of control parameters and dynamic feedback, thereby boosting internal communication speeds.

Our current implementation integrates motion controllers with servo drives in a unified platform, featuring built-in PLC functionality. This design offers customers critical advantages in secondary development capabilities and process confidentiality protection. The upper-layer system retains communication via CAN or Ethernet protocols to deliver specific control parameters to the drive unit.

Comprehensive Solutions

We provide comprehensive solutions that intelligently combine motion control, servo drive and servo motor into optimized configurations. We deliberately architect these solutions as coordinated systems rather than forced physical integration to better suit industrial needs. Our integration solutions deliver integration benefits that our customers desire — space savings, simplified wiring, plug-and-play installation. It also avoids the rigidity, maintenance challenges and cost premiums of over-consolidated designs. The result is future-proof motion solutions that adapt as the customers’ needs evolve, proving particularly valuable in multi-axis systems where both density and serviceability matter.

BUSINESS

Our comprehensive solutions can be applied in various application scenarios, and such solutions adapt to the specific priorities of each application scenario. The table below explains how our comprehensive solutions function under each key application scenario:

Application Scenarios	Role of Our Comprehensive Solution
High-precision motion control (aviation simulation, medical CT, CNC machines, electro-hydraulic servo)	The controller performs system-level motion planning and multi-axis coordination; the servo drive executes these commands through rapid and stable current, speed, and torque regulation; and the servo motor delivers precise, low-vibration mechanical motion. Collectively, the three components operate as an integrated closed-loop system capable of achieving high accuracy, high responsiveness, and stable dynamic performance required in precision applications.
Transportation and lifting systems (cable cars, elevators)	The controller manages operational logic, speed profiles, and safety functions; the servo drive provides controlled and smooth electrical actuation; and the servo motor generates reliable traction force. Through coordinated operation, the system enables safe, stable, and energy-efficient transportation and lifting performance under varying load conditions.
Energy and power systems (wind power, air-cooling islands)	The controller formulates adaptive control strategies to optimize torque, speed, and environmental responsiveness; the servo drive adjusts electrical output dynamically in response to fluctuating loads; and the servo motor delivers stable mechanical drive for generators or cooling fans. Together, the system maintains efficient, continuous, and adaptable energy conversion or thermal management capabilities.
Industrial heavy-duty and rotational equipment (oil-drilling top drives, marine vessels)	The controller governs operational logic for high-torque and continuous-duty conditions; the servo drive provides robust and rapid torque control suitable for harsh industrial environments; and the servo motor delivers durable mechanical output for propulsion, rotation, or lifting. Their integrated operation ensures high reliability, strong load-bearing capacity, and stable performance in demanding industrial applications.

NEV Powertrains and Components

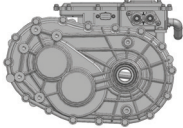
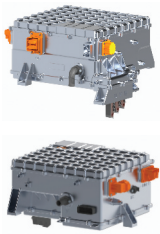
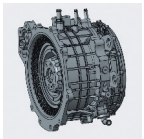
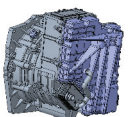
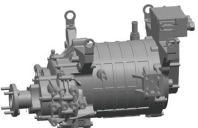
Powertrains refer to the motion control systems in an NEV, comprising three components: the traction motor, motor controller and transmission unit. During the operation of an NEV, the vehicle control unit first detects signals from the accelerator and brake pedals, then sends a torque command to the motor controller. The motor controller regulates the voltage and current supplied to the traction motor to achieve precise torque control. The transmission system then transfers the motor’s output power to the wheels, enabling the NEV to start, stop and change speed. As the functional replacement for traditional engines and gearboxes, the powertrains plays a pivotal role in determining key performance metrics of an NEV, including gradeability, acceleration and maximum speed. It is one of the core components of an NEV.

In the NEV sector, we deliver highly integrated solutions that optimize space and cost efficiency, with pioneering 800V high-voltage platform capabilities. Our powertrain portfolio features both round-wire and flat-wire motor technologies, the latter of which offer 180mm and 200mm dual platforms with L-pin winding configurations (8 wire/4 wire variants), achieving maximum speeds of 16,000 rpm with optional liquid or oil cooling.

BUSINESS

For motor control, our 400V IGBT controllers achieve functional safety level of Automotive Safety Integrity Level C (ASIL-C) by ISO 26262 and EMC Class 3 compliance, supporting a range of discrete and modular power device packages. In addition, our 800V SiC controller utilizing Danfoss’ double-sided liquid-cooled modules has completed initial development, demonstrating next-gen efficiency potential.

The table sets forth details of our representative powertrains and components for the NEV solutions business:

Solution	Example	Applications	Features
Powertrain		Meets the requirements of Class A to Class C NEVs	Covers 40 to 200kW, with input torque ranging from 1,000 to 5,000Nm The motor and reducer share a common housing, the motor housing is compatible with different lamination thicknesses, and the reducer is compatible with multiple gear ratios Saves motor end cover to reduce cost, reduces cumulative connection tolerance to improve product quality; eliminates the external wiring of the motor controller to reduce cost
All-in-one controller . .		Integration of major Engine Control Unit (ECU) in new energy passenger vehicles	Integration of major ECUs used in NEVs, including motor controller, charging, high- and low-voltage conversion, air-conditioning control, and vehicle power control ECUs, significantly reduces costs related to housings, connectors, and wiring harnesses, as well as ECU control chip reuse, lowers costs, and saves front compartment space
Range extender generator (oil-cooled)	 	Meeting the power generation needs of range extender passenger vehicles, off-road vehicles, and others	High-pole-pair design with matched high efficiency ranges of the generators and high thermal efficiency zone of the engines, achieving a power generation efficiency of over 97%, helping customers reduce fuel consumption and extend driving range
Electric drive axle products		Applicable to commercial VANs	High-performance flat-wire winding electric drive systems based on the efficient OD180 and OD220 platforms, as well as round-wire platforms with relatively flexible winding, both integrated with reducers. This allows us to provide customers with either high-performance or cost-effective plans

BUSINESS

Key Products and Solutions by Business Line

Our electric drive solutions and our products, serving as the essential foundation for energy conversion and motion control in mechanical equipment, are widely applied across various industries and business lines. We continue to maintain our stronghold in traditional industries and actively promote and facilitate industrial automation, by consolidating our leadership in medium to large electric drive systems and active competing with established international players. In addition, we strategically expand into emerging sectors, particularly those demanding higher-performance drive technologies and demonstrating substantial growth potential. Our success in the NEV sector during the Track Record Period serves as a testament to our capabilities and the effectiveness of our strategic decisions.

The table below set forth a breakdown of our revenue by business line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
(RMB'000, except for percentages)						
NEV solutions	374,704	30.1	731,719	48.8	823,414	50.7
Specialized precision electric drive systems	549,463	44.2	482,795	32.2	509,944	31.4
Industrial automation solutions	276,515	22.2	241,420	16.1	238,578	14.7
Others ⁽¹⁾	42,137	3.5	44,463	2.9	52,584	3.2
Total	1,242,819	100.0	1,500,397	100.0	1,624,520	100.0

Note:

- (1) Others primarily comprise the after-sales repair and maintenance services, sales of scrap materials, disposal of slow-moving and obsolete stocks, as well as rental income generated from leasing of the idle office space located in Ningbo Hi-Tech Zone.

The table below sets forth details of our gross profit and gross profit margin by business line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit/ (Loss)	Gross Margin	Gross Profit/ (Loss)	Gross Margin	Gross Profit/ (Loss)	Gross Margin
(RMB'000, except for percentages)						
NEV solutions	(77,857)	(20.8)%	(7,820)	(1.1)%	7,642	0.9%
Specialized precision electric drive systems	190,686	34.7%	183,042	37.9%	198,454	38.8%
Industrial automation solutions	36,589	13.2%	37,459	15.5%	33,140	14.0%
Others ⁽¹⁾	27,746	65.8%	29,337	66.0%	32,902	62.6%
Total	177,164	14.3%	242,018	16.1%	272,138	16.8%

Note:

- (1) Others primarily comprise the after-sales repair and maintenance services, sales of scrap materials, disposal of slow-moving and obsolete stocks as well as rental income generated from leasing of the idle office space located in Ningbo Hi-Tech Zone.

BUSINESS

The table below set forth details of sales volume and average selling prices by business line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(sets in thousand)	(RMB)	(sets in thousand)	(RMB)	(sets in thousand)	(RMB)
NEV solutions	62.1	6,036	143.3	5,105	201.6	4,085
Specialized precision electric drive systems	59.5	9,230	52.8	9,144	61.6	8,281
Industrial automation solutions	48.4	5,716	45.5	5,301	45.2	5,278

Note:

- * Average selling price equals revenue of the respective business lines for the period divided by the total sales volume during the same period. As we have a broad and diversified system and solution portfolio with different product specifications, complexity and prices, our average selling price could vary significantly across product types, customers, business lines and periods.

NEV Solutions

Our NEV solutions business focuses on the NEV sector and grew rapidly during the Track Record Period. We began our strategic entry into the NEV sector in 2016 and established a dedicated business division in 2016 to focus on this business line. During the Track Record Period, revenue from the NEV solutions business amounted to RMB374.7 million, RMB731.7 million and RMB823.4 million, respectively.

Building upon decades of industrial expertise, we have established an end-to-end technological presence in NEV powertrains, achieving trial run of 800V SiC controller for passenger vehicles while pioneering multi-in-one products for commercial vehicles. Our 800V SiC controller utilizing Danfoss’ double-sided liquid-cooled modules has completed initial development, demonstrating next-gen efficiency potential. As of the Latest Practicable Date, we have secured 22 design-win projects from 14 commercial vehicle OEMs and tier-1 suppliers, with 13 projects already reaching mass production; we have also secured 32 design-win projects from 13 passenger vehicle OEMs and tier-1 suppliers, with 23 projects already reaching mass production.

Serving mainstream Class A and Class B NEVs with complete solutions from motors to integrated powertrains, we expect to continue to advance on dual tracks: vertically developing premium applications like hub motors, while horizontally expanding into modular components (inverters, stator/rotor kits) to adapt to some OEMs’ strategy of in-house assembly plus outsourced core modules.

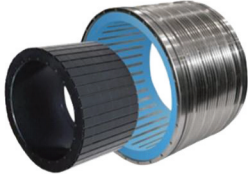
Our business model involves deep collaboration with NEV OEMs throughout their R&D process, providing them with customized powertrain systems and components. Through years of close collaboration with multiple leading NEV OEMs, we have cultivated a unique competitive edge in providing powertrain solutions and components. Our modular platform approach seamlessly adapts to a range of vehicle architectures while maintaining high production facility utilization, and this operational excellence combined with vertically integrated manufacturing allows us to deliver industry leading cost-performance ratios that accelerate our business partners’ time-to-market without compromising quality or reliability.

BUSINESS

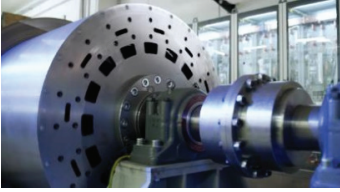
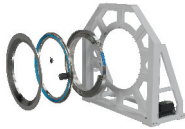
Specialized Precision Electric Drive Systems

Leveraging our strong customization capabilities, our products and solutions are widely used in various specialized application scenarios under special environment and conditions, which generally require exceptional ruggedness, accuracy and responsiveness. Our products offered under the specialized precision electric drive systems business include primarily high-precision servo motors, direct drive motors, and matching drives, equipped with high-resolution multi-turn absolute encoders. During the Track Record Period, revenue from the specialized precision electric drive systems business amounted to RMB549.5 million, RMB482.8 million and RMB509.9 million, respectively.

The chart below illustrates our representative solutions under the specialized precision electric drive systems business along with their applications:

Sector	Example	Applications
Deep-sea Exploration and Space Exploration . . .		Since 2020, we have mass-supplied motors for a customer’s 14T aviation simulation platform. From 2022 onward, we have developed direct-drive torque motors and control systems for customer’s actuation mechanism, achieving capability for small-batch delivery.
Cable Cars		We engineered a cable car solution featuring China’s first high-efficiency motor design with domestic-leading technology. This breakthrough application serves as a model demonstration in the industry, further showcasing our commanding lead in cable car electric drive systems.
Top Drives for Oil Drilling . . .		We provide efficient and reliable electric drive solutions for oil drilling top drives, ensuring stable operation of drilling equipment in harsh offshore environments. The top drive motor achieves a rated output of 85,000 Nm within a volume of approximately 1 m³, with an efficiency as high as 96% at low speeds and a peak torque of 160,000 Nm.

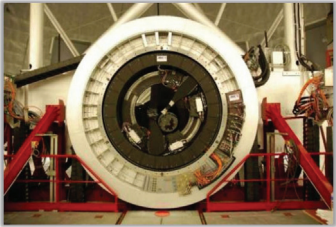
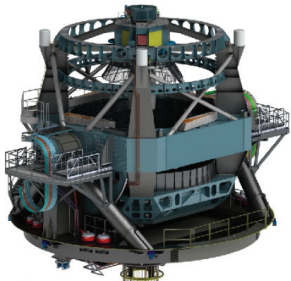
BUSINESS

Sector	Example	Applications
Elevators		Our direct-drive motor technology is installed in the Ping An International Finance Center in Shenzhen (the world’s fifth tallest building as of the Latest Practicable Date), equipping the skyscraper’s elevators with a “direct-connected engine.” In another project equipped with our direct-drive motors, the elevator achieves a speed of 15 m/s in high-rise buildings, positioning us at the forefront of the industry.
Air-cooling Islands		Air-cooling islands are large installations in plants designed for air cooling, typically consisting of dozens of fans that provide forced ventilation to cool high-temperature equipment. The introduction of direct-drive motors eliminates intermediate components like gearboxes and transmission gears, achieving highly efficient direct-drive transmission in a single step.
Medical CT Direct-drive Motors		In CT scanners, direct-drive motors are mainly used to control gantry rotation, ensuring high precision and fast response for better image quality and efficiency. They can also drive other moving components, such as detectors, to further enhance overall system performance.
Marine Vessels. . .		Through collaboration with a research center, we have developed a rim-driven propulsion system featuring a hollow-core design where the motor is centrally hollow, allowing for direct integration of the propeller within its core. Compared to traditional propulsion systems, this solution is quieter, more efficient, more maneuverable, and more durable. It is suitable for a wide range of applications, spanning a power range from 30 kW to 1.2 MW.

Specifically, humanity’s exploration of space never ceases, and large astronomical telescopes serve as vital observational tools for observing the cosmos. These telescopes demand exceptional precision and motor stability, requiring motor drive systems to meet extremely stringent performance metrics, such as torque, torque ripple, and temperature range. Leveraging our strong technical expertise, we provide highly customized servo motor drive systems that satisfy these demanding specifications to leading research institutes worldwide, and there are only a few domestic electric drive solutions providers who are capable of doing this, according to CIC. This demonstrates our strong R&D and delivery capabilities, empowering humanity’s ongoing exploration of new frontiers.

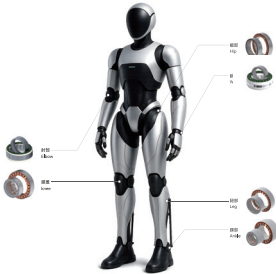
BUSINESS

The chart below illustrates our representative solutions related to astronomical telescopes along with their applications:

Example	Applications
	We successfully developed the large direct drive servo motor that was applied to the ALMA large radio astronomical telescope, which captured the first-ever image of M87 black hole in 2019.
	We are collaborating with a leading domestic research institute and supplying them with customized azimuth and elevation motor drive systems. These systems will be deployed in their large astronomical telescope project, featuring a total height of 33 meters and an azimuth platform diameter of 25 meters. The azimuth axis rotation section weighs over 600 tons, while the elevation axis bears a load exceeding 300 tons. The azimuth motor requires a peak torque exceeding 2,000,000 Nm, and the elevation motor demands a peak torque exceeding 600,000 Nm, while the torque fluctuation must be less than 1% under year-round operating temperatures ranging from -30°C to +25°C at altitudes exceeding 4,000 meters.

In addition, in 2024, we acquired NGTEC, a company in Italy providing advanced services and software solutions with a primary focus on robotics and related technologies. The acquisition enabled us to further strengthened our technology advantages in industrial automation, while expanding our services and software capabilities in high-growth sectors.

The chart below illustrates our representative solutions related to robotics along with their applications:

Example	Application
	We offer integrated joint modules to industrial robots. Our robotic solutions possess the following categories and features: Precision direct drive joint modules: high response speed, high torque density, low noise, anti-impact and high reliability; Rigid joint modules: high load-bearing capacity, long service life, high speed ratio with low noise; Linear joint modules: compact structure with uncompromised high efficiency and rigidity.

BUSINESS

Industrial Automation Solutions

Industrial automation solutions business includes application scenarios where high efficiency and reliability of electric drive systems and solutions are critical, including electro-hydraulic servo and wind power. Our products offered under the industrial automation solutions business include primarily medium- to high-power permanent magnet synchronous servo motors and matched servo drives. During the Track Record Period, revenue from the industrial automation solutions business amounted to RMB276.5 million, RMB241.4 million and RMB238.6 million, respectively.

The chart below illustrates our representative solutions under the industrial automation solutions business along with their applications:

Sector	Example	Applications
Wind power		Motor deployed in the 5 MW Donghai Bridge offshore wind turbine (operational since 2015) Customized pitch motor used in China’s first 18 MW offshore turbine (Fujian, 2020; rotor >200 m) Supplied pitch motors for the world’s largest 26 MW offshore wind turbine (as of the Latest Practicable Date and according to CIC)

The following chart illustrates the key differences between our specialized precision electric systems and our industrial automation solutions:

	Specialized Precision Electric Systems	Industrial Automation Solutions
Application Scenarios	Target at high-end, niche, and customized equipment where motion-control accuracy, responsiveness, and environmental adaptability are critical. Applications often involve extreme climates, high-precision tasks, or irregular heavy loads, such as aviation simulators, telescopes, cable cars, and crystalline silicon cutting.	Focus on industrial-scale, volume-use environments where operational efficiency, long service cycles, and system robustness are essential. Applications concentrate on repeatable, long-duration industrial processes, such as wind turbine pitch systems and electro-hydraulic servo systems, especially in large renewable energy infrastructure.
Level of Customization . .	Characterized by deep, bespoke engineering, with customization spanning mechanical structure, torque range (0.6 Nm to 390,000 Nm), positioning accuracy, system response, cooling design, and integration with specialized equipment, tailored for unique customer systems.	Customization is application-standardized, primarily ensuring compatibility with industrial platforms and architectures. Designs emphasize high power density, reliability, and modular integration, such as standardized pitch-control “three-in-one” solutions. Customization is more structured and less individualized.

BUSINESS

	Specialized Precision Electric Systems	Industrial Automation Solutions
Cost	Designed to balance precision performance with lifecycle cost under demanding conditions. Cost advantages stem from reduced downtime, lower maintenance, and enhanced durability in extreme environments, rather than economies of scale.	Cost efficiency comes from scale effects and industrial standardization. Solutions support long-term, predictable operation of wind farms and automation lines, reducing per-unit operational cost and enabling customers to meet energy-efficiency and emission-reduction targets.
Precision and Speed of Response	Prioritize high-precision motion control, including micro-level positioning, fast dynamic response, and stability under abrupt load variations. Motion accuracy is a core performance driver.	Focus on consistent torque output and system stability, rather than ultra-high motion precision. Response performance is driven by the need for accurate but slower-cycle adjustments, such as wind turbine pitch control. Motion accuracy is important but not the primary performance determinant.

Domestic Substitution Capability

Our solid R&D foundation and mass production capability enable our solutions to be a compelling alternative to solutions traditionally provided by established international players. During the Track Record Period, we have successfully replaced foreign brands with our proprietary high-end servo motors in multiple cases.

For example, we have worked closely with JIER Machine-Tool Group Co., Ltd (“JIER”, 濟南二機床集團有限公司), one of the pioneers in China’s machine tool industry and a global leader of press machine, and substituted some of its key products traditionally procured from international brands with our solutions. Below are some of the highlights of our collaborations:

- **TK740 Project Domestic Substitution:** In 2025, we jointly initiated the TK740 project with JIER. This project aims to servo-convert traditional press machines by implementing a modular servo control system to achieve real-time acquisition and analysis of force, displacement, and time data. The system can be flexibly integrated into servo pressing equipment or industrial automation production lines. Through technological innovation, we have localized the servo press machines that were traditionally monopolized by leading international manufacturers. Due to its uniqueness and significance, this project has won support as a national key technological transformation initiative.
- **XTR Series Domestic Substitution:** In 2025, we jointly developed and successfully delivered the first XTR series external rotor torque motor, which will be used as the core power unit for the five-axis machine tool of JIER, marking a major breakthrough in the domestic substitution of key components in China’s high-end machine tool industry. Through technological innovation, we have achieved international advanced levels in key technical areas such as high torque density design, precision thermal management, and dynamic response control, thereby breaking the decades-long technological monopoly held by foreign companies.

BUSINESS

RESEARCH AND DEVELOPMENT

R&D has been our cornerstone since our establishment in 2001. In 2018, we established our R&D Center in Italy to foster the communication and interaction with world-class scientific research institutions and industry experts abroad. In 2019, we acquired OSAI ITA in Italy and enhance our capabilities in motor drives and controllers. In 2022, we established the Innovation Center in Zhejiang Province which facilitates cross-pollination of core technologies, transfer of product concepts, and industrial synergies across a range of applications, simultaneously empowering us to gain deeper customer insights and identify emerging market opportunities. In 2024, we acquired NGTEC in Italy to further strengthen our technology advantages in industrial automation.

As of December 31, 2025, we had 385 R&D personnel, representing 28.5% of our total employees as of the same date. Our R&D team is led by several recognized industry experts, who have an average industry experience of over 20 years and a proven leadership by serving as managerial positions at several top companies in the industry. Our core technical experts of our R&D team also have extensive industry experience and are responsible for leading our major scientific and technological projects. As of December 31, 2025, more than 71.9% of our R&D personnel hold a bachelor’s degree or above.

In 2023, 2024 and 2025, we recorded research and development costs of RMB120.2 million, RMB121.2 million and RMB134.9 million, respectively, accounting for 9.7%, 8.1% and 8.3% of our revenue for the same period, respectively.

R&D Center in Italy

Our R&D center in Italy locates in Genova, Italy. It possesses comprehensive research capabilities spanning hardware, software, mechanical, and electrical engineering, driving innovation in product development and next-gen technologies, with a specialized focus on breakthroughs in electronic control systems. Our Italian subsidiaries also contribute to our R&D capabilities with their long-established expertise in the electric drive industry. To further amplify our dual-hub R&D synergy, we have established cross-border task forces that integrate resources from both our Chinese and Italian teams. These collaboration initiatives tackle long-term R&D roadmaps, aligning foundational research with exploration to maintain our leadership in core and emerging technologies.

R&D Center in China

Our R&D Center in China locates in Ningbo, Zhejiang. It operates on a unique customer-coordinated innovation model, where our engineers and technical teams are embedded directly into business units and subsidiaries to work side-by-side with customers’ R&D groups. From the initial requirement definition phase, we translate operational needs into actionable motor design parameters, delivering end-to-end solutions spanning structural optimization to transmission chain simplification. This deep collaboration not only elevates system performance but also anticipates technological shifts to create value beyond standard products.

Innovation Center

The Innovation Center locates in Ningbo, Zhejiang. As a provincial-level advanced manufacturing innovation platform, the Innovation Center specializes in technology development and industrial chain collaboration. With well-equipped labs in Ningbo, the Innovation Center deliver highly customized R&D services rooted in customers’ needs, while strategically focusing on differentiated domains, such as mechanical engineering, structural analysis, electronics, advanced materials and simulation/software. Positioned as a top-tier innovation hub and cross-industry collaboration platform both in China and internationally, the Innovation Center aims to establish a comprehensive innovation network, strengthen industrial chains, and foster a collaborative ecosystem across different sectors.

BUSINESS

R&D Collaboration with Universities and Research Institutes

While we primarily conduct R&D through our in-house team, we also collaborate with universities and research institutes for certain major or cutting-edge topics and submit joint applications. For example, we have been conducting joint R&D with a leading university in the PRC on the whole-body coordinated motion humanoid robot system and applications since 2024.

We have completed or are currently conducting joint R&D with NIMTE in the following projects:

Period	Topics	Achievement
From 2019 to 2022	Torque motor and drive control for robot joints	The R&D projects have achieved a total of 34 patent applications and 9 paper results (4 SCI/EI papers).
From 2024 to 2026	Research on key technologies of high-precision, high-torque direct-drive rotary table	Ongoing
From 2023 to 2026	Research and development of permanent magnet direct drive system for large-scale high-precision astronomical telescope	Ongoing
From 2023 to 2026	Research and development of motors and key technologies for thermal management systems of commercial NEVs	Ongoing

The major terms of our joint research agreements typically include the following:

- ***Ownership of intellectual property:*** Scientific and technological achievements completed independently and intellectual property rights obtained shall be owned exclusively by the respective parties, and any awards granted for such achievements shall be owned exclusively by the respective parties. Scientific and technological achievements completed jointly by the parties and the intellectual property rights formed therefrom shall be jointly owned by the parties, who shall jointly enjoy the right to use such intellectual property rights.
- ***Milestones:*** The parties to the joint development agreements are expected to meet certain KPI requirements within specified date ranges, including transferring/submitting requisite documents or completing certain testing for the sample machines. We will evaluate whether such KPIs have been met on our premise, where the universities or research institutes under the joint development agreements may also be obligated to provide technical assistance.
- ***Project funding allocation:*** The project funding is typically composed of grants and self-raised funds. The funding will be allocated to the parties pursuant to the provisions under the joint development agreements.
- ***Term:*** Typically more than three years.

BUSINESS

Our Research and Key Technologies

Over the years, we accumulated core technologies, which we believe make us a reliable choice for customers. R&D not only guides our application-driven innovations but also fuels our deep explorations into fundamental disciplines, pushing the boundaries of what is technologically possible.

Capitalizing on our unwavering commitments to R&D and continuous efforts, we have achieved numerous domestic recognition as the “first-of-its-kind” (國內首台套) and made significant technological breakthroughs:

First-of-its-kind Equipment in China	Description
XT2300-800-217C Cable Car Direct Drive System	It was recognized as the first-of-its-kind in China in 2022. The related technologies are supported by four invention patents and seven utility model patents The development and mature application of the direct drive system address multiple challenges in traditional cable car systems, such as difficult maintenance, large size, and low efficiency
9-km Top Drive Drilling System	The system, being the first-of-its-kind in China, represents a major breakthrough in drilling technology in China. The permanent magnet direct drive top drive system, with its simplified structure and outstanding performance, significantly reduces maintenance demands, lowers noise levels, and greatly improves operational efficiency

PRODUCTION

We produce substantially all our products ourselves in our three production facilities located in Hangzhou Bay, Zhuzhou and Ganzhou, to ensure that we consistently deliver products to meet customers’ demands in a timely manner.

We serve a range of downstream applications with extensive customization requirements, developing tailored solutions to meet specific customer needs while employing platform-based and modular manufacturing approaches to enhance production efficiency and scale. By strategically balancing bespoke engineering with standardized modular architectures, we achieve mass production benefits that drive down costs without compromising customization capabilities. This synergistic model, which combines flexible design with industrialized production, allows us to deliver competitively priced, application-optimized products at scale, ultimately strengthening our market position through improved operational effectiveness and value creation across the customization-volume spectrum.

Lean-Digitalized Manufacturing

We have integrated lean-digitalized manufacturing technologies into various aspects of our production. We are also one of the earliest companies to implement automated equipment in production processes, which significantly increases efficiency, precision and consistency in production. For example, as our flagship production facility, we started the digitalized transformation of our Hangzhou Bay facility from March 2020 and completed the transformation in June 2022. After the transformation, the computer numerical control rate of our Hangzhou Bay facility has reached 90%, with the automation system utilization rate achieving 100% and the automatic data collection rate for entire production process achieving 88%. As such, we successfully reduced the overall operating cost by 10% in Hangzhou Bay facility.

BUSINESS

Manufacturing Technologies

In order to produce products for a range of industry verticals with high precision and premium quality, we have developed a number of key manufacturing technologies. For example, the strength and structural stability of our products are the core features of our electric drive systems and solutions. Leveraging our strong R&D capability, we have been investing and developing our proprietary epoxy potting technology (環氧灌封技術). We are among the first batch of providers in the industry to adopt epoxy potting technology.

Our epoxy potting technology involves potting the stator module in a vacuum epoxy device, sealing the motor stator and housing together as a whole, and therefore improving overall rigidity and insulation, and reducing electromagnetic and mechanical vibration. We have configured dedicated epoxy drying rooms and advanced epoxy mandrel demolding process to precisely control the process parameters by controlling the pre-heating time, and industrialized the epoxy mandrel demolding. Though improved epoxy equipment and processes, our technology can cover product diameters from 66 mm to 1,150 mm and achieve industry-leading potting efficiencies and vacuum requirements and therefore significantly enhancing the product insulation and sealing.

Production Facilities

We have established three production facilities in strategic locations of China through leveraging premium manufacturing equipment and advanced process technology that we accumulated through continuous innovation and investment.

The following table sets forth details of our production facilities as of December 31, 2025.

Production Facility ⁽²⁾	Year of Commencement of Operation	Primary Products/Activities	Features	Total GFA (m ²)	Ownership of the Premises
Hangzhou Bay . . .	2010	Industrial control products & NEV products ⁽¹⁾	Upgraded to a smart factory in 2022	58,429	Self-owned
Zhuzhou	2021	NEV products	Flexible production capabilities	11,689	Leased
Ganzhou	2024	NEV products	Highly automated	17,765	Leased

Note:

- (1) The production lines of the Hangzhou Bay facility dedicated to supplying servo motor products to overseas customers have been relocated to the Beilun facility.
- (2) As of June 30, 2025, we operated four production facilities in China, including one production facility in Tianjin for product assembly. In the last quarter of 2025, we commenced the relocation of the production of our Tianjin facility. During the transition period, our Ganzhou production facility has undertaken, and will continue to undertake, the production functions previously carried out at the Tianjin facility. We do not expect to incur material relocation costs.

BUSINESS

In addition to the three production facilities above, as of the Latest Practical Date, we had three new production facilities under construction in Beilun, Ningbo, Jinan, Shandong and Yibin, Sichuan, respectively. The table below sets forth details of our production facilities under construction as of the Latest Practicable Date.

Production Facility	Expected Year of Completion	Primary Products/Activities	Total GFA	Expected Production Capacity	Expected Capital Investment
Beilun . . .	2026	Industrial control products for large-scale transmission equipment	88,157m ²	3,480 sets per year ⁽²⁾	RMB301.4 million ⁽⁴⁾
		Servo motors for products such as industrial fans, air compressors and others ⁽¹⁾		30,000 sets per year ⁽³⁾	
Jinan . . .	2026	Servo motors for CNC machines	3,500m ²	36,000 sets per year ⁽²⁾	RMB9 million ⁽⁵⁾
Yibin	2026	NEV products	9,455m ²	100,000 sets per year ⁽²⁾	RMB67 million

Notes:

- (1) The production lines include some that were relocated from the Hangzhou Bay facility. These lines are dedicated to supplying servo motor products to overseas customers.
- (2) Production capacity is calculated taking into consideration the bottleneck in the production process involved and the average production time of the products, and use their average production time in the production capacity calculation.
- (3) Production capacity is calculated taking into consideration the bottleneck in the production process involved and the average production time of the standard products identified. Our production lines are designed to be flexible to accommodate numerous product series and variants that we offer to our customers in the industrial control segment. Therefore, we select the major products with the largest production scale as the standard products and use their average production time in the production capacity calculation.
- (4) As of December 2025, approximately RMB259.3 million of the total capital investment had been paid. The construction was funded primarily with bank borrowings.
- (5) The expected capital investment for the Jinan facility is for procurement of production equipment for phase I only. We will continue to complete phase II construction in line with our funding availability and order pipeline.

We initiated the construction of the Beilun facility in June 2022. The construction was completed in December 2024, and as of the Latest Practicable Date, we are in the process of interior decoration of office building. Certain production lines at the Beilun facility have been relocated from our Hangzhou Bay facility, dedicated to supplying servo motor products to overseas customers. These relocated production lines have commenced operations in March 2026. We plan to bring the Beilun facility into operation on a phased basis. We will continue to complete the procurement and installation of production equipment and gradually ramp up production in line with our funding availability and order pipeline.

As of the Latest Practicable Date, we were in the process of establishing two additional production facilities in Jinan, Shandong and Yibin, Sichuan, respectively. For the Jinan facility, the phase I construction of the facility is expected to be completed and put into operation by June 2026, primarily serving the general assembly and rotor assembly lines; the phase II construction is expected to be completed by the end of 2026, focusing on the construction of the stator assembly line. For the Yibin facility, we initiated the construction in April 2026, which is expected to be completed by June 2026.

BUSINESS

Electric drive systems are complicated devices, typically consisting of various parts and components. We may produce these parts and components in different production facilities and assemble them into finished electric drive systems. In such a multi-stage and multi-line production system, our actual production capacity is determined by the bottleneck, which is the minimum output among all critical component production lines or the final assembly line. The bottleneck may vary among different production facilities and different product lines. The tables below set forth details of our aggregate production capacity, actual production volume and utilization rate by business segment for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
<i>Electric drive systems for industrial control segment:</i>			
Production capacity (sets in thousand) ⁽¹⁾⁽²⁾⁽³⁾	136.0	138.0	143.8
Production volume (sets in thousand)	104.5	103.8	99.6
Utilization rate (%) ⁽⁴⁾	76.8	75.2	69.3
<i>Powertrains for NEV segment:</i>			
Production capacity (sets in thousand) ⁽³⁾⁽⁵⁾	156.6	167.7	287.6
Production volume (sets in thousand)	62.7	135.6	206.0
Utilization rate (%) ⁽⁴⁾	40.0 ⁽⁶⁾	80.9	71.6

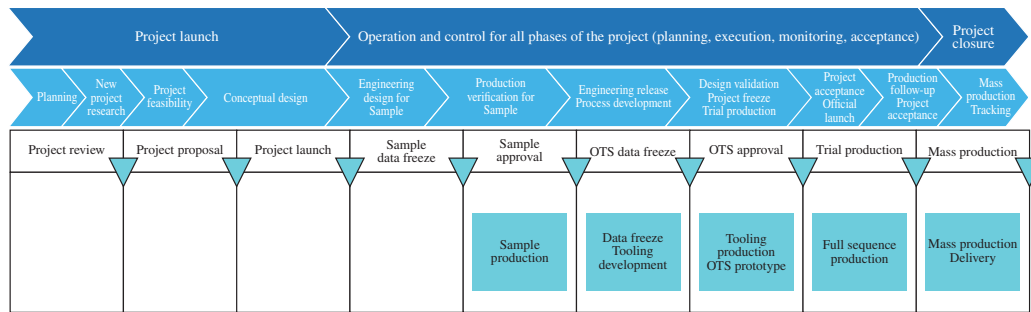
Notes:

- (1) Production capacity for our industrial control segment is calculated taking into consideration the bottleneck in the production process involved and the average production time of the standard products identified. Our production lines are designed to be flexible to accommodate numerous product series and variants that we offer to our customers in the industrial control segment. Therefore, we select the major products with the largest production scale as the standard products and use their average production time in the production capacity calculation.
- (2) The calculation of our production capacity of the years ended December 31, 2023, 2024 and 2025 is based on the following assumptions: (i) 300 operational days per year; and (ii) nine or ten operating hours per day depending on different production facilities. The calculation of production capacity excludes production lines which were suspended for maintenance or technical upgrade.
- (3) Production capacity may vary between different years/periods, subject to (i) production facilities expansion or upgrade; (ii) addition of equipment or production line for bottleneck process; and (iii) optimization of production process and technical upgrade.
- (4) Utilization rate is calculated by dividing the production volume by the production capacity.
- (5) Production capacity for our NEV segment is calculated based on the number of working days, daily working hours and production take time. The calculation of production capacity excludes production lines which were suspended for maintenance or technical upgrade.
- (6) The utilization rate in 2023 for our NEV segment was relatively low compared to other periods, primarily affected by the reduced orders from one of our key customers in that year.

BUSINESS

Product Development Process

We have established a rigorous and detailed product development process to optimize efficiency and meet customers’ customization needs. The process is structured around nine key milestones, ensuring that all stage-specific deliverables meet predefined standards before advancing to the next phase. This systematic approach guarantees that both the product and its associated processes achieve the necessary maturity and stability at each step. The development timeline is measured from project initiation until mass production, with the preliminary review-to-approval period being about one month. The diagram below sets forth our product development process:



Production Process

Our production operations are strictly demand-driven, with manufacturing activities meticulously planned and executed based on confirmed customer orders. Across our three production facilities, each business unit’s factory then carries out the complete manufacturing process from material preparation through precision production, rigorous testing, careful packaging and final warehousing. This build-to-order approach ensures efficient resource allocation while maintaining the flexibility to accommodate priority orders, allowing us to deliver products that precisely meet customer requirements and timelines.

We typically plan our production on a monthly basis based on the forecasted demand of our customers and the anticipated market trends. We continually monitor the utilization rates of our production facilities and update our production plans based on the rolling forecasts of customer orders.

Each production process typically begins with component preparation. This is followed by sequential assembly steps, where key components, such as gearboxes, motor modules and control units, are integrated using either manual or automated methods. We incorporate multiple quality checkpoints throughout the process. For controllers and NEV powertrains, additional procedures, such as air tightness tests, aging tests, end-of-line tests, NVH and performance tests, are implemented. To simulate more demanding operating conditions, we subject our products to exceptionally rigorous or extreme testing parameters. We believe our testing standards far exceed industry norms, ensuring unmatched product reliability.

Outsourcing

During the Track Record Period, all of our products were produced in-house to ensure stringent quality control and knowhow protection. To enhance production flexibility and resource efficiency, we selectively outsource certain standardized and non-core production processes, such as certain non-core machinery and wire embedding, to rigorously vetted contract manufacturers. These outsourcing contract manufacturers must strictly adhere to our technical specifications and quality standards, with all outsourced components undergoing our full inspection protocol before warehouse acceptance to guarantee performance parity with in-house productions.

BUSINESS

Set forth below is a summary of key terms with our contract manufacturers:

Duration	The term of our long-term procurement agreements with contract manufacturers typically is one year and a half.
Scope of Work	The specific products will be determined based on the contents of each order under the long-term procurement agreements.
Quality Control	Prior to delivery, we will conduct preliminary inspection regarding the condition of the products from the contract manufacturers. The contract manufacturers must provide us in advance with the product qualification certificates, quality assurance certificates, inspection reports, and other relevant documents evidencing the product quality. We will conduct an acceptance inspection upon the products’ arrival, and for any non-conforming products, we are entitled to request the return of such non-conforming products.
Liability/Warranty	Our contract manufacturers usually provide us a two-year warranty for products supplied.
Termination	We have the right to terminate the contract if a force majeure event lasts for more than seven days.

INVENTORY MANAGEMENT

Our inventories consist of (i) raw materials, representing the various kinds of supplies that we procure for manufacturing our products which include mainly magnetic steel, enameled wire, electronic components, silicon steel sheets, flanges and aluminum profiles; (ii) work in progress and (iii) finished goods. Our inventories amounted to RMB274.5 million, RMB329.4 million and RMB265.6 million as of December 31, 2023, 2024 and 2025, respectively.

Our inventory management strategy includes the overall consideration of various factors such as anticipated price increases in raw materials and equipment, as well as trends in demand growth. In response to these uncertainties, we implement measures to set safety inventory levels, such as developing inventory policies based on market trends, maintaining high levels of safety inventory for critical raw materials, and establishing stable partnerships with suppliers to ensure timely delivery and stable production. Through effective inventory management and the establishment of safety inventory, we aim to reduce supply chain risks and enhance our ability to respond to market changes.

To monitor our inventory levels and minimize obsolete inventory, we have established a WMS system and implement together with our ERP system, through which we achieve seamless integration of the production plan, production process, raw materials and equipment management. Leveraging our information management systems, we calculate optimal inventory standards based on comprehensive production capacity and customer demand.

We regularly conduct inventory checks and designate dedicated personnel to safeguard key raw materials to implement dynamic and static supervision over our inventories. In December 31, 2023, 2024 and 2025, our inventory turnover days were 100.7, 87.6 and 80.3 days, respectively. See “Financial Information — Discussion of Selected Items from Consolidated Statements of Financial Position — Inventories.”

BUSINESS

QUALITY CONTROL

We have established ISO 9001:2015-certified quality management system since 2004. We maintain rigorous quality control across every stage, including to conduct regular internal audits and management reviews of our quality control systems to promptly identify and address potential issues, ensuring continuous improvement and refinement of our quality control systems. We also received certifications for establishing and applying a quality management system for the design and manufacturing of drive motor assembly, stator and rotor in accordance with IATF 16949.

We have built a comprehensive quality control and quality assurance system, which are integrated into the entire product lifecycle, ensuring the consistent and reliable production design, manufacturing, testing, delivery and after-sale services of products. Our Chairman is the chief decision-maker overseeing the quality management activities and is responsible for the coordination of any quality issues in relation to our products or services. We have also established a quality management center responsible for implementing quality control policies and overseeing the planning, implementation and supervision of our internal quality initiatives throughout the entire production cycle, including raw material inspection, in-process quality control, and final product inspection. Our quality management center and management team have been continuously monitoring and tracking certain key indicators of quality control, including first-production qualification rate, process qualification rate, client complaint rate and defective product rate, and we have been at the forefront of the industry with leading and consistent product quality.

We have also established two well-equipped testing laboratories in Ningbo, one of which has been certified by China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會, “CNAS”). This enables us to simulate various extreme conditions to create extreme temperatures, pressures, ultra-strong magnetic fields, and other extreme states, and to carry out comprehensive testing to our products, including general tests, performance tests, environmental adaptability tests, NVH tests and EMC tests, reliability and durability tests and any product specification tests required by our customers.

SALES AND MARKETING

In determining our product and solution pricing, we consider a comprehensive range of factors, including production costs, technological differentiation, customer demand, supply chain dynamics, procurement strategies, targeted gross profit margins for each solution, and the competitive landscape specific to the relevant sales markets. This includes an assessment of overall market conditions and pricing of comparable solution offered by industry peers. Given the extensive variety and various specifications of our customized solutions, their pricing varies significantly. To mitigate potential fluctuations in the prices of critical raw materials, we may incorporate price adjustment mechanisms in agreements with certain customers. See “— Raw Materials and Suppliers” for details.

Sales Arrangement

We typically make direct sales of our products and solutions to our customers through our in-house dedicated sales team. As of December 31, 2025, our sales team consisted of 117 dedicated sales personnel covering customers in more than 40 countries and regions. As most of our products and solutions are made to order and cater to the different commercial needs of our customers in both domestic and overseas markets, our sales team will deeply dive into our customers’ differentiated needs in their respective industry sectors, conduct close and extensive client-facing, dig out market opportunities, maintain and coordinate with our internal sources to serve customers. Specifically, as most of our customers are NEV OEMs and industrial companies whose needs are highly technical-oriented, we have implemented an in-depth cooperation model with our R&D and manufacturing experts involved to enhance overall efficiency and to deliver our customized solutions with exceptional quality. Such model will cover all major milestones of our collaboration with our customers, from initial product design and customization, trial production and mass

BUSINESS

production, to after-sales services. Through the joint efforts of our sales team and technical experts, we have gained widespread recognition from our customers and maintained strong customer stickiness. See “— Our Customers — Material Terms of the Sales Agreements” for details about our materials terms with our customers.

Marketing and Branding

Our sales team is responsible for the design and implementation of our marketing strategies and campaigns. Our marketing and promotion strategies are dynamic, while we focus on the deep communication and collaboration with our industry customers, we also actively host and participate in a wide range of exhibitions, industry conferences and industry-university-research collaborations. In addition to offline channels, we engage in various online advertising and promotional activities. These include targeted online promotions on search engines and industry-specific digital platforms, sponsored content, and the use of data-driven tools to enhance the visibility of our products and solutions among potential customers. We also maintain corporate websites and official accounts on major digital platforms to disseminate technical information, product updates, and corporate news, and to facilitate customer inquiries. Specifically, for our NEV solutions business, we focus on customer expansion, actively engaging in bidding processes, conduct technical discussions, presentations, prototype production and parameter matchings with our customers, and continuously optimizing the competitiveness of our products and solutions to ensure we maintain a leading position in the fiercely competitive market.

We also implement an incentive plan for our sales personnel. We set sales targets as the benchmark for evaluating their performance, which aligns with our growth targets and strategy. In addition, we grant performance-based incentives under which sales personnel may receive additional bonuses and incentives proportionate to the extent to which their sales exceed the sales targets.

After-Sales Services

We provide extensive after-sales services to our customers to maintain customer loyalty and enhance our brand image and reputation. We have established a dedicated after-sales services department to respond to customer enquiries in a timely manner and strictly implement our after-sales services management procedures. In addition, we regularly conduct professional and technical training to improve the professional skills of after-sales services personnel. As part of our after-sales services, we actively work with customers on their product upgrading so as to further understand evolving commercial needs and industry trends, provide customized solutions to our customers, create more value for our customers and continuously improve customer satisfaction and loyalty.

Product Warranties and Product Return

We generally allow product exchange or return for quality issues during the warranty periods stipulated in the sales contracts. The warranty period is primarily determined based on their service life or, for NEV products, driving mileage, which generally ranges from eight to ten years or 100,000 kilometers to 200,000 kilometers for NEV products, and 18 to 36 months for industrial control products. Upon receiving a request from customers for exchange, we would confirm the orders and discuss the potential solutions with our customers. Our after-sales services team also conducts customer satisfaction evaluation on a regular basis by collecting and analyzing information from our customers in respective of their satisfaction towards our solutions.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product recall, product exchange or product liability claims that would have a material adverse impact on our business, financial condition and results of operations.

BUSINESS

OUR CUSTOMERS

During the Track Record Period, our customers included primarily NEV OEMs and industrial companies. In 2023, 2024 and 2025, revenue generated from our top five customers in each period during the Track Record Period accounted for 46.2%, 55.3% and 56.4% of our total revenue for such period, respectively, and revenue generated from our largest customer in each period during the Track Record Period accounted for 23.6%, 21.7% and 23.7% of our total revenue for such period, respectively. The following table sets forth details of our five largest customers in each period during the Track Record Period.

Rank	Customer	Transaction amount (RMB'000)	% of total revenue	Settlement term and payment method	Major products purchased from us	Commencement of business relationship	Customer background
For the year ended December 31, 2025							
1. . .	Customer A	385,037	23.7	Within 60 days after the invoice date; banker's acceptance	NEV powertrains and components	2022	Established in 2014 in Guangzhou, Guangdong, it focuses on the R&D, manufacturing and sales of NEVs. It's a wholly-owned subsidiary of a company dual-listed on the Hong Kong Stock Exchange and NYSE. Based on public information, it has a registered capital of RMB40 billion.
2. . .	Customer B	312,086	19.2	Within 60 days after the invoice date; banker's acceptance	NEV powertrains and components	2016	Established in 1992 in Beijing, it focuses on the R&D, manufacturing and sales of NEVs. It is currently listed on the Shanghai Stock Exchange. Based on public information, it has a registered capital of RMB15 billion.
3. . .	Customer C	96,579	5.9	Within 120 days after the end of the month in which the invoice is issued; bank transfer	Stators and rotors for air compressor motors	2013	Established in 1873 in Stockholm, Sweden, it is primarily involved in developing and manufacturing of compressor technology and power technology products. It is a Nasdaq Stockholm listed company. Based on public information, it has a registered capital of EUR1,435 million.
4. . .	Customer E	67,713	4.2	Within 120 days after the invoice date; bank transfer	Servo system products for CNC machine tools/cable cars/other industrial control applications	2002	Established in 1986 and headquartered in Genova, Italy, it specializes in manufacturing of ad-hoc precision small parts and components. Based on public information, it has a registered capital of EUR5 million.
5. . .	Customer D	54,710	3.4	Within 60 days after the invoice date; banker's acceptance	NEV powertrains and components	2023	Established in 2014 in Wuhu, Anhui, it focuses on the R&D, manufacturing and sales of NEVs. Based on public information, it has a registered capital of EUR4,727 million.
Total		<u>916,125</u>	<u>56.4</u>				

BUSINESS

Rank	Customer	Transaction amount (RMB'000)	% of total revenue	Settlement term and payment method	Major products purchased from us	Commencement of business relationship	Customer background
For the year ended December 31, 2024							
1. . .	Customer B	325,014	21.7	Within 90 days after the invoice date; banker's acceptance	NEV powertrains and components	2016	Established in 1992 in Beijing, it focuses on the R&D, manufacturing and sales of NEVs. It is currently listed on the Shanghai Stock Exchange. Based on public information, it has a registered capital of RMB40 billion.
2. . .	Customer F	179,905	12.0	Within 30 days after the invoice date; banker's acceptance	NEV powertrains and components	2020	Established in 2014 in Jiaxin, Zhejiang, it mainly engages in the manufacturing of NEVs. Based on public information, it has a registered capital of RMB15 billion.
3. . .	Customer A	147,732	9.8	Within 60 days after the invoice date; bank transfer	NEV powertrains and components	2022	Established in 2014 in Guangzhou, Guangdong, it focuses on the R&D, manufacturing and sales of NEVs. It's a wholly-owned subsidiary of a company dual-listed on the Hong Kong Stock Exchange and NYSE. Based on public information, it has a registered capital of EUR1,435 million.
4. . .	Customer C	118,439	7.9	Within 120 days after the end of the month in which the invoice is issued; banker's acceptance	Stators and rotors for air compressor motors	2013	Established in 1873 in Stockholm, Sweden, it is primarily involved in developing and manufacturing of compressor technology and power technology products. It is a Nasdaq Stockholm listed company. Based on public information, it has a registered capital of EUR4,727 million.
5. . .	Customer E	58,003	3.9	Within 120 days after the invoice date; bank transfer	Servo system products for CNC machine tools/cable cars/other industrial control applications	2002	Established in 1986 and headquartered in Genova, Italy, it specializes in manufacturing of ad-hoc precision small parts and components. Based on public information, it has a registered capital of EUR5 million.
Total		<u>829,093</u>	<u>55.3</u>				

BUSINESS

Rank	Customer	Transaction amount (RMB'000)	% of total revenue	Settlement term and payment method	Major products purchased from us	Commencement of business relationship	Customer background
For the year ended December 31, 2023							
1. . .	Customer F	293,365	23.6	Within 60 to 90 days after the invoice date; banker's acceptance	NEV powertrains and components	2020	Established in 2014 in Jiaxin, Zhejiang, it mainly engages in the manufacturing of NEVs. Based on public information, it has a registered capital of RMB2,837 million.
2. . .	Customer C	101,663	8.2	Within 120 days after the end of the month in which the invoice is issued; bank transfer	Stators and rotors for air compressor motors	2013	Established in 1873 in Stockholm Sweden, it is primarily involved in developing and manufacturing of compressor technology and power technology products. It is a Nasdaq Stockholm listed company. Based on public information, it has a registered capital of EUR1,435 million.
3. . .	Customer E	77,015	6.2	Within 120 days after the invoice date; bank transfer	Servo system products for CNC machine tools/cable cars/other industrial control applications	2002	Established in 1986 and headquartered in Genova, Italy, it specializes in manufacturing of ad-hoc precision small parts and components. Based on public information, it has a registered capital of EUR5 million.
4. . .	Customer B	57,518	4.6	Within 60 days after the invoice date; banker's acceptance	NEV powertrains and components	2016	Established in 1992 in Beijing, it focuses on the R&D, manufacturing and sales of NEVs. It is currently listed on the Shanghai Stock Exchange. Based on public information, it has a registered capital of RMB15 billion.
5. . .	Customer G	45,315	3.6	Within 30 days after the invoice date; bank transfer	Industrial fan motor	2015	Established in 1886 and headquartered in Cordova, U.S., it focuses on manufacturing of ceiling fans, lighting fixtures, and other home comfort products. No public information regarding the size of operation is available.
Total		<u>574,876</u>	<u>46.2</u>				

Overlapping Customer and Supplier

During the Track Record Period, one of our major customers, is also our supplier for small industrial parts such as bearings and brakes. The arrangement was required by such customer to secure timely and adequate supply of the relevant raw materials to be used in the products that we produced for such customer. In 2023, 2024 and 2025, our purchases from such customer accounted for less than 0.1% of our total purchases, respectively.

BUSINESS

Material Terms of the Sales Agreements

We typically enter into framework agreements with our major customers, who place orders based on actual demand under the framework agreements. Although the contract terms vary among different major customers, they usually include the following key terms:

Duration	We typically enter into framework agreements with our major customers without a fixed term. For those major customer agreements that specify a fixed term, the term generally ranges from one to five years.
Minimum purchase amount	We generally do not require a minimum purchase amount from our major customers.
Renewal and termination	For those major customer agreements that specify a fixed term, the agreements are typically subject to automatic renewal for one year, and may generally be terminated by either party upon prior written notice.
Quality control	The quality of the products shall be in compliance with the specific standards designated by our customers, or in compliance with applicable national, local or industry standards.
Pricing	The prices of the product are generally specified in each purchase order in the case where the main sales agreement is a framework agreement.
Payment and credit terms	We generally grant our major customers a credit period of 30 to 180 days.
Confidentiality	We usually set confidentiality clauses with our customers and such obligation shall continue to exist for a certain period of time after the termination or expiration of the framework agreements.
Logistics	We follow the delivery and packing requirements set out in each purchase order. We may accommodate the customer’s request to advance or delay delivery, provided that any reasonable costs incurred are borne by the customer.
Warranty	We usually set out warranty periods depending on the products and the sales agreement. During the warranty period, our customers may request that we replace or repair defective parts and components free of charge.

All of our top five customers in each period during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates or, to the best knowledge of our Directors, any Shareholders which owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five customers in each period during the Track Record Period.

BUSINESS

RAW MATERIALS AND SUPPLIERS

The key materials that we procured include permanent magnet, enameled wires, silicon steel sheets, housing, flanges, aluminum profiles and PCB-based controllers. In line with the industry trends, raw material cost is our largest cost component during the Track Record Period. In 2023, 2024 and 2025, cost of raw materials accounted for 83.9%, 85.0% and 84.6%, respectively, of our total cost of sales. Although we have not encountered any material price fluctuation in key raw materials that may impact our capability to timely deliver products and solutions during the Track Record Period, to mitigate risks related to raw material prices and supply, we have deployed a hybrid procurement model that dynamically balances order-driven requirements with safety stock buffers, managed through a centralized procurement platform overseeing material needs of the entire Group. Our procurement platform is in charge of all procurements for both of our business in China and overseas. As the operational hub, the procurement platform systematically executes supplier development, performance evaluation and cost optimization. It formulates annual strategic procurement plans based on sales forecasts, conducts competitive bidding among pre-qualified suppliers, and finalizes optimal supplier partnerships through multi-criteria assessment of quality compliance rates, on-time delivery performance and cost competitiveness. This ensures tripartite equilibrium among quality assurance, cost efficiency and supply chain resilience. Additionally, we secure critical raw materials for production through negotiation and entering into long-term procurement agreements with suppliers. We have also established price-adjustment mechanisms with certain customers, under which we may raise product prices if raw material costs increase significantly. See “Financial Information — Path to Net Profitability — Continuous Efforts to Control Cost of Sales and Operating Expenses.”

Our Suppliers

In 2023, 2024 and 2025, purchase from our top five suppliers in each period during the Track Record Period accounted for 20.3%, 21.8% and 22.4% of our total purchases for such period, respectively, and purchase from our largest supplier in each period during the Track Record Period accounted for 5.6%, 7.1% and 7.1% of our total purchases for such period, respectively. The following table sets forth certain information of our top five suppliers during the Track Record Period.

Rank	Supplier	Purchase amount (RMB'000)	% of total purchase of raw materials	Settlement term and payment method	Major products supplied to us	Commencement of business relationship	Supplier background
For the year ended December 31, 2025							
1. . .	Supplier A	82,357	7.1	Typically within 30 days after the invoice date; banker's acceptance	Enameled wire	2014	Established in 1992 in Ningbo, Zhejiang, it is a global leading supplier of copper and copper alloy materials, focusing on the R&D and manufacturing of copper products and advanced materials. It is also currently listed on the Shanghai Stock Exchange. Based on public information, it has a registered capital of RMB1,485 million.
2. . .	Supplier B	49,675	4.3	Within 30 days after the invoice date; banker's acceptance	Silicon steel sheets	2021	Established in 2010 in Suzhou, Jiangsu, it mainly engages in selling metal materials, non-hazardous chemical products and electromechanical equipment. Based on public information, it has a registered capital of RMB0.5 million.

BUSINESS

Rank	Supplier	Purchase amount (RMB'000)	% of total purchase of raw materials	Settlement term and payment method	Major products supplied to us	Commencement of business relationship	Supplier background
3. . .	Supplier F	45,068	3.9	Within 60 days after the invoice date; banker's acceptance	Enameled wire	2015	Founded in 2000 in Guangzhou, Guangdong, it is primarily involved in the manufacturing of enameled wire. Based on public information, it has a registered capital of RMB182 million.
4. . .	Supplier E	43,213	3.7	Within 30 days after the invoice date; banker's acceptance	Enameled wire	2020	Established in 2011 in Hunan, it focuses on the R&D, production and sales of electromagnetic wire and the derivative products. It is also a wholly-owned subsidiary a Shenzhen Stock Exchange listing company. Based on public information, it has a registered capital of RMB500 million.
5. . .	Supplier C	39,690	3.4	Within 60 days after the invoice date; banker's acceptance	PCB	2019	Established in 1999 in Shanghai, it is a service provider for the R&D of automotive electronic products. Based on public information, it has a registered capital of RMB150 million.
Total		<u>260,003</u>	<u>22.4</u>				

Rank	Supplier	Purchase amount (RMB'000)	% of total purchase of raw materials	Settlement term and payment method	Major products supplied to us	Commencement of business relationship	Supplier background
For the year ended December 31, 2024							
1. . .	Supplier A	83,461	7.1	Typically within 30 days after the invoice date; banker's acceptance	Enameled wire	2014	Established in 1992 in Ningbo, Zhejiang, it is a global leading supplier of copper and copper alloy materials, focusing on the R&D and manufacturing of copper products and advanced materials. It is also currently listed on the Shanghai Stock Exchange. Based on public information, it has a registered capital of RMB1,485 million.
2. . .	Supplier C	51,720	4.4	Within 60 days after the invoice date; banker's acceptance	PCB	2019	Established in 1999 in Shanghai, it is a service provider for the R&D of automotive electronic products. Based on public information, it has a registered capital of RMB150 million.

BUSINESS

Rank	Supplier	Purchase amount (RMB'000)	% of total purchase of raw materials	Settlement term and payment method	Major products supplied to us	Commencement of business relationship	Supplier background
3. . .	Supplier B	43,194	3.7	Within 30 days after the invoice date; banker's acceptance	Silicon steel sheets	2021	Established in 2010 in Suzhou, Jiangsu, it mainly engages in selling metal materials, non-hazardous chemical products and electromechanical equipment. Based on public information, it has a registered capital of RMB0.5 million.
4. . .	Supplier F	39,898	3.4	Within 60 days after the invoice date; banker's acceptance	Enameled wire	2015	Founded in 2000 in Guangzhou, Guangdong, it is primarily involved in the manufacturing of enameled wire. Based on public information, it has a registered capital of RMB182 million.
5. . .	Supplier G	37,988	3.2	Within 30 days after the invoice date; banker's acceptance	Enameled wire	2021	Established in 2003 in Huai'an, Jiangsu, it is mainly engaged in the manufacturing specialty enameled wire. Based on public information, it has a registered capital of RMB160 million.
Total		<u>256,261</u>	<u>21.8</u>				

Rank	Supplier	Purchase amount (RMB'000)	% of total purchase of raw materials	Settlement term and payment method	Major products supplied to us	Commencement of business relationship	Supplier background
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For the year ended December 31, 2023

1. . .	Supplier H	50,849	5.6	Within 90 days after the invoice date; banker's acceptance	NEV electronic control system	2021	Established in 2003 in Shenzhen, Guangdong, it is a Shenzhen Stock Exchange listed company and is mainly engaged in developing and manufacturing hardware and software products in electrical automation industry. Based on public information, it has a registered capital of RMB546 million.
2. . .	Supplier A	44,054	4.9	Typically within 90 days after the invoice date; banker's acceptance	Enameled wire	2014	Established in 1992 in Ningbo, Zhejiang, it is a global leading supplier of copper and copper alloy materials, focusing on the R&D and manufacturing of copper products and advanced materials. It is also currently listed on the Shanghai Stock Exchange. Based on public information, it has a registered capital of RMB1,485 million.

BUSINESS

Rank	Supplier	Purchase amount (RMB'000)	% of total purchase of raw materials	Settlement term and payment method	Major products supplied to us	Commencement of business relationship	Supplier background
3. . .	Supplier J	37,548	4.1	Within 30 days after the invoice date; cash payment in foreign exchange	Reducer	2019	Founded in 2018 in Shanghai, it specializes in the R&D and manufacturing of NEV transmission system. Based on public information, it has a registered capital of RMB120 million.
4. . .	Supplier I	27,086	3.0	Within 90 days after the invoice date; banker's acceptance	NEV electronic control system	2020	Established in 2016 in Hefei, Anhui, it specializes in the manufacturing of NEV electronic control and power products. Based on public information, it has a registered capital of RMB49 million.
5. . .	Supplier F	24,478	2.7	Within 60 days after the invoice date; banker's acceptance	Enameled wire	2015	Founded in 2000 in Guangzhou, Guangdong, it is primarily involved in the manufacturing of enameled wire. Based on public information, it has a registered capital of RMB182 million.
Total		184,015	20.3				

Suppliers Selection and Management

We have established rigorous processes for the selection, evaluation and management of our suppliers to ensure suppliers meet our quality and performance standards. We have enacted supply management policy and procedures to maintain effective control of our suppliers and the quality, costs and delivery process of our suppliers. We consider a number of factors during our supplier selection and qualification process, including each supplier's industry reputation, financial condition, technical certifications and the price and quality of the products or raw materials they offer. We assess each potential supplier's qualifications and credentials carefully through various information channels, and we also conduct on-site visits to potential suppliers' business premises before we decide to engage the suppliers. During the site visit, we will typically score the potential suppliers and determine the scope for the supplied raw materials. Our quality control management has veto power over the potential suppliers.

Our customers may require us to purchase certain key raw materials and components used in products manufactured for this customer from certain upstream suppliers designated by such customer, in order to exert control over the quality of the raw materials and components. In this case, the customer will select the suppliers of the raw materials and components according to its standards. We typically enter into third party agreements with the customer and the designated suppliers, and responsible for the management of the designated suppliers and monitoring the quality of the raw materials and components provided by the designated suppliers.

BUSINESS

Material Terms of the Supply Agreements

We enter into procurement framework agreements with our major suppliers based on our template procuring agreement. The terms of the agreements vary depending on the result of our negotiation with each supplier, but these agreements typically include the following terms:

Duration	We typically enter into long-term procurement agreements with our major suppliers without a fixed term.
Pricing	The prices of the product procured are generally specified in each purchase order in the case where the main procurement agreement is a framework agreement.
Payment and credit terms	Our major suppliers generally grant us a credit period of 30 to 120 days.
Minimum purchase requirements	Our procurement agreements with our major suppliers usually do not contain minimum purchase requirements.
Returns/exchanges	We can exchange or return the raw materials or components that do not meet our quality standards.
Liability/warranty	Our suppliers usually provide us a warranty period from two to eight years for raw materials or components supplied by them.
Logistics	Our suppliers are responsible for arranging for the logistics of delivering the raw materials or components to us.
Termination	The agreement can be terminated by us upon the occurrence of a list of events, including the un-rectified nonperformance of the supplier of its obligations or supplying products that do not conform to the requirements under the agreement.

All of our top five suppliers in each period during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates or, to the best knowledge of our Directors, any Shareholders which owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers in each period during the Track Record Period.

INTERNATIONAL TRADES, TARIFFS, SANCTIONS, EXPORT CONTROL AND OUTBOUND INVESTMENT RULES

Export Sales

During the Track Record Period and up to the Latest Practicable Date, our products were exported from both China and Italy. For our exports from China, substantially all of our products exported overseas are manufactured in our production facility in Hangzhou Bay, China. These products were exported directly from China to our customers overseas under our China-based sales operations. For our exports from Italy, our Italian subsidiary, OSAI ITA, manages local procurement, assembly and sales through its sales representative offices, exporting directly from Italy to its respective markets.

Particularly, during the Track Record Period, revenue from sales to the U.S. amounted to RMB58.7 million, RMB46.9 million and RMB35.4 million, respectively, accounting for approximately 4.7%, 3.1% and 2.2%, respectively, of our total revenue for the same period. These products sold to the U.S. were made in China and Italy, and were subject to tariffs. These tariffs are typically borne by our customers.

BUSINESS

Global Procurement

We also purchase CNC, motors, brakes, drives, I/O modules and other parts and components globally, primarily for our assembly and sales from Italy. The table below sets forth details of our major overseas procurement:

Region	Key components purchased	Year ended December 31,		
		2023	2024	2025
(RMB in million)				
Italy	CNC, drives, input/output modules	45.8	25.9	20.5
Germany	Motors, brakes, drives	6.4	3.2	2.5
Taiwan	IPC, SSD memories	0.4	1.2	1.2

During the Track Record Period, we only purchased limited amount of parts and components from the U.S., which accounted for less than 0.001% of our total cost of raw materials for the same period. As of the Latest Practicable Date, to our best knowledge, we did not purchase any items that are subject to the U.S. Export Administrative Regulations that would require an export license to purchase.

U.S. Tariffs

In 2025, the U.S. government announced a series of tariff increases on imports from China, culminating in a rate of 145% by April 2025. China implemented retaliatory measures, raising tariffs on certain U.S. goods to as high as 125%. Starting November 10, 2025, the U.S. reduced certain cumulative tariffs on Chinese imports to 10%, and China removed corresponding retaliatory tariffs. While this represents a temporary de-escalation, the long-term trade environment remains uncertain.

We (as well as our suppliers and customers during the Track Record Period) are subject only to general customs tariffs for required cross-border activities, and not to any special or punitive duties. During the Track Record Period and up to the Latest Practicable Date, the impact of U.S. tariffs on our operations is limited due to our strategically diversified revenue and supply chain. The U.S. represents only a minor segment of our total sales. In 2023, 2024 and 2025, sales to the U.S. only accounted for approximately 4.7%, 3.1% and 2.2%, respectively, of our total revenue for the same period. Similarly, our reliance on U.S.-sourced components is negligible, constituting less than 0.001% of our total cost of raw materials for 2023, 2024 and 2025, respectively. This limited exposure inherently insulates our financials from the direct effects of tariff fluctuations.

Furthermore, our long-established, localized presence in Europe provides a sustainable competitive advantage that cannot be quickly replicated by new entrants. While some competitors may shift their focus to Europe in response to trade tensions, we have operated there for over seven years through our R&D center, Italian subsidiaries, and sales representative offices, which offer local procurement, customization, assembly, quality testing and warehousing services. As such, shifting trade dynamics may present a strategic opportunity for us to consolidate and grow our market share in Europe.

Based on the foregoing and the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with the Directors’ assessment with regard to the impact of trade restrictions and tariffs on the Group’s business operations and financial performance.

BUSINESS

Building on this resilient foundation, we are proactively implementing a three-pillar action plan to further strengthen our position and capitalize on the shifting global trade landscape: (i) *market and production diversification*: we are accelerating our market diversification strategy, with a focused commercial push into Europe and Southeast Asia to reduce resilience on any single region. Concurrently, we are actively exploring the opportunities to establish overseas production facilities. (ii) *supply chain resilience*: we have launched a dedicated supply chain localization initiative. By actively qualifying an onboarding domestic suppliers for key components, we are systematically increasing the proportion of locally sourced materials. (iii) *dynamic compliance and commercial agility*: we have institutionalized a proactive trade policy monitoring and response mechanism. Our legal and commercial teams now conduct regular review of global trade dynamics, allowing us to make timely adjustments to pricing, contract terms, and logistics routes. This agility, underpinned by strengthened internal compliance protocols, ensures we can navigate tariff changes effectively and maintain our competitive edge in real time.

Transactions with Parties subject to Sanctions and Export Control

During the Track Record Period, we had transactions with (i) certain countries or territories for which Relevant Jurisdictions maintain various forms of sanctions programs in place, including the Balkans (including Albania, Bosnia and Herzegovina, Northern Macedonia, and Serbia), Egypt, Hong Kong SAR, Turkey, Tunisia, and Ukraine (excluding the Crimea, LPR, DPR, Zaporizhzhia and Kherson regions) (the "**Relevant Regions**"); and (ii) 11 PRC entities on the SDN List, the BIS List and/or the NS-CMIC List (the "**Relevant Entities**"). Specifically —

- we sold CNC, software, terminals, connectors, drives, wireless handheld terminal charging base, input/output module, and SSD memory and provided related repair and field services to non-sanctioned customers in the Relevant Regions. As advised by our International Sanction Legal Advisor, during the Track Record Period, (i) none of the Relevant Regions were subject to comprehensive sanctions under related law or regulation of a Relevant Jurisdictions (i.e. none of them were a Comprehensively Sanctioned Country; (ii) our activities in the Relevant Regions did not represent a Primary Sanctioned Activity that represent a violation of the applicable sanctions laws or regulations imposed by the U.S. governments, as these transactions did not involve any nexus with the U.S.; and (iii) our activities in the Relevant Regions did not represent a violation of the restrictive measures adopted by the UN, the EU, the UK, and Australia because our customers in the Relevant Regions were not sanctioned under their respective regimes.
- we engaged in transactions with 11 Relevant Entities during the Track Record Period. As advised by our International Sanction Legal Advisor, during the Track Record Period, (i) none of the transactions with the Relevant Entities involved any nexus with the U.S., EU, UK, UN and Australia; (ii) we sold PRC-origin servo motors, stators, rotors and/or accessories to two Relevant Entities on the SDN List ("**PRC SDNs**") and procured DC converters and cylindrical roller bearings and after sales services from two PRC SDNs. The transaction amount with these PRC SDNs in the aggregate contributed less than 1% of our gross revenue during the Track Record Period. In addition, the transactions with these PRC SDNs did not involve any item, material or technology subject to the EAR, nor any products currently listed in either the Russia Critical Items Determination List or the Common High Priority Goods List maintained by the BIS or the List of Economically Critical Goods maintained by the EU. Therefore, the risk is low that such transactions will be viewed as provision of material assistance to these PRC SDNs, or will induce the exercise of discretionary authority under secondary U.S. sanctions. As of the Latest Practicable Date, we have ceased signing any new contracts with these PRC SDNs, and for the existing purchase orders with one PRC SDN customer for PRC-origin servo motors, it is expected that these orders will be completed by June 2026 and will not be renewed; (iii) we sold products of PRC-origin to six Relevant Entities on the BIS List ("**PRC BISs**"), which are subject to restrictions on access to certain U.S.-controlled

BUSINESS

goods and technologies. As these were domestic PRC sales without any transfer of items subject to the U.S.-controlled goods, they did not represent a violation to the export controls applicable to these PRC BISs; (iv) for the transactions with one Relevant Entity on the NS-CMIC List ("**PRC NS-CMIC**"), which is subject to the restrictions that essentially ban purchase or sale by U.S. persons in its securities, our transaction with such PRC NS-CMIC did not involve any purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities of PRC NS-CMIC. Therefore, our activities with the PRC NS-CMIC did not represent a violation of investment restrictions applicable to the PRC NS-CMIC.

Saved as disclosed above, as of the Latest Practicable Date, to our best knowledge, none of our customers and suppliers during the Track Record Period were (i) subject to export control restrictions; or (ii) restricted or sanctioned parties listed under the U.S., the European Union, the United Kingdom, the United Nations and Australia regime. Based on the above, as advised by our International Sanction Legal Advisor, during the Track Record Period, (i) we did not engage in Primary Sanctioned Activity that represent a violation to the International Sanctions; (ii) the risk is low that we will be viewed as having engaged in Secondary Sanctioned Activity or that our activities would result in the imposition of sanctions on the Relevant Persons; (iii) none of the Group members has been designated as a Sanctioned Target, nor is it located, incorporated, organized or resident in a Comprehensively Sanctioned Country; and (iv) our Company is not a Sanctioned Trader. Based on the foregoing and the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause it to disagree with the Directors' assessment with regard to the impact of transactions with parties subject to sanctions and export control on the Group's business operations and financial performance.

In response to the potential sanction risks, after consulting our International Sanction Legal Advisor and the internal control consultant, we have formulated the following enhanced internal control and risk management measures in October 2025, which will be implemented before [REDACTED]: (i) our legal department is responsible for controlling and monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our legal department will hold a meeting biannually to control and monitor our exposure to sanctions risks and to review our procedures implemented over sanctions screening; (ii) we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in regions subject to International Sanctions or Sanctioned Targets. According to our internal control procedures, our legal department needs to review and approve all relevant business transaction documentation from customers or potential customers, suppliers and vendors from regions subject to restrictions under International Sanctions or who are Sanctioned Targets. In particular, as of Latest Practicable Date, we had implemented the screening process to identify if the potential transaction counterparty of the Group is a person or entity on the various lists of restricted parties or located in sanctioned regions maintained by the U.S., the EU, the UN, the UK or Australia. Our legal department will provide such lists of restricted parties and regions under International Sanctions to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally. If necessary, we will engage external legal counsel to consult specific questions we may have during the internal review and approval process. The transactions that fail the internal review will not be proceeded. In addition, our legal department should quarterly review the existing customers and suppliers lists to ensure that the Group does not engage in transactions with countries, regions, entities or individuals on the sanction lists; (iii) we will include a compliance clause in contracts with the Group's customers and suppliers or request a separate certification from the customers and suppliers, requesting them to undertake (a) to comply with all sanctions imposed by the U.S., the EU, the UN, the UK and other economic sanctions applicable to them and us; (b) not to take any action which could cause them or us to violate any applicable sanctions; and/or (c) not to take any action which could cause them or us to violate any applicable sanctions; (iv) if necessary, we will engage external legal counsel to provide compliance training relating to the International Sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily

BUSINESS

operations, in particular, to perform screening procedures in respect of counterparties to our Group’s business to ensure none of them are Sanctioned Targets; and (v) our audit team will conduct internal audit on a semi-annual basis, monitoring the implementation of sanction-related internal control policies and procedures and requesting corrective action for any identified non-compliance. Our International Sanction Legal Advisor is of the view that, subject to the strict implementation of such measures, the aforementioned internal control measures are adequately and effectively designed to manage potential sanction risks. Based on the foregoing and the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with the International Sanction Legal Advisor’s view with regard to the adequacy and effectiveness of such internal control measures.

U.S. Outbound Investment Restrictions

On October 28, 2024, the U.S. Department of the Treasury announced new regulations (the “**Final Rule**”) that either prohibit or necessitate notification for U.S. outbound investments in specific Chinese-affiliated firms operating within the semiconductor, microelectronics, quantum information technology, and artificial intelligence sectors, referred to as “covered foreign persons.” This Final Rule took effect on January 2, 2025.

Depending on the specific activities of the covered foreign person, U.S. individuals are either restricted from making certain investments in them or must inform the U.S. Department of the Treasury about their covered investments.

Prohibited transactions involve a ban on specific U.S. investments in a covered foreign person engaged in activities related to designated advanced technologies and products. U.S. individuals cannot partake in such transactions unless they have received an exemption. Notifiable transactions pertain to activities of a covered foreign person that do not meet the threshold for prohibition but still necessitate a U.S. person to notify the Department of the Treasury about their transactions.

Based on the review of the Final Rule, and considering our current business operations which do not fall under semiconductor and microelectronics, quantum information technology, or artificial intelligence sectors, our legal advisors as to U.S. foreign investment laws is of the view that our business activities do not fall within the scope of “prohibited activities” and “notifiable activities” under the Final Rule. Upon the [REDACTED], [REDACTED] by U.S. persons in our publicly [REDACTED] shares on the Stock Exchange would also be exempted by the Final Rule provided such U.S. persons are not afforded any right beyond standard minority shareholder protections. Based on the foregoing and the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with the Directors’ view with regard to the impact of the Final Rule.

AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognitions we have received during the Track Record Period.

Year	Name of award or recognition	Issuing authority
2025 . . .	2025 Provincial Industrial Design Center (2025年度省級工業設計中心)	Department of Economy and Informatization of Zhejiang Province (浙江省經濟和信息 化廳)

BUSINESS

Year	Name of award or recognition	Issuing authority
2025 . . .	First Prize of 2024 Science and Technology Innovation Award of China Industry-University-Research Institute Collaboration Association (2024年中國產學研合作促進會科技創新獎一等獎)	China Industry-University-Research Institute Collaboration Association (中國產學研合作促進會)
2024 . . .	2024 Zhejiang Enterprise Technology Center (2024年浙江省企業技術中心)	Department of Economy and Informatization of Zhejiang Province (浙江省經濟和信息化廳)
2024 . . .	2024 Provincial Enterprise Research Institute (2024年度省企業研究院)	Department of Economy and Informatization of Zhejiang Province (浙江省經濟和信息化廳)
2024 . . .	The First Unit (Set) Equipment in Zhejiang Province in 2024 (2024年度浙江省首台套裝備)	Department of Economy and Informatization of Zhejiang Province (浙江省經濟和信息化廳)
2024 . . .	2024 Zhejiang Province Industrial New Products (2024年浙江省工業新產品)	Department of Economy and Informatization of Zhejiang Province (浙江省經濟和信息化廳)
2023 . . .	2023 Small Giant of Science and Technology Enterprises in Zhejiang Province (2023年浙江省科技小巨人企業)	Department of Science and Technology of Zhejiang Province (浙江省科學技術廳)
2023 . . .	First Prize of 2022 Science and Technology Progress Award of Zhejiang Province (2022年度浙江省科學技術進步獎一等獎)	People’s Government of Zhejiang Province (浙江省人民政府)
2023 . . .	2023 Single Champion of Cultivating Enterprises of Zhejiang Province (2023年浙江省單項冠軍培育企業)	Department of Economy and Informatization of Zhejiang Province (浙江省經濟和信息化廳)
2023 . . .	The First Unit (Set) Equipment in Zhejiang Province in 2022 (2022年度浙江省首台套裝備)	Department of Economy and Informatization of Zhejiang Province (浙江省經濟和信息化廳)

COMPETITION

China’s electric drive solutions industry is highly competitive. We face competition from both domestic and international market players. According to CIC, the PRC market size for the industrial control electric drive solutions industry is expected to grow from RMB43.0 billion in 2025 to RMB87.4 billion in 2030 with a CAGR of 15.8%. We believe that our ability to be differentiated from our competitors depends on many factors, including, but not limited to, our strong R&D capabilities, seamless supply chain management and strong manufacturing capability. See “Industry Overview” and “Risk Factors – We face competition in the industry in which we operate, and if we are unable to compete effectively, our business, results of operations and financial condition may be materially and adversely affected.”

BUSINESS

EMPLOYEES

As of December 31, 2025, we had 1,287 full-time employees in the PRC. The following table sets forth the number of our domestic full-time employees by function as of December 31, 2025.

	Number	% of total
Research and development.	361	28.0
Sales and marketing	103	8.0
Management and administrative	260	20.2
Production	563	43.7
Total	1,287	100

As of December 31, 2025, we had 60 employees in Italy, three employees in the U.S. and three employees in the U.K. The following table sets forth the number of our overseas full-time employees by function as of December 31, 2025.

	Number	% of total
Research and development.	24	36.4
Sales and marketing	14	21.2
Management and administrative	18	27.3
Onsite technical service.	10	15.2
Total	66	100

We recruit our personnel through publishing job information on channels such as the Internet or newspapers. We entered into employment contracts with our employees to cover matters such as the employment period, compensation, benefits, and grounds for termination. We have also entered into non-competition and non-solicitation agreements with certain key employees, under which they agree not to engage in competing businesses or solicit our employees for a specified period after their departure. As required by PRC laws and regulations, we make contributions to the social insurance and housing provident fund.

We offer a variety of training programs to our employees, including both on-site and off-site trainings to cover both technical and managerial topics.

During the Track Record Period, we did not experience any material labor disputes or strikes that may have a material adverse impact on our business, financial condition or results of operations.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. We have developed a large portfolio of intellectual property rights to protect our technologies and products. As of December 31, 2025, we had registered 109 invention patents, 278 utility patents, 35 design patents and 140 trademarks in China.

Our internal control and compliance department is dedicated to managing and safeguarding our intellectual property rights. It is responsible for patent applications and maintenance and utilization of granted patents. The team also provides patent-related trainings to our employees, monitors patent infringement and works with our legal counsel on litigations and legal proceedings

BUSINESS

in relation to patent infringement. We have entered into confidentiality agreements with our senior and middle management and key members of our R&D team, under which they are required to keep confidential information related to our technology and operation as well as other information.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of, and we had not received notice of any claims of material infringement of, any intellectual property rights, in which we may be a claimant or a respondent.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to the concept of green, low-carbon, and sustainable development. We leverage electric drive technology to help industries, transportation, and other sectors achieve energy conservation and emissions reduction targets. The Company’s management attaches great importance to ESG governance, and continuously optimizes our operational systems, to drive comprehensive improvements in environmental, social, and governance performance. In the future, we will continue to deepen ESG management and fulfill our commitments to stakeholders while pursuing business excellence. In 2023, 2024 and 2025, our cost of compliance with environmental protection rules and regulations was approximately RMB206.7 thousand, RMB308.9 thousand and RMB225.3 thousand, respectively. As confirmed by our PRC and Italian legal advisors, during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any penalties in China or Italy arising from violations of ESG-related laws and regulations.

ESG Management Framework

We have established a three-tier ESG governance system to ensure the organic integration of strategic decision-making, oversight and professional.

Board of Directors: As the highest authority for ESG management, the Board of Directors is responsible for establishing the ESG vision and strategic direction, approving significant ESG policies and targets, and integrating ESG factors into the Company’s long-term development strategy. The Board of Directors regularly reviews ESG performance, ensuring alignment of ESG work with the long-term interests of shareholders. Furthermore, the Board of Directors oversees ESG risk management, approves the annual ESG report, and makes final decisions on material matters related to sustainable development.

The Strategy Committee of the Board of Directors: As the supervisory level, the Strategy Committee is responsible for research, analysis and assessment of ESG matters. Composed of directors with relevant professional backgrounds, it is primarily responsible for: (1) systematically assessing ESG-related risks and opportunities; (2) reviewing the implementation plans and key performance indicators for ESG strategies; (3) monitoring the preparation process and content quality of ESG reports; (4) guiding the advancement and implementation of major ESG projects; and (5) ensuring sustained attention and resource allocation for ESG work through a regular meeting mechanism.

ESG Working Group: Responsible for the execution of specific measures, the ESG Working Group ensures the effective implementation of ESG work through monthly work meetings and quarterly reporting mechanisms. This cross-departmental group’s primary functions include: (1) developing detailed ESG implementation plans and action plans; (2) coordinating the execution of ESG work across different departments; (3) collecting and analyzing ESG performance data; (4) preparing ESG information disclosure content; and (5) organizing ESG-related training and promotion.

In addition, we proactively engage external professional resources and establish long-term partnerships with leading ESG consulting companies, in order to build a multi-layered professional support system.

BUSINESS

ESG Materiality Issues

We regard the identification and management of ESG materiality issues as a core component of our strategy of sustainable development. By establishing a sound governance structure and management process, we ensure effective identification, prioritization and continuous improvement of key ESG issues.

Regarding issue identification, we adopt the internationally recognized Double Materiality Principle, which encompasses both impact materiality and financial materiality. We have established a multi-dimensional assessment system that includes issue scanning, stakeholder surveys, and expert reviews. By regularly conducting systematic communication and dialogue with internal and external stakeholders such as investors, customers, employees, suppliers and communities, we comprehensively understand their expectations and demands regarding ESG issues. In 2024, the materiality issues reviewed and confirmed by the Corporate Sustainable Development Management Council included: R&D Innovation, Talent Cultivation and Development, Product Quality and Safety, Climate Change Response, and Circular Economy. These issues not only reflect the core concerns of our stakeholders, but are also highly aligned with the Company’s strategic development direction.

To enhance the systematicness and effectiveness of ESG management, we have established a triune “Strategy-Execution-Supervision” management framework:

- Strategy: We integrate ESG issues into the Company’s strategic plans, and define medium- and long-term goals and implementation pathways;
- Execution: Based on a three-tier system of “Dimension-Issue-Indicator”, we translate macro-level objectives into quantifiable and measurable specific indicators;
- Supervision: We have established a regular evaluation mechanism to track the progress towards our goals and make timely adjustments and optimizations.

In terms of management mechanism innovation, we have implemented an ESG management model featuring cross-departmental collaboration. We clarify the division of responsibilities for each department in ESG management by establishing an ESG responsibility matrix; set up dedicated ESG management positions to ensure the professional advancement of various work; and implement a dynamic management mechanism with monthly tracking and quarterly evaluations, forming a closed loop for continuous improvement of PDCA (Plan-Do-Check-Act). This systematic management approach not only ensures the organic integration of ESG work with daily business operations, but also promotes the continuous improvement of ESG performance.

Meanwhile, we pay attention to integrating ESG management with our enterprise risk management system, regularly assess potential risks and opportunities arising from ESG issues, and formulate corresponding prevention and response measures. By establishing an ESG data collection and analysis system, we continuously improve the quality and transparency of ESG information disclosure, thereby providing a reliable basis for stakeholders’ decision-making.

We have established the following environmental development targets based on our current business operations and environmental management practices, with the aim of advancing the Group’s green and low-carbon development:

- Environmental and emissions targets: Maintain a 100% compliance rate for exhaust gas and wastewater discharge; ensure 100% compliant disposal of hazardous waste and continue to enhance waste classification and management practices.

BUSINESS

- Resource and energy management targets: By 2030, while maintaining normal production levels, reduce the Group’s water-use intensity per unit of output by approximately 5% compared with 2024; by 2030, ensure that at least 20% of the annual electricity consumed by our factories is sourced from photovoltaic power generation systems.

To achieve these targets, we have formulated a series of measures to optimise resource utilisation and reduce consumption:

- Enhancing the use of renewable energy: Continue incorporating photovoltaic power generation systems into our infrastructure planning and gradually increase the proportion of self-generated renewable electricity; actively monitor local green electricity trading mechanisms and renewable energy certificate policies, and procure renewable electricity where feasible.
- Strengthening energy-efficient production and operational management: Establish appropriate water-use management indicators for key production processes and integrate such indicators into our manufacturing management system for ongoing monitoring; progressively adopt energy-saving production equipment and low-consumption processes (such as water-saving devices and water-recycling facilities), and prioritise high-efficiency equipment when upgrading or replacing machinery; utilise high-efficiency lighting systems in production workshops and office areas and conduct regular inspections to prevent unnecessary energy consumption.
- Enhancing environmental awareness among employees: Conduct regular training on environmental protection and energy management to improve employees’ understanding of energy conservation, emissions reduction, safe operations and regulatory compliance.

These targets and policies are in line with international practices on environmental management and are broadly consistent with those adopted by industry peers.

Environment

In addressing global ecological challenges, we have deeply integrated environmental responsibility into the core of our strategy, and established a systematic and forward-looking environmental governance system. The Board of Directors has designated climate change, resource circularity and ecological conservation as core strategic issues. Through institutionalized and indicator-driven management mechanisms, we are driving the synergistic development of green transformation and business growth.

Our environmental management framework has three core features:

- Compliance as foundation: We strictly adhere to regulations, including the Environmental Protection Law and Air Pollution Prevention and Control Law, and consider environmental compliance as the business bottom line;
- Risk penetration: We have developed climate risk quantification models to integrate factors such as extreme weather events and carbon pricing into our investment decision-making process;
- Value co-creation: Through the energy efficiency improvements and application of circular technologies, we achieve transformation from environmental costs into competitive barriers.

BUSINESS

Demonstrating our proactive approach to environmental responsibility, we have consistently allocated resources to ensure full compliance with environmental laws and regulations. In 2022, 2023, 2024, the cost incurred for environmental compliance was RMB421.4 thousand, RMB405.3 thousand, RMB513.8 thousand, respectively, which is broadly in line with prevailing industry practice.

Risks related to the environment and climate

We are fully aware of the potential financial, operational, and reputational risks that environmental and climate change factors pose to the Company’s operations. These risks can be primarily categorized into two main types: transition risks and physical risks.

Transition risks

- Increased costs driven by policies and targets: China’s national goals of peaking carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060 will profoundly impact energy structures and industrial policies. This may expose us to significant transition costs.
- Changes in market demand and preferences: Consumers and investors are paying more and more attention to environmental performance, and failure to effectively respond to this trend could impact our market competitiveness and brand reputation.
- Intensified regulatory and disclosure requirements: Regulatory authorities are continually increasing requirements and expanding the scope for ESG information disclosure. To meet more stringent requirements, we may need to invest more costs in data collection, system upgrades, and compliance management;
- Value chain pressure transmission: Our focus on the environmental impact of products throughout their life cycle, along with our requirements for evaluating suppliers’ sustainability performance, may increase the complexity and costs for supply chain management.

Physical risks

Climate change is leading to more frequent and more intense extreme weather events, such as storms, typhoons, and floods, and extreme temperatures, which are bringing a significantly increased risk. This may directly impact our operational continuity, specifically reflected in:

- Production disruption: Disastrous weather events may lead to damage to factories and equipment, or power outages;
- Logistics obstruction: Supply chains and product transportation may be severely delayed due to damaged transportation infrastructure or port closures;
- Increased safety production risks: Extreme weather conditions increase the likelihood of workplace accidents, directly affecting employees’ health and safety;
- Facility damage risk: Factories and infrastructures face an increased risk of direct physical damage from floods, strong winds, frost, etc.

BUSINESS

To actively address the above-mentioned environmental and climate risks and fulfill our commitment to sustainable development, we will:

- Deepen carbon management and information disclosure: Systematically conduct carbon inventories, accurately calculate carbon emissions in all links of the entire value chain, and regularly publish carbon emission reduction reports in accordance with relevant standards and regulations to enhance transparency;
- Incorporate climate risks into comprehensive risk management: Continuously monitor climate change trends and weather forecasts, formally integrate climate-related risks into the Company’s overall risk management framework, and clearly define management principles and response measures;
- Enhance operational resilience: Develop and improve emergency response plans to address physical risks, including but not limited to strengthening factories’ physical protection capabilities against flood, wind, and frost; optimizing production plans and business layouts to diversify risks; and establishing flexible supply chain mechanisms to minimize the impact of climate events on production and operations.

Opportunities related to the environment and climate

The global trend of low-carbon transformation has created vast development space for innovative companies with technological accumulation. As climate policies continue to deepen and green consumption awareness spreads, the market demand for high-efficiency energy-saving technologies and clean energy solutions has significantly increased. We operate in the electric drive solutions industry. By providing key products and services that enhance energy efficiency and reduce carbon footprints, we have gained a first-mover advantage in green upgrading in the industry. Macro opportunities such as the energy efficiency revolution in the industrial sector, accelerated transportation electrification, and expansion of renewable energy infrastructure will continue to drive the market demand for our technological solutions. Meanwhile, the upgrading of international standards for carbon emission reduction and the policy incentives further strengthen the competitive barriers and commercial values of our products. This strategic alignment enables us to continuously capture growth momentum in the green economy wave and solidify our industry position.

Energy management

To better identify, assess and reduce the environmental impacts from our operations, the Company continuously improves its monitoring mechanisms for energy resource consumption, and incorporates them in the key indicators of our environmental management system. We regularly collect and analyze data on the use of major energy sources, including electricity and water, across our core production bases. On this basis, we can assess resource utilization efficiency and environmental footprint performance, supporting the development and implementation of subsequent energy conservation and emissions reduction initiatives. The table below sets out our main energy consumption data for the periods indicated.

	Unit	2025
Purchased electricity	kWh	15,959,576.0
Green electricity ⁽¹⁾	kWh	3,016,749.0
Natural gas	m ³	61,183.0
Water	m ³	160,318.0

Note: (1) Green electricity refers to electricity sourced from renewable energy, including clean electricity generated and used by the Company through photovoltaic facilities, etc.

BUSINESS

Furthermore, to better calculate energy consumption and greenhouse gas emissions from transportation, and as an important basis for optimizing travel and transportation management, and promoting low-carbon travel policies, we also compiled information on the Company’s self-owned vehicles in 2025, as shown in the table below.

	Number of vehicles (vehicle)	Mileage (km)
Type of energy consumption		
Gasoline vehicles	17	1,088,148.0
NEVs	26	482,323.0

Emissions and waste management

We regularly conduct an inventory of the greenhouse gases generated during daily production and operations, and actively promote energy conservation and emissions reduction initiatives. For example, we reduce carbon emission intensity in our production and operations through measures such as optimizing energy structure, introducing renewable energy sources such as photovoltaics, improving the energy efficiency of our equipment, implementing green office and promoting low-carbon transportation.

Below are the data and breakdown of our greenhouse gas emissions in the reporting period.

Item	Unit	2025
Scope 1 Total GHG emissions ⁽¹⁾	tCO ₂ e	176.0
Scope 2 Total GHG emissions ⁽¹⁾	tCO ₂ e	8,299.0

Note:

- (1) Scope 1 covers greenhouse gas emissions from the gasoline vehicles owned by the Company; Scope 2 covers greenhouse gas emissions from purchased electricity and purchased natural gas for the dining hall.

Social Responsibility

Supply chain management

We are committed to building a responsible supply chain system covering both upstream and downstream. We have established a supplier ESG management framework based on international standards and strictly abide by management systems such as the Procurement Management Procedures, the Supplier Development and Management Measures, the Procurement Process Management Measures, and the Project Management Measures.

In terms of the supplier access mechanism, we have formulated strict ESG access standards, covering core dimensions such as environmental management system certification, labor rights protection, and business ethics. New suppliers must pass the ESG qualification review, which includes multiple steps like document review and on-site assessment, to ensure that ESG risks in the supply chain are controlled from the source. For existing suppliers, we implement a dynamic hierarchical management system. We continuously monitor and promote improvements through annual ESG performance evaluations and irregular on-site audits. Regarding the problems identified during the evaluation, we adopt differentiated management strategies: we offer incentives such as business priority to high-performing suppliers, and require non-compliant suppliers to formulate rectification plans and track their implementation. This platform not only enhances the transparency of the supply chain but also provides data support for ESG risk early-warning and continuous improvement.

BUSINESS

We attach particular importance to collaborative innovation in the supply chain. We have established strategic partnerships with core suppliers and jointly carried out projects such as green process improvement and exploration of circular economy models. By setting up joint working groups and sharing technology resources, we promote the sustainable development transformation of the entire supply chain network.

In the future, we will focus on strengthening the following aspects: deepening the management of the supply-chain carbon footprint, expanding the scope of responsible procurement, enhancing the ESG capabilities of small and medium-sized suppliers, and promoting the application of technologies such as blockchain in supply-chain traceability. We believe that by building a responsible supply-chain ecosystem, we can not only effectively manage risks but also create shared value and achieve sustainable development of the industrial chain.

Employees

We have established a systematic support system for employee health, safety, and career development. In terms of occupational health and safety management, we strictly adhere to laws and regulations such as the Law of the People’s Republic of China on Work Safety and the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, and have obtained certifications such as ISO14001 and ISO45001. We have established an occupational health and safety management system that covers the entire business process. In 2025, a total of three safety drills were carried out to minimize the occurrence of major safety accidents. The number of work-related fatalities in the past three years is zero.

We rigorously adhere to international labor standards and national labor laws, ensuring that all employment practices fully comply with the Labor Law of the People’s Republic of China, the Provisions on Prohibition of Child Labor, and other applicable statutes. Beyond meeting the statutory minimums, we proactively benchmark ourselves against leading global companies in our employment practices, embedding core values such as the prohibition of forced labor, zero tolerance for child labor, and protection of freedom of association into our corporate governance. Through continuously refined internal controls, including but not limited to a compliance risk-assessment mechanism for employment, a company-wide labor-law training program, and regular employment audits, we guarantee that every stage, from recruitment and contract signing to off-boarding, remains fully compliant with legal requirements.

In addition, we place strong emphasis on fostering diversity and inclusion, and have formulated regulations such as the Administrative Measures for Anti-Discrimination to ensure equal employment. We have established standardized and transparent recruitment, promotion, and performance evaluation processes to ensure equality in all aspects of talent management, without discriminating against employees based on race, nationality, origin, gender, age, religious belief, or any other similar factors. To better reflect the composition of employees, we have compiled the total number of employees in 2025 and the composition of employees by gender, educational background, and age group in the following table:

	Unit	2025
Total number of employees	Person	1,353
By Gender		
Male	Person	956
Female	Person	357
By academic qualification		
University and above	Person	488
College	Person	230
Technical school	Person	122
High school	Person	178
Junior middle school	Person	335

BUSINESS

Total number of employees	Unit	2025
	Person	1,353
By age		
Under 30 (inclusive)	Person	334
31-40 (inclusive).	Person	577
41-50 (inclusive).	Person	307
51 and above	Person	135

Talent cultivation

We adhere to the strategic concept of “talent-driven development” and have established a scientific and systematic talent cultivation and development system. We have built a cultivation system that covers the entire career cycle of employees. Through a range of learning and development programs, we continuously enhance employees’ professional capabilities and comprehensive qualities.

We implement a clear promotion mechanism to ensure that employees with different characteristics can find suitable career development paths. We focus on internal talent mobility and talent echelon building. Through scientific talent evaluation and inventory, we identify high-potential talents and formulate personalized development plans to reserve core strength for the Company’s sustainable development. For senior management, we implement the “Feixiang Program: Training and Combat Camp for Outstanding Managers”; through strategic seminars and benchmarking studies, we continuously enhance their decision-making abilities. Middle and senior cadres regularly participate in the “Feiteng Program” for leadership development; they enjoy customized promotion channels and a corresponding salary system based on their ranks. For fresh graduates, we launch the “Feisu Program”; through a systematic cultivation mechanism and mentor guidance, we help them quickly integrate into their positions and improve their professional capabilities.

To enhance employees’ sense of belonging and long-term development motivation, we also pay attention to employees’ occupational health and work experience, and offer competitive compensation and benefits as well as career development support. We believe that through a systematic talent cultivation system, a fair promotion mechanism, and an inclusive corporate culture, we can fully stimulate employees’ potential and achieve the common growth of employees and the enterprise. In the future, we will continuously optimize the talent cultivation system, deepen the application of digital learning tools, and further promote the in-depth integration of talent development and business strategies, so as to lay a solid talent foundation for the enterprise’s long-term competitiveness.

Community relationship cultivation

We always regard giving back to society as an important mission of the enterprise and effectively address the pain points in community development. We actively encourage employees to participate in volunteer services and integrate the spirit of public welfare into our corporate culture. These practices not only improve the quality of life of specific groups but also contribute to the formation of a new pattern of community co-construction, co-governance, and co-sharing.

- We actively uphold the corporate values of “giving back to society and caring for the elderly.” We’ve always been concerned about people’s well-being, and we attach particular importance to improving the quality of elderly care services in the context of an aging society. We donated RMB240,000 to the “Environmental Renovation and Upgrade Project of Li’ao Nursing Home.” This special-purpose donation is used to improve the nursing home’s infrastructure and environmental quality. Focusing on the

BUSINESS

actual needs of the elderly, this donation helps to enhance the living comfort and safety of the elderly in the nursing home through measures such as optimizing living spaces, upgrading age-friendly facilities, and improving public activity areas.

- **Elderly Care and Community Welfare.** We are committed to harmonizing corporate growth with social well-being. In 2025, the Group participated in the “Meal for Beilun” project, a long-term elderly care initiative launched by the Beilun District Civil Affairs Bureau and Charity Federation. Through targeted funding for the charity canteen in Xiaogang Subdistrict, we support its daily operations and meal security for the elderly, particularly those living alone or in advanced age. This initiative reflects our commitment to addressing the practical needs of an aging population through community-based support.
- **Youth Development and Sports Philanthropy.** We prioritize the healthy development and comprehensive growth of the youth. In October 2025, the Group served as the exclusive title sponsor for the “PHYSIS Cup,” the inaugural Ningbo Campus Football League (Qianwan Zone). We believe the core values of our motion control technology — precision, efficiency, and progress — resonate with the teamwork and goal-oriented spirit of football. By providing a platform for youth sports, we aim to facilitate the integration of corporate development with social value, contributing to the overall enhancement of youth physical and mental health.

Product liability and quality safety management

Quality and safety have always been crucial considerations in our product management. During the product development process, the concept of safety design guides every decision-making point, and risk assessment runs through the entire process from the concept stage to the market launch. We are not merely content with meeting current regulatory requirements; instead, we proactively anticipate future changes in standards to maintain a leading edge in compliance for our products.

In the production and manufacturing stage, we implement comprehensive quality control measures and have established a multi-level inspection system from the receipt of raw materials to the shipment of finished products. By introducing advanced quality inspection equipment and intelligent management systems, we can achieve real-time monitoring of key quality parameters and data analysis to ensure the stability of the production process and the consistency of products.

Corporate Governance

Anti-corruption and anti-bribery

We are fully aware of the importance of honest business operations and business ethics, and are committed to building a comprehensive anti-corruption and anti-bribery management system. We strictly comply with domestic laws and regulations such as the Anti-unfair Competition Law and the Anti-corruption Law, and also refer to international standards like the United Nations Convention against Corruption and the Foreign Corrupt Practices Act (FCPA) to ensure that the Company maintains a high level of integrity and transparency in its business activities.

The Company has established a multi-level compliance supervision mechanism, with senior management directly responsible for formulating and implementing anti-corruption policies. Through clear institutional regulations, we conduct focused control over business processes that may involve conflicts of interest, improper payments, or commercial bribery, and set up corresponding approval and reporting procedures. At the same time, the Company requires all employees and business partners to abide by a unified code of business conduct, and prohibits any form of corruption, bribery, or improper transfer of benefits.

BUSINESS

To strengthen the supervision mechanism, the Company has specially set up a mailbox for the chairman of the Board, providing employees and external partners with a direct and convenient channel for reporting and feedback. This channel strictly maintains confidentiality to ensure that the reported information reaches the senior management directly, and a dedicated person is responsible for following up and handling it. In addition, we have established a regular compliance training and publicity mechanism to enhance the integrity awareness and legal knowledge of all employees. We also encourage employees to report any violations through a safe and confidential channel.

INFORMATION SECURITY AND DATA PRIVACY

We believe that the confidentiality, integrity, and availability of data are vital to our business operations. In recent years, information security and data privacy protection have emerged as critical governance priorities, with cybersecurity, data security, and personal information protection laws in the PRC undergoing rapid development. Consequently, our practices regarding the collection, process and transfer of various types of data may come under increased administrative scrutiny. See “Risk Factors – Failure to comply with rapidly evolving governmental regulations and other legal obligations concerning data protection and cybersecurity may materially and adversely affect our business.” As confirmed by our PRC Legal Advisor, we are not required to apply for the cybersecurity review under the Measures of Cybersecurity Review (網絡安全審查辦法) effective February 15, 2022.

As of December 31, 2025, we had one R&D center in Italy, and three sales representative offices in Italy, the U.S. and the UK, respectively. We collect and store business data, management data and transaction data generated during or in connection with our business, including data related to our business and transactions with our customers, suppliers and other relevant parties. We do not collect or process individual customers’ personal information since our customers are all corporate entities rather than individuals.

Data collected in domestic and overseas markets are stored and maintained separately in Ningbo, China, for domestic data, and in Italy, for overseas data, respectively, in compliance with applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, there was no cross-border data transmission between China and our overseas entities. As advised by our PRC and Italy legal advisors, during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any penalties in China or Italy arising from violations of applicable data privacy and data security laws and regulations.

To ensure data confidentiality, integrity, and security and mitigate data security risks, we have established a comprehensive information security management system, to protect the operational security of our data, servers and databases. Our information security management system include measures such as strict access controls, network security protocols, and incident response mechanisms, ensuring the resilience and reliability of our information infrastructure. Our IT department is responsible for developing and implementing our policies and procedures relating to information security and data privacy.

INFORMATION TECHNOLOGY

Our information technology systems are essential to our business operations. We have developed a comprehensive IT infrastructure covering all material aspects of our operations, including sales, supply chain management, inventory management, production and quality control. Our IT department is responsible for developing and maintaining information technology systems to support our business operations and growth.

BUSINESS

Our core information technology systems include:

- *Enterprise Resource Planning System (ERP)*. Our ERP integrates and automates the information collected from our core business processes into a single, unified software system with a central database, provides us with visual information analysis.
- *Customer Relationship Management System (CRM)*. Our proprietary CRM facilitates customer data management, business opportunity tracking, quotation processing, contract administration, and after-sales services, ensuring an optimized sales and service process.
- *Manufacturing Execution System (MES)*. Our MES enables real-time monitoring of production processes, personnel, equipment, and materials, enhancing production efficiency, reducing operational errors, and improving product quality.
- *Warehouse Management System (WMS)*. Our WMS optimizes and controls all warehouse activities, including receiving, storing, picking, packing, and shipping, providing real-time inventory visibility, automating workflows, reducing errors, and improving labor productivity.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations.

PROPERTIES

We own and lease properties in China and overseas for the use of production, R&D and general office purposes.

Owned Properties

As of December 31, 2025, we held the land use rights of 13 parcels of land with an aggregate site of area of approximately 235,513 m² in China. As of December 31, 2025, we owned 15 properties in China with an aggregate GFA of approximately 171,450 m², and one owned property in Italy with a GFA of 1,040 m². These land parcels and properties are primarily used for business operations, production, and R&D purposes. All of our land parcels in China have been granted land use right certificates.

Leased Properties

As of December 31, 2025, we leased of 28 properties in China. The leased properties in China are primarily used for office space, production and employee dormitories. The general lease terms range from 12 to 70 months. We also have five properties overseas for office space.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 26 of the lease agreements we entered into as the tenant in China were not registered with the competent PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. After the expiration of these lease agreements, we will evaluate the legal risks associated with their renewal. In light of the nature of

BUSINESS

the defect mentioned above, should these issues prevent the continued use of the leased property, we anticipate being able to promptly locate suitable alternative premises without incurring significant losses. Our Directors are of the view that these defects will not have a material adverse impact on our business operations or financial results.

As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. Our employee-related insurance policies consist of social insurance, as required by PRC laws, and accident insurance. We also maintain manufacturing safety liability insurance and vehicle insurance. During the Track Record Period, we did not submit any material insurance claims, and we did not experience any business interruptions which had a material adverse effect on our business or financial position. See “Risk Factors — Risks Relating to Our Business and the Industry — We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards.”

LICENSE, PERMITS AND APPROVALS

We conduct our business primarily in China. We also have one R&D center in Italy and three sales representative offices overseas in Italy, the UK and the U.S., respectively. Our overseas sales representative offices are all controlled by OSAI ITA, our subsidiary in Italy. As advised by our PRC Legal Advisors, we had obtained all licenses, permits and approvals necessary to conduct our operations in all material respects from the relevant government authorities in China during the Track Record Period and up to the Latest Practicable Date, despite the lack of registration of certain lease agreements which we believe will not have a material adverse impact on our business operations or financial results. As advised by our Italian legal advisor, we had obtained all requisite licenses, permits and approvals for our overseas operations during the Track Record Period and up to the Latest Practicable Date. As advised by our Italian legal advisor, our Directors confirm that our operations in the UK and the U.S. do not require any special licenses, permits, or approvals in order to conduct their business.

The following table sets out a list of material licenses, permits and approvals currently held by us.

License/Permit/Approval	Holder	Grant date	Expiry date
Customs Import/Export Goods	Our Company	January 29, 2021	Long term
Consignor/Consignee Filing	Physis Motion	June 18, 2020	Long term
Acknowledgment (海關進出口貨物收發貨人備案回執)	Physis Automation	January 15, 2013	Long term
	Physis Wuhan	December 8, 2020	Long term
	OSAI Guangzhou	January 5, 2021	Long term
	New Energy Ningbo	December 1, 2021	Long term
	Physis Hangzhou	February 26, 2020	Long term
	Bay Branch		

BUSINESS

NON-COMPLIANCE INCIDENTS

We are committed to complying with the laws and regulations applicable to our business. Our Directors and PRC Legal Advisor are of the view that, during the Track Record Period and up to the Latest Practicable Date, we did not have non-compliance incidents that would, individually or in the aggregate, have a material impact on our business, financial conditions or results of operations as a whole.

Social Insurance and Housing Provident Funds

Under the relevant PRC laws and regulations, employers are required to make social security insurance and housing provident fund contributions for their employees. See “Regulations — Laws and Regulations in Relation to Our Business in the PRC — Laws and Regulations relating to Labor and Social Insurance.” During the Track Record Period, we did not make full social security insurances and housing provident fund contributions for certain employees. We estimate that the aggregate shortfall of social insurance and housing provident fund contributions for the outstanding amounts that may be required to be settled in 2023, 2024 and 2025 amounted to approximately RMB27.1 million, RMB25.9 million and RMB31.1 million, respectively.

Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand the employers failing to perform the aforesaid obligations to pay the outstanding social insurance contributions within a stipulated timeframe and such employers may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If employers fail to make such payments, they may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a stipulated timeframe. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As of December 31, 2025, the maximum penalty that could be imposed by the relevant PRC authorities would amount to approximately RMB230.0 million.

Furthermore, during the Track Record Period, the Company and some of the PRC subsidiaries engaged third-party human resources agencies respectively to pay social security insurance and housing provident fund for a total of 23 employees of the Group. The reason for these arrangements is that, based on the employees’ own preferences, they choose to make social insurance and housing provident fund contributions in their actual place of work or residence. However, the Group has neither subsidiaries nor branch offices in those locations and therefore does not have the authority to make such contributions on their behalf. Pursuant to the agreements entered into between such third-party human resources agencies and the Company or our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social security insurance and housing provident fund for our relevant employees. This arrangement, while not uncommon in China, is not in strict compliance with the relevant PRC laws and regulations. We have been proactively rectifying such non-compliance. As of December 31, 2025, we had reached agreements with 11 out of 23 employees to terminate such third-party payment arrangements for social security and housing provident fund contributions.

As advised by our PRC Legal Advisor, (i) according to the relevant PRC laws and regulations, penalties in relation to failures in providing full social insurance and housing provident fund contributions would only be imposed if the relevant government authorities issue a notice to us requiring payment or supplementary payment within a prescribed period, and we fail to make such payment or supplementary payment within the prescribed time limit as required; and (ii) our PRC Legal Advisor conducted interviews with the relevant government authorities supervising social insurance and housing provident fund matters of the Company in August 2025, respectively. During these interviews, the authorities confirmed that, in the absence of any material complaints or reports made by relevant parties against us, they would not proactively conduct centralized recovery or collection of outstanding payments in respect of us or our PRC subsidiaries.

BUSINESS

As of the Latest Practicable Date, (i) we have obtained confirmations from the relevant competent government authorities, confirming that no administrative penalty was imposed on us in relation to our social insurance and housing provident fund contributions during the Track Record Period; (ii) we and the relevant PRC subsidiaries had not been subject to any material administrative actions, fines or penalties due to such non-compliance, (iii) we were not aware of any material employee complaints filed against us nor were we involved in any material labor disputes with our employees with respect to social insurance or housing provident fund contributions and (iv) we had not received any notice issued by the social insurance premium collection agencies and housing provident fund management departments regarding payments within limited time or overdue payments of social insurance premiums and housing provident fund contributions. As advised by our PRC Legal Advisor, the likelihood that we would be subject to shortfall repayments, fines or other penalties due to our failure to provide full social insurance and housing provident fund contributions is low. Accordingly, we have not made provisions of such shortfall repayments, fines or other penalties.

Lease Agreements Registration

We lease certain properties mainly for offices, employee dormitories and production facilities. As of the Latest Practicable Date, 26 of the lease agreements we entered into as the tenant in China were not registered with the competent PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. For details, see “Business — Properties — Leased Properties.”

During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities.

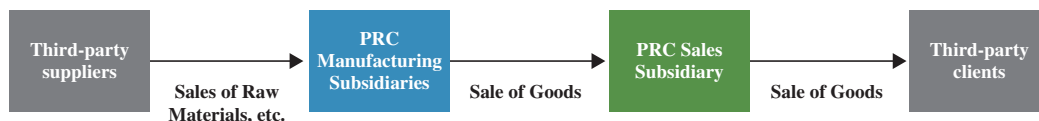
LEGAL PROCEEDINGS

We are subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. As of the Latest Practicable Date, we had not been involved in any pending or threatened legal, arbitration or administrative proceedings that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation.

TRANSFER PRICING ARRANGEMENTS

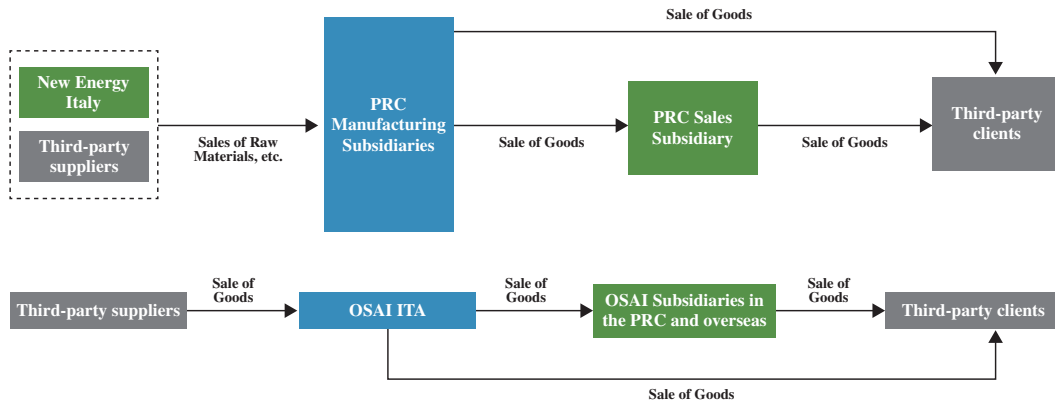
During the Track Record Period and up to the Latest Practicable Date, we conducted our operations primarily through our subsidiaries in China and established subsidiaries overseas to expand the operation in the international markets. During the same period, our intra-group transactions primarily included sales of goods.

The diagram below sets forth a simplified business flow of our NEV solutions business:



BUSINESS

The diagram below sets forth a simplified business flow of our specialized precision electric drive systems and industrial automation solutions business:



The Organization for Economic Co-Operation and Development (the “**OECD**”), an international organization of international cooperation, promulgated the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the “**OECD Transfer Pricing Guidelines**”), which are generally followed by the relevant tax jurisdictions involved in international intra-group transactions. According to the OECD Transfer Pricing Guidelines, the intra-group transactions should be on an arm’s length basis to avoid distorted taxable income in different jurisdictions.

We have engaged Shenzhen RSM Tax Ltd. (the “**Transfer Pricing Consultant**”) to conduct a transfer pricing review on our intra-group transactions during the Track Record Period and up to the Latest Practicable Date to assess whether our transfer pricing arrangements are compliant with the arm’s length principle in accordance with the OECD Transfer Pricing Guidelines. The Transfer Pricing Consultant conducted an independent analysis regarding: (i) whether the profits retained (or losses incurred) by the covered entities were aligned with their functions and risks profiles and (ii) whether the transfer pricing exposures of the covered entities were significant, in accordance with (i) the Enterprise Income Tax Law of the PRC; (ii) the Public Notice on Matters Regarding Refining the Reporting of Related Party Transactions and Administration of Transfer Pricing Documentation issued by the State Administration of Taxation (the “**SAT**”); (iii) the Administrative Measures of Special Tax Investigation and Adjustment and Mutual Agreement Procedure issued by the SAT; and (iv) the 2022 edition of the OECD Transfer Pricing Guidelines (collectively, the “**Relevant Rules and Regulations**”). Based on its analysis, the Transfer Pricing Consultant concluded that our Group complied with all Relevant Rules and Regulations during the Track Record Period and up to the Latest Practicable Date. Based on the advice of our Transfer Pricing Consultant, our Directors are of the view, and the Sole Sponsor concurs, that we complied with all Relevant Rules and Regulations during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks during our operations, see “Risk Factors — Risks Relating to Our Business and Industry.” We have established a consolidated risk management system and relevant policies and procedures which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance.

BUSINESS

Our risk management systems consisting of appropriate policies and procedures primarily covering sales and procurement, inventory management, production and cost management, human resources and compensation management, capital, investment and financing management, financial reporting and information disclosure management, and we continue to improve these systems. We have adopted, among other things, the following risk management measures:

- Our board of directors is responsible for monitoring our internal control system, reviewing its effectiveness, and maintaining our risk at an appropriate and effective level. Our audit department is responsible for the evaluation of the risks faced by us. A review of our risk management and internal control system will be conducted annually, which will include a review of all material controls, including financial, operational and compliance controls;
- We require all departments to proactively identify the risks they face and various internal and external factors that affect the occurrence of the risks;
- We will monitor sanctions-related risks in our course of business and will use our best endeavors to ensure that we do not sell our products to any entities subject to economic sanctions; and
- We will engage external professional advisors, where necessary, and work with our internal audit and legal team to conduct regular reviews to ensure the effectiveness of all registrations, licenses, permits, filings and approvals.

We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and areas for improvement, provide recommendations and review the implementation status of these remedial actions. To ensure the above compliance culture is embedded into everyday workflow and sets the expectations for individual behavior across the organization, we will regularly review our risk management policies and internal management procedures, adopt strict accountability internally and conduct compliance training. Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

In addition, we have also appointed Patrons Capital Limited as our external compliance advisor with effect from the date of the [REDACTED] to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.