

Application Proof of

Ningbo Physis Technology Co., Ltd.

寧波菲仕技術股份有限公司

(the “Company”)

(A joint stock company incorporated in the People’s Republic of China with limited liability)

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Ningbo Physis Technology Co., Ltd.

寧波菲仕技術股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to the the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])
Maximum [REDACTED] : [REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value : RMB[1.00] per H Share
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]



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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this document. You should read the entire document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors.” You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

Who We Are

We are an established player in the electric drive solutions market 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. We are the third largest provider for specialized electric drive solutions in the industrial control sector in China in terms of the sales revenue in 2025, the seventh largest third-party provider for passenger vehicle electric drive systems in China in terms of both revenue and sales volume in 2025, according to CIC.

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. According to CIC, there are only a limited number of electric drive providers in China that are capable of offering integrated solutions covering all three layers. This is mainly due to the significant R&D investment, advanced production capabilities, and specialized technical expertise required to support such integrated solutions across multiple application scenarios. We are among the providers with such capabilities.

SUMMARY

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



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 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, and is expected to reach RMB485.6 billion by 2030, with an anticipated CAGR of 13.6% from 2025 to 2030.

SUMMARY

As one of China’s technologically advanced providers at the forefront of industrial innovation, capitalizing on our strong R&D capabilities, seamless supply chain management and strong manufacturing capabilities, we are strategically positioned to capture these market opportunities.

COMPETITIVE STRENGTHS

We believe the following strengths position us well to capitalize on future opportunities and deliver continued growth: (1) China-leading and globally-competing technological excellence; (2) extensive and fast-growing application scenarios; (3) a well-established global market presence built upon our enduring pursuit of global excellence; (4) premium customer base and strong customer stickiness; (5) flexible capability to produce customized products at scale; and (6) globally visionary management team and highly qualified talent pool.

FUTURE STRATEGIES

We intend to implement the following strategies: (1) continuing to increase R&D investment to maintain technological leadership; (2) further deepening our globalization strategy; (3) leveraging existing R&D and manufacturing capabilities to continually expand into new application scenarios; (4) building a top-tier talent team by integrating industry-academia-research collaboration mechanisms and globalization strategy; and (5) achieving horizontal capacity expansion and vertical industry chain deployment.

OUR RESEARCH AND DEVELOPMENT

R&D has been our cornerstone since our establishment in 2001. 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.

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 gain access 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 leaders and 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. As of December 31, 2025, more than 71.9% of our R&D personnel hold a bachelor’s degree or above.

OUR 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.

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily included 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.

During the Track Record Period, the key materials that we procured include permanent magnet, enameled wires, silicon steel sheets, housing, flanges, aluminum profiles and PCB-based controllers. 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.

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 15.3%. 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.”

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth selected consolidated statements of profit or loss items for the periods indicated, which are derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants’ Report included in Appendix I to this document:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Revenue	1,242,819	1,500,397	1,624,520
Cost of sales	(1,065,655)	(1,258,379)	(1,352,382)
Gross profit	177,164	242,018	272,138
Other income and gains	37,310	47,587	45,504
Selling and marketing expenses	(39,410)	(48,559)	(54,593)
Administrative expenses	(132,585)	(144,825)	(164,595)
Research and development costs	(120,214)	(121,155)	(134,936)
Reversal of impairment losses/(impairment losses) on financial assets and contract assets, net	200	(102,802)	(1,185)
Finance costs	(30,594)	(24,505)	(24,221)
Other expenses	(1,623)	(25,468)	(564)
Loss before tax	(109,752)	(177,709)	(62,452)
Income tax (expense)/credit	(2,446)	755	566
Loss for the year	(112,198)	(176,954)	(61,886)
Attributable to:			
Owners of the parent	(34,279)	(163,389)	(53,866)
Non-controlling interests	(77,919)	(13,565)	(8,020)

SUMMARY

Non-HKFRS Measure

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. See “Financial Information — Description of Key Consolidated Statements of Profit or Loss Items — Non-HKFRS Measures” for more details. The following table shows the calculation of our EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000, except for percentages)		
Loss before tax	(109,752)	(177,709)	(62,452)
Add:			
Finance costs	30,594	24,505	24,221
Depreciation of property, plant and equipment	62,908	70,431	84,462
Depreciation of investment properties	452	452	452
Amortization of other intangible assets	7,252	9,200	9,877
Depreciation of right-of-use assets	5,716	5,372	5,779
Less:			
Interest income	(2,099)	(4,768)	(6,606)
EBITDA (non-HKFRS measure)	(4,929)	(72,517)	55,733
Add:			
Share-based payment expenses	917	1,012	3,407
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA (non-HKFRS measure)	(4,012)	(71,505)	75,890
Adjusted EBITDA margin (non-HKFRS measure)⁽¹⁾	(0.3)%	(4.8)%	4.7%

Note:

- (1) Adjusted EBITDA margin (non-HKFRS measure) equals adjusted EBITDA (non-HKFRS measure) divided by revenue and multiplied by 100%.

Revenue

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

SUMMARY

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.

During the Track Record Period, our revenue increased from RMB1,242.8 million in 2023 to RMB1,624.5 million in 2025, with a CAGR of 14.3%. This growth was primarily driven by the expansion of our NEV solutions business.

Our products have been sold to customers in more than 40 countries and regions, while the Chinese Mainland serves as our major market. The table below set forth a breakdown of our revenue by geographic region based on locations of customers for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB'000, except for percentages)</i>						
Chinese Mainland	934,631	75.2	1,217,906	81.2	1,340,996	82.6
Italy	133,125	10.7	107,514	7.2	139,667	8.6
Europe (excluding Italy) ⁽¹⁾	88,628	7.1	93,180	6.2	76,573	4.7
United States	58,749	4.7	46,857	3.1	35,377	2.2
South Korea	12,179	1.0	14,757	1.0	16,838	1.0
Other countries and regions ⁽²⁾	15,507	1.3	20,183	1.3	15,069	0.9
Total	1,242,819	100.0	1,500,397	100.0	1,624,520	100.0

Notes:

- (1) Include mainly Belgium, Austria, Germany and the Netherlands.
(2) Include mainly India and Israel.

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit and gross 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
<i>(RMB'000, except for percentages)</i>						
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 the idle office building located in Ningbo Hi-Tech Zone.

SUMMARY

Our gross profit increased during the Track Record Period, primarily driven by the turnaround and reduced gross loss of our NEV solutions business as well as the gross profit growth of our specialized precision electric drive systems business in 2025. Correspondingly, our gross margin improved from 14.3% in 2023 to 16.1% in 2024 and further to 16.8% in 2025.

The table below set forth a breakdown of our gross profit and gross margin by geographic region based on locations of customers for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	(RMB'000, except for percentages)					
Chinese Mainland	60,674	6.5%	132,641	10.9%	161,857	12.1%
Italy	54,473	40.9%	48,235	44.9%	60,631	43.4%
Europe (excluding Italy) ⁽¹⁾	29,239	33.0%	29,829	32.0%	24,794	32.4%
United States	25,164	42.8%	20,473	43.7%	15,090	42.7%
South Korea	2,504	20.6%	3,813	25.8%	4,448	26.4%
Other countries and regions ⁽²⁾	5,110	33.0%	7,027	34.8%	5,318	35.3%
Total	177,164	14.3%	242,018	16.1%	272,138	16.8%

Notes:

(1) Include mainly Belgium, Austria, Germany and the Netherlands.

(2) Include mainly India and Israel.

Loss for the Year

We recorded a net loss of RMB112.2 million, RMB177.0 million and RMB61.9 million in 2023, 2024 and 2025, respectively. Our loss for the year increased by RMB64.8 million, or 57.7%, from 2023 to 2024, primarily due to (i) an increase in impairment losses on financial assets and contract assets, reflecting the write-offs related to the distressed customer, and (ii) an increase in other expenses, partially offset by an increase in revenue driven by the growth of our NEV solutions business. Our loss for the year decreased by RMB115.1 million, or 65.0%, from 2024 to 2025, primarily attributable to (i) revenue growth from our NEV solutions business and specialized precision electric drive systems business; and (ii) lower impairment losses on financial assets and contract assets, as the write-offs related to the distressed customer recorded in 2024 did not recur. For details, see “Financial Information — Period-On-Period Comparison of Results of Operations.”

Selected Items from Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which are extracted from the Accountants’ Report included in Appendix I to this document:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Total non-current assets	1,130,780	1,240,901	1,265,891
Total current assets	931,732	1,100,917	1,088,620
Total current liabilities	1,373,098	1,468,051	1,547,634
Net current liabilities	(441,366)	(367,134)	(459,014)
Total assets less current liabilities	689,414	873,767	806,877
NET ASSETS	321,602	443,632	380,442

SUMMARY

Net Current Liabilities

We recorded net current liabilities of RMB441.4 million, RMB367.1 million, RMB459.0 million and RMB479.7 million as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively. The fluctuations during the periods were primarily attributable to changes in our interest-bearing bank borrowings, trade and notes receivables, inventories and trade and notes payables, which reflected the expansion of our NEV solutions business and the related procurement and financing activities.

Net Assets

Our net assets increased by RMB122.0 million, or 37.9%, from RMB321.6 million as of December 31, 2023 to RMB443.6 million as of December 31, 2024, mainly attributable to issue of shares of RMB300.0 million, partially offset by loss for the year of RMB177.0 million in 2024. Our net assets decreased by RMB63.2 million, or 14.2%, from RMB443.6 million as of December 31, 2024 to RMB380.4 million as of December 31, 2025, primarily due to (i) loss for the year of RMB61.9 million, and (ii) changes in fair value of equity investments at FVOCI, net of tax, of RMB13.4 million, partially offset by exchange differences of RMB5.1 million, transfer of fair value reserve upon the disposal of equity investments at FVOCI of RMB3.6 million and share-based payment expenses of RMB3.4 million in 2025.

Selected Items from Consolidated Statements of Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Net cash flows from/(used in) operating activities . .	7,885	(130,139)	102,733
Net cash flows used in investing activities	(111,180)	(147,654)	(110,926)
Net cash flows from financing activities	77,280	286,681	49,553
Net (decrease)/increase in cash and cash equivalents	(26,015)	8,888	41,360
Cash and cash equivalents at beginning of year . . .	63,147	37,329	46,216
Effect of foreign exchange rate changes, net	197	(1)	118
Cash and cash equivalents at end of the year . . .	37,329	46,216	87,694

We had net cash outflow from operating activities of RMB130.1 million in 2024, primarily due to uncollectible trade receivables from the distressed customer and increased working capital requirements associated with the ramp up of NEV solutions business during the period. For details of our cash flows, see “Financial Information — Liquidity and Capital Resources — Cash Flows.”

Our Directors are of the view that, taking into account the financial resources available to us, including cash flow from operating activities, banking facilities and the estimated net [REDACTED] from the [REDACTED], we have sufficient working capital to meet our present requirements for the next 12 months from the date of this document, and fund our operations until we achieve net profit break-even and record operating cash inflows. 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 sufficiency of working capital.

SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended/As of December 31,		
	2023	2024	2025
Current ratio ⁽¹⁾	0.68	0.75	0.70
Quick ratio ⁽²⁾	0.48	0.53	0.53
Gearing ratio ⁽³⁾	2.61	1.93	2.55
Gross margin ⁽⁴⁾	14.3%	16.1%	16.8%
Adjusted EBITDA margin (non-HKFRS measure) ⁽⁵⁾	(0.3)%	(4.8)%	4.7%

Notes:

- (1) Current ratio equals total current assets divided by total current liabilities of the same date.
- (2) Quick ratio equals total current assets less inventories divided by total current liabilities of the same date.
- (3) Gearing ratio equals total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity of the same date.
- (4) Gross margin equals gross profit for the year divided by revenue and multiplied by 100%.
- (5) Adjusted EBITDA margin (non-HKFRS measure) is calculated as adjusted EBITDA (non-HKFRS measure) divided by revenue and multiplied by 100%. See “Financial Information — Description of Key Consolidated Statements of Profit or Loss Items — Non-HKFRS Measures” for a reconciliation of loss before tax to adjusted EBITDA (non-HKFRS measure).

RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industries, (ii) risks relating to doing business in the jurisdictions where we operate and (iii) risks relating to the [REDACTED]. See “Risk Factors” for more details.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wenjie REN, an executive Director, chairman of the Board and the general manager of the Company, and his spouse, Ms. Jin HU, were interested in an aggregate of 78,735,865 Shares, representing 49.48% of our total issued Shares. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised), Mr. Wenjie REN and his spouse, Ms. Jin HU, will be collectively entitled to exercise voting rights of [REDACTED] of our total issued Shares of our Company. Therefore, Mr. Wenjie REN, Ms. Jin HU, Ningbo Hongrui and the Employee Incentive Platforms are considered as a group of Controlling Shareholders of our Company upon [REDACTED]. For further details of our corporate structure and the shareholding of our Controlling Shareholder, see “History, Development and Corporate Structure — Corporate Structure” and “Relationship with Controlling Shareholders” in this document.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

In November 2019, the Company and Prima Electro entered into (1) a share purchase agreement (the “SPA”), pursuant to which the Company acquired 60% equity interests in OSAI ITA for a consideration of EUR6 million, and (2) a shareholders’ agreement (the “SHA”), pursuant to which Prima Electro granted us the right to purchase, and we granted Prima Electro the right to sell, the remaining 40% equity interest in OSAI ITA. In July 2022, Prima Electro exercised its put right

SUMMARY

pursuant to the SHA, and we acquired from Prima Electro the remaining 40% equity interests in OSAI ITA for a consideration of EUR4,547,645. The acquisition of the 60% equity interests in OSAI ITA was properly and legally completed and fully settled on December 12, 2019, and the acquisition of the remaining 40% equity interests in OSAI ITA was properly and legally completed and fully settled on August 1, 2022. Upon completion of the two-step acquisition in 2022, the Company owned 100% equity interests in OSAI ITA. For further details, see “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers” in this document.

[REDACTED]

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we did not declare or paid any dividends. As of the Latest Practicable Date, we did not have a specific dividend policy or a predetermined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a payment of dividends in the future after taking into account a number of factors, including our earnings, capital requirements, overall financial conditions, contractual and applicable legal restrictions and other factors which they may deem relevant at such time. Any declaration and payment of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations, including the approval of our Shareholders.

SUMMARY

According to the PRC Company Law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund. As confirmed by our PRC Legal Advisor, we will only be able to declare or pay dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. We may stop allocate the net profit when the aggregate balance of the statutory common reserve fund has reached more than 50% of our registered capital.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of [REDACTED] per H Share (being the mid-point of the [REDACTED] range stated in this document), we estimate that we will receive net [REDACTED] from the [REDACTED] of approximately [REDACTED], after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. For further details, see “Future Plans and Use of [REDACTED].”

- Approximately 50% of the net [REDACTED], or [REDACTED], is expected to be used production capacity expansion to meet the fast growing market demands in the electric drive solution industry;
- Approximately 20% of the net [REDACTED], or [REDACTED], is expected to be used for R&D activities;
- Approximately 10% of the net [REDACTED], or [REDACTED], is expected to be allocated for strategic investments and/or acquisitions;
- Approximately 10% of the net [REDACTED], or [REDACTED], is expected to be allocated to expand our global sales channel and enhance our brand presence, to maximize our market reach and better capture the market opportunities;
- Approximately 10% of the net [REDACTED], or [REDACTED], is expected to be allocated for working capital and other general corporate purposes.

[REDACTED] EXPENSES

Our [REDACTED] expenses include mainly [REDACTED] commissions, legal and other professional fees paid and payable to professional parties, and printing and other expenses for their services rendered in relation to the [REDACTED] and the [REDACTED]. We expect to incur a total of approximately [REDACTED] of [REDACTED] expenses in connection with the [REDACTED], representing approximately [REDACTED] of the gross [REDACTED] from the [REDACTED] (based on an [REDACTED] of [REDACTED] per H Share, being the mid-point of our indicative price range for the [REDACTED], and assuming that the [REDACTED] is not exercised), among which (a) [REDACTED] expenses, including [REDACTED] commission and other expenses, are expected to be approximately [REDACTED] and (b) [REDACTED] expenses are expected to be approximately [REDACTED], comprising (1) fees and expenses of legal advisors and accountants of approximately [REDACTED] and (2) other fees and expenses of approximately [REDACTED]. Out of the expected [REDACTED] expenses of [REDACTED], approximately [REDACTED] is expected to be recognized in the consolidated statements of profit or loss and approximately [REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. During the Track Record Period, we recorded [REDACTED] expenses of [REDACTED], among which [REDACTED] as administrative expenses in our consolidated statements of profit or loss in 2025, and [REDACTED] as prepayments, other receivables and other assets in the consolidated statements of financial position as of December 31, 2025.

SUMMARY

IMPACT OF COVID-19 PANDEMIC

During the COVID-19 pandemic, we had taken various measures to mitigate the impact of COVID-19. Except for three temporary closures at our headquarter office and Zhuzhou facility in 2022 (each lasting less than two weeks), we maintained operational continuity through remote work arrangements, enhanced workplace safety protocols and effective coordination with our suppliers and contractors. Specifically, our Hangzhou Bay facility completed the digitalized transformation in June 2022. See “Business — Production.” Additionally, we reduced business travel and other onsite business development activities by implementing online initiatives in response to government epidemic prevention measures and the evolving COVID-19 situation.

Our Directors are of the view that COVID-19 did not have any material adverse impact on our business and financial condition during the Track Record Period and up to the Latest Practicable Date, based on the following considerations: (i) we did not encounter difficulties in securing timely and sufficient supplies; (ii) we did not experience significant disruption in the development and deployment of our solutions to customers; and (iii) there was no material labor shortage attributable to the COVID-19 pandemic. Nevertheless, we plan to stay alert and closely monitor and evaluate the market situation based on any development of the COVID-19 pandemic in the future. See “Risk Factors — Risks Relating to Our Business and Industries — We face risks related to natural disasters, health epidemics and other disease outbreaks.”

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to carry on our principal business of providing electric drive systems and solutions through our three main business lines. During this period, there has been no material change to our business model, revenue structure or cost structure.

Our Directors have confirmed that up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date of our latest audited financial statements, and there has been no event since December 31, 2025 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

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

During the Track Record Period and up to the Latest Practicable Date, our products were exported from both China and Italy. Both export operations function independently.

Our direct exposure to U.S.-China tariff fluctuations is limited. The U.S. constitutes a minor portion of our revenue (less than 5% of our total revenue in 2023, 2024 and 2025) and supply chain (less than 0.001% of our total cost of raw materials in 2023, 2024 and 2025). Our established European presence provides a competitive buffer, and we are executing a diversification and localization plan to further mitigate such risks.

During the Track Record Period, we conducted limited transactions with regions and entities subject to certain international sanctions. Based on advice from our International Sanctions Legal Advisor, saved as disclosed in this document, 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. In addition, 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

SUMMARY

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.

We have enhanced our internal controls to manage these risks proactively. Our internal controls will be implemented in stages before [REDACTED].

With respect to the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “**Final Rule**”) issued by the U.S. Department of the Treasury, which took effect on January 2, 2025, as advised by our legal advisors as to U.S. foreign investment laws, our business does not operate in the sectors targeted by the Final Rules. Therefore, 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.

See “Business — International Trades, Tariffs, Sanctions, Export Control and Outbound Investment Rules” for more details.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in “Glossary of Technical Terms.”

“Accountants’ Report”	the accountants’ report from the reporting accountants of our Company, the text of which is set out in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“ALMA”	Atacama Large Millimetre/submillimetre Array
“Articles” or “Articles of Association”	the articles of association of our Company adopted on August 27, 2025 and as amended, supplemented or otherwise modified from time to time, a summary of which is set forth in Appendix V to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“BIS”	Bureau of Industry and Security of the U.S. Department of Commerce
“BIS List”	the U.S. Department of Commerce, the Bureau of Industry and Security’s Entity List, the Denied Parties List, the Unverified List, the Military End-User List, or the Military-intelligence End User List
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open to the public for normal banking business

[REDACTED]

DEFINITIONS

“China,” “Chinese Mainland” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China, and Taiwan
“CIC” or “Industry Consultant”	China Insights Industry Consultancy Limited
“CIC Report”	the industry report commissioned by our Company and independently prepared by CIC, a summary of which is set forth in “Industry Overview” in this document
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company” or “the Company”	Ningbo Physis Technology Co., Ltd. (寧波菲仕技術股份有限公司), a company incorporated in the PRC as a limited liability company on November 15, 2001 and converted into a joint stock company with limited liability on December 20, 2019
“Compliance Advisor”	Patrons Capital Limited
“Comprehensively Sanctioned Country”	any country or territory subject to a comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction, currently Cuba, Iran, North Korea, and the Crimea, the so-called Luhansk People’s Republic (“LPR”) and Donetsk People’s Republic (“DPR”), Zaporizhzhia and Kherson regions of Ukraine
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	meaning Mr. Wenjie REN (任文傑), Ms. Jin HU (胡瑾), Ningbo Hongrui and the Employee Incentive Platforms who comprise a group of controlling shareholders (as defined in the Listing Rules)
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CS Capital”	CS Capital Co., Ltd. (國投招商投資管理有限公司)

DEFINITIONS

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of the Company
“EIT”	the PRC enterprise income tax
“Employee Incentive Platform(s)”	the [REDACTED] employee incentive platforms of the Company, namely Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan
“EUR,” “Euro” or “€”	the lawful currency of the member states of the European Union which adopted the single currency

[REDACTED]

“Future Industry Investment Fund”	Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金(有限合夥)), one of our Shareholders
“Future Industry Investment Fund II”	Future Industry Investment Fund II (Limited Partnership) (先進製造產業投資基金二期(有限合夥)), one of our Shareholders

[REDACTED]

“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide”	the Guide for New Listing Applications issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“H Share(s)” ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company, which are to be [REDACTED] for and [REDACTED] in Hong Kong dollars, and for which an [REDACTED] has been made for [REDACTED] and permission to [REDACTED] on the Stock Exchange

[REDACTED]

“Hefeng Venture Capital” Ningbo Hefeng Venture Capital Co., Ltd. (寧波和豐創業投資有限公司), one of our Shareholders

“HK” or “Hong Kong” the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

“HKFRS(s)” Hong Kong Financial Reporting Standard(s) issued by Hong Kong Institute of Certified Public Accountants

[REDACTED]

DEFINITIONS

“Hong Kong dollars,” “HKD” or “HK\$” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange” The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

“Huangshan SAIFU” Huangshan SAIF Tourism Cultural Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)), one of our Shareholders

“Huijia Huijin” Hainan Huijia Huijin Equity Investment Fund Partnership (Limited Partnership) (海南匯嘉匯金股權投資基金合夥企業(有限合夥)), one of our Shareholders

“Independent Third Party(ies)” entity(ies) or person(s) who is/are not connected person(s) of our Company or our subsidiaries within the meaning of the Listing Rules

“Innovation Center” Zhejiang Electric Drive Innovation Center Co., Ltd. (浙江電驅動創新中心有限公司), an other limited liability company established under the laws of the PRC on September 2, 2022 and one of our Company’s subsidiaries

[REDACTED]

DEFINITIONS

[REDACTED]

“International Sanctions”	all applicable laws and regulation to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted and administered by the Relevant Jurisdictions

“International Sanction Legal Advisor”	Hogan Lovells International LLP

[REDACTED]

“Jiequan Meidu”	Jiangsu Jiequan Meidu Equity Investment Fund Partnership (Limited Partnership) (江蘇捷泉美都股權投資基金合夥企業(有限合夥)), one of our Shareholders

[REDACTED]

“Latest Practicable Date”	May 6, 2026, being the latest practicable date for ascertaining certain information in this document before its publication

[REDACTED]

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Metropolitan Industrial Investment Fund”	Metropolitan Industrial Investment Fund (Limited Partnership) (京津冀產業協同發展投資基金(有限合夥)), one of our Shareholders
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Energy Ganzhou”	Physis New Energy Technology Ganzhou Co., Ltd. (菲仕綠能科技(贛州)有限公司), a limited liability company established under the laws of the PRC on March 10, 2023 and one of our Company’s subsidiaries
“New Energy Italy”	Physis New Energy Technology S.r.l, a company incorporated under the laws of Italy on November 6, 2018 and one of our Company’s subsidiaries
“New Energy Ningbo”	Physis New Energy Technology Ningbo Co., Ltd. (菲仕綠能科技(寧波)有限公司), a limited liability company established under the laws of the PRC on December 4, 2018 and one of our Company’s subsidiaries
“New Energy Tianjin”	Physis New Energy Technology Tianjin Co., Ltd. (菲仕綠能電氣技術(天津)有限公司) (previously known as Zhongke Physis Technology (Tianjin) Co, Ltd. (中科菲仕電氣技術(天津)有限公司)), a limited liability company established under the laws of the PRC on October 24, 2018 and one of our Company’s subsidiaries
“New Energy Yibin”	Physis New Energy Technology Yibin Co., Ltd. (菲仕綠能科技(宜賓)有限公司), a limited liability company established under the laws of the PRC on April 17, 2026 and one of our Company’s subsidiaries
“New Energy Zhuzhou”	Physis New Energy Technology Zhuzhou Co., Ltd. (株洲菲仕綠能科技有限公司), a limited liability company established under the laws of the PRC on July 16, 2019 and one of our Company’s subsidiaries

DEFINITIONS

“New Kinetic Energy Fund”	Zhejiang Free Trade Zone (Ningbo) New Kinetic Energy Industry Investment Fund (Limited Partnership) (浙江自貿區(寧波)新動能產業投資基金合夥企業(有限合夥)), one of our Shareholders
“NGTEC”	NGTEC S.r.l., a company incorporated under the laws of Italy on January 9, 2012 and one of our Company’s subsidiaries
“Ningbo Hongche”	Ningbo Hongche Investment Management Partnership (Limited Partnership) (寧波泓澈投資管理合夥企業(有限合夥)), one of our Controlling Shareholders
“Ningbo Hongjun”	Ningbo Hongjun Investment Management Partnership (Limited Partnership) (寧波泓駿投資管理合夥企業(有限合夥)), one of our Controlling Shareholders
“Ningbo Honglan”	Ningbo Honglan Investment Management Partnership (Limited Partnership) (寧波泓瀾投資管理合夥企業(有限合夥)), one of our Controlling Shareholders
“Ningbo Hongrui”	Ningbo Hongrui Foundation Investment Partnership (Limited Partnership) (寧波泓銳基業投資合夥企業(有限合夥)), one of our Controlling Shareholders
“Nomination Committee”	the nomination committee of the Board
“NS-CMIC List”	Non-SDN Chinese Military-Industrial Complex Companies List

[REDACTED]

“OSAI Guangzhou”	OSAI CHINA Co. Ltd (歐賽數控技術(廣州)有限公司), a limited liability company (wholly foreign-owned enterprise) established under the laws of PRC on April 14, 2011 and one of our Company’s subsidiaries
“OSAI ITA”	OSAIinc S.r.l., a company incorporated in Italy on October 1, 2019 and one of our Company’s subsidiaries

DEFINITIONS

“OSAI NA” OSAIcnc North America LLC, a company established in Wilmington, the United States, on November 27, 2019 and one of our Company’s subsidiaries

“OSAI UK” OSAI UK Ltd, a company incorporated in the United Kingdom on February 25, 1997 and one of our Company’s subsidiaries

[REDACTED]

“Overseas Listing Trial Measures” the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), as amended, supplemented or otherwise modified from time to time

“Physis Automation” Physis Automation Ningbo Co., Ltd. (寧波菲仕自動化技術有限公司), a limited liability company established under the laws of the PRC on January 29, 2010 and one of our Company’s subsidiaries

“Physis Hangzhou Bay Branch” Ningbo Physis Technology Co., Ltd. Hangzhou Bay Branch (寧波菲仕技術股份有限公司杭州灣新區分公司), a branch company of our Company established under the laws of the PRC on December 9, 2019

“Physis Industrial Design” Physis Industrial Design Ningbo Co., Ltd. (寧波工業設計有限公司), a limited liability company established under the laws of the PRC on September 24, 2012 and one of our Company’s subsidiaries

“Physis Jinan” Jinan Physis Intelligent Electric Drive Technology Co., Ltd. (濟南菲仕智能電驅技術有限公司), an other limited liability company established under the laws of the PRC on December 12, 2025 and one of our Company’s subsidiaries

DEFINITIONS

“Physis Motion”	Physis Motion Control Ningbo Co., Ltd. (寧波菲仕運動控制技術有限公司), a limited liability company established under the laws of the PRC on August 2, 2007 and one of our Company’s subsidiaries
“Physis New Energy”	Physis New Energy Technology Beijing Co., Ltd. (菲仕綠能科技(北京)有限公司), a limited liability company established under the laws of the PRC on August 11, 2016 and one of our Company’s subsidiaries
“Physis Wuhan”	Physis Motion Control Wuhan Co., Ltd. (武漢菲仕運動控制系統有限公司), a limited liability company established under the laws of the PRC on September 2, 2013 and one of our Company’s subsidiaries
“Physis Xi’an”	Physis Motion Control Xi’an Co., Ltd. (菲仕智能科技(西安)有限公司), a limited liability company established under the laws of the PRC on March 23, 2018 and one of our Company’s subsidiaries
“PRC Legal Advisor”	AllBright Law Offices
“[REDACTED] Equity Incentive Scheme”	the [REDACTED] equity incentive scheme of our Company approved and adopted in 2017, a summary of the principal terms of which is set forth in “Statutory and General Information” in Appendix VI
“[REDACTED] Investment(s)”	the investments in the Company undertaken by the [REDACTED] Investors pursuant to the definitive agreements, as applicable, prior to this [REDACTED], the details of which are set out in “History, Development and Corporate Structure”
“[REDACTED] Investor(s)”	the investors as set out in “History, Development and Corporate Structure”
“[REDACTED] Share Option Scheme”	the [REDACTED] share option scheme of our Company approved and adopted on August 27, 2025, as amended from time to time, a summary of the principal terms of which is set forth in “Statutory and General Information” in Appendix VI
	[REDACTED]
“[REDACTED]”	the date on which the [REDACTED] is to be fixed

DEFINITIONS

“Primary Sanctioned Activity”	any activity in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation
	[REDACTED]
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Jurisdiction(s)”	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, person or entities targeted by such law or regulation. For the purpose of this document, the Relevant Jurisdictions include the U.S., the European Union (“EU”), the United Nations (“UN”), the United Kingdom (“UK”), UK Overseas Territories and Australia
“Relevant Persons”	the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [REDACTED], trading, clearing and settlement of its shares, including the HKEX and related group companies
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局)
“Sanctioned Target”	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Comprehensively Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)

DEFINITIONS

“Sanctioned Trader”	any person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Comprehensively Sanctioned Country entities or persons
“SDN” or “SDN List”	individuals and entities that are listed on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”)
“Secondary Sanctionable Activity”	certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen SAIF”	Shenzhen Futian SAIF Dynamiques Equity Investment Fund Partnership (Limited Partnership) (深圳市福田賽富動勢股權投資基金合夥企業(有限合夥)), one of our Shareholders
“Sole Sponsor”	China International Capital Corporation Hong Kong Securities Limited

[REDACTED]

“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Strategy Committee”	the strategy committee of the Board
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company

DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tongshang Venture Capital”	Ningbo Tongshang Venture Capital Partnership (Limited Partnership) (寧波通商創業投資合夥企業(有限合夥)), one of our Shareholders
“Track Record Period”	the years ended December 31, 2023, 2024 and 2025
“UK,” “U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

[REDACTED]

“Unlisted Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
“US,” “U.S.” or “United States”	the United States of America, its territories, possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“USD,” “US\$” or “US dollars”	United States dollars, the lawful currency of the U.S.
“VAT”	value-added tax
“Xiamen SAIFU”	Xiamen SAIF Equity Investment Partnership (Limited Partnership) (廈門賽富股權投資合夥企業(有限合夥)), one of our Shareholders
“Xingzheng SAIFU”	Pingtian Xingzheng Saifu Equity Investment Partnership (Limited Partnership) (平潭興證賽富股權投資合夥企業(有限合夥)), one of our Shareholders
“Xingzheng SAIFU I”	Pingtian Xingzheng Saifu No. 1 Equity Investment Partnership (Limited Partnership) (平潭興證賽富一號股權投資合夥企業(有限合夥)), one of our Shareholders
“%”	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

DEFINITIONS

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this document in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“AC”	alternating current
“AI”	artificial intelligence
“CAGR”	compound average growth rate
“Class A”, “Class B” or “Class C NEV”	referring generally to a vehicle classification system based on parameters such as wheelbase, displacement, and weight. Class A NEV refers to compact NEV models, Class B NEV refers to mid-size models, and Class C NEV refers to mid-to-large models
“CNC”	computer numerical control, the automated control of machine tools by a computer
“CT”	computerized tomography
“DC”	direct current
“EMC”	electromagnetic compatibility, the ability of electronic devices and systems to function properly in their electromagnetic environment without causing or experiencing interference
“Emerging Auto Brands”	referring generally to certain emerging NEV OEMs established in the past decade, with intelligentization and electrification as their product foundation. These automakers possess independent brand operation capabilities and full-vehicle R&D capabilities. Compared to traditional automakers, these automakers demonstrate differentiated competitive advantages in user operations, smart cockpits, and high-level assisted driving, exhibiting dynamic market performance. According to CIC, as of December 31, 2025, there were over 50 Emerging Auto Brands in the PRC
“EtherCAT”	Ethernet for Control Automation Technology, a high-performance, real-time Ethernet-based fieldbus protocol used in industrial automation
“eVTOL”	the electric vertical take-off and landing, an electric-powered flying vehicle that can take off and land vertically, using electric motors for propulsion and requiring no runways
“GFA”	gross floor area

GLOSSARY OF TECHNICAL TERMS

“GHG”	greenhouse gas
“IGBT”	insulated-gate bipolar transistor, a power semiconductor device that acts as a switch, controlling the flow of electrical current in various applications
“LoT”	Internet of Things, the network of physical objects embedded with sensors, software and other technologies to connect and exchange data with other devices and systems over the internet
“NEV”	new energy vehicles, including but not limited to battery energy vehicles, hybrid and fuel cell vehicles
“Nm” or “m•Nm”	“Nm” refers to Newton-meter, a unit of torque, representing a force of one newton applied at a perpendicular distance of one meter. “m•Nm” refers to milli-Newton-meter, which equals to one-thousandth (1/1000) of a Newton-meter
“NVH”	noise, vibration, and harshness
“OEM”	automotive original equipment manufacturer
“PCB”	printed circuit board, an electronic assembly that uses copper conductors to create electrical connections between components
“PLC”	programmable logic controller
“r/min” or “rpm”	revolutions per minute, a unit of measurement used to quantify rotational speed
“W”, “kW” or “MW”	“W” refers to watt, the international standard unit for measuring power, which is the rate at which energy is used or produced. “kW” refers to kilowatt, which equals to 1,000 watts. “MW” refers to megawatt, which equals to 1,000 kilowatts, or 1 million watts

FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, beliefs, expectations, intentions or predictions for the future. The actual results or outcomes may differ materially from those expressed or implied in the forward-looking statements. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as “aim,” “anticipate,” “aspire,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goals,” “intend,” “may,” “objective,” “ought to,” “outlook,” “plan,” “potential,” “project,” “schedules,” “seek,” “should,” “target,” “vision,” “will,” “would” and other similar terms. Forward-looking statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document, some of which are beyond our control and may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: (1) our operations and business prospects; (2) our business and operating strategies and our ability to implement such strategies; (3) our future business development, financial conditions and results of operations; (4) our ability to develop and manage our operations and business; (5) our ability to control costs and expenses; (6) our expectations regarding demand for and market acceptance of our products and services; (7) our expectations regarding our relationships with customers, users, suppliers and other partners to conduct our business; (8) our planned use of [REDACTED]; (9) future developments, trends and competitive landscape in the industries and markets in which we operate or plan to operate; (10) relevant government policies and regulations relating to our industry; and (11) all other risks and uncertainties described in “Risk Factors” of this document.

By their nature, certain disclosures relating to these and other risks are only estimates. Should one or more of these risks or uncertainties, among others, materialize, or should the underlying assumptions prove to be incorrect, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Accordingly, you should not place undue reliance on any forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made. Except as required by applicable laws, rules and regulations, including the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an [REDACTED] decision in relation to the H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. The market price of the H Shares could decline due to any of these events, and you may lose all or part of your [REDACTED]. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. You should seek professional advice from your relevant advisors regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

Our business is affected by the conditions and development of the electric drive solution industry. If we are unable to timely adapt to changes, our business, results of operations and financial condition will be materially and adversely affected.

We primarily focus on the R&D, manufacturing and sales of electric drive systems and solutions which serve as an essential element of energy conversion and motion control in machines. Our products and solutions are therefore widely applied across various sectors and industries. Changes in general economic conditions, macroeconomic trends and the resulting impact of such changes, as well as end-market preferences can adversely affect the price and market demand of our products and solutions, which will in turn adversely affect our results of operations.

The electric drive solution industry has been developing rapidly. The future market size of the industry and the demands and conditions for electric drive solutions may be difficult to predict as they are affected by various factors, including but not limited to the macroeconomic environment, trends and policies affecting the end-market, end-market preferences, ability to achieve cost efficiencies, most of which are beyond our control. Our future growth depends in part on the continued growth of the electric drive solution industry. If the growth rate of the electric drive solution industry slows down or becomes stagnant, our business may not be able to further penetrate into existing or new markets. Any decline or lower than expected growth in the markets we serve could reduce demand for our products and solutions, which would adversely affect our business, results of operations and financial condition.

In addition, the market acceptance of electric drive products and solutions may vary across different industry sectors. As we reach out to customers across different industry sectors, we may face challenges brought by more diverse and complex needs. We cannot assure you that the trend of adopting and utilizing electric drive products and solutions by potential customers will develop or continue in the future in any given industry sector or that we will be able to accommodate in full the changing needs of existing or potential customers, which in turn would hinder our ability to achieve the desired level of adoption of our products and solutions.

Our products and solutions are used by end customers across various downstream industries and sectors and demand for our products and solutions depends on trends and developments in their corresponding end products and end markets. Factors that adversely affect these industries and sectors may adversely impact our business, financial condition and results of operations.

Our products and solutions are widely used in a range of industries and sectors. Factors that adversely affect these industries and sectors could also materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others, a decline in industry demand, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting applications of our products and solutions, or a downturn in general economic conditions, all of which are beyond our control.

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Any decrease in the demand for our products and solutions in the downstream industries and sectors would result in a decrease in customer orders for our products and solutions. Even if the downstream demand increases, we may not be able to identify and capitalize on the market opportunities. Additionally, shifts in industry standards or technological advancement in these downstream industries and sectors may also reduce the application of our products and solutions, or even render them obsolete. As a result, if we fail to adjust to changes in the market condition of our downstream industries and sectors, our business, financial condition, results of operations and prospects will be adversely affected.

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.

We face competition in the electric drive solution industry. For example, for our NEV solutions business, we compete with third party electric drive solution providers like us, as well as the NEV OEMs who are capable of developing and producing in-house electric drive solutions. We compete with our competitors in various aspects including market experience, brand recognition, product and solution portfolio, manufacturing scale, cost efficiencies, and financial, sales and marketing, manufacturing, R&D or technological resources. We may not be able to grow or maintain our market share if we are not able to keep pace with our competitors’ development of new products and solutions as well as technologies.

Our existing competitors may seek to increase their market shares through various measures, such as continued R&D efforts, increased manufacturing capacity, optimized manufacturing process, active marketing campaigns and the reduction of price. Some of our competitors may have closer relationships or may enter into exclusive relationships with some of the key players in the market. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements than us and may have the ability to initiate or withstand significant industry evolution or regulatory changes. In addition, we expect to face competition from both existing and new competitors as we expand our business into new geographic regions and new application scenarios. If we are unable to stay competitive, we may experience decreases in market share, sales volume and revenue, and may have to reduce our prices or make other concessions, thereby adversely affecting our profitability, business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected if we fail to timely respond to changes in technology and introduce products and solutions adapting to customers’ needs and advancements in technology, or if our R&D investments do not yield the expected results.

The industry in which we operate is characterized by rapid technological advancement, frequent introductions of new products and solutions, continual improvements in performance characteristics and product features, and expansions into new application scenarios. The success of our business is dependent upon our ability to develop and integrate our core technologies and, on a timely and consistent basis, to design, develop and introduce new and improved products, as well as enhanced solutions offerings that meet evolving customer demands. If we fail to improve existing offerings, launch new products and solutions, or advance manufacturing technologies in a timely and effective manner, we may not be able to retain our existing customers, enhance our competitiveness or maintain our market position. Additionally, developing and commercializing new or upgraded products or solutions require substantial R&D investment. Our total research and development costs amounted to RMB120.2 million, RMB121.2 million and RMB134.9 million in 2023, 2024 and 2025, respectively.

However, as R&D activities are inherently uncertain, we cannot guarantee that all our efforts on R&D can deliver benefits that we anticipate. We may also not be able to obtain and retain sufficient resources, including qualified R&D personnel. Even if we succeed in our research and development efforts and generate the results we expect, such results may not arrive in a timely

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manner as anticipated, and we may still encounter practical difficulties in commercializing our R&D efforts. Despite our R&D expenditures, new technologies in electric drive solutions industry could render the products and solutions that we develop or expect to develop in the future obsolete or commercially nonviable, thereby limiting our ability to recover related R&D costs, which could result in a decline in our revenue, profitability and market share.

If we fail to retain our existing customers or attract new customers, our business, financial condition and results of operations may be materially and adversely affected.

Our success has been depending and will continue to significantly depend on our customers and their loyalty to our products and solutions. This in turn would depend on a number of factors, including our ability to offer products and solutions that address the needs of our customers at competitive prices, roll out new and enhanced features and functionalities of our products and solutions, strengthen our technological capabilities and adapt to the evolving industry trends and competitive landscape.

If customers no longer view our products and solutions as attractive as compared to competing offerings, we may not be able to grow or retain our customer base, which could negatively impact our business and financial situation. In addition, securing the loyalty of our existing customer base is not guaranteed. We cannot assure that any of our existing customers will not cease purchasing products and solutions from us. Should our existing customers significantly reduce orders, or seek price reductions in the future, or we are unable to attract new customers, any such event could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

During the Track Record Period, our revenue increased from RMB1,242.8 million in 2023 to RMB1,624.5 million in 2025, with a CAGR of 14.3%. Our gross profit increased at a CAGR of 23.9% from RMB177.2 million in 2023 to RMB272.1 million in 2025. Managing our growth requires significant attention from our management team and allocation of financial, production, sales and other resources as we expand our product and solution portfolio, customer base and geographical markets. To manage growth effectively, we will need to continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and sales network management, refine our reporting systems and procedures, as well as expand, train and manage our employee base. We may not be able to achieve enhancements in any one or more of these areas. Moreover, as we enter into new markets, we may face unfamiliar markets and operational risks and challenges which we may fail to successfully address. Therefore, we cannot assure you that we will be able to effectively manage our growth, that our current infrastructure, systems, procedures and controls or any new measures to enhance them will be adequate and successful to support our expanding operations or that our strategies and new business initiatives will be executed successfully. In addition, changes and developments taking place in the electric drive solution industry that we operate in may also require us to adopt material changes to our long-term strategies and business plans. Failure to innovate and adapt to these changes and developments may have a material adverse effect on our business, financial condition and results of operations. Even if we innovate and adapt to these changes and developments, we may nevertheless fail to realize the anticipated benefits of changes adopted to our long-term strategies and business plans or even harm our profitability as a result.

We are exposed to risks relating to operating our overseas business and subsidiaries and may face challenges and inherent risks in expanding our overseas business and operations.

As part of our growth strategy, we have acquired overseas subsidiaries to expand our business. As of the Latest Practicable Date, we have overseas subsidiaries in Italy, the United States and the United Kingdom. During the Track Record Period, our products and solutions were sold in more than 40 countries and regions. In 2023, 2024 and 2025, we generated RMB308.2 million, RMB282.5 million and RMB283.5 million, respectively, representing 24.8%, 18.8%, and 17.4% of

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our total revenue from sales outside China, respectively. The overseas operating environment differs from that of China in many respects, including legal and regulatory system, political environment, government involvement and tax and accounting policies. We are exposed to various risks and uncertainties associated with operating subsidiaries and conducting business in foreign countries that include, among others, political and economic instabilities, changes in foreign laws and regulations, restrictive local industry standards, tax increases or confiscatory taxation or other adverse tax policies, and government activities affecting required licenses.

Failure to adapt to the operating environment differences in multiple countries and regions or establish an effective management system in a targeted manner may adversely affect our business operations, financial condition and results of operations. Further, we intend to seize emerging business opportunities in the overseas markets outside of China to further expand our global footprints. New markets can present many risks including the actions and decisions of local and national authorities and regulators, the imposition of limits on foreign ownership of local companies, changes in laws and their application or interpretation, as well as other adverse actions by governmental authorities and regulators. As we grow our overseas operations in the future, we need to deal with regulatory regimes, regulatory bodies and government policies which may differ materially from those in China or with which we may be unfamiliar. Our ability to implement our business strategies and expand overseas operations may be compromised if we are unable to manage the foregoing risks and other international risks successfully.

We are exposed to customer concentration risk in respect of our NEV solutions business.

Revenue from our NEV solutions business amounted to RMB374.7 million, RMB731.7 million and RMB823.4 million in 2023, 2024 and 2025, respectively, accounting for 30.1%, 48.8% and 50.7% of our total revenue during the same periods, respectively. A significant portion of such revenue was derived from a small number of customers, being the major players of China’s NEV industry. See “Business — Our Customers.” In 2023, 2024 and 2025, our revenue from the largest NEV customer amounted to RMB293.4 million, RMB325.0 million and RMB385.0 million, respectively, accounting for 23.6%, 21.7% and 23.7% of our total revenue for the same periods, respectively. The stable relationship and consistent demands from major NEV customers are important for our NEV solutions business. In addition, their business conditions, liquidity and solvency may have a significant adverse impact on our business, financial results and management of supply chain. Historically, our results of operations and financial condition during the Track Record Period were negatively affected by the deterioration of financial conditions of a key NEV customer. See “Financial Information — Key Factors Affecting Our Results of Operations — Our Ability to Grow Customer Base” for further details. Any disruption in our business relationship with major customers could have a material adverse effect on our business, financial condition and results of operations. In the event that the existing major customers reduce or cease to purchase our products and solutions and we are unable to find new customers with similar level of demands at comparable terms within a reasonable period of time or at all, our business and profitability may be adversely affected.

Price fluctuation and inadequate supply of raw materials for our production could adversely affect our business, financial condition and results of operations. Our profits may decline if the price of raw materials increase.

We use various raw materials for the production of electric drive products and are susceptible to their price fluctuations. The prices of these raw materials have been and may continue to be subject to volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, government control, business performance and operational needs (such as scheduled maintenance shutdowns) of the suppliers, which are beyond our control. Further, increases in raw materials prices or production costs may also be shifted to us by our suppliers and result in our pressure to increase prices. There can be no assurance that we can fully pass on price increases to customers without suffering reductions in product volume, revenue and profits.

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Therefore, any significant fluctuation in raw materials prices may affect our revenue, profitability and cashflow, and significant price increase may have an adverse impact on customers’ demand and lead to a decline in our profits, potentially adversely affecting our financial condition and operational results.

The timely and stable supply of the raw materials is critical to our production. In 2023, 2024 and 2025, the purchases from our five largest suppliers accounted for 20.3%, 21.8% and 22.4% of our total purchases for the same periods, respectively. We cannot assure you that our current suppliers will continue to supply products to us on terms acceptable to us, or that we will be able to establish new or extend current supplier relationships to ensure a steady supply in a timely and cost-efficient manner. Although we have stable relationships with most of our suppliers and believe that we are able to purchase the required raw materials on reasonable commercial terms from other qualified suppliers if necessary, we cannot assure you that the suppliers can meet all of our required product standards and technical specifications for increasing quantities in a timely manner and at acceptable prices. In case of special circumstances such as a reduction in raw material production caused by uncontrollable factors such as natural disasters, resulting in large fluctuations in the market supply, it may directly affect us. If our existing suppliers materially reduce or cease their supply of raw materials to us as a result of any disruption, delay, or inability of these suppliers to deliver our supplies timely, we might not be able to source the raw materials that satisfy our quality standards and requirements from other suppliers, if at all. This could lead to delays in product deliveries, increased costs, and difficulties in fulfilling customer orders promptly. Consequently, our business operation, financial condition and results of operation may be materially and adversely affected.

We are required to comply with economic sanctions and import and export controls laws and regulations that could subject us to liability and impair our ability to compete in overseas markets.

Our business is subjects to various applicable economic sanctions and import and export controls laws and regulations in China and strategic markets. We have exported our products, and derived sales from exporting, to a large number of countries and regions. During the Track Record Period, our products and solutions were sold in more than 40 countries and regions, primarily in the Europe, North America and Southeast Asia.

Exports of our products must be made in compliance with various economic sanctions and import and export controls laws in different jurisdictions. Certain countries or organizations, including the U.S., the EU, the UK, the UN, and Australia, have implemented measures that impose economic sanctions and export controls targeting certain countries, territories, and industry sectors, companies, entities, organization and/or individuals within or with such countries or territories. 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**”).

As advised by our International Sanction Legal Advisor, during the Track Record Period, (i) we did not engage in Primary Sanctioned Activity; (ii) we will not be viewed as having engaged in Secondary Sanctioned Activity and the risk is fairly low 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. See “Business — International Trades, Tariffs, Sanctions, Export Control and Outbound Investment Rules” for more details.

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International sanctions are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Targets. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to be sanctionable. We cannot provide any assurance that our past or future business will be free of sanctions risk or our business will conform to the expectations and requirements of the authorities of the U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of U.S., the EU, the UN, the UK, Australia or any other jurisdictions were to determine that any of our past or future activities constitutes a violation of the relevant sanctions or provide a basis for a sanctions designation of our Group.

We may, as necessary, import a limited amount of raw materials and equipment for our production facilities. There have been significant changes and proposed changes in recent years to international trade policies, tariffs and treaties that resulted in uncertainties to global trade. Furthermore, rising political tensions as a result of trade policies could reduce trade volume, investment, and other economic activities between economies. In the event that any of the countries or regions where we procure imposes export controls, tariffs, trade restrictions or other trade barriers on any of the equipment supplied to us, or if any of our suppliers fail to comply with export control regulations or similar laws, we may not be able to obtain the desirable equipment at competitive prices or in a timely manner, and our business and operations may be adversely affected. We primarily conduct export sales from China and Italy. Changes in trade policies, including export controls, rules of origin, or tariff rates in China, Italy or the EU could adversely affect our optimal shipping routes, cost structure, and delivery schedules. Furthermore, the imposition of additional tariffs or trade barriers on goods of Chinese or Italian origin in markets like the U.S. could materially diminish the price competitiveness of our products.

We have incurred net losses, net operating cash outflow and net current liabilities in the past and may not be able to achieve or maintain profitability, net operating cash inflow or net current assets in the foreseeable future.

We incurred net losses during the Track Record Period, being RMB112.2 million, RMB177.0 million and RMB61.9 million in 2023, 2024 and 2025, respectively. See “Financial Information — Path to Net Profitability — Reasons for Historical Loss” for detailed analysis. The financial performance of our NEV solutions business had and will continue to affect our overall profitability. Despite the gross profit turnaround achieved in 2025, the continued growth in revenue and improvement in margins and profitability of our NEV solutions business, will depend upon, among other factors, the development of NEV industry. China’s NEV industry is large yet competitive, and such competition is expected to persist according to CIC. In the event of unfavorable changes in the market environment in the future, a decrease in the selling price of our NEV electric drive products and solutions or an increase in the cost of our NEV electric drive products and solutions, gross profit margin of our NEV electric drive products and solutions may remain to be thin or negative, and our performance in the NEV business may not improve as expected, which in turn will have an adverse impact on our operating results.

We expect to continue to make significant future expenditures related to the continuous development and expansion of our business, including continual R&D investment to further improve our R&D capability and technological advancement, as well as incurring costs associated with sales and marketing activities as well as general administration, including legal, accounting and other expenses related to being a public company. As a result of these significant expenses, we will have to generate sufficient revenue to be profitable in the future. Even if we achieve profitability in the future, we may not be able to sustain or increase profitability in subsequent periods. If we fail to achieve, sustain or increase profitability, our business and results of operations could be adversely affected.

We had net cash outflow from operating activities of RMB130.1 million in 2024. Furthermore, we had net current liabilities of RMB441.4 million, RMB367.1 million and RMB459.0 million as of December 31, 2023, 2024 and 2025, respectively. We also recorded net current liabilities of RMB479.7 million as of March 31, 2026. See “Financial Information — Liquidity and Capital Resources” for a detailed discussion. There can be no assurance that we will not experience net cash

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outflow from operating activities or liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

We face the challenge of accurately aligning our capacity with our demand.

We are exposed to dynamic market conditions and fluctuating customer demand, which make accurate forecasting and capacity management critical to our results of operations. We manage our capacity by adjusting our production workforce, capital expenditures and purchases from suppliers in response to the challenging end-markets, with the intention of improving utilization and realizing cost savings. Such measures might not be effective or achieve intended effect. We can experience idle capacity as economies slow or demand for certain products decline. However, if we overestimate our demand and overbuild our capacity, we may have significantly underutilized assets and we may experience reduced margins. Further, we cannot guarantee that we will be able to increase manufacturing capacity, and with the support of sufficiently skilled and cost-effective labor, to a level that meets demand for our products, which could prevent us from meeting increased customer demand and could harm our business. Failure to accurately align our production capabilities with demand could have a material adverse effect on our results of operations.

We cannot assure you that we can implement our pricing strategies successfully.

In determining our product and solution pricing, we consider a comprehensive range of factors. See “Business — Sales and Marketing” for details. However, our pricing strategies may not always be effective and competitive, which may impact our ability to capture market demand and generate revenue. The effectiveness of these pricing strategies may be influenced by various factors, including market conditions, competitive dynamics and customer needs. Any failure or disruption in the execution of the above-mentioned pricing strategies could have a material adverse effect on our prospects, financial condition, and results of operations. Furthermore, as customer bargaining power increases and market competition intensifies driven by frequent new product launches and price reduction strategies, we may be forced to lower the prices for our products and solutions, which would reduce our profitability. If our products and solutions experience downward pricing pressures, we cannot guarantee that we can sustain our gross profit margin levels. Any decrease in our product and solution prices or decline in our gross profit margins in the future could materially and adversely affect our business, profitability, financial condition, and results of operations.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales. We may need to provide impairment losses for inventories, which could negatively affect our results of operations and financial condition.

Our business and financial conditions depend on our ability to manage and maintain a reasonable level of inventories. As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB274.5 million, RMB329.4 million and RMB265.6 million, respectively. We may not be able to accurately track our inventory level or to identify any excessive build-up or insufficient stock of inventory. We may misjudge market demand. Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, which could adversely impact our business, financial condition and results of operations.

Further, the turnover rate of our inventories is susceptible to overall demand of customers that is beyond our control, which exposes us to the risk of slow-moving inventories. If we are not able to manage our inventory efficiently, we could be subject to the risk of inventory obsolescence, decline in the realizable value, and significant write-down of the value of our inventory of finished products. Any of these events could adversely affect our business and financial condition and operating results. During the Track Record Period, our inventory turnover days were 100.7 days, 87.6 days and 80.3 days in 2023, 2024 and 2025, respectively. During the same periods, we recorded inventory write-downs of RMB17.2 million, RMB23.6 million and a reversal of inventory write-downs of RMB0.5 million. We cannot assure you that our average turnover days of inventories will not increase in the future, and we may need to write off or sell our slow-moving inventories at lower prices, any of which could adversely affect our results of operations and financial condition.

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We are subject to credit risk due to delay in payment and defaults of customers and may recognize impairment loss.

We are exposed to credit risks related to delays and defaults of our trade and notes receivables due from our customers in the ordinary course of our business. We generally grant credit terms of 30 to 180 days to our major customers. There can be no assurance that the collection of amounts due from our customers will be timely or at all. As of December 31, 2023, 2024 and 2025, we had trade and notes receivables of RMB492.0 million, RMB636.5 million and RMB621.6 million, respectively. In 2023, 2024 and 2025, our average trade receivables turnover days were 157.1 days, 137.3 days and 141.3 days, respectively. We make periodic collective and individual assessment on the recoverability of trade and notes receivables based on historical settlement records and past experience as well as current external information, and may provide for impairment when there is no reasonable expectation of recovery. In 2024, we recorded full impairment losses of RMB104.1 million on trade receivables due from a distressed customer. See “Financial Information — Key Factors Affecting Our Results of Operations — Our Ability to Grow Customer Base.” As of December 31, 2023, 2024 and 2025, our impairment on trade and notes receivables amounted to RMB6.2 million, RMB107.6 million and RMB108.9 million, respectively.

There can be no assurance that our credit control policies and measures implemented will be adequate to protect us against material credit risks and enable us to avoid losses. If any of our customers refuses to settle the payment or delays its payment to us, our cash flow, as well as our business, results of operations, and financial position could be adversely affected. In addition, we are exposed to the credit risk of customers to which we have made credit sales in the event that any of such customers becomes insolvent or bankrupt or otherwise does not make timely payments. Any financial difficulties experienced by our customers may result in a reduction in their purchases of our products and solutions and expose us to higher credit risks, which could in turn materially and adversely affect our financial condition and results of operations.

The manufacture of many of our products is a highly exacting and complex process, and any direct or indirect problems in production or unexpected disruptions to our production facilities could harm our reputation, business and financial results.

The manufacture of many of our products is an exacting and complex process. Problems may arise during manufacturing process for a variety of reasons, including, but not limited to, equipment malfunction, failure to follow protocols and procedures, shortage of or defects in raw materials, human error, natural disasters and environmental factors, and if not discovered before the product is released to market could result in product liability exposure. Because of the time required to develop and maintain production facilities, we may not be able to replace such problematic products on a timely basis. Any of these problems that may arise during the manufacturing process, could, among other things, lead to significant additional costs and/or delays, lost revenue, damage to customer relationships, time and expense spent investigating the cause. As a result, our reputation, business and financial results could suffer.

As of the Latest Practicable Date, we operated three production facilities and had three additional production facilities under construction in China. Stable and efficient operations at our production facilities is key to our business, yet they are subject to operating risks resulting from various factors, such as utility supply disruptions, force majeure events, adverse weather conditions and accidents. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruptions to our production facilities. However, we cannot assure you that the events and factors aforementioned or any other events will not occur and result in a material disruption to the operations at our production facilities in the future. If we fail to take adequate steps to mitigate the likelihood or potential impact of such events or factors, or to effectively respond to such events or factors if they occur or materialize, our business, results of operations and financial condition may be materially and adversely affected. Additionally, planned shutdowns for routine maintenance, statutory inspections and testing, capacity expansions and equipment upgrades may temporarily suspend our production operations. Any such interruption could delay product deliveries to customers and have an adverse impact on our business, financial condition and results of operations.

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We may face risks associated with defective products and the unsatisfactory performance of our products.

Our products may expose us to potential quality claims if they fail to perform as expected, are proven to be defective, or if their use causes, results in or is alleged to have caused or resulted in project delays or damages or other adverse effects. If our products do not meet the specifications and requirements enforced by domestic or overseas regulators, or agreed with or requested by our customers, as the case may be, we may be subject to product quality claims or litigations. Any product quality claim, regardless of whether relating to project delays or damages, or related regulatory actions could prove costly and time-consuming to defend and could potentially prejudice our brand reputation and our relationship with our customers. If successful, product quality claims may require us to pay substantial damages. Furthermore, certain product quality claims may be the result of defects from parts and components purchased from third-party suppliers. Such third-party suppliers may not indemnify us for defects as to such parts and components or would only provide us with limited indemnification that is insufficient to cover our damages resulting from the product quality claim. Any product quality claim, either with or without merit, may also result in significant negative publicity and thus materially and adversely affect the marketability of our products and our reputation, our relationship with customers, as well as our business, results of operations and financial condition.

We are subject to various regulatory and customer requirements and may not be successful in maintaining an effective quality control system.

The quality, performance and safety of our products are critical to our customers and our success. Our quality control system has been certified to meet various quality standards in China and overseas. See “Our Business — Quality Control.”

However, the effectiveness of our quality control system is determined by various factors, including the design of the system, implementation of quality standards, quality of training programs and our employees’ adherence to our quality control policies and guidelines. If we fail to maintain an effective or adequate quality control system, we may manufacture defective products that would expose us to warranty claims which may include return, replacement or recall of our products and other compensation and product liability. During the Track Record Period, we recorded warranty claim expenses of RMB20.0 million, RMB18.0 million and RMB7.8 million in 2023, 2024 and 2025, respectively. The relatively high warranty claims in 2023 and 2024 were primarily attributable to our NEV products, resulting from the combined effect of (i) sales growth of our NEV products and expansion of their installed base, which naturally increased the number of products subject to warranty coverage; and (ii) high per-claim costs for certain core components during the same period, which further increased the overall amount of warranty claims. This situation has subsequently improved with (i) the gradual expiration of warranty periods for early-stage product sales, (ii) the optimization of our after-sales service processes, including the use of component-level replacement, and (iii) ongoing product iterations and technological advancements. However, we cannot assure that our warranty claims will not increase in the future. Any such claim, regardless of whether it is ultimately successful, could cause us to incur significant costs, prejudice our business reputation and result in significant disruption to our operations. Furthermore, if any such claim is ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our results of operations and financial condition.

We may incur significant costs because of the warranties we provide with our products, and our provisions to cover future potential claims under our product warranties may be insufficient.

We usually set out warranty periods calculated based on years and/or miles of use 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. See “Business — Our Customers — Material Terms of the Sales Agreements” for details. Accordingly, we may be subject,

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in the ordinary course of business, to product warranty claims. We provide provisions for these potential warranty expenses, which is based on a certain percentage of product sales revenue during the period, and adjusted with reference to the actual warranty costs incurred in previous years. As of December 31, 2023, 2024 and 2025, our provisions for warranties amounted to RMB12.7 million, RMB8.9 million and RMB13.6 million, respectively. As we continue to upgrade our products design and introduce new products, there is no assurance that future warranty claims will be consistent with history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient. This could have a material adverse effect on our business, financial condition and results of operations. Further, claims of defects could result in negative publicity against us, which could adversely affect our business and reputation.

Our business depends substantially on the continuing efforts of our management, key R&D and technical personnel. Our business may be materially adversely affected if we fail to retain them and lose their services.

Our success depends on the continued services of our senior management, other executive officers and key personnel. In particular, our senior management team, are critical to our ability to execute our overall business strategy. For details of the background of our senior management, see “Directors and Senior Management — Senior Management.” In addition, other executive officers and key personnel with extensive experiences and expertise in the electric drive solution industry are important to the successful development of our business. Given the technology-driven nature of our business, recruiting and retaining capable personnel, particularly experienced R&D staff, engineers and technicians familiar with our products and manufacturing processes, is vital to maintain the quality of our products and improve our production processes. Notwithstanding our efforts to reward them for their services and contributions, there is no assurance that our compensation packages will attract and retain them, and failure to do so could materially and adversely affect our business.

If one or more of our executive officers and key personnel are unable or unwilling to continue in their present positions, we may not be able to readily replace them, if at all. As a result, our business may be disrupted, and we may have to incur additional expenses in order to recruit and retain new personnel. We may also need to recruit additional personnel with necessary industry expertise to keep pace with our anticipated growth, and such candidates may not be readily available. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some of our customers. There can be no assurance that our confidentiality and non-competition related arrangements will fully cover our potential losses and claims if any dispute arises between our key management and employees and us. As a result, our business may be materially adversely affected.

Overall tightening of the labor market and increases in labor cost may materially and adversely affect us.

Our business requires a substantial number of personnel and we rely on recruiting and retaining qualified skilled labor force to manufacture our products. Any failure to retain stable and dedicated labor by us may lead to disruption to our business operations. The labor market has become increasingly competitive and tight, and an aging population has led to the insufficient supply of labor in some industries, which has in turn led to an increase in labor costs. In 2023, 2024 and 2025, our employee benefit expenses (excluding directors’ remunerations) were RMB228.7 million, RMB245.1 million and RMB275.8 million, respectively, which constituted a significant portion of our cost of sales and operating expenses. Competition for labor may limit our ability to offer competitive compensation, and potential new labor protection laws could place a heavier burden on us as an employer. During the Track Record Period, we did not experience any labor shortage or significant increase in labor cost which had a material impact on our daily operation or profitability. We cannot guarantee that we will not experience shortage of skilled labor, or the labor cost will not increase in the future. If we are unable to manage and control our labor costs or effectively realize the economic benefits conversion from new personnel cost, our business, financial condition and results of operations may be materially and adversely affected.

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We may not be able to adequately protect our intellectual property rights, which could harm our business and competitive position. Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.

Our intellectual property rights are key to our success. As of December 31, 2025, we have been granted 422 patents (including 109 invention patents). We also own trademarks and other registered intellectual properties, including copyrights and domain names which our Directors believe are material to our business operations. In addition to our in-house research and development capabilities, we also engage in R&D collaboration with third parties for certain new technologies and products and submit joint applications. See “Business — Research and Development.” Provisions in relation to intellectual property rights, such as the usage, profit sharing on the R&D results and licensing arrangements, may not be specific or comprehensive in the collaboration agreements we entered into. There is no assurance that our relevant counterparties would not advertently or inadvertently misuse the R&D results that we collaboratively form, or claim future economic interest related to the R&D results jointly owned by us and them. Our business, financial condition and results of operations may be adversely impacted if any of the aforementioned incidents happen.

We mainly rely on a combination of patent, copyright and trademarks laws, trade secrets protection, confidentiality policies, nondisclosure and other contractual arrangements for the protection of the intellectual property used in our business. There is no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorization. The measures we have taken in this regard may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property. Monitoring unauthorized use of our intellectual property is difficult and costly. Unauthorized use of our intellectual property may already have occurred or may occur in the future without our knowledge. Any failure by us to effectively protect our intellectual property could reduce the value of our technologies and impair our ability to compete, which result in adverse impact on our business, financial condition, results of operations and prospects. In addition, intellectual property rights have limitations and may not adequately protect our business or permit us to maintain our competitive advantage. Any inability of us to protect our competitive advantage may impair our ability to meet the demands of our customers and this could materially adversely affect our business, prospects, financial condition and results of operations.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur legal expenses and, if determined adversely against us, may materially and adversely affect our business.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. Defense against any of these claims would be both costly and time-consuming, and could divert the efforts and resources of our management and other personnel. There can be no assurance that favorable final outcomes will be obtained in all cases. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to liabilities to third parties, require us to seek consents or licenses from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision and marketing of the relevant products. To the extent that such consents or licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies, if any, or we may be forced to delay or suspend the relevant products. We may incur expenses and require attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in reduced customer demand. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition and results of operations could be materially and adversely affected.

Our plants and fixed assets may require substantial investment and upgrading due to depreciation or business growth.

Our plants and operations may require substantial investment and upgrading from time to time due to depreciation or business growth, which may increase our cost. If we cannot successfully recover such cost, our profitability may be decreased. During the Track Record Period, depreciation

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expenses for our property, plant and equipment amounted to RMB62.9 million, RMB70.4 million and RMB84.5 million in 2023, 2024 and 2025, respectively. As part of our business strategies to expand production capacity, we plan to purchase certain new machinery. For further details, see “Future Plans and Use of [REDACTED].” As soon as the machinery is put into operation, they will result in additional annual depreciation charges. The increase in depreciation will adversely affect our financial performance and operating results. Additionally, the timely completion of planned upgrading is subject to a number of factors, including our ability to raise and maintain sufficient funds for such upgrading, our ability to obtain the required licenses and permits from government authorities, and adequate supply and timely delivery of products. If upgrading is not completed in a timely manner, our operations may be temporarily restrained, which may further materially and adversely affect our business, financial condition, results of operations and prospects.

If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

Our other intangible assets primarily consist of our proprietary technologies, patents and office software purchased by us in connection with our business operations. As of December 31, 2023, 2024 and 2025, our other intangible assets amounted to RMB46.2 million, RMB43.5 million and RMB38.5 million, respectively. The useful lives of intangible assets (other than goodwill) are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. For details, see Notes 2.3 to the Accountants’ Report set forth in Appendix I to this document. As of December 31, 2023, 2024 and 2025, our goodwill amounted to RMB24.1 million, RMB26.2 million and RMB26.2 million, respectively, arising from our acquisition of equity interests in OSAI ITA in 2019 and NGTEC in 2024. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. For details, see Notes 2.3 and 18 to the Accountants’ Report of the Group in Appendix I to this document. If we determine our other intangible assets or goodwill to be impaired, our results of operations and financial condition may be adversely affected.

We are exposed to changes in the fair value of our financial assets measured at fair value. Fluctuations in their values would affect our results of operations and financial condition.

As of December 31, 2023, 2024 and 2025, we recorded (i) financial assets at fair value through profit or loss of RMB54.6 million, RMB34.4 million and RMB33.0 million, respectively; (ii) debt investments at fair value through other comprehensive income of RMB34.0 million, RMB3.9 million and RMB30.2 million, respectively; and (iii) equity investments designated at fair value through other comprehensive income of RMB30.5 million, RMB33.8 million and nil, respectively. During the Track Record Period, the fair value of our financial assets measured at fair value was determined by reference to observable inputs to the price of the underlying investments using a valuation pricing model. Changes in these inputs may affect the estimated fair value of our financial assets at the end of each financial reporting period. We recorded fair value gains on our financial assets at fair value through profit or loss of RMB7.7 million, RMB4.7 million and RMB4.8 million in 2023, 2024 and 2025, respectively. The fair value of our debt investments and equity investments at fair value through other comprehensive income, net of tax, increased by RMB3.6 million and RMB2.6 million in 2023 and 2024, respectively, and decreased by RMB13.4 million in 2025. The decrease in 2025 was primarily attributable to a decline in our equity investments designated at fair value through other comprehensive income in the same period, following the disposal of our equity investment in CS Capital. See “Financial Information — Discussion of Selected Items from Consolidated Statements of Financial Position — Equity Investments Designated at FVOCI” for details. Considering the inherent uncertainty in the fair value of financial assets measured at fair value, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations. These financial assets measured at fair value may include upstream and downstream companies in the industry value chain and therefore, may be affected by factors affecting the relevant industries and performance of these companies. We cannot assure you that we will continue to generate such fair value gain in the future. If our investments incur a fair value loss, our results of operations and financial condition may be adversely affected.

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To the extent that we seek to expand through acquisitions, investment in joint ventures and associates, and strategic collaborations, we may face execution, management and integration challenges.

Our business has expanded, in part, as a result of acquisitions. Historically, we acquired OSAI ITA and NGTEC in Italy. See Note 18 to the Accountants’ Report included in Appendix I to this document. We may consider additional acquisitions of companies, products and technologies, as well as investments in other businesses and strategic collaborations. Such acquisitions, investments or collaborations are subject to risks that could affect our business and we may not be able to identify opportunities, complete transactions on commercially reasonable terms or at all, actually realize any anticipated benefits from such acquisitions, investments or alliances, or even suffer losses from such acquisition or investment. Similarly, we may not be able to obtain financing for acquisitions or investments on attractive terms and the ability to obtain financing may be restricted by the terms of our indebtedness. In addition, the success of any acquisitions, investments or collaborations also will depend, in part, on our ability to integrate the acquisition, investment or collaborations with our existing operations.

We depend on information technology and other infrastructure that are exposed to certain risks, including cyber security risks or other privacy or data security incidents.

Our daily operations depends significantly on the reliability of our information technology infrastructure, which involves, among others, the use of computer systems and network infrastructure to conduct and monitor the daily operations of our production facilities, and to collect process and store financial and operating data. See “Business — Information Technology” for details on the various types of information systems and technologies we adopt in our business operations. Therefore, our business is dependent upon the continued maintenance and enhancement of our computer systems and network infrastructure.

Such systems and infrastructure are subject to certain risks, such as malfunction, nature disasters, and also the cyber security risks. We may be susceptible to hacks into our systems or other security breaches by unauthorized third parties, errors in connection with any systems upgrade or migration to a different hardware or software system, errors or bugs or other problems for any of the software we use. Our security measures against cyber security issues might not be sufficient to detect or prevent all attempts to compromise our systems. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. Our back-up systems and deployed various technology measures to safeguard our data security may not function as we expect or could be breached. Any failure to adequately deal with such issues would result in a material and adverse effect on our business and results of operations. Furthermore, we may not always be successful in installing, running or implementing new software or advanced information technology systems as required by our business development. All of the above may have an adverse impact on our business, financial condition and results of operations.

Our operations and production depend on a stable, timely and adequate supply of utilities and various services from third-party providers at commercially reasonable prices.

In addition to main raw materials, we depend on the supply of utilities, such as power, water and Internet connection to maintain our production processes and our operations. Our production volume and production costs are dependent on our ability to source such utilities at acceptable prices and maintain a stable supply. The prices for utilities are subject to price volatility attributable to a number of factors which may be beyond our control, such as inflation, disruption in the global supply chain, general economic conditions, demand from other industries for the same materials, and local and national regulatory requirements. There can be no assurance that shortages of utilities will not occur in the future or that we will be able to pass on related cost increases to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the prices of our products accordingly, and may also harm our competitive advantages with respect to the affected products.

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We work with a broad range of third-party service providers to support our business operations, including logistic service providers and subcontractors. Our ability to deliver our products to customers depends on the reliable services provided by such third-party providers, which may be subject to business interruptions, errors, or delays with respect to their service facilities caused by human errors, natural factors and other events. If the third-party services providers experience any of these incidents and will not be able to deliver services in a timely manner or at all, there is no assurance that we could timely identify substitute service providers who are capable of same services on terms that are commercially acceptable to us, which may cause disruptions in the supply of our products to customers and have a material negative impact on our business operation.

We require a significant amount of cash for operations, capital expenditures, acquisitions and investments and other funding requirements. We may not be able to obtain adequate and timely financing on commercially reasonable terms, or at all, and any debt financing may impose restrictive covenants.

We require a significant amount of cash to fund our operations, including payments to suppliers for procuring raw materials. We may also require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue, as well as our R&D activities in order to remain competitive. Our ability to obtain external financing is subject to a number of uncertainties, including, among others, our future financial condition, results of operations and cash flow, the general condition of global equity and debt capital markets, regulatory and government support and our ability to comply with any financial covenants under the debt financing.

Additional funds may not be available on terms commercially beneficial to us. Any additional equity financing may be dilutive to our existing shareholders, and any additional debt financing may subject us to certain restrictive covenants which may restrict or otherwise adversely affect our operations. These covenants may restrict our ability to, among others, incur additional debt, provide loans or guarantees, incur liens, make investments and acquisitions and other change-of-control transactions. In addition, some of the loans may have restrictive covenants linked to our financial performance. Failure to raise additional capital or debt financing as required may adversely impact our ability to achieve our intended business objectives.

The change or discontinuation of any preferential tax treatments, export tax rebates or government subsidies could adversely affect our cash flows, financial position and results of operations.

During the Track Record Period, our Company and certain of our PRC subsidiaries were entitled to preferential income tax rates. See Note 10 to the Accountants’ Report set forth in Appendix I to this document for details. Preferential tax treatments granted to us by local government authorities are subject to review and we cannot assure you that we will be able to successfully renew them in the future. The discontinuation of any preferential tax treatments currently available to us will cause our effective tax rate to increase, which will increase our income tax expenses and in turn decrease our net profit. Additionally, certain of our PRC subsidiaries enjoy local government subsidies. In 2023, 2024 and 2025, we recorded other income from government grants of RMB20.5 million, RMB28.1 million and RMB31.6 million, respectively. These financial subsidies have been granted at the discretion of the local government authorities subject to relevant local policies and may be adjusted or revoked at any time in the future. There is no assurance that we would continue to enjoy these preferential tax treatment, export tax rebates or financial subsidies, or at all. Any change, suspension or discontinuation of these preferential tax treatment, export tax rebates and financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

We are exposed to risks related to our financial arrangement with respect to reverse factoring.

We procure a wide range of raw materials from a number of upstream suppliers. To optimize our working capital and to support the procurement needs of our electric drive system production, we entered into reverse factoring arrangement to facilitate payments to certain of our suppliers

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during the Track Record Period. This arrangement allows our suppliers to obtain early settlement of our trade and notes payables through participating commercial banks from which we incur factoring borrowings, while we typically settle the relevant factoring borrowings with the commercial banks at a later date. As of December 31, 2025, we had factoring borrowings of RMB65.2 million.

The availability, amount and terms of the reverse factoring programs are subject to the discretion of the relevant commercial banks, and may be affected by their internal credit assessments, general credit market conditions, or changes in our financial performance. If any participating commercial banks reduces, suspends or terminates its facility, does not renew the facility on acceptable terms, or otherwise tightens the relevant payment conditions, we may be required to settle the outstanding balances with our own internal resources or alternative financing, which may adversely affect our liquidity and working capital position. There can be no assurance that such reverse factoring arrangement will continue to be available to us on acceptable terms, or at all. In addition, depending on the specific terms and commercial substance of these arrangements, our outstanding balances under the reverse factoring arrangement may be required to be reclassified from trade and notes payables to interest-bearing bank borrowings under applicable accounting standards. Any such reclassification may increase our total borrowings or finance costs, which in turn could have an adverse impact upon our operating results, financial condition and cash flows.

We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards.

Our business is subject to a variety of operational risks, including but not limited to production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; social, political and labor unrest, environmental or industrial accidents, and natural disasters. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. We and our subsidiaries seek to maintain appropriate policies of insurance consistent with those customarily carried by companies in our industry to safeguard against risks and unexpected events. See “Business — Insurance.” As such, we cannot assure you that our insurance coverage is sufficient to cover all of our potential losses, and we may be exposed to liability in excess of our insurance coverage. Moreover, certain kinds of losses cannot be insured at all or insured at a commercially reasonable cost, and our existing insurance policies are subject to liability limits and exclusions. We also cannot guarantee that we will be able to maintain or renew our existing insurance coverage on commercially reasonable terms. In the event that we are subject to substantial claims, losses, or liabilities that are not covered by our insurance, we may incur expenses that could materially and adversely affect our financial condition and results of operations.

We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social security insurance and housing provident fund regulation.

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. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. 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.

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Furthermore, during the Track Record Period, the Company and some of our PRC subsidiaries engaged third-party human resources agencies to pay social security insurance and housing provident fund for a small number of our employees. Pursuant to the agreements entered into between such third-party human resources agencies and 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. For details, see “Business — Non-Compliance Incidents — Social Insurance and Housing Provident Funds.”

We may be subject to fines or other penalties under the PRC Labor Contract Law, which may adversely affect our business, profitability and reputation.

During the Track Record Period, we engaged third-party employment agencies to hire outsourced employees for certain entry-level non-technical positions. Amendments to the PRC Labor Contract Law (《中華人民共和國勞動合同法》), effective July 1, 2013, impose stricter requirements on labor dispatch arrangements, including limiting the use of dispatched workers to temporary, auxiliary or substitute positions and capping their number at 10% of an employer’s total workforce. We have taken steps to enhance our internal controls over human resources and labor compliance and have rectified prior practices to align with applicable PRC laws and regulations. However, as the interpretation and implementation of labor-related laws and regulations continue to evolve, there can be no assurance that our employment practices will not be challenged by relevant authorities. If we are found to be non-compliant with applicable labor laws and regulations, we may be subject to administrative actions or required to make additional payments to employees, which could adversely affect our business, financial condition and results of operations.

We are subject to risks relating to some of the properties we use.

We lease certain properties mainly for offices, employee dormitories and production facilities. As of the Latest Practicable Date, 26 lease agreements we entered into as the tenant in China were not registered with the competent PRC government authorities, who may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so 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” and “Business — Non-Compliance Incidents — Lease Agreements Registration.” We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. Further, if our right to use these properties is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation could lead to disruptions to our operations and may have an adverse effect on our business, financial condition, results of operations and prospects.

As of December 31, 2025, we held the land use rights of 13 parcels of land and owned 15 properties in China and one property in Italy which are primarily used for business operations, production and R&D purposes. For details, see “Business — Properties — Owned Properties.” As of the Latest Practicable Date, we created security interest in favor of the financing institutions to secure banking facilities for our capital expenditures and working capital requirements over five parcels of land with an aggregate site of area of approximately 149,777 sq.m. and eight properties with an aggregate gross floor area of approximately 170,094 sq.m. in China. If there are any material defaults under the banking facility agreements, the financial institutions may exercise their rights of foreclosure to obtain ownership and/or effect the sale of the land and buildings. If under extreme circumstances such foreclosure materializes, our ability to use the underlying lands and buildings will be materially adversely affected. As a result, we may be exposed to material adverse effects on our business, financial condition and results of operations.

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We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities.

Our business operations are subject to a broad range of increasing strict laws and regulations relating to, among other areas, the environment, occupational health and safety and labor matters. See “Regulations” for details. In particular, in terms of environmental protection, we are required to comply with laws, regulations and various industry standards relating to air emissions, discharges of wastewater, waste gas and solid waste, noise pollution, toxic chemicals, waste treatment, and the energy efficiency of certain products, among other things. 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. We have been and continue to rigorously monitor a range of sustainability-related key performance indicators. For details, see “Business — Environmental, Social and Governance.” However, the discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require costly remediation or material changes to our manufacturing process, which could have an adverse effect on our business, financial condition and results of operations.

In addition, we are required to maintain safe production conditions and protect the occupational health of our employees under applicable laws and regulations. There is no assurance that our safety measures will be strictly complied with by every employee, or we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

Because the requirements imposed by such laws and regulations may be amended in the future and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. Failure to comply with environmental protection and health and safety laws and regulations could subject us to, among other things, legal liability, fines, suspensions of our production, a loss of license to operate certain facilities and other penalties, which could have an adverse effect on our business, financial condition and results of operations.

We have granted, and may continue to grant, share options and other types of awards under our share incentive plan, which may result in increased share-based payment expenses.

We adopted [REDACTED] Equity Incentive Scheme in June 2017 and [REDACTED] Share Option Scheme in August 2025 for the benefit of our employees and directors to incentivize and reward the eligible persons who have contributed to the success of our Group. For details, see Note 38 to the Accountants’ Report included in Appendix I and “Statutory and General Information — [REDACTED] Share Option Scheme” in Appendix VI to this document. In 2023, 2024 and 2025, we incurred share-based payment expenses of RMB0.9 million, RMB1.0 million and RMB3.4 million, respectively.

We believe the granting of share-based compensation is of significant importance to our ability to attract, retain and motivate key personnel and employees, and we will continue to grant share-based compensation in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, expenses associated with performance-based share awards may fluctuate greater between periods compared to those associated with time-based share awards. If the eligible employees and directors exercise their options, your shareholding in our Company will be subject to dilution.

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Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of policies and procedures that we believe are appropriate for our business, and adopted risk management tools with respect to our business operations. However, there is no assurance that these systems and tools in place are adequate under the continuously changing business environment in which we operate or effective to fully protect us against the potential risks inherent in our business. The implementation of such policies and procedures may also involve human error and mistakes. In the event that we fail to identify and deal with any potential risks or internal control deficiencies, our business, results of operations and prospects may be materially and adversely affected. Further, the successful implementation of our risk management and internal control systems depends on our management, employees and business partners. There is no assurance that our management, employees and business partners will strictly observe and adhere to relevant measures and policies. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

We may be involved in legal or other proceedings arising in the normal course of our business, which could result in additional costs and materially and adversely affect our reputation, business, financial condition and results of operations.

We may from time to time be involved in litigations, other legal proceedings or disputes arising in the normal course of business, and their number and significance are likely to increase as our business grows. These litigations, other legal proceedings or disputes, including threatened proceedings, may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may from time to time be subject to various government inquiries, investigations, and proceedings, which can be complex, time-consuming, costly to investigate, and require significant company and management attention. Their outcomes and implications on our business are unpredictable and could result in large fines and penalties and require changes to our products and operations, and materially and adversely affect our brand, reputation, business, results of operations and financial condition. In some instances, applicable laws and regulations do not yet exist or are being adapted and implemented to address certain aspects of our business, and such adoption or change in their interpretation could further alter or impact our business and subject us to future government inquiries, investigations, and proceedings.

We may not be able to detect or prevent fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which may subject us to liability and harm our reputation and business.

We may be exposed to fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses and penalties from governmental authorities. Our policies and procedures designed to ensure compliance with applicable laws and regulations may not be sufficient and our Directors, employees, suppliers or customers could engage in improper conduct for which we may be held responsible. There can be no assurance that we will be able to identify all non-compliances, suspicious transactions, fraud, corruption or bribery in a timely and effective manner, if at all, or deter such misconduct. If such misconduct occurs, we may be subject to claims, fines or suspension of our operations and may suffer from negative publicity and reputational damage. Moreover, although we may have limited control over the behavior of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds or be targeted for litigations or proceedings for strategic reasons. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or other parties. To the extent that we cannot recover related costs from the employees, sub-contractors or other third parties involved, we may experience material adverse effects on our business, financial position and results of operations.

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We face risks related to natural disasters, health epidemics and other disease outbreaks.

Our business could be materially and adversely affected by natural disasters and extreme weather conditions, such as earthquakes, snowstorms, fires or floods, outbreaks of a widespread health epidemic or pandemic (including, without limitation, the COVID-19 pandemic), or other events such as wars, acts of terrorism or environmental accidents that are beyond our control. The occurrence of such a disaster or prolonged outbreak of an epidemic or pandemic illness or other adverse public health developments may cause a decrease in the level of business activities in the respective jurisdictions where we operate. Such events may also significantly affect our industry and may even cause a temporary closure of the facilities that we or our business partners use for operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreaks harm the global or PRC economy in general.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in the jurisdictions where we operate could materially and adversely affect our business, financial condition, results of operations and prospects.

Our operations are subject to a number of market, business and financial risks and uncertainties, including those related to geopolitical and economic development, government engagement, investment regulation, resource allocation and foreign exchange management, local product preferences and requirements. Such risks and uncertainties may adversely impact our ability to implement our growth strategy in these jurisdictions. We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments, and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

Economic conditions of the markets in which we operate are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate. In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the electric drive solution industry and ultimately, the profitability of our business. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Failure to obtain or renew the requisite licenses and approvals required in any jurisdiction where we operate in a timely manner may materially and adversely affect our business.

Under the laws and regulations in PRC and other jurisdictions where we operate, we are required to obtain or complete a number of licenses, approvals, registrations, filings and other permissions for our operation. We may become subject to additional license, approval and other requirements as we develop and expand the scope of our business and engage in different business activities. We may fail to meet such requirements timely or at all, in which case our operations could be disrupted and we may be subject to penalties and our ability to expand our business and sustain our growth may be adversely affected.

In addition, certain licenses, permits or registrations we hold are subject to periodic renewal. We may not be able to maintain or timely renew our licenses and certificates when their current term expires. Furthermore, any developments in laws and regulations, or any development of interpretation thereof, could require us to obtain additional licenses, permits, approvals or certificates, and there is no assurance that we will be able to adapt to such developments in a timely manner or at all. If we fail to apply for, maintain or renew the licenses, permits, or registrations

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required for our operations, we may be subject to fines and additional penalties. Resolving such deficiencies and enhancing compliance may require additional operational expenses and divert our management attention. Additionally, we may experience negative publicity due to such deficiencies. As a result, our business, financial condition and results of operations may be adversely affected.

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive substantial payments from our operations in the PRC in RMB and may need to convert Renminbi into other currencies to meet our foreign currency obligations, such as payments to fund our business activities outside the PRC and payments of dividends declared in respect of our H Shares, if any. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC are subject to certain regulatory requirements under PRC laws over foreign currency conversion and remittance. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to satisfy our foreign currency denominated obligations. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of the PRC or otherwise fund any future business activities that are conducted in foreign currencies.

Failure to comply with rapidly evolving governmental regulations and other legal obligations concerning data protection and cybersecurity may materially and adversely affect our business.

When conducting our business, we may need to store, transmit and process certain data of our employees, customers and suppliers as well as other data necessary for operation and management, and therefore face risks inherent in protecting the security and privacy of such data by using of information systems. In recent years, cybersecurity, privacy and data protection has become an increasing regulatory focus of government authorities across the world. Our business operations are subject to various regulatory requirements relating to cybersecurity and data privacy. Any failure or perceived failure of us to comply with cybersecurity and data privacy and protection laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data and cybersecurity, could subject us to potential liabilities and reputational damage. Our data protection and cybersecurity measures, including implemented systems and processes, may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, system error, or other irregularities. We may incur further expenses to comply with laws and regulations relating to data privacy, data security and consumer protection, as well as relevant industry standards and contractual obligations.

In addition, regulatory requirements on cybersecurity and data privacy are constantly evolving, of which the interpretation and application are also evolving and subject to change that may affect us. We may also be subject to additional or new laws and regulations regarding the protection of personal information and important data or privacy related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the then applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

There might be uncertainties in effecting services of legal process, enforcing foreign judgments or arbitration awards against us or our Directors and senior management personnel in the PRC.

We are a company incorporated under the laws of the PRC and our business is primarily based in China. In addition, the majority of our Directors and senior management personnel reside in China, and substantially all of the their assets are located within the PRC. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing

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judgment obtained from foreign countries, it may be difficult for investors to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC. See “Summary of Principal Legal and Regulatory Provisions — Arbitration and Enforcement of Arbitral Awards” and “Summary of Principal Legal and Regulatory Provisions — Judicial Judgments and Their Enforcement” in Appendix IV to this document.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, there is no assurance that a judgment rendered by a court outside the PRC would be recognized and enforced in a PRC court.

Filing with the CSRC is required in connection with our future [REDACTED], and we cannot predict whether we will be able to complete such filing.

On February 17, 2023, the CSRC released the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which came into effect on March 31, 2023 (the “**Overseas Listing Regulations**”). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC (“**PRC domestic companies**”) and (ii) companies incorporated overseas with substantial operations in the PRC. Pursuant to the Overseas Listing Regulations, PRC domestic companies which, after the overseas offering and listing, offers subsequent securities in the same overseas market or conducts offering and listing in other overseas markets (the “**Future Offerings**”), shall complete the filing procedures of, and report relevant information to, the CSRC. For details, see “Regulations — Laws and Regulations in Relation to Our Business in the PRC — Laws and Regulations relating to Overseas Offering and Listing.”

Based on the foregoing, we, as a PRC domestic company, are required to comply with the filing procedures of the CSRC for the Future Offerings after the [REDACTED]. It is uncertain whether we can, or how long it will take us to, complete filings procedures in connection with the Future Offerings. We may be subject to approval, filing or other requirements by other PRC government authorities under the PRC laws in the future. Any failure to complete the relevant procedures may have an adverse effect on the Future Offerings.

RISKS RELATING TO THE [REDACTED]

Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, with respect to dividends received from us and gains realized upon the sale or other disposition of H Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and a non-PRC investor’s jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources paid to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income derived from sources within China unless a treaty or similar arrangement provides otherwise.

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Under the IIT Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties or similar arrangements. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. Pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, no aforesaid provisions had expressly provided that individual income tax shall be levied on non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

The interpretation and enforcement of applicable tax laws and regulations in the PRC by the PRC tax authorities, including whether and how income tax will be levied on non-PRC resident shareholders, will be determined according to the laws and regulations then in effect. Non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

The price and [REDACTED] of our H Shares may be volatile, which could result in substantial losses to [REDACTED].

The price and [REDACTED] volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, such as the general market conditions of the securities in Hong Kong and elsewhere in the world, and the performance and fluctuation of the [REDACTED] of other companies engaging in similar business. The [REDACTED] performances of the securities of these companies at the time of or after their [REDACTED] may affect the overall [REDACTED] sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the [REDACTED] performance of our H Shares. These broad market and industry factors may significantly affect the [REDACTED] and volatility of our H Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and [REDACTED] of our H Shares may be highly volatile for specific business reasons, such as variations in our revenue, earnings and cash flows. Any of these factors may result in large and sudden changes in the [REDACTED] and [REDACTED] of our H Shares.

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You will incur immediate and significant dilution as a result of the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per H Share of our H Shares immediately prior to the [REDACTED], [REDACTED] of our H Shares in the [REDACTED] will experience an immediate dilution. See “Appendix II — [REDACTED].” In addition, holders of our H Shares may experience further dilution of their interest if any Shares are issued upon exercise of any options granted under the [REDACTED] Share Option Scheme, or if we issue additional Shares in the future to raise additional capital.

Future or perceived [REDACTED] of substantial amounts of our H Shares in the [REDACTED], especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the [REDACTED] of our H Shares.

The [REDACTED] of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public [REDACTED], especially by our Directors, executive officers and Controlling Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

The H Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our H Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any shares they may own now or in the future. Market sale of H Shares by such shareholders and the availability of these shares for future sale may have a negative impact on the [REDACTED] of our H Shares.

Our Controlling Shareholders can exert significant influence over our Company, and cause us to act in a way that may not be in the interest of our other shareholders.

Our Controlling Shareholders aggregately hold 49.48% of our equity interest as of the Latest Practicable Date. Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will retain substantial control over our Company. See “Relationship with Our Controlling Shareholders” for further details. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise significant influence over our business or otherwise on matters of significance to us and other shareholders by voting at the general meeting of the shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other shareholders, the interests of other shareholders can be disadvantaged and harmed.

We cannot assure you whether, when and in what form or amount we will declare and pay dividends in the future.

During the Track Record Period, no dividends were distributed. We currently do not have a formal dividend policy or a predetermined dividend payout ratio. Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. The declaration of dividends is subject to the discretion of our Board and the approval of our shareholders. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under the HKFRSs. For details of our dividend policy, see “Financial Information — Dividends.” There can be no assurance whether, when and in what form or amount we will pay dividends in the future.

RISK FACTORS

Certain facts, forecasts and statistics contained in this document are derived from publicly available official sources and may not be fully reliable.

We have derived certain facts, forecasts and statistics in this document from official government sources that our Directors believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the [REDACTED], and no representation is given as to its accuracy or completeness. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere. In any event, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

The net [REDACTED] to us from the [REDACTED] will be approximately [REDACTED] (assuming the [REDACTED] is not exercised) based on an [REDACTED] of [REDACTED] per Share, the mid-point of the indicative [REDACTED] range stated in this document. A large portion of the net [REDACTED] of this [REDACTED] is allocated for production capacity expansion to meet the fast growing market demands in the electric drive solution industry. See “Future Plans and Use of [REDACTED] — Use of [REDACTED]” for details. Our management will have discretion as to the application of the net [REDACTED] received by us. Our management may spend the [REDACTED] from the [REDACTED] in ways with which you may not agree or which do not yield a favorable return to our shareholders. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from the [REDACTED].

Prospective [REDACTED] should read the entire document carefully and we strongly caution you not to place any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this document.

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this document.

Prior to the completion of the [REDACTED], there may be press and media coverage regarding our Group and the [REDACTED]. Our Directors would like to emphasize to prospective [REDACTED] that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to [REDACTED] in our H Shares, prospective [REDACTED] should rely only on the financial, operational and other information included in this document.

RISK FACTORS

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim,” “anticipate,” “believe,” “could,” “predict,” “potential,” “continue,” “expect,” “intend,” “may,” “might,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [REDACTED] should not place undue reliance on such forward-looking statements and information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new application for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our Group’s management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. Our Directors consider that either by means of relocation of existing executive Directors or the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and our Shareholders as a whole. Therefore, we do not have, and do not contemplate to have, in the foreseeable future, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. We will ensure that there is a regular and effective communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives (the “**Authorized Representatives**”), who will act as principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two Authorized Representatives are Mr. Wenjie REN and Ms. Vivien Pak Yu TAM. Each of our Authorized Representatives has provided his/her contact details to the Stock Exchange and will inform the Stock Exchange promptly in respect of any change in the authorized representatives. The Authorized Representatives will be available to meet with the Stock Exchange within a reasonable timeframe upon the request of the Stock Exchange and will be readily contactable by phone, facsimile (if applicable) and email. Each of the Authorized Representatives is authorized to communicate on our behalf with the Stock Exchange;
- (b) each of the Authorized Representatives has means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication among the Stock Exchange, our Authorized Representatives and our Directors, we have ensured that (i) each Director has provided their respective contact details (including phone number and email address) to the Authorized Representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will provide his/her phone number of the place of his/her accommodation to the Authorized Representatives or maintain an open line of communication via his/her mobile phone; and (iii) each of our Directors has provided their respective contact details to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to their contact details;

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- (c) our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time when required;
- (d) we have appointed Patrons Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Advisor will have access at all times to our Authorized Representatives, our Directors, and our senior management as prescribed by Rule 3A.23 of the Listing Rules, who will act as the additional channel of communication with the Stock Exchange when the Authorized Representatives are not available. Our Company shall ensure that our Authorized Representatives, Directors and our senior management members will timely provide such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor’s duties as set forth in the Listing Rules. To the extent reasonably practicable and legally permissible, we will keep the Compliance Advisor informed of all communications and dealings between the Stock Exchange and us;
- (e) we have provided the Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers (if applicable) and email addresses of at least two of the Compliance Advisor’s officers who will act as our Compliance Advisor’s contact persons between the Stock Exchange and our Company. To the extent reasonably practicable and legally permissible, meetings between the Stock Exchange and our Directors could be arranged through our Authorized Representatives or the Compliance Advisor, or directly with our Directors within a reasonable timeframe. We will inform the Stock Exchange as soon as practicable in respect of any change of the Authorized Representatives and/or the Compliance Advisor;
- (f) we will appoint other professional advisers (including legal advisers in Hong Kong) after the [REDACTED] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and
- (g) our Company has designated one of our staff members as the communication officer at our headquarters after the [REDACTED] who will be responsible for maintaining day-to-day communication with the Authorized Representatives and our Company’s professional advisers in Hong Kong, including our legal advisers in Hong Kong and the Compliance Advisor to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communication between the Stock Exchange and our Company.

WAIVERS IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

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- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations, including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Yang LI and Ms. Vivien Pak Yu TAM as our joint company secretaries. See “Directors and Senior Management — Joint Company Secretaries” for their biographical details.

The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Mr. Li, who has been the secretary to the Board and the chief financial officer of our Company since October 2015 and who has extensive experience in corporate governance, capital markets affairs and board matters. Mr. Li has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner. However, Mr. Li presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Tam, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Mr. Li under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Li may be appointed as a joint company secretary of our Company.

The waiver is valid for an initial period of three years from the [REDACTED] and is granted on the condition that Ms. Tam will work closely with Mr. Li to jointly discharge the duties and responsibilities as company secretary and assist Mr. Li in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Tam will also assist Mr. Li in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Tam is expected to work closely with Mr. Li and will maintain regular contact with Mr. Li, the Directors and the senior management of our Company. In addition, Mr. Li will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [REDACTED]. Mr. Li will also be assisted by (a) our Compliance Advisor, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

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Pursuant to Chapter 3.10 of the Guide, the waiver will be revoked immediately if Ms. Tam ceases to provide assistance to Mr. Li as a joint company secretary for the three-year period after the [REDACTED] or where there are material breaches of the Listing Rules by our Company.

Before the end of the three-year period, the Company must demonstrate and seek the Stock Exchange’s confirmation that Mr. Li, having had the benefit of Ms. Tam’s assistance during the three-year period, has attained the relevant skills and experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary so that a further waiver would not be necessary.

See “Directors and Senior Management” for the biographical information of Mr. Li and Ms. Tam.

WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] SHARE OPTION SCHEME

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in the document all material terms of a share scheme adopted prior to its listing, full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or the debenture holders or to any class thereof, or to employees under a share scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the document must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of the any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the document.

Pursuant to paragraphs 6 and 7 of Chapter 3.6 of the Guide, the Stock Exchange would, in general, grant waivers from disclosing the names and addresses of certain grantees if a listing applicant could demonstrate that such disclosures would be irrelevant or unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, our Company had granted the outstanding options under the [REDACTED] Share Option Scheme to 113 participants (the “Grantee(s)”), to subscribe for an aggregate of 15,000,000 H Shares, representing approximately [REDACTED] of the total number of Shares in issue immediately after the completion of the [REDACTED] (assuming the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme are not exercised). Among the outstanding options, four Directors, three senior management members

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(other than Directors) and six other connected persons of the Company were granted options to subscribe 2,670,000 H Shares, 650,000 H Shares and 1,190,000 H Shares, respectively. 100 other Grantees (who are not Directors, senior management or connected persons of the Company) were granted options to subscribe for an aggregate of 10,490,000 H Shares.

No options under the [REDACTED] Share Option Scheme will be further granted upon or after [REDACTED]. For more details of the [REDACTED] Share Option Scheme, see “Statutory and General Information — D. [REDACTED] Incentive Schemes — 2. [REDACTED] Share Option Scheme” in Appendix VI.

We have applied to the Stock Exchange and the SFC respectively, for, (i) waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the grounds that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) since the outstanding options under the [REDACTED] Share Option Scheme were granted to a total of 113 Grantees involved, strict compliance with the relevant disclosure requirements to disclose the names, addresses and entitlements on an individual basis in the document will require substantial number of pages of additional disclosure that does not provide any material information to the [REDACTED] public and would significantly increase the cost and timing for information compilation and document preparation;
- (b) full details of the options granted by the Company under the [REDACTED] Share Option Scheme to each of the Directors, members of senior management and connected persons of our Company, on an individual basis, are disclosed in “Statutory and General Information — D. [REDACTED] Incentive Schemes — 2. [REDACTED] Share Option Scheme” in Appendix VI;
- (c) the key information of the [REDACTED] Share Option Scheme as disclosed in “Statutory and General Information — D. [REDACTED] Incentive Schemes — 2. [REDACTED] Share Option Scheme” in Appendix VI is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the [REDACTED] Share Option Scheme in their investment decision making process;
- (d) with respect to the other Grantees (other than those referred to in subparagraph (b) above), such number of H Shares (an aggregate of 10,490,000 H Shares, representing only approximately [REDACTED] of the total issued share capital of our Company immediately following the completion of the [REDACTED], assuming the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme are not exercised) is not material in the circumstances of our Company, and the exercise in full of such options will not cause any material adverse change in the financial position of our Company;
- (e) with respect to the options granted to the other Grantees (other than those referred to in (b) above) under the [REDACTED] Share Option Scheme, disclosures are made on an aggregate basis, categorized into lots based on the number of H Shares underlying each individual Grantee, being (i) 1 to 100,000 H Shares, (ii) 100,001 to 200,000 H Shares and (iii) 200,001 to 400,000 H Shares. For each lot of H Share, the following details are disclosed in the document including (i) the aggregate number of Grantees and the number of H Shares underlying the options; (ii) the exercise period of each option; (iii) the consideration paid for the options; and (iv) the exercise price of the options; and

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- (f) the lack of full compliance with such disclosure requirements will not prevent potential [REDACTED] from making an informed assessment of the activities, assets and liabilities financial position, management and prospects of our Group and will not prejudice the interest of the [REDACTED] public.

The Stock Exchange [has granted] us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules on the conditions that the following information will clearly disclosed in this document:

- (a) on individual basis, full details of all the outstanding options granted by our Company under the [REDACTED] Share Option Scheme to each of the Directors, members of senior management and connected persons, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and the paragraph 27 of Appendix D1A to the Listing Rules;
- (b) in respect of the outstanding options granted by our Company to the Grantees other than those referred to in subparagraph (a) above, disclosures are made on an aggregate basis, categorized into lots based on the number of H Shares underlying each individual Grantee, being (i) 1 to 100,000 H Shares, (ii) 100,001 to 200,000 H Shares and (iii) 200,001 to 400,000 H Shares, and for each lot of H Shares, the following details are set out in this document, including:
 - (i) the aggregate number of the Grantees and number of H Shares subject to the options;
 - (ii) the consideration paid for the grant of the options; and
 - (iii) the exercise period and the exercise price of the options;
- (c) the dilution effect and impact on earnings per Share upon full exercise of the outstanding options granted under the [REDACTED] Share Option Scheme;
- (d) the aggregate number of H Shares subject to the options by our Company under the [REDACTED] Share Option Scheme and the percentage of our Company’s issued share capital of which such number represents;
- (e) a summary of the [REDACTED] Share Option Scheme; and
- (f) the list of all the Grantees (including the persons referred to in subparagraph (a) above), containing all details as required under Rule 17.02(1)(b) of and paragraph D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Documents Available on Display” in Appendix VII.

The disclosure is consistent with the conditions set out in the Guide.

The SFC [has granted] to our Company a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) full details of the options granted by the Company under the [REDACTED] Share Option Scheme to each of the Directors, member of senior management and connected person of the Company are disclosed in this document, such details include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

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- (b) in respect of the options granted by our Company under the [REDACTED] Share Option Scheme to the Grantees other than those referred to in subparagraph (a) above, disclosures are made on an aggregate basis, categorized into lots based on the number of H Shares underlying each individual grantee, being (i) 1 to 100,000 H Shares, (ii) 100,001 to 200,000 H Shares and (iii) 200,001 to 400,000 H Shares, and for each lot of H Shares, the following of which are disclosed in this document, including:
 - (i) the aggregate number of the Grantees and number of H Shares subject to the options;
 - (ii) the consideration paid for the grant of the options; and
 - (iii) the exercise period and the exercise price of the options;
- (c) a full list of all the Grantees (including the persons referred to in subparagraph (a) above), containing all details as required under Rule 17.02(1)(b) of and paragraph D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Documents Available on Display” in Appendix VII; and
- (d) the particulars of the exemption are disclosed in this document and that this document will be issued on or before [REDACTED].

Further details of the [REDACTED] Share Option Scheme are set forth in “Statutory and General Information — D. [REDACTED] Incentive Schemes — 2. [REDACTED] Share Option Scheme” in Appendix VI.

WAIVER IN RESPECT OF PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue, certain transactions that will constitute partially exempt continuing connected transactions of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers in relation to certain continuing connected transactions between us and certain connected person under Chapter 14A of the Listing Rules. For further details in this respect, see “Connected Transactions” in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential Address	Nationality

Executive Director

Wenjie REN (任文傑)	Flat 2, No. 91, Changdao Garden, Zhuangqiao Street, Jiangbei District, Ningbo City, Zhejiang Province, China	Chinese

Yahong DING (丁亞紅)	Flat 201, No.55, Lane 48, Xiwan Road, Haishu District, Ningbo City, Zhejiang Province, China	Chinese

Yi DONG (董毅)	Flat 201, No. 49, Building No. 18, Xihu Garden, Haishu District, Ningbo City, Zhejiang Province, China	Chinese

Dongsheng HE (賀東升)	Flat 1701, Building No.15, Donghaimingyuan, Xinqi Street, Beilun District, Ningbo City, Zhejiang Province, China	Chinese

Non-Executive Directors

Shihai WANG (王世海)	Flat 1901, Unit 1, Baiyangzuo, Shierxingzuo Block No. 65, Huachuang Road, Jiangbei Pukou District, Nanjing City, Jiangsu Province, China	Chinese

Lin YANG (楊麟)	Flat 1701, Building No. 23, Wanxianghuafu II, No. 508 Xinghu Road, Jiangbei District, Ningbo City, Zhejiang Province, China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Independent Non-Executive Directors

Yun QIU (邱斌)	Flat 401, No. 101, Building No. 33, Tianshui Garden, Zhuangqiao Street, Jiangbei District, Ningbo City Zhejiang Province, China	Chinese
Zhenlei CHEN (陳振雷)	Flat 404, Building No. 39, Wankecheng, Zhuangshi, Zhenhai District, Ningbo City, Zhejiang Province, China	American
Shengqiang LU (盧勝強)	Flat 304, Unit 1, Building No. 6, Hedacheng, Xiasha, Qiantang District, Hangzhou City, Zhejiang Province, China	Chinese
Warren Yung Liang SUN (孫榮良)	Block E, 20F, Flat A, Wylie Court, 21 Wylie Path, Ho Man Tin, Kowloon, Hong Kong	Chinese (Hong Kong)

For further information of the Directors, see “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

**China International Capital Corporation
Hong Kong Securities Limited**
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INDUSTRY OVERVIEW

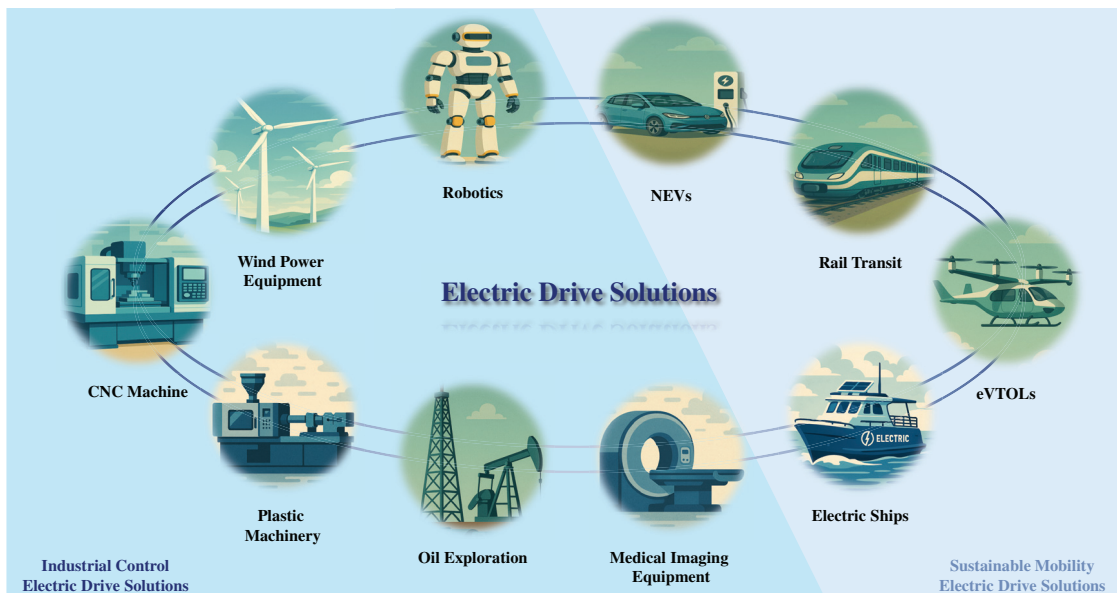
The information and statistics set out in this section and elsewhere in this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official governmental publications and other publicly available publications. We engaged CIC, an independent industry report, to prepare the CIC Report in connection with the [REDACTED]. Each of our Directors and the Sole Sponsor has exercised reasonable care in selecting and identifying the named information sources, compiling, extracting and reproducing the information, and ensuring that there has been no material omission of the information in this Industry Overview section. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in the [REDACTED] and no representation is given as to its accuracy.

INDUSTRY OVERVIEW OF THE ELECTRIC DRIVE SOLUTIONS

Electric Drive Solutions Are the Core Driver and Foundation of Modern Production Systems

In the wave of global energy transition, the rise of the electrification rate is profoundly reshaping the productivity landscape. With their efficient energy conversion and precise motion control capabilities, electric drive solutions have become the core driver and foundation of modern production systems which are widely applied in two core fields, industrial control electric drive solutions ensuring efficient and precise production, and sustainable mobility electric drive solutions driving smart mobility across land, sea, and air. Meanwhile, they empower cutting-edge applications such as embodied intelligence, wearable robotics, as well as deep-sea and deep-space exploration, thereby becoming an indispensable foundational physical engine for achieving energy innovation and pushing the boundaries of human exploration.

Downstream Key Applications of Electric Drive Solutions, 2025



Source: CIC

INDUSTRY OVERVIEW

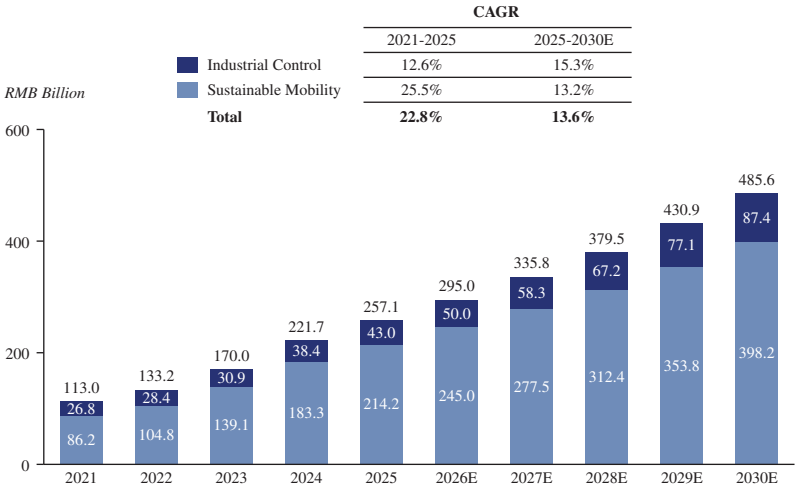
Electric Drive Solutions Act as the Critical Component for Energy Conversion and Motion Control

Electric drive solutions are integrated mechatronic systems that efficiently convert electrical energy into mechanical energy. Their core is an electromagnetic energy conversion device, which converts electrical energy into mechanical energy through the principle of electromagnetic induction. Electric drive solutions integrate multiple key disciplines: power electronics undertakes power conversion and modulation tasks; advanced magnetics focuses on optimizing magnetic field design to improve efficiency; mechanical engineering ensures structural reliability and smooth power transmission; real-time control performs precise dynamic regulation; thermal and fluid dynamics focuses on the temperature rise and heat dissipation management to ensure the operational stability of the system. Meanwhile, intelligent algorithms are incorporated to achieve predictive maintenance and maximize energy efficiency, thus realizing an integrated mechatronic system solution for the conversion of electrical energy into mechanical energy.

Global and China’s Market Size of Electric Drive Solutions

Benefiting from the rapid development of industrial manufacturing, sustainable mobility and other fields, the global market size of electric drive solutions has grown from RMB292.7 billion in 2021 to RMB545.6 billion in 2025, and is expected to further increase to RMB1,091.4 in 2030. As a global manufacturing hub, China is also one of the major markets for global electric drive solutions. China’s electric drive solutions have grown from RMB113.0 billion in 2021 to RMB257.1 billion in 2025, achieving a CAGR of 22.8% during the period. With the continuous increase in electrification rates in the fields of industrial manufacturing, transportation and travel, and the widespread adoption of intelligent technologies, the market size of China’s electric drive solutions is expected to reach RMB485.6 billion in 2030, with a CAGR of 13.6% from 2025 to 2030.

Market Size of Electric Drive Solutions in China, by application fields, in terms of sales revenue, 2021-2030E



Source: National Bureau of Statistics of China, Ministry of Industry and Information Technology, National Railway Administration of the People’s Republic of China, CNESA, China Association of Automobile Manufacturers, SEMI, IFR, IDC, National Energy Administration, CIC

INDUSTRY OVERVIEW

INDUSTRY OVERVIEW OF CHINA’S INDUSTRIAL CONTROL ELECTRIC DRIVE SOLUTIONS

Definition and Classification of Industrial Control Electric Drive Solutions

Industrial control electric drive solutions, mainly including servo motors, encoders, drivers, control software, etc., achieve precise motion control for applications such as industrial manufacturing, robotics, deep-sea and deep-space exploration through servo systems, and provide a certain power source. Based on the differences in demand and degree of customization of downstream applications, the industrial control electric drive solutions can be divided into general industrial control electric drive solutions and specialized industrial control electric drive solutions.

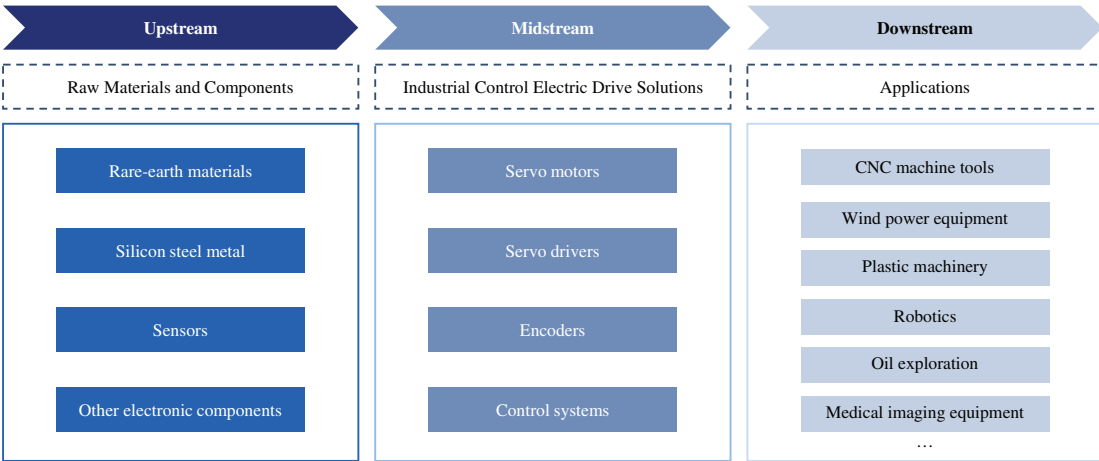
General industrial control electric drive solutions typically feature standardized power, torque, volume and other specifications, catering to application scenarios without specialized requirements. These systems prioritize large-scale applications and cost control. In contrast, specialized industrial control electric drive solutions require customized development for specific industrial scenarios, imposing unique demands on output power, torque, precision, rotational speed, and operating temperature. Their product development cycles are prolonged, necessitating the integration of cross-disciplinary technologies tailored to downstream industry characteristics, including ultra-high-resolution encoder technology, anti-interference signal processing, extreme-environment adaptability design, and mechatronic integration under complex operating conditions. Such products entail higher technical difficulties. The following table sets forth the differences between general industrial control electric drive solutions and specialized industrial control electric drive solutions.

	General Industrial Control Electric Drive Solutions	Specialized Industrial Control Electric Drive Solutions
Application Scenarios	Designed for standardized use in multiple industries, including packaging, logistics, etc.	Designed for specific industries or processes, including semiconductor equipment, high-speed elevator, etc.
Level of Customization	Multiple existing specifications available with limited customization	Highly customized with cooperation with OEM, including structure, algorithms, etc.
Cost	Relatively low	Relatively high
Precision & Speed of Response	Within a limited range	Wide range based on demand customization

Source: CIC

Value Chain Analysis of the Industrial Control Electric Drive Solutions Industry

Value Chain Analysis of the Industrial Control Electric Drive Solutions Industry



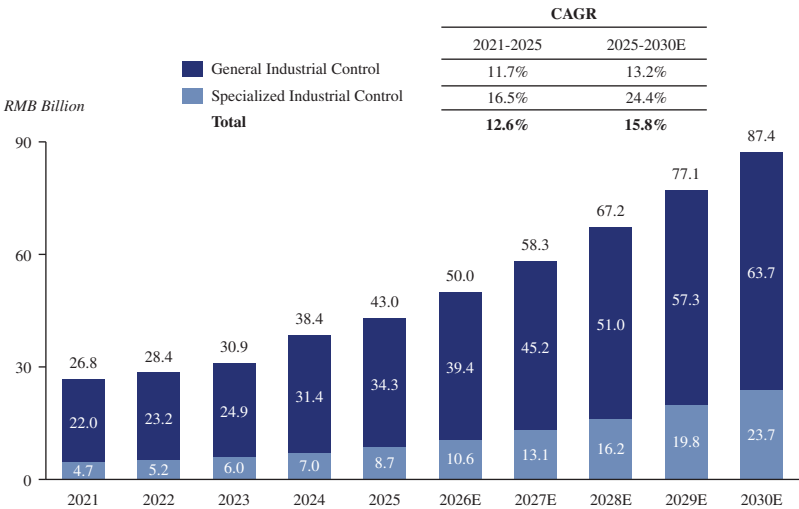
Source: CIC

INDUSTRY OVERVIEW

Market Size of the Industrial Control Electric Drive Solutions in China

The market size of the industrial control electric drive solutions in China increased from RMB26.8 billion in 2021 to RMB43.0 billion in 2025, with a CAGR of 12.6% during the period. General industrial control electric drive solutions represent the largest application segment, accounting for 79.8% of the market share in 2025. Driven by the intelligent upgrading of China’s industrial manufacturing and the rapid development of sectors such as robotics, the market size of the industrial control electric drive solutions in China is expected to reach RMB87.4 billion by 2030, with a CAGR of 15.3% from 2025 to 2030.

**Market Size of the Industrial Control Electric Drive Solutions in China,
by product type, in terms of sales revenue, 2021-2030E**



Source: National Bureau of Statistics, CNESA, CAAM, SEMI, IFR, IDC, National Energy Administration, CIC

Drivers and Trends of the Industrial Control Electric Drive Solutions Industry in China

- Favorable Policies and Green Manufacturing Transition:** National initiatives, such as “Made in China 2025” and the “Dual Carbon” strategy, provide strong financial and policy support for smart manufacturing. This accelerates the industry’s shift toward energy-efficient solutions, driving the adoption of energy recovery technologies, low-power algorithms, and lightweight designs to reduce operational costs and meet emerging green evaluation standards.
- Rapid Technological Iteration and High-End Market Penetration:** The widespread application of advanced components and control algorithms is significantly enhancing system response speed, precision, and dynamic performance. These breakthroughs enable domestic solutions to replace imports in high-end applications, such as semiconductors, precision machine tools, and industrial robots, thereby empowering broader industrial upgrading.
- Accelerated Domestic Substitution Driven by Cost Efficiency:** Continuous R&D investments have resolved key technological bottlenecks, achieving a domestic substitution rate of over 80% in core components like servos. Significantly improved product reliability, coupled with prominent cost advantages, is driving broader application, particularly in specialized fields requiring high power, torque, and precision.
- System Integration and Modularization:** Driven by advancements in microelectronics and sensors, products are evolving toward the deep integration of “controller + drive + motor.” This modular approach enhances system reliability and compactness while significantly simplifying wiring, deployment, and maintenance in complex operating environments.

INDUSTRY OVERVIEW

- **Deepening Customization Across Vertical Industries:** As application scenarios expand, manufacturers are increasingly delivering tailored, hardware-software co-optimized solutions. Leveraging rapid response capabilities, customized electric drive systems are being deployed to meet highly specific vertical demands, such as high-torque and extreme-environment resilience in wind power, or lightweight, real-time multi-joint coordination in embodied robots.

INDUSTRY OVERVIEW OF THE ELECTRIC DRIVE SOLUTIONS FOR SUSTAINABLE MOBILITY IN CHINA

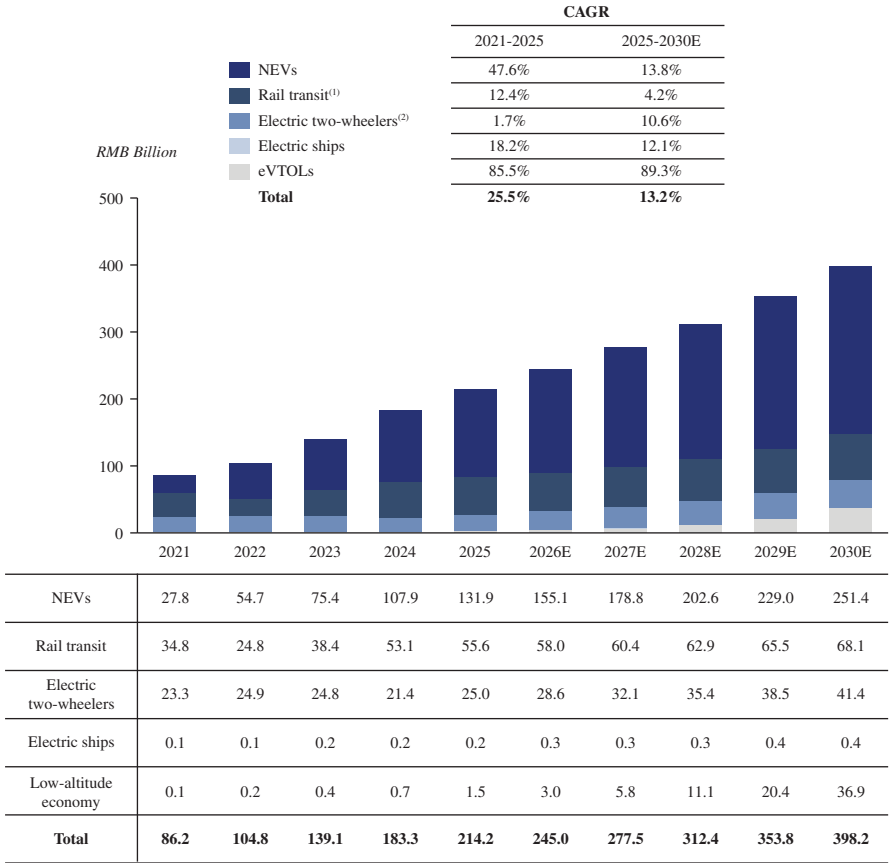
The Definition of Electric Drive Solutions for Sustainable Mobility

The electric drive solution for sustainable mobility is a system based on the electric drive technology and intelligent control system, providing efficient, green, intelligent, and highly coordinated operation capabilities for land, sea, and air vehicles, which is represented by NEVs due to high energy efficiency and strong responsiveness.

Market Size of Electric Drive Solutions for Sustainable Mobility in China

Benefiting from the vigorous development of NEVs, low-altitude economy and other fields, the market size of the electric drive solutions for sustainable mobility in China will increase from RMB86.2 billion in 2021 to RMB257.1 billion in 2025 with a CAGR of 25.5% during the period. By 2025, the NEVs had become the most significant market, accounting for over 61% of the market share. It is estimated that the market size of electric drive solutions for sustainable mobility in China will increase to RMB398.2 billion in 2030 with a CAGR of 13.6% from 2025 to 2030.

Market Size of Electric Drive Solutions for Sustainable Mobility in China by Applications, in terms of sales revenue, 2021-2030E



Source: CAAM, MIIT, National Railway Administration of the People's Republic of China, CIC

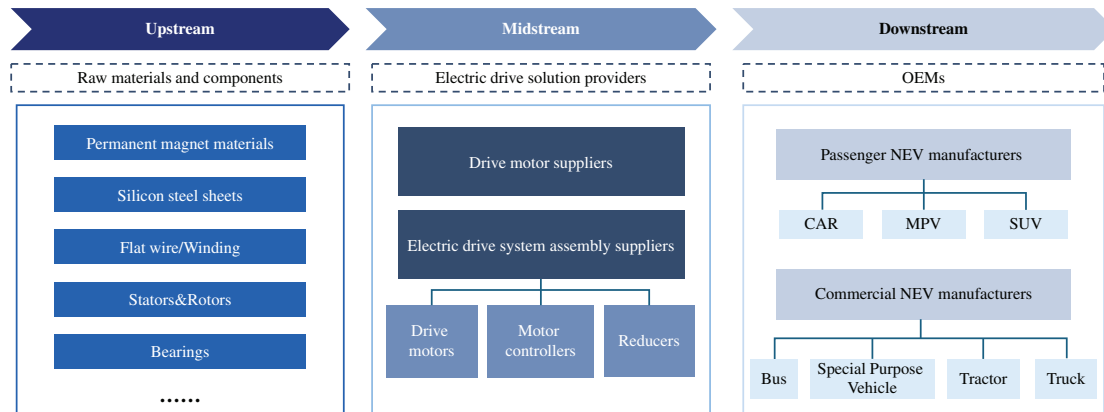
INDUSTRY OVERVIEW

Notes:

- (1) Rail transit includes subways and CRH trains;
- (2) Electric two-wheelers include electric bicycles and electric motorcycles;

Value Chain Analysis of the NEV Electric Drive Solutions

Value Chain for the NEV Electric Drive Solutions



Source: CIC

Market Size of the NEV Electric Drive Solutions in China

In 2021, the market size of the NEV electric drive solutions in China was RMB27.8 billion. Benefiting from the robust growth of the NEV sector in recent years, the market size of supporting electric drive solutions has increased rapidly, reaching RMB131.9 billion in 2025, with a CAGR of 47.6% from 2021 to 2025. As purchase tax incentives for NEVs tighten and local purchase subsidies shift toward infrastructure support, the growth rate of NEV sales is expected to slow down in the future, and the market size of the NEV electric drive solutions is expected to follow suit. The market size of the NEV electric drive solutions is expected to reach RMB251.4 billion by 2030, with a CAGR of 13.8% from 2025 to 2030.

Drivers and Trends of NEV Electric Drive Solutions in China

- **Robust Market Demand and Structural Upgrades:** Driven by the continuous expansion of China’s NEV market, favorable long-term policies, and rising consumer acceptance, the electric drive industry is experiencing rapid capacity growth and structural optimization. As these systems fundamentally determine core vehicle performance, including acceleration, energy efficiency, and safety, ongoing indigenous technological advancements are continuously elevating overall system capabilities.
- **Deep Multi-in-One Integration and Intelligent Evolution:** The industry is rapidly transitioning toward a deeply integrated “multi-in-one” architecture, combining motors, electronic controls, and reducers, to optimize space, reduce connection losses, and enhance functional synergy. Coupled with high-voltage platforms, advanced semiconductor devices, and AI algorithms for dynamic torque distribution and predictive maintenance, this deep integration significantly drives light-weighting, high power density, and product value-added.
- **Widespread Adoption of Flat-Wire Motors and Advanced Oil-Cooling:** To meet high-speed and high-efficiency demands, flat-wire motors are replacing traditional round-wire variants, leveraging automated manufacturing to significantly boost power density and cost competitiveness. Concurrently, advanced direct oil-cooling technologies are replacing traditional water cooling to resolve thermal bottlenecks in high-power-density motors, enabling more compact designs and ensuring the stable operation of high-torque systems.

INDUSTRY OVERVIEW

- Modular Architecture and Platform-Based Supply:** Shifting from customized, bespoke development to scalable platform supply, the industry is increasingly adopting modular architectures with standardized interfaces. This approach enables the flexible combination of core modules, significantly shortening R&D cycles, improving component reuse rates, and facilitating agile production to rapidly accommodate diverse vehicle model requirements.

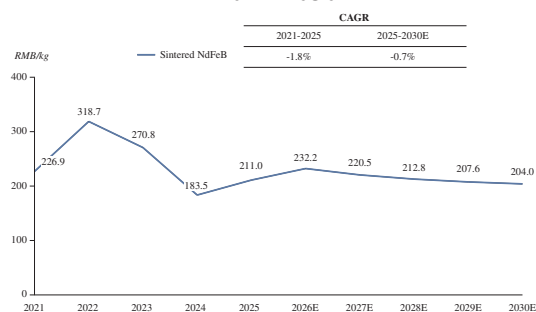
Cost Structure Analysis of NEV Electric Drive System in China

The cost of a high-power electric drive system is mainly composed of permanent magnet, stator and rotor (including structural parts) and enameled wire, of which the cost accounted for approximately 15%, 25% and 20%, respectively. The remaining portions include bearing mechanical parts, the oil cooling system and the electronic control system. Compared with the high-power electric drive system, medium and low-power electric drive systems use smaller quantities of permanent magnets and bearing mechanical parts, and the cost is mainly composed of stator and rotor (including structural parts) and enameled wire, estimated at approximately 32% and 32%, respectively.

Price Trends of Core Raw Materials for NEV Drive Motors in China

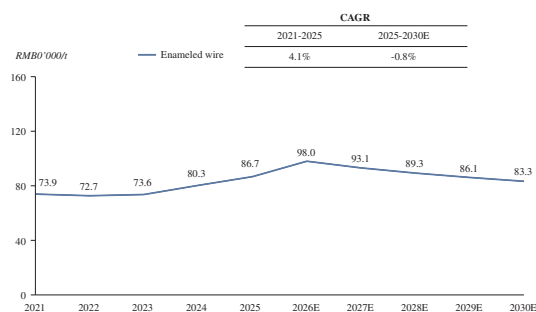
Sintered NdFeB is currently one of the most widely used permanent magnet materials, which is extensively applied in electric drive systems. Since 2021, demand for NEVs and consumer electronics has driven up NdFeB prices, which have subsequently declined due to overproduction and a decline in rare earth prices. It is expected that the supply-demand balance will recover, and the prices will rebound and tend to stabilize from 2026 to 2030. Enameled wire, as one of the key components of electric drive systems, is closely linked to performance and reliability. In the long term, with the continuous improvement of the industrial technical requirements for electric vehicles, prices show a trend of first rising and then stabilizing.

Price Trend of Sintered NdFeB Permanent Magnet Material, 2021-2030E



Source: Asian Metal, CIC

Price Trend of Enameled Wire, 2021-2030E



Source: Shanghai Metals Market, CIC

COMPETITIVE ANALYSIS OF CHINA'S ELECTRIC DRIVE SOLUTIONS INDUSTRY

Competition Overview in China's Industrial Control Electric Drive Solutions Industry

The manufacturers of industrial control electric drive solutions in China are relatively fragmented, primarily divided into two categories: domestic Chinese manufacturers and overseas manufacturers. Among them, due to the technical complexity of industrial control electric drive solutions, overseas manufacturers have consistently maintained a significant market share in the past by leveraging their technological advantages. Domestic Chinese manufacturers have gradually emerged in the field of general industrial control electric drive solutions after years of technology and experience accumulation. However, there is still a certain gap in terms of performance, reliability, precision, and other aspects as compared to top overseas manufacturers, especially in the field of specialized industrial control electric drive solutions with special requirements, with only a few Chinese manufacturers obtaining competitiveness with overseas manufacturers.

INDUSTRY OVERVIEW

Ranking of China’s Industrial Control Electric Drive Solutions Industry

Through years of R&D investment and technological accumulation, the Company’s products are widely used in fields such as plastic machinery, wind power equipment, deep-sea and deep-space exploration. In 2025, in terms of revenue from specialized industrial control electric drive solutions, the Company ranked third in China’s specialized industrial control electric drive solutions market, with a market share of 5.6%, and ranked second among domestic manufacturers.

Top Five Specialized Industrial Control Electric Drive Solutions Manufacturers in China, in terms of revenue, 2025

Ranking	Country of headquarters	Company name	Revenue of specialized industrial control electric drive solutions in 2025 (RMB100 million)	Market share (%)
1.	China	Company A	7.2	8.2%
2.	Japan	Company B	6.3	7.2%
3.	China	The Company	4.9	5.6%
4.	France	Company C	4.8	5.5%
5.	Japan	Company D	4.4	5.0%
	Total of the top five companies		27.6	31.5%
	Total of Others		59.9	68.5%
	Total of the Market		87.5	100.0%

Source: Expert interviews, CIC

Notes:

Company A was founded in 2003 and is headquartered in Shenzhen, Guangdong Province. It was listed on the Shenzhen Stock Exchange in 2010. Its business covers industrial automation, energy, industrial robots and other sectors, with over 20 thousand employees.

Company B was founded in 1956 and is headquartered in Japan. It was listed on the Tokyo Stock Exchange, mainly engaging in the research and development, as well as production of numerical control systems, industrial robots and intelligent manufacturing equipment.

Company C was founded in 1836 and is headquartered in France. It is listed on the Paris Stock Exchange and the London Stock Exchange. Its business covers a number of fields such as energy management and industrial automation, with over 160 thousand employees globally.

Company D was founded in 1973 and is headquartered in Japan. It was listed on the Tokyo Stock Exchange, Osaka Stock Exchange and New York Stock Exchange, with its core business focusing on the manufacturing of precision motors and industrial equipment.

Top Five General Industrial Control Electric Drive Solutions Manufacturers in China, in terms of revenue, 2025

Ranking	Country of headquarters	Company name	Revenue of specialized industrial control electric drive solutions in 2025 (RMB100 million)	Market share (%)
1.	China	Company A	64.8	20.7%
2.	Japan	Company E	15.6	5.0%
3.	Germany	Company F	14.6	4.6%
4.	China	Company G	12.3	3.9%
5.	Japan	Company H	11.6	3.7%
	Total of the top five companies		118.9	37.9%
	Total of Others		182.2	62.1%
	Total of the Market		301.1	96.0%

Source: Expert interviews, CIC

INDUSTRY OVERVIEW

Notes:

Company E was founded in 1918 and is headquartered in Japan. It was listed on the Tokyo Stock Exchange and Nagoya Stock Exchange, mainly engaging in providing products covering consumer electronics, automotive electronics, industrial applications and etc. with over 200 thousand employees globally.

Company F was founded in 1847 and is headquartered in Germany. It was listed on the Frankfurt Stock Exchange and New York Stock Exchange, mainly engaging in providing solutions in electrification, automation and digitalization in industrial, transportation and etc. with over 300 thousand employees globally.

Company G was founded in 1971 and is headquartered in Taiwan, China. It was listed on the Taiwan Stock Exchange, mainly engaging in providing automation solution for industrial manufacturing and electronic components used for medical, telecom and etc.

Company H was founded in 1915 and is headquartered in Japan. It was listed on the Tokyo Stock Exchange and Fukuoka Stock Exchange, mainly engaging in providing solutions for drive control, motion control and robotics with over 13 thousand employees.

Entry Barriers and Key Success Factors of the Industrial Control Electric Drive Solutions Industry in China

Continuous Technological Innovation: Rapid industry iteration demands sustained R&D investments in core areas like high-response servo algorithms, precision encoders, and high-efficiency motors. New entrants lacking deep technological accumulation may struggle to maintain market competitiveness.

Stringent Validation and High-End Certifications: Penetrating specialized markets requires costly, time-consuming safety and performance certifications. Incumbents can leverage proven track records and robust quality systems to solidify market dominance.

Deep Customization and Flexible Manufacturing: Diverse downstream applications necessitate highly tailored solutions and agile, small-batch manufacturing capabilities. Established players utilize automated production to deliver rapid, customized responses, fostering highly sticky customer ecosystems that are difficult to replicate.

Complex Supply Chain Networks: Securing critical, often resource-constrained materials, is vital for product performance. Established firms possess entrenched, reliable supply channels, creating formidable procurement barriers for new entrants.

Competition Overview in China’s NEV Electric Drive Solutions Industry

The main players in the NEV electric drive solutions market are divided into two categories: OEMs and their subsidiaries, and third-party manufacturers. The core advantages of third-party manufacturers over OEMs and their subsidiaries lie in their ability to rapidly accumulate cross-industry experience through a multi-client collaboration model, enabling agile product iteration and market response, and continuously overcome motor performance and quality control bottlenecks with a focus on research and development. Concurrently, third-party manufacturers reduce unit costs through scaled production and enhance their competitiveness with customized solutions, thereby establishing unique barriers in terms of technological depth and cost-effectiveness. In 2025, about 34.7% of the electric drive systems installed in new energy passenger vehicles are from third-party drive system manufactures.

Ranking of China’s NEV Electric Drive Solutions Industry

In 2025, in terms of the installation volume of electric drive systems for new energy passenger vehicles, the Company ranked seventh among third-party passenger vehicle electric drive system manufacturers in China, with a market share of 6.1%. In 2025, in terms of revenue from electric drive systems for new energy passenger vehicles, the Company ranked seventh among third-party passenger vehicle electric drive system manufacturers in China, with a market share of 3.8%.

INDUSTRY OVERVIEW

Ranking of Third-party Manufacturers in China’s New Energy Electric Drive Solutions, by Installation Volume of Passenger Vehicle Electric Drive Systems, 2025

Ranking	Company name	Installed capacity of passenger vehicle electric drive systems in 2025 ⁽¹⁾	Market share
		('0,000 units)	(%)
1	Company I	90.2	28.9%
2	Company J	65.4	21.0%
3	Company K	31.3	10.0%
4	Company L	25.6	8.2%
5	Company M	23.7	7.6%
6	Company N	22.0	7.1%
7	The Company	19.0	6.1%
8	Company O	15.0	4.8%
9	Company P	11.7	3.8%
10	Company Q	8.0	2.6%
	Total of the top ten companies	311.8	88.4%
	Others	40.7	11.6%
	Total of the market	352.6	100.0%

Sources: Expert interviews, company annual reports, CIC

Notes:

- (1) The data only include three-in-one integration and multi-in-one integration electric drive systems, excluding the installed volume shipped in the form of single motors.
- (2) Company I was founded in 2016 and is headquartered in Jiangsu, China. It was listed on the Shenzhen Stock Exchange in 2025. Its main products include core components of power systems such as electric drive systems and power supply systems.

Company J was founded in 2010 and is headquartered in Shanghai. It is a Sino-foreign joint venture with business covering products such as flat wire stators and rotors, power modules and electric drive assemblies.

Company K was founded in 2005 and is headquartered in Anhui, China. It was listed on the Shanghai Stock Exchange in 2021. Its business includes the research and development, production, and sales of intelligent equipment and NEV drive systems. The company has overseas subsidiaries in Japan, the U.S., Germany, and the U.K.

Company L was founded in 2005 and is headquartered in Guangdong, China. It was listed on the Shenzhen Stock Exchange in 2017 and focuses on the research and development, production, and sales of NEV drive systems, and also develop drive systems for eVTOLs and electric ships.

Company M was founded in 2008 and is headquartered in Beijing. It was listed on the Shanghai Stock Exchange in 2021. The company primarily engages in the research and development, production, and sales of NEV electric drive products.

Company N was founded in 2000 and is headquartered in Guangdong, China. It was listed on the Shenzhen Stock Exchange in 2008. Its main products include micro and special motors, NEV electric drive systems, building ventilation and home appliance motors, etc.

Company O was founded in 2005 and is headquartered in Guangdong, China. It was listed on the STAR Market of the Shanghai Stock Exchange in 2023, with its business covering products such as onboard chargers, DC/DC converters, motor controllers and electric drive assemblies.

Company P was founded in 2003 and is headquartered in Zhejiang, China. It was listed on the Shenzhen Stock Exchange in 2010, with its business covering products such as automotive transmissions and NEV drive systems. Customers mainly consist of mainstream domestic automobile manufacturers.

Company Q was founded in 2001 and is headquartered in Zhejiang, China. It was listed on the Shenzhen Stock Exchange in 2007. Its main products include micromotors, automotive motors, and controllers, etc.

INDUSTRY OVERVIEW

Entry Barriers and Key Success Factors in the NEV Electric Drive Solutions Industry

Rigorous Certification and Customer Stickiness: Entering OEM supply chains demands stringent 2 to 4 years of certification cycles. OEMs heavily favor long-term, deeply bound partnerships, establishing formidable barriers and high switching costs for new entrants.

Capital Intensity and Complex Manufacturing: The industry requires heavy capital expenditure on high-precision equipment. Mastering proprietary processes, such as hairpin stator winding and specialized rotor honing, is essential to optimize power density, forming substantial technical and capital barriers.

Stringent R&D and Technological Capabilities: Continuous innovation is vital to resolve material bottlenecks, such as advancing SiC substitution and reducing rare-earth reliance. Furthermore, designing deeply integrated, cost-efficient multi-in-one architectures remains a critical success factor.

Economies of Scale and Supply Chain Integration: Established players leverage vertical integration and large-scale production to amortize heavy fixed costs. This capacity advantage yields significant pricing power, making it exceedingly difficult for new entrants with fragmented orders to reach profitability.

Source and reliability of information

We commissioned CIC to analyze and report on the global electric drive solutions market. CIC is a market research and consulting company founded in Hong Kong, engaged in providing professional consulting services in various industries. We have agreed to pay CIC a fee of RMB1,000,000 for the preparation of the CIC Report. We have extracted certain information from this section of the CIC Report and the “Summary,” “Risk Factors,” “Business” and “Financial Information” sections and other sections of this document to help potential investors gain a more comprehensive understanding of the industry in which we operate. Unless otherwise stated, all data and forecasts contained in this section are from the CIC Report. The information and data collected by CIC have been analyzed, evaluated and verified using CIC’s internal analytical models and techniques. The primary research is conducted through interviews with key industry experts and leading industry players. Secondary research involves analyzing data from various public data sources such as the National Bureau of Statistics of China and various industry associations.

The market forecasts in the CIC Report are based on the following key assumptions: (1) during the forecast period, China’s overall social, economic and political environment is expected to remain stable; (2) during the forecast period, key industry drivers are likely to continue to drive the growth of the electric drive solutions market, such as technological advancement, supportive policies and increasing downstream demand; and (3) during the forecast period, there will be no extreme force majeure or unforeseen industry regulations that may have a sharp or fundamental impact on the market.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

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

MILESTONES

The following table sets forth certain key milestones of our business development:

Year	Event
2001	Our Company was established as a limited liability company and a Sino-foreign joint venture in Ningbo, Zhejiang Province.
2003	We started commercial production of standard motors.
2006	We successfully developed and produced digital AC servo drives.
2008	We successfully developed the large direct drive servo motor that later applied to the ALMA large radio astronomical telescope
2010	Our Hangzhou Bay Facility — Phase I was constructed and put into use.
2015	Mr. Wenjie REN become our Company’s Controlling Shareholder and our Company transformed from a Sino-foreign joint venture into a domestic-funded enterprise.
2016	Physis New Energy was established, starting our Company’s milestone in new energy. Our Hangzhou Bay Manufacturing Base — Phase II was constructed and put into use.
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.
2019	Our Company was converted into a joint stock limited liability company. We acquired OSAI ITA in Italy and expanded our global footprints to Italy, the United Kingdom and the United States. The ALMA large radio astronomical telescope project which we participated in captured the first-ever image of M87 black hole.
2020	We were recognized as one of the First Batch of Specialized, Refined, Differential and Innovative “Little Giants” Enterprises (專精特新“小巨人”企業) by the Ministry of Industry and Information Technology of PRC.
2022	We established the Innovation Center in Zhejiang Province and further developed the application of our electric drives in a range of industries.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2023	Our XT2300-800-217C 700 kW Cable Car Direct Drive System was recognized as the First Unit (Set) of Major Technical Equipment (國內首台(套)成套裝備) by the Ministry of Industry and Information Technology of Zhejiang Province. Our top drive dedicated 890 kW high-torque density permanent magnet direct-drive was recognized as the First Unit (Set) Integrated Equipment (省內首台(套)整機裝備) by the Ningbo Municipal Economic and Information Technology Bureau. China’s first 18 MW offshore wind turbine equipped with Physis pitch motor was successfully developed, being the turbine with the largest in Asia and the second largest worldwide.

OUR HISTORY

Our Establishment and the Initial Shareholders

On November 15, 2001, our Company was established as a limited liability company and a Sino-foreign joint venture in the PRC. Mr. Wenjie REN has been the chairman of the Board and the general manager of the Company since its establishment. At the time of its establishment, our Company was held by Foratex Limited, Northmag, Phase Motion Control and Mr. Liku SHANG as to 44%, 31%, 20% and 5%, respectively. Given Mr. Wenjie REN’s industry and management experience and his familiarity with the domestic market in China, the initial Shareholders had appointed Mr. Wenjie REN to lead the operations and management of our Company.

Phase Motion Control was founded in Italy and has been controlled by Marco Venturini. Phase Motion Control is primarily engaged in the research, development and production of motors and drives. Northmag was a company incorporated in the Netherlands with principal business in high-tech servo motors at that time, and was later merged into Phase Motion Control by absorption. Mr. Ye ZUO, the ultimate controller of Foratex Limited, had years of experience in import and export trade with financial background. Mr. Liku SHANG was a professional in the field of rare earth permanent magnet synchronous motors.

Changes in Shareholding and Corporate Form of our Company

Major Changes in Shareholding Prior to the Track Record Period

In December 2011, Northmag transferred 31% of the registered capital of the Company to Phase Motion Control at a consideration of US\$211,701. Upon completion of such share transfer, our Company was held by Phase Motion Control as to 51%. In August 2015, Phase Motion Control transferred all of its 51% shareholding in our Company to Mr. Wenjie REN at a consideration of RMB73.5 million funded by his own funds.

In November 2015, (i) Foratex Limited transferred 4% of the registered capital of the Company to Ningbo Hongrui at the consideration of RMB5,765,794.78; (ii) Foratex Limited transferred 10% of the registered capital of the Company to Mr. Ye ZUO at the nominal consideration of USD1; and (iii) Mr. Wenjie REN transferred 4% of the registered capital of the Company to Ningbo Hongrui at the consideration of RMB5,765,794.78.

In December 2016, the Company transformed from a Sino-foreign joint venture into a domestic-funded enterprise. In December 2017, to establish the Employee Incentive Platforms, Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan injected RMB19,594,898.47, RMB5,038,688.18 and RMB3,359,125.46 respectively into the Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

From 2015 to 2021, our Company conducted four rounds of [REDACTED] Investments. The details of such [REDACTED] Investments are set out in the “— [REDACTED] Investments” below.

The following table sets forth the equity interest structure of our Company as of December 31, 2021:

No.	Name of Shareholders ⁽¹⁾	Registered Capital Subscribed (RMB)	Equity Interest Percentage
1.....	Mr. Wenjie REN	35,282,269	27.47%
2.....	Ningbo Hongrui ⁽²⁾	24,494,896	19.07%
3.....	Future Industry Investment Fund ⁽³⁾	12,851,200	10.01%
4.....	Hefeng Venture Capital ⁽³⁾	11,451,564	8.92%
5.....	Mr. Ye ZUO ⁽⁴⁾	10,649,955	8.29%
6.....	Ningbo Hongjun ⁽⁵⁾	8,906,722	6.94%
7.....	Ms. Jin HU ⁽⁶⁾	6,234,740	4.85%
8.....	Huijia Huijin ⁽³⁾	4,008,047	3.12%
9.....	Shenzhen SAIF ⁽³⁾	3,180,990	2.48%
10.....	Xingzheng SAIFU ⁽³⁾	2,517,226	1.96%
11.....	Ningbo Hongche ⁽⁵⁾	2,290,313	1.78%
12.....	Huangshan SAIFU ⁽³⁾	1,908,594	1.49%
13.....	Ningbo Honglan ⁽⁵⁾	1,526,875	1.19%
14.....	Xiamen SAIFU ⁽³⁾	1,272,396	0.99%
15.....	Jiequan Meidu ⁽³⁾	1,192,871	0.93%
16.....	Xingzheng SAIFU I ⁽³⁾	663,764	0.52%
Total ..		128,432,472	100.00%

Notes:

- (1) Save as disclosed in “— Employee Incentive Platforms” and “— [REDACTED] Investments — Information on the [REDACTED] Investors”, to the best knowledge of our Directors, (i) there is no past or present relationships among these Shareholders, their existing shareholders and directors; and (ii) there is no past or present relationship among the Shareholders, their existing shareholders, their existing directors and our Company and our subsidiaries, their existing controlling shareholders, directors and senior management, and any of their respective existing associates.
- (2) Ningbo Hongrui was established in the PRC as a limited partnership on July 13, 2015. Mr. Wenjie REN is the sole general partner of Ningbo Hongrui and holds approximately 1.60% of the partnership interest in Ningbo Hongrui. As of the Latest Practicable Date, Ningbo Hongrui had 11 limited partners, including Ms. Yahong DING, Mr. Yi DONG and Mr. Dongsheng HE, each an executive Director (holding approximately 5.16%, 12.12% and 45.50% of the partnership interests in Ningbo Hongrui respectively), Ms. Meixiang LIU, the deputy chief financial officer of the Company (holding approximately 4.73% of the partnership interest in Ningbo Hongrui), and Ms. Xiaoying XU, a deputy general manager of the Company (holding approximately 11.25% of the partnership interest in Ningbo Hongrui), four other key employees of our Group (holding approximately 14.22% of the partnership interest in Ningbo Hongrui) and two Independent Third Parties (holding approximately 4.35% of the partnership interest in Ningbo Hongrui).
- (3) Please refer to “— [REDACTED] Investments — Information on the [REDACTED] Investors” below.
- (4) Mr. Ye ZUO served as a former Director of the Company from September 2006 to December 2019 and a former Supervisor from December 2019 to August 27, 2025 when the supervisory committee of the Company was abolished. He is an Independent Third Party.
- (5) Please refer to “— Employee Incentive Platforms” below.
- (6) Ms. Jin HU is the spouse of Mr. Wenjie REN.

Investment and Equity Transfers During the Track Record Period

In January 2024, the Company conducted the Series C Financing. The details of such [REDACTED] Investment are set out in the “— [REDACTED] Investments” below.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following table sets forth the equity interest structure of our Company as of December 31, 2025:

No.	Name of Shareholders ⁽¹⁾	Registered Capital Subscribed (RMB)	Equity Interest Percentage
1.....	Mr. Wenjie REN	35,282,269	22.17%
2.....	Ningbo Hongrui	24,494,896	15.39%
3.....	Metropolitan Industrial Investment Fund ⁽²⁾	18,753,042	11.79%
4.....	Future Industry Investment Fund	12,851,200	8.08%
5.....	Hengfeng Venture Capital	11,451,564	7.20%
6.....	Mr. Ye ZUO	10,649,955	6.69%
7.....	Ningbo Hongjun	8,906,772	5.60%
8.....	Future Industry Investment Fund II ⁽²⁾	7,952,475	5.00%
9.....	Ms. Jin HU	6,234,740	3.92%
10.....	Huijia Huijin	4,008,047	2.52%
11.....	Shenzhen SAIF	3,180,990	2.00%
12.....	Xingzheng SAIFU	2,517,226	1.58%
13.....	Ningbo Hongche	2,290,313	1.44%
14.....	Tongshang Venture Capital ⁽²⁾	1,988,119	1.25%
15.....	New Kinetic Energy Fund ⁽²⁾	1,988,119	1.25%
16.....	Huangshan SAIFU	1,908,594	1.20%
17.....	Ningbo Honglan	1,526,875	0.96%
18.....	Xiamen SAIFU	1,272,396	0.80%
19.....	Jiequan Meidu	1,192,871	0.75%
20.....	Xingzheng SAIFU I	663,764	0.42%
Total . .		159,114,227	100.00%

Notes:

(1) Save as disclosed in “— Employee Incentive Platforms” and “— [REDACTED] Investments — Information on the [REDACTED] Investors”, to the best knowledge of our Directors, (i) there is no past or present relationship among these Shareholders, their existing shareholders and directors; and (ii) there is no past or present relationship among the Shareholders, their existing shareholders, their existing directors and our Company and our subsidiaries, their existing controlling shareholders, directors and senior management, and any of their respective existing associates.

(2) Please refer to “— [REDACTED] Investments — Information on the [REDACTED] Investors.”

Conversion into a Joint Stock Limited Liability Company

On August 23, 2019, the Shareholders passed resolutions approving the conversion of our Company from a limited liability company into a joint stock limited liability company. Pursuant to the promoters’ agreement dated December 3, 2019 and the Shareholders’ resolution dated the same date, all promoters (being all the then Shareholders) approved the conversion of the net assets value of our Company as of May 31, 2019 of RMB246,286,263.91 into 127,239,601 Shares. Upon the completion of the conversion, the registered capital of our Company was RMB127,239,601 divided into 127,239,601 Shares with a nominal value of RMB1 each, which were subscribed by all the then Shareholders in proportion to their respective equity interest in our Company before the conversion. The conversion was completed on December 20, 2019 and our Company was renamed Ningbo Physis Technology Co., Ltd.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our PRC Legal Advisor has confirmed that the above mentioned equity transfers, capital increases and joint-stock conversion have been properly and legally completed in all material aspects and all requisite regulatory approvals have been obtained in accordance with the applicable PRC laws and regulations.

Shareholding Structure of our Company

Capitalization of our Company

The table below is a summary of our Company as of the date of this document and the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised):

Shareholders	As of the Latest Practicable Date		Immediately upon completion of the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised)		
	Number of Unlisted Shares Held	Approximate ownership percentage	Number of Unlisted Shares Held	Number of H Shares Held	Approximate ownership percentage
Controlling					
Shareholders	78,735,865	49.48%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wenjie REN	35,282,269	22.17%	[REDACTED]	[REDACTED]	[REDACTED]
Ningbo Hongrui.	24,494,896	15.39%	[REDACTED]	[REDACTED]	[REDACTED]
Ningbo Hongjun	8,906,772	5.60%	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Jin HU.	6,234,740	3.92%	[REDACTED]	[REDACTED]	[REDACTED]
Ningbo Hongche	2,290,313	1.44%	[REDACTED]	[REDACTED]	[REDACTED]
Ningbo Honglan	1,526,875	0.96%	[REDACTED]	[REDACTED]	[REDACTED]
CS Capital⁽¹⁾	26,705,517	16.78%	[REDACTED]	[REDACTED]	[REDACTED]
Metropolitan Industrial Investment Fund	18,753,042	11.79%	[REDACTED]	[REDACTED]	[REDACTED]
Future Industry Investment Fund II . .	7,952,475	5.00%	[REDACTED]	[REDACTED]	[REDACTED]
Future Industry Investment Fund	12,851,200	8.08%	[REDACTED]	[REDACTED]	[REDACTED]
State-Owned Assets					
Supervision & Administration					
Commission of Ningbo Municipal Government⁽¹⁾	15,427,802	9.70%	[REDACTED]	[REDACTED]	[REDACTED]
Hefeng Venture Capital	11,451,564	7.20%	[REDACTED]	[REDACTED]	[REDACTED]
Tongshang Venture Capital	1,988,119	1.25%	[REDACTED]	[REDACTED]	[REDACTED]
New Kinetic Energy Fund	1,988,119	1.25%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Ye ZUO	10,649,955	6.69%	[REDACTED]	[REDACTED]	[REDACTED]
Huijia Huijin.	4,008,047	2.52%	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen SAIF	3,180,990	2.00%	[REDACTED]	[REDACTED]	[REDACTED]
Industrial Capital					
Management⁽¹⁾	3,180,990	2.00%	[REDACTED]	[REDACTED]	[REDACTED]
Xingzheng SAIFU	2,517,226	1.58%	[REDACTED]	[REDACTED]	[REDACTED]
Xingzheng SAIFU I	663,764	0.42%	[REDACTED]	[REDACTED]	[REDACTED]

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholders	As of the Latest Practicable Date		Immediately upon completion of the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised)		
	Number of Unlisted Shares Held	Approximate ownership percentage	Number of Unlisted Shares Held	Number of H Shares Held	Approximate ownership percentage
<i>Tianjin Saifu Shengyuan⁽¹⁾</i>	3,180,990	2.00%	[REDACTED]	[REDACTED]	[REDACTED]
Huangshan SAIFU	1,908,594	1.20%	[REDACTED]	[REDACTED]	[REDACTED]
Xiamen SAIFU	1,272,396	0.80%	[REDACTED]	[REDACTED]	[REDACTED]
Jiequan Meidu	1,192,871	0.75%	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] taking parts in the [REDACTED]	—	—	—	[REDACTED]	[REDACTED]
Total	159,114,227	100.00%	[REDACTED]	[REDACTED]	100.00%

Notes:

- (1) See “— [REDACTED] Investments — Information on the [REDACTED] Investors” below for details.

EMPLOYEE INCENTIVE PLATFORMS

In order to improve the corporate governance of our Company and promote the establishment and improvement of our incentive constraint mechanism, multiple limited partnerships, namely, Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan were established in the PRC as the Employee Incentive Platforms pursuant to the [REDACTED] Equity Incentive Scheme we adopted in 2017. For details of the [REDACTED] Equity Incentive Scheme, see “Appendix VI — Statutory and General Information”.

Ningbo Hongjun

Ningbo Hongjun was established in the PRC as a limited partnership on December 15, 2017. Mr. Wenjie REN is the sole general partner of Ningbo Hongjun and holds approximately 83.61% of the partnership interest in Ningbo Hongjun. As of the Latest Practicable Date, Ningbo Hongjun had 12 limited partners, including Ms. Yahong DING, Mr. Yi DONG and Mr. Dongsheng HE, each an executive Director (each holding approximately 0.34% of the partnership interest in Ningbo Hongjun), and Mr. Yang LI, the chief financial officer of the Company (holding approximately 2.81% of the partnership interest in Ningbo Hongjun), Ms. Meixiang LIU, the deputy chief financial officer of the Company (holding approximately 0.34% of the partnership interest in Ningbo Hongjun), and Ms. Xiaoying XU, a deputy general manager of the Company (holding approximately 0.34% of the partnership interest in Ningbo Hongjun), five other key employees of our Group (holding approximately 9.09% of the partnership interest in Ningbo Hongjun) and Zhihong LI, an Independent Third Party (holding approximately 2.81% of the partnership interest in Ningbo Hongjun). As of the Latest Practicable Date, Ningbo Hongjun held approximately 5.60% of the number of issued Shares of our Company. The voting rights attaching to the Shares held by Ningbo Hongjun are exercisable by Mr. Wenjie REN as the general partner.

Ningbo Hongche

Ningbo Hongche was established in the PRC as a limited partnership on December 14, 2017. Mr. Wenjie REN is the sole general partner of Ningbo Hongche and holds approximately 47.61% of the partnership interest in Ningbo Hongche. As of the Latest Practicable Date, Ningbo Hongche had eight limited partners who are key employees of our Group (holding approximately 52.39% of the partnership interest in Ningbo Hongche). As of the Latest Practicable Date, Ningbo Hongche held approximately 1.44% of the number of issued Shares of our Company. The voting rights attaching to the Shares held by Ningbo Hongche are exercisable by Mr. Wenjie REN as the general partner.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Ningbo Honglan

Ningbo Honglan was established in the PRC as a limited partnership on December 15, 2017. Mr. Wenjie REN is the sole general partner of Ningbo Honglan and holds approximately 65.29% of the partnership interests Ningbo Honglan. As of the Latest Practicable Date, Ningbo Honglan had 11 limited partners who are key employees of our Group (holding approximately 34.71% of the partnership interests in Ningbo Honglan). As of the Latest Practicable Date, Ningbo Honglan held approximately 0.96% of the number of issued Shares of our Company. The voting rights attaching to the Shares held by Ningbo Honglan are exercisable by Mr. Wenjie REN as the general partner.

[REDACTED] SHARE OPTION SCHEME

We have adopted the [REDACTED] Share Option Scheme, the purpose of which is to recognize the contribution to our Group by our employees. For details of the [REDACTED] Share Option Scheme, see “Appendix VI — Statutory and General Information.” Save as disclosed above and in “Appendix VI — Statutory and General Information,” as of the Latest Practicable Date, our Group does not have any outstanding share options, warrants, convertible debt securities or other convertible instruments, or similar rights convertible into our Shares.

MAJOR SUBSIDIARIES OF OUR COMPANY

We operate our businesses primarily through our Company and our major subsidiaries. As of the Latest Practicable Date, the major subsidiaries of our Group as set out below.

Physis Motion

Physis Motion was established in the PRC on August 2, 2007 and is our wholly-owned subsidiary, with a current registered capital of RMB100,610,751. It is primarily engaged in R&D, manufacturing and sale of servo motors, servo drives, servo systems and control system products.

Physis New Energy

Physis New Energy was established in the PRC on August 11, 2016. It is a wholly-owned subsidiary of the Company and is primarily engaged in R&D and sale of NEV motors electric drive related products.

OSAI ITA

OSAI ITA was incorporated in Italy on October 1, 2019. It is a wholly-owned subsidiary of the Company and is primarily engaged in the research, development, production and sales of CNC products.

Innovation Center

Innovation Center was established in the PRC on September 2, 2022. It is a non-wholly owned subsidiary of our Company and is primarily engaged in R&D of electric drives across a range of applications. For details on the shareholding structure of Innovation Center, please refer to “— Corporate Structure” below.

For detailed information of the changes in the share capital of our subsidiaries, see “Appendix VI — Statutory and General Information — A. Further Information about Our Group — 3. Changes in Share Capital of Our Subsidiaries.”

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

In November 2019, the Company and Prima Electro entered into (1) a share purchase agreement (the “SPA”), pursuant to which the Company acquired 60% equity interests in OSAI ITA for a consideration of EUR6 million, and (2) a shareholders’ agreement (the “SHA”), pursuant to which Prima Electro granted us the right to purchase, and we granted Prima Electro the right to sell, the remaining 40% equity interest in OSAI ITA. In July 2022, Prima Electro exercised its put right pursuant to the SHA, and we acquired from Prima Electro the remaining 40% equity interests in OSAI ITA for a consideration of EUR4,547,645.

The acquisition of the 60% equity interests in OSAI ITA was properly and legally completed and fully settled on December 12, 2019, and the consideration was determined after arm’s length negotiations between our Company and Prima Electro with reference to the enterprise value of OSAI ITA as negotiated and agreed among the parties. The acquisition of the remaining 40% equity interests in OSAI ITA was properly and legally completed and fully settled on August 1, 2022, and the consideration was determined after arm’s length negotiations between our Company and Prima Electro based on the enterprise value of OSAI ITA with reference to its financial position as of December 31, 2021. Upon completion of the two-step acquisition in 2022, the Company owned 100% equity interests in OSAI ITA.

Prima Electro is an Italian company operating in the field of high power laser sources and industrial electronics. It is wholly owned by Prima Industrie S.p.A. which is listed on Milan Exchange (Stock Code: PRI: IM). Prior to our acquisition of OSAI ITA, Prima Electro owned the brand “OSAI.” OSAI originated in Italy, specializing in CNC (computer numerical control) and automation systems. OSAI ITA was incorporated in Italy by Prima Electro in October 2019, and pursuant to the SPA, Prima Electro had injected the business unit responsible for the “OSAI” brand (including but not limited to the employees, customer lists, the brand, know-how, service warehouse, equity interest in OSAI UK, OSAI China and OSAI North America) into OSAI ITA. OSAI ITA is headquartered in Ivrea, Italy and has subsidiaries in Italy, China, the United Kingdom and the United States. It is principally engaged in the research, development, production and sales of CNC products. The Board believe that the acquisition of OSAI ITA is in line with international development strategy of our Group. It would enable us to enhance the Company’s research and development strength in high-end CNC system technology, accelerate the development of our control system products, expand our footprints into overseas markets, especially the European market, and leverage the expertise and knowledge of OSAI ITA.

None of the applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of OSAI ITA exceed 25% which would require disclosure pursuant to Rule 4.05A of the Listing Rules. Save as disclosed above, there has been no material acquisitions, disposals or mergers undertaken by our Group during the Track Record Period and up to the Latest Practicable Date.

PREVIOUS A-SHARE LISTING ATTEMPTS AND REASONS FOR [REDACTED] ON THE STOCK EXCHANGE

In June 2021, our Company submitted an application for listing (the “**Previous A-Share Listing Application**”) to list the Shares on the STAR Market of the Shanghai Stock Exchange. During the Previous A-Share Listing Application process, the Shanghai Stock Exchange issued three rounds of review comment letters with questions concerned primarily on the following areas: (i) the loss-making position of the NEV solutions business and its expansion plan; (ii) the relationship with Phase Motion Control S.p.A., one of the Company’s initial Shareholders and a major customer; (iii) the reasonableness of the proposed use of proceeds from the proposed A-share listing; (iv) the arrangement of the consignment model with one of its customers; (v) level of its core technology; (vi) financial performance, particularly costs and gross profit margin; and (vii) the acquisition of OSAI ITA. The Company had responded to all three rounds of questions.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In November 2021, the Previous A-Share Listing Application was referred to the listing committee of the Shanghai Stock Exchange for consideration. On November 24, 2021, the Shanghai Stock Exchange issued a letter terminating the vetting of the Previous A-Share Listing Application on the grounds that the following comments had not been satisfactorily addressed: (1) the reasons and rationality for the delayed investment in construction-in-progress projects related to the new energy vehicle business, as well as the sufficiency of relevant information disclosure, and the compliance of continuing to recognize interest capitalization for these construction-in-progress projects; (2) the sufficiency of impairment provisions for relevant construction-in-progress and fixed assets of already built capacity in the context of declining revenue and profitability, as well as low capacity utilization in the new energy vehicle business, and the necessity of related fundraising projects; (3) the sufficiency of information disclosure regarding the continuous recognition of deferred tax assets and their impact on profits during the reporting period (as of December 31, 2018, 2019, 2020 and June 30, 2021).

Other than disclosed in this section, there was no other outstanding comments from the Shanghai Stock Exchange in relation to the Previous A-Share Listing Application, nor was there any disagreement between our Company and the Shanghai Stock Exchange or any working parties involved in the Previous A-Share Listing Application.

Having taken into account the details relating to our technology capabilities, financial performance during the Track Record Period, business development strategies and path to profitability as disclosed in the “Business” and “Financial Information” sections in this document, our Directors are of the view, and the Sole Sponsor concurs, that the above-mentioned comments and concerns from the Shanghai Stock Exchange would not render our Company not suitable for [REDACTED] on the Stock Exchange.

In March 2022, we engaged Haitong Securities Co., Ltd. (海通證券股份有限公司) to provide tutoring (the “**Tutoring**”) to us in preparation a potential application for listing on the STAR Market of the Shanghai Stock Exchange (“**Previous A-Share Listing Plan**”) and filed the tutoring filing (輔導備案) (the “**Tutoring Filing**”) with the Ningbo Regulatory Bureau of the CSRC (中國證券監督管理委員會寧波監管局). After considering our then future development strategies and the then regulatory and marketing environment, we voluntarily ceased the Previous A-Share Listing Plan and terminated the Tutoring based on mutual agreement with Haitong Securities Co., Ltd. in June 2025, without submitting any formal application for listing on the STAR Market of the Shanghai Stock Exchange or any stock exchange in the PRC. During the period of the Tutoring, there had been no comment or inquiry from the Ningbo Regulatory Bureau of the CSRC (中國證券監督管理委員會寧波監管局) in connection with the Tutoring Filing, nor material disagreement between our Company and any professional parties engaged for the Tutoring Filing.

Our Directors confirm that save as disclosed in this section, there is no other matter in relation to the Previous A-Share Listing Application and the Previous A-Share Listing Plan that needs to be brought to the attention of the Stock Exchange or potential [REDACTED]. Based on the aforesaid and the Sole Sponsor’s due diligence work, the Sole Sponsor concurs with the Directors’ view that nothing in relation to the Previous A-Share Listing Application and the Previous A-Share Listing Plan has come to its attention that needs to be brought to the attention of the Stock Exchange or potential [REDACTED].

In seeking for a [REDACTED] on the Hong Kong Stock Exchange, our Directors believe that the [REDACTED] will provide us with the necessary funding to increase our competitiveness by assisting us to expand our operations and strengthen our business prospects, and the [REDACTED] on the Stock Exchange will raise our profile and market awareness of our brand name and present us with an opportunity to further expand our [REDACTED] base and broaden our access to international capital markets.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

Overview

The following tables summarizes the key terms of the [REDACTED] Investments:

No.	Round	Form of investment	Date of agreement	Date of full settlement of consideration	[REDACTED] Investors ⁽¹⁾	Registered capital subscribed for/acquired	Amount of consideration paid	Post-money valuation of our Company ⁽²⁾ (approx.)	Cost per Share (approx.)	Discount to H Share [REDACTED] ⁽⁴⁾ (approx.)
1. . .	Transfer of registered capital and Series A Financing in 2015 and 2016	Transfer of registered capital from existing Shareholder Mr. Wenjie REN	November 24, 2015	November 30, 2015	Guotou Chuangxin (Beijing) Investment Fund Corporation Limited (國投創新(北京)投資基金有限公司) (“Guotou Chuangxin”)	RMB12,596,720.45	RMB44,550,000	RMB405 million	RMB3.54	[REDACTED]
			December 15, 2015	December 21, 2015	Hefeng Venture Capital	RMB11,451,564.04	RMB40,500,000			
			July 4, 2016	July 6, 2016	Future Industry Investment Fund	RMB4,835,104.92	RMB17,100,000			
		Subscription of increased registered capital by cash	July 25, 2016	August 18, 2016	Future Industry Investment Fund	RMB8,016,094.73	RMB28,350,000			
2. . .	Transfer of registered capital in 2018	Transfer of registered capital from Guotou Chuangxin	December 29, 2018	January 28, 2019	Xingzheng SAIFU I	RMB2,517,225.54	RMB39,566,700	RMB2,000 million	RMB15.72	[REDACTED]
				January 28, 2019	Xingzheng SAIFU I	RMB663,764.47	RMB10,433,300			
				January 24, 2019	Huangshan SAIFU	RMB1,908,594.01	RMB30,000,000			
				January 24, 2019	Xiamen SAIFU	RMB1,272,396.00	RMB20,000,000			
				January 24, 2019	Shenzhen SAIF	RMB2,226,693.02	RMB35,000,000			
		Transfer of registered capital from Mr. Wenjie REN		January 24, 2019	Shenzhen SAIF	RMB954,297.00	RMB15,000,000			
3. . .	Series B Financing	Subscription of increased registered capital by cash	December 23, 2020	December 25, 2020	Jiequan Meidu	RMB1,192,871	RMB30,000,000	RMB3,230 million	RMB25.15	[REDACTED]

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No.	Round	Form of investment	Date of agreement	Date of full settlement of consideration	[REDACTED] Investors ⁽¹⁾	Registered capital subscribed for/acquired	Amount of consideration paid	Post-money valuation of our Company ⁽²⁾ (approx.)	Cost per Share (approx.)	Discount to H Share [REDACTED] ⁽⁴⁾ (approx.)
4. . .	Transfer of registered capital in 2021	Transfer of registered capital from Guotou Chuangxin	February 7, 2021	March 4, 2021	Huijia Huijin	RMB4,008,047.00	RMB81,139,300	RMB2,600 million	RMB20.24	[REDACTED]
5. . .	Series C Financing	Subscription of increased registered capital by cash	January 28, 2024	February 5, 2024	Future Industry Investment Fund II	RMB7,952,475.00	RMB200,000,000	RMB4,002 million	RMB25.15	[REDACTED]
				February 6, 2024	New Kinetic Energy Fund	RMB1,988,119.00	RMB50,000,000			
				February 6, 2024	Tongshang Venture Capital	RMB1,988,119.00	RMB50,000,000			
		Subscription of increased registered capital ⁽⁵⁾		January 28, 2024	Metropolitan Industrial Investment Fund	RMB18,753,042.00	RMB471,627,800			

Notes:

- (1) For the details of the [REDACTED] Investors, see “— Information on the [REDACTED] Investors.”
- (2) The post-money valuation of our Company equals the total consideration paid by the [REDACTED] Investors in each round of the [REDACTED] Investments, divided by the ownership or shareholding percentage of the [REDACTED] Investors immediately after the [REDACTED] Investment.
- (3) The cost per unit of registered capital or Share paid by each [REDACTED] Investor was calculated based on the amount of investment made and amount of registered capital or number of Shares held by the [REDACTED] Investor immediately after the [REDACTED] Investment, and adjusted with reference to the conversion of capital reserve to registered share capital of our Company as set out in “— Conversion into a Joint Stock Limited Liability Company” above.
- (4) The discount is calculated based on the [REDACTED] Price of [REDACTED] per H Share (being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED]).
- (5) The consideration comprises 12,000,000 shares of Physis New Energy (the “Consideration Shares”) held by Metropolitan Industrial Investment Fund, representing 37.5% equity interest in Physis New Energy at that time. The Consideration Shares was valued at RMB471,627,800 with reference to the enterprise value of Physis New Energy as negotiated and agreed among the parties.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Basis of determination of the valuation and consideration	The considerations for the [REDACTED] Investments were determined based on arm’s length negotiation between the parties taking into account the timing of the investments and the status of the Company’s business operations, product development advancement and future prospects.
Use of [REDACTED] and whether they have been fully utilized	With regard to the [REDACTED] Investments which were effected by way of transfer of registered capital from existing Shareholder(s), no [REDACTED] were received by our Company. As of the Latest Practicable Date, all net [REDACTED] raised from Series A Financing, Series B Financing and Series C Financing had been fully applied as general working capital.
Lock-up period . . .	The [REDACTED] Investors are subject to a lock up period of 12 months following the [REDACTED] according to the PRC Company Law.
Strategic benefits of the [REDACTED] Investments brought to Our Group	Our Directors were of the view that our Group could benefit from the additional funds provided by the [REDACTED] Investors’ investments in our Group. In addition, Our Directors believed that our Company could benefit from the [REDACTED] Investors’ knowledge and experience, and could take advantage of their industry resources and networks, while broadening our shareholder base, and their commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of Company’s performance, strength and prospects.

Information on the [REDACTED] Investors

To the best knowledge of our Directors, save as otherwise disclosed below, (i) there is no past or present relationship among the [REDACTED] Investors, their existing shareholders and directors; and (ii) the [REDACTED] Investors are Independent Third Parties, and there is no past or present relationship among the [REDACTED] Investors, their existing shareholders, their existing directors and our Company and our subsidiaries, their existing controlling shareholders, directors and senior management, and any of their respective existing associates.

Metropolitan Industrial Investment Fund is a substantial shareholder of the Company and therefore is a connected person of the Company. CS Capital is the general partner of Metropolitan Industrial Investment Fund and the manager of Future Industry Investment Fund II. As such, CS Capital is deemed to be interested in the Shares held by Metropolitan Industrial Investment Fund and Future Industry Investment Fund II, and therefore a substantial shareholder of the Company. Accordingly, CS Capital is a connected person of the Company. Future Industry Investment Fund II, an associate of CS Capital, is therefore also a connected person of the Company. Save for Metropolitan Industrial Investment Fund and Future Industry Investment Fund II, to the best of our Company’s knowledge, information and belief and having made all reasonable enquiries, as of the Latest Practicable Date, all the other [REDACTED] Investors and their respective ultimate beneficial owner(s) (if any) were Independent Third Parties.

CS Capital — Metropolitan Industrial Investment Fund and Future Industry Investment Fund II

Each of Metropolitan Industrial Investment Fund (Limited Partnership) (京津冀產業協同發展投資基金(有限合夥)) and Future Industry Investment Fund II (Limited Partnership) (先進製造產業投資基金二期(有限合夥)) is a limited partnership formed under the laws of the PRC, the general partner and manager of which is CS Capital. CS Capital has 11 shareholders with two largest shareholders each holding 20% equity interest, including China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國國投高新產業投資有限公司) which is ultimately controlled by the State-owned

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Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), a PRC Governmental Body as defined under the Listing Rules, and China Merchants Capital Management Co., Ltd. (招商局資本管理有限責任公司) (“**CMC Management**”), which is indirectly owned as to 50% by China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司), which in turn is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

As of the Latest Practicable Date, (1) Metropolitan Industry Investment Fund had 17 limited partners and to the best knowledge of our Directors, other than two limited partners, being National Development and Investment Group Co., Ltd. (國家開發投資集團有限公司) and China Merchants Capital Holding Co., Ltd. (招商局資本控股有限責任公司), both of which were ultimately held by the State Council (國務院) or the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) as to 50% or more, with the two limited partners holding approximately 31% in aggregate, the other limited partners of Metropolitan Industry Investment Fund are not close associate (as defined under the Listing Rules) of each other and none of them held 30% or more, and (2) Future Industry Investment Fund II has 37 limited partners with none of them holding 30% or more, and, to the best knowledge of our Directors, the limited partners are not a close associate of each other.

Future Industry Investment Fund

Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金(有限合夥)) (previously known as Guotou Future Industry Investment Fund (Limited Partnership) (國投先進製造產業投資基金(有限合夥))) is a limited partnership established under the laws of the PRC. It is managed by SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司) (“**SDIC Fund**”) which is held as to 40% by China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council. SDIC Fund is an equity investment management institution with investments in a range of industries. SDIC Fund and its affiliates has nearly RMB100 billion of assets under management. As of the Latest Practicable Date, Future Industry Investment Fund has 11 limited partners with MOF holding 35.48% and none of the other limited partners holding 30% or more, and to the best knowledge of our Directors, the limited partners are not a close associate of each other.

Huijia Huijin

Hainan Huijia Huijin Equity Investment Fund Partnership (Limited Partnership) (海南匯嘉匯金股權投資基金合夥企業(有限合夥)) is a limited partnership established in the PRC and is managed by its general partner, Beijing Orient Huijia Fund Management Co., Ltd. (北京東方匯嘉基金管理有限公司), which is ultimately controlled by Mr. Weidong WANG (王衛東). As of the Latest Practicable Date, Huijia Huijin had 34 limited partners, and none of them held 30% or more of its partnership interests. To the best knowledge of our Directors, the limited partners of Huijia Huijin are not a close associate of each other.

Shenzhen SAIF

Shenzhen Futian SAIF Dynamiques Equity Investment Fund Partnership (Limited Partnership) (深圳市福田賽富動勢股權投資基金合夥企業(有限合夥)) is a limited partnership established in the PRC and is managed by its general partner, Shenzhen SAIF Dynamiques Equity Investment Fund Management Enterprise (Limited Partnership) (深圳市賽富動勢股權投資基金管理企業(有限合夥)), which is ultimately controlled by Mr. Fengchun JIN (金鳳春). As of the Latest Practicable Date, Shenzhen SAIF had 18 limited partners, and was held as to approximately 26.98% by China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司) as the largest limited partner, who, to the best knowledge of our Directors, as of the Latest Practicable Date, does not have any control over Shenzhen SAIF. To the best knowledge of our Directors, the limited partners of Shenzhen SAIF are not a close associate of each other.

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Industrial Capital Management — Xingzheng SAIFU and Xingzheng SAIFU I

Each of Xingzheng SAIFU and Xingzheng SAIFU I is a limited partnership established in the PRC principally engaged in equity investment and consulting services. The general partner of both Xingzheng SAIFU and Xingzheng SAIFU I is Industrial Capital Management Co., Ltd. (興証創新資本管理有限公司) (“**Industrial Capital Management**”), which is wholly owned by Industrial Securities Co., Ltd. (興業證券股份有限公司), whose largest shareholder is Fujian Provincial Department of Finance (福建省財政廳), holding 20.49% of its equity interests. Xingzheng SAIFU has 49 limited partners and none of the limited partners holds 30% or more of partnership interests. Xingzheng SAIFU I has 20 limited partners and none of the limited partners holds 30% or more of partnership interests. To the best knowledge of our Directors, the limited partners of each of Xingzheng SAIFU and Xingzheng SAIFU I are not a close associate of each other.

Tianjin Saifu Shengyuan — Huangshan SAIFU and Xiamen SAIFU

Huangshan SAIF Tourism Cultural Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)) is a limited partnership established in the PRC. The general partner of Huangshan SAIFU is Huangshan Saifu Fund Management Co., Ltd. (黃山賽富基金管理有限責任公司). Huangshan SAIFU is an investment fund focusing on technology, culture and tourism and innovative platform and ultimately controlled by Mr. Andrew Y. YAN (閻焱) who is the representative of the managing partner of Tianjin Saifu Shengyuan Investment Management Center (Limited Partnership) (天津賽富盛元投資管理中心(有限合夥)) (“**Tianjin Saifu Shengyuan**”). The remaining limited partnership interests are held by (i) Shenzhen Jinsheng Shuoheng Venture Capital Center (L.P.) (深圳金晟碩恒創業投資中心(有限合夥)) a private equity investment company ultimately controlled by Mr. Ye LI (李曄), as to 40%, (ii) Bank of China Asset Management Co., Ltd (中銀資產管理有限公司), a company controlled by Bank of China Limited, a company listed on the Shanghai Stock Exchange and the Stock Exchange (stock code: 601988.SH and 03988.HK), as to 35% and (iii) Huangshan Tourism Development Co., Ltd. (黃山旅遊發展股份有限公司) (stock code: 600054.SH), a company listed on the Shanghai Stock Exchange and ultimately controlled by Huangshan City Local Financial Supervision and Administration Bureau (黃山市地方金融監督管理局) as to 24%. To the best knowledge of our Directors, the limited partners of Huangshan SAIFU are not a close associate of each other.

Xiamen SAIF Equity Investment Partnership (Limited Partnership) (廈門賽富股權投資合夥企業(有限合夥)) is a limited partnership established in the PRC. The general partner of Xiamen SAIFU is Tianjin Saifu Shengyuan, which is ultimately controlled by Mr. Andrew Y. YAN. As of the Latest Practicable Date, Xiamen SAIFU had 20 limited partners, and was held as to approximately 18.95% and 18.95% by ICBC (Hangzhou) Equity Investment Fund Management Partnership (Limited Partnership) (工銀(杭州)股權投資基金合夥企業(有限合夥)) and Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司) respectively, each as the largest limited partner. To the best knowledge of our Directors, the limited partners of Xiamen SAIFU are not a close associate of each other.

As of the Latest Practicable Date, Tianjin Saifu Shengyuan is also a limited partner of Xingzheng SAIFU and Xingzheng SAIF I holding approximately 0.43% and 0.43% partnership interests respectively. To the best of the Company’s knowledge, information and belief and having made all reasonable enquiries, save as disclosed above, as of the Latest Practicable Date, there was no other equity relationship between Xingzheng SAIFU and Xingzheng SAIFU I on one hand, and Huangshan SAIFU and Xiamen SAIFU on the other.

State-Owned Assets Supervision & Administration Commission of Ningbo Municipal Government — Hefeng Venture Capital, Tongshang Venture Capital and New Kinetic Energy Fund

Ningbo Hefeng Venture Capital Co., Ltd. (寧波和豐創業投資有限公司) is a limited liability company established in the PRC. As of the Latest Practicable Date, Hefeng Venture Capital was wholly owned by Ningbo Industrial Investment Group Co., Ltd. (寧波工業投資集團有限公司) which was in turn held by Ningbo Tongshang Holding Group Co., Ltd. (寧波通商控股集團有限公

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司) (previously known as (寧波市國有產權管理服務中心)) (“**Tongshang Holding Group**”) as to 89.89%. As of the Latest Practicable Date, Tongshang Holding Group was wholly owned by State-Owned Assets Supervision & Administration Commission of Ningbo Municipal Government (寧波市人民政府國有資產監督管理委員會).

Each of Ningbo Tongshang Venture Capital Partnership (Limited Partnership) (寧波通商創業投資合夥企業(有限合夥)) and Zhejiang Free Trade Zone (Ningbo) New Kinetic Energy Industry Investment Fund (Limited Partnership) (浙江自貿區(寧波)新動能產業投資基金(有限合夥)) is a limited partnership established in the PRC and is managed by its general partner, Ningbo Tongshang Fund Management Co., Ltd. (寧波通商基金管理有限公司) (“**Tongshang Fund Management**”). Tongshang Fund Management is ultimately controlled by State-Owned Assets Supervision & Administration Commission of Ningbo Municipal Government and is held as to 10% by Tongshang Holding Group through its subsidiary, Tongshang Asset Management Co., Ltd. (寧波通商資產管理有限公司). As of the Latest Practicable Date, Tongshang Holding Group held 99.90% of the partnership interest in Tongshang Venture Capital, and Tongshang Holding Group was wholly owned by State-Owned Assets Supervision & Administration Commission of Ningbo Municipal Government. As of the Latest Practicable Date, New Kinetic Energy Fund had nine limited partners which was all ultimately controlled by Ningbo Beilun District State-Owned Assets Management Center (寧波市北侖區國有資產管理中心), and was held as to 25.16% by Ningbo Beilun Qinglun Intelligence Technology Co, Ltd. (寧波市北侖區青輪智能科技有限公司) as the largest limited partner.

Jiequan Meidu

Jiangsu Jiequan Meidu Equity Investment Fund Partnership (Limited Partnership) (江蘇 惠泉美都股權投資基金合夥企業(有限合夥)) is a limited partnership established in the PRC and is managed by its general partner, Nanjing Guangfeng Investment Management Center (Limited Partnership) (南京廣豐投資管理中心(有限合夥)), which is ultimately controlled by Mr. Yiping JIANG (江壹平). As of the Latest Practicable Date, Jiequan Meidu had five limited partners, and was held as to approximately 30.67% by Suzhou Dalio Information Technology Development Partnership (Limited Partnership) (蘇州達利歐信息科技發展合夥企業(有限合夥)) (“**Suzhou Dalio**”) as the largest limited partner. Suzhou Dalio is managed by its general partner, Nanjing Dalio Management Consulting Co., Ltd. (南京達利歐管理諮詢有限公司) (“**Nanjing Dalio**”), which is ultimately controlled by Mr. Rongcan LU and has one limited partner, Weifang Zhongyuanhe Information Technology Co., Ltd. (濰坊中源合信息技術有限公司) which is ultimately controlled by State-Owned Capital Operation of Kuiwen District, Weifang City (濰坊市奎文區國有資本運營中心), holding 97.87% of its limited partnerships. To the best knowledge of our Directors, the limited partners of Jiequan Meidu are not a close associate of each other.

Special Rights of the [REDACTED] Investors

Special rights granted by our Company

Pursuant to the investment agreement and the shareholders’ agreement entered into by our Company and the then Shareholders in January 2024 (the “[REDACTED] **Investment Agreements**”), the [REDACTED] Investors were granted certain special rights by our Company, including, among others, (i) the redemption rights granted by our Company (the “[REDACTED] **Company Redemption Rights**”), and (ii) other rights such as director nomination, pre-emptive right, tag-along right, anti-dilution right, liquidation right and information right (the “[REDACTED] **Other Special Rights**”). In connection with the Company Redemption Rights granted to certain [REDACTED] Investors, Mr. Wenjie REN provided guarantees and charged certain Shares held by him in favor of such [REDACTED] Investors (the “[REDACTED] **Controlling Shareholder Guarantee and Share Charge**”).

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On August 27, 2025, the Company and the then Shareholders entered into a supplemental agreement (the “**Supplemental Agreement**”), pursuant to which, the Company Redemption Rights were permanently and irrevocably terminated and shall be deemed *void ab initio*, and all of the Other Special Rights shall be terminated completely on the day before the [REDACTED]. The Controlling Shareholder Guarantee and Share Charge were also released on October 31, 2025.

Article 143 of the Civil Code of the People’s Republic of China (中華人民共和國民法典) stipulates that a civil legal act is valid if it is conducted by parties with the requisite capacity for civil conduct, is based on genuine intent, and does not contravene mandatory provisions of laws, administrative regulations or public order and morals. Adhering to the principal of autonomy of will, the Company and the [REDACTED] Investors explicitly agreed that the Company Redemption Rights were irrevocably terminated and deemed void ab initio. Through the execution of the Supplemental Agreement, while the clauses concerning the Company Redemption Rights have never been exercised, both parties agreed to terminate these clauses and treat them as having no legal effect from time to time of their execution, thereby restoring the rights and obligations of both parties to the status quo ante as if such clauses had never been agreed upon. This arrangement does not violate any mandatory provisions of laws, administrative regulations or public orders and morals, and is thus legally valid. Based on the above, the PRC Legal Advisors are of the view that the Company Redemption Rights agreed upon by the Company and the [REDACTED] Investors have been irrevocably terminated and shall be *void ab initio*.

There was no exercise of the Company Redemption Rights by any [REDACTED] Investor throughout the Track Record Period. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the Supplemental Agreement, the Directors considered that it is appropriate to present the [REDACTED] Investments as equity throughout the Track Record Period. Please also refer to note 36(b) to the Accountants’ Report.

Had the Company Redemption Rights been accounted for as financial liabilities measured at present value of the redemption amount (and derivative financial instruments) prior to entering into the Supplemental Agreement, the redemption financial liabilities, total non-current liabilities and net assets would have been:

	31 December 2023 RMB'000	31 December 2024 RMB'000	31 December 2025 RMB'000
Redemption financial liabilities	503,269	1,460,657	1,538,278
Total current liabilities	1,373,098	1,468,051	3,085,912
Total non-current liabilities	871,081	1,890,792	426,435
Net assets	(181,667)	(1,017,025)	(1,157,836)

The finance costs associated with the redemption financial liabilities, the net loss for the year, basic and dilutive earning per share would have been:

	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial costs	34,673	66,960	77,621
Total net loss	(146,871)	(243,914)	(139,507)
Basic earnings per share	(0.77)	(2.58)	(1.47)
Dilutive earnings per share	(0.77)	(2.58)	(1.47)

For further details of the financial impacts, see Note 36(b) to the Accountants’ Report in Appendix I to this document.

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Special rights granted by the Controlling Shareholder

Pursuant to the [REDACTED] Investment Agreements, the [REDACTED] Investors were also granted redemption right by our Controlling Shareholder, Mr. Wenjie REN (the “CS Redemption Right”).

Pursuant to the Supplemental Agreement, the CS Redemption Right shall be terminated on the day before the submission of the application for an [REDACTED] to the Hong Kong Stock Exchange by the Company (the “[REDACTED] Application”), subject to reinstatement in the event of (a) the [REDACTED] Application not being approved by the Stock Exchange or the CSRC (including being rejected or returned) by December 31, 2026, (b) the Company withdrawing its [REDACTED] Application, (c) the Company has not resubmitted the [REDACTED] Application within six months after the lapse of the [REDACTED] Application, or (d) the [REDACTED] Application not being accepted, approved or being terminated by the Stock Exchange or the CSRC (the “Reinstatement”).

As confirmed by Mr. Wenjie REN, other than the [REDACTED] Investment Agreements and the Supplemental Agreement (which were entered into among him, the Company and the [REDACTED] Investors), there is no other agreement or side agreement between him and the [REDACTED] Investors regarding the CS Redemption Right. As confirmed by the Company, (i) save as disclosed above, there is no other side arrangement between the Company and the [REDACTED] Investors or between the Company and Mr. Wenjie REN regarding the CS Redemption Right; and (ii) the Company did not provide any guarantee on the CS Redemption Right in case of default by Mr. Wenjie REN. Accordingly, no financial liability regarding the CS Redemption Right was recorded by the Company during the Track Record Period. Please also refer to note 44(e) to the Accountants’ Report.

Compliance with Interim Guidance

On the basis that (i) the consideration for each of the [REDACTED] Investments was settled at least 28 clear days prior to the date of the first submission of the [REDACTED] Application, (ii) the redemption rights of the [REDACTED] Investors have been revoked and terminated on or before the day before the first submission of the [REDACTED] Application subject to the Reinstatement, and (iii) all the other special rights granted to the [REDACTED] Investors shall cease to be effective and be terminated before the [REDACTED], the Sole Sponsor confirms that the [REDACTED] Investments are in compliance with the [REDACTED] Investment Guidance set out in Chapter 4.2 of the Guide.

Public Float and Free Float

Following the conversion of the Unlisted Shares into H Shares and upon the completion of the [REDACTED] (assuming that the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised):

- i. Mr. Wenjie REN will be a core connected person and a total of [REDACTED] H Shares held by him will not be counted towards the public float, representing [REDACTED] of our issued share capital in aggregate;
- ii. Ms. Jin HU, Ningbo Hongrui, Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan, each of which is a close associate of Mr. Wenjie REN, will be our core connected persons and a total of [REDACTED] H Shares held by them will not be counted towards the public float, representing [REDACTED] of our issued share capital in aggregate;
- iii. Metropolitan Industrial Investment Fund and Future Industry Investment Fund II will be our core connected persons. Although Future Industry Investment Fund is not our core connected person, given the State-owned Assets Supervision and Administration Commission of the State Council’s interest in each of Metropolitan Industrial Investment Fund, Future Industry Investment Fund and Future Industry Investment Fund as disclosed above in this section, the Shares held by Metropolitan Industrial Investment Fund, Future Industry Investment Fund and Future Industry Investment Fund II shall be aggregated for the purpose of calculating the Company’s public float. As such, a total of [REDACTED] H Shares held by them will not be counted towards the public float, representing [REDACTED] of our issued share capital in aggregate;

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- iv. a total of [REDACTED] Unlisted Shares held by our Shareholders (including Mr. Wenjie REN, Ningbo Hongrui, Ningbo Hongjun, Ms. Jin HU, Ningbo Hongche, Ningbo Honglan and Huijia Huijin) will not be converted into H Shares or listed on the Stock Exchange, and therefore will not be counted towards the public float, representing [REDACTED] of our issued share capital in aggregate;
- v. a total of [REDACTED] Unlisted Shares held by our Shareholders who are not our core connected persons (nor are accustomed to take instructions from core connected persons of the Company in relation to the acquisition, disposal, voting or other disposition of their shares, and their acquisition of shares were not financed directly or indirectly by core connected persons of the Company) and excluding the Shares held by Future Industry Investment Fund will be converted into H Shares and listed on the Stock Exchange, and therefore will be counted as part of the public float, representing [REDACTED] of our issued share capital in aggregate; and
- vi. a total of [REDACTED] H Shares issued pursuant to the [REDACTED] will be counted as part of the public float, representing [REDACTED] of our issued share capital in aggregate.

Based on an [REDACTED] of [REDACTED], [REDACTED] and [REDACTED] per H Share, being the low-end, mid-point and high-end of the [REDACTED] range respectively, the minimum prescribed public float percentage under Rule 19A.13A(1) of the Listing Rules would be approximately [REDACTED], [REDACTED] or [REDACTED], being the percentage derived by dividing [REDACTED] by the total market value of the Company’s total issued shares at the time of [REDACTED].

Based on the above, it is expected that immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and the options under the [REDACTED] Share Option Scheme are not exercised), a total of [REDACTED] H Shares, representing [REDACTED] of our total share capital upon the completion of the [REDACTED] will be counted as part of the public float, which is higher than the minimum prescribed public float percentage under Rule 19A.13A(1) of the Listing Rules.

Based on the low-end of the indicative [REDACTED] of [REDACTED] per H Share, assuming that the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised, and without taking into account [REDACTED] that may be subscribed by [REDACTED] who will be subject to lock-up requirement pursuant to the respective [REDACTED], the Company is expected to satisfy the free float requirement under Rule 19A.13C of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

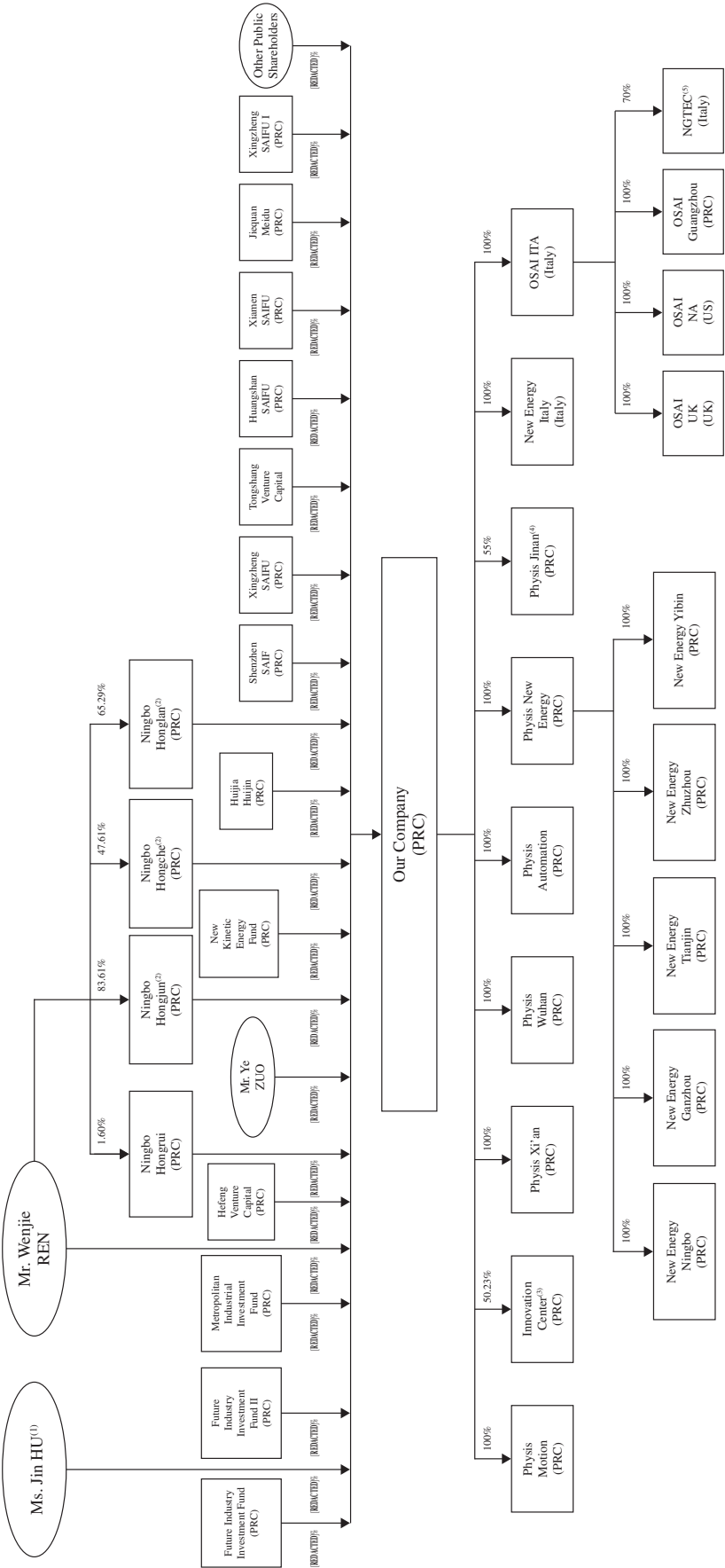
Notes:

- (1) Ms. Jin HU is the spouse of Mr. Wenjie REN.
- (2) Each of Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan is a limited partnership established in the PRC and is an employee incentive platform of the Company controlled by Mr. Wenjie REN as its general partner. For more information, please refer to subsection “Employee Incentive Platforms”.
- (3) As of the Latest Practicable Date, the Innovation Center was owned as to 50.23% by our Company, 18.10% by Future Industry Investment Fund II, 18.10% by Ningbo Industrial Investment Group Co., Ltd. (寧波工業投資集團有限公司), 9.05% by Ningbo Beilun District Industrial Investment Group Co., Ltd. (寧波市北侖區工業投資集團有限公司), 2.71% by Ningbo Zhaobao Magnet Co., Ltd. (寧波招寶磁業股份有限公司), and 1.81% by Ningbo Zhongxuan Industrial Internet Co., Ltd. (寧波中選工業互聯網有限公司). For more information of Future Industry Investment Fund II, please refer to “— [REDACTED] Investments — Information on [REDACTED] Investors” above. To the best knowledge of our Directors, each of Ningbo Industrial Investment Group Co., Ltd., Ningbo Beilun District Industrial Investment Group Co., Ltd., Ningbo Zhaobao Magnet Co., Ltd. and Ningbo Zhongxuan Industrial Internet Co., Ltd. is an Independent Third Party.
- (4) As of the Latest Practicable Date, Physis Jinan was owned as to 55% by our Company and 45% by JIER Machine-Tool Group Co., Ltd. (濟南二機床集團有限公司), an Independent Third Party, to the best knowledge of our Directors.
- (5) As of the Latest Practicable Date, NGTEC was owned as to 70% by OSAI ITA, 15% by Simone Filippini and 15% by Umberto Ferretti. To the best knowledge of our Directors, each of Simone Filippini and Umberto Ferretti is an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Immediately after Completion of the [REDACTED]

The chart below sets out the shareholding structure of our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised):



Note:

Please refer to the notes in the previous page.

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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.

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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:



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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;

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- 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.

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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;

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- 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

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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.

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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].

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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.

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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

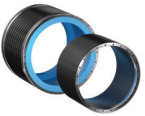
Servo Motor

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

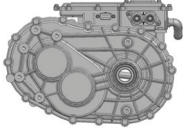
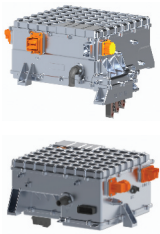
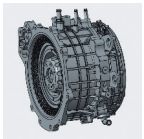
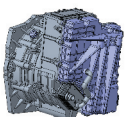
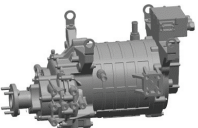
Powertrains refer to the motion control systems in an NEV, comprising three components: the traction motor, motor controller and transmission unit. During the operation of an NEV, the vehicle control unit first detects signals from the accelerator and brake pedals, then sends a torque command to the 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.

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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.

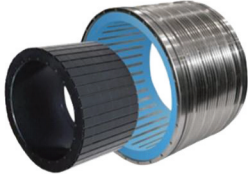
Our business model involves deep collaboration with NEV OEMs throughout their R&D process, providing them with customized powertrain systems and components. Through years of close collaboration with multiple leading NEV OEMs, we have cultivated a unique competitive edge in providing powertrain solutions 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

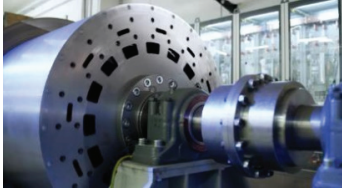
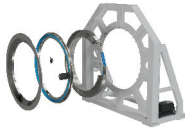
Specialized Precision Electric Drive Systems

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.

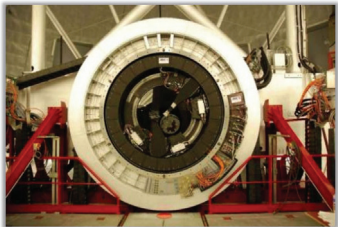
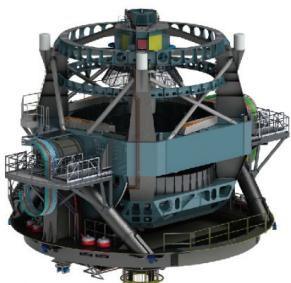
BUSINESS

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.

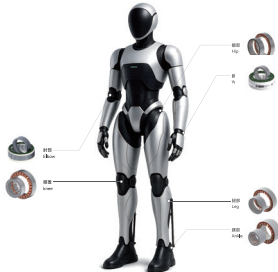
BUSINESS

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.

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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.

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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.

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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.

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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.

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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.

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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

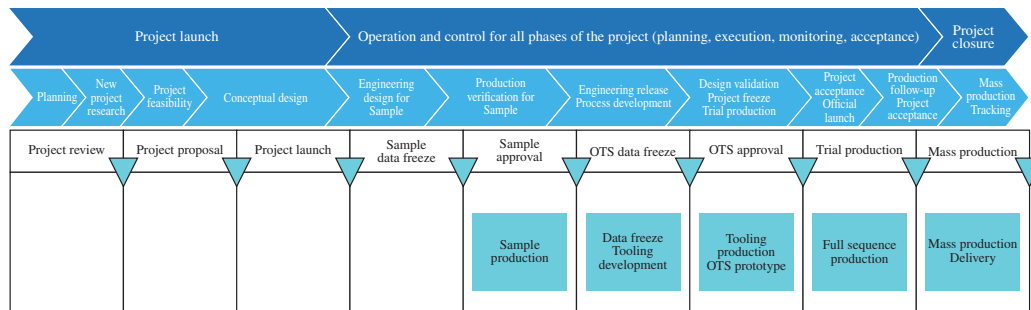
Notes:

- (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.

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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.

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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.”

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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

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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.

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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>				

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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>				

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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.

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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.

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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.

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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
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.

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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.

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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.

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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.

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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

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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

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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)

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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.”

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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

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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.

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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.

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- 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.

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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.

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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.

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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.

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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

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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

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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.

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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.

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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

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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	Physis Automation	January 15, 2013	Long term
物收發貨人備案回執)	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		

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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.

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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.

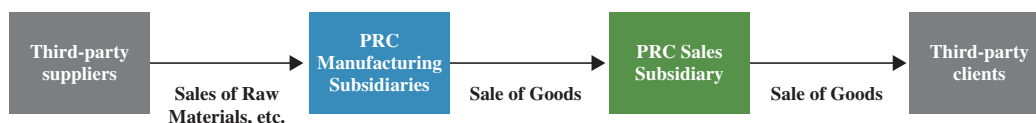
LEGAL PROCEEDINGS

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

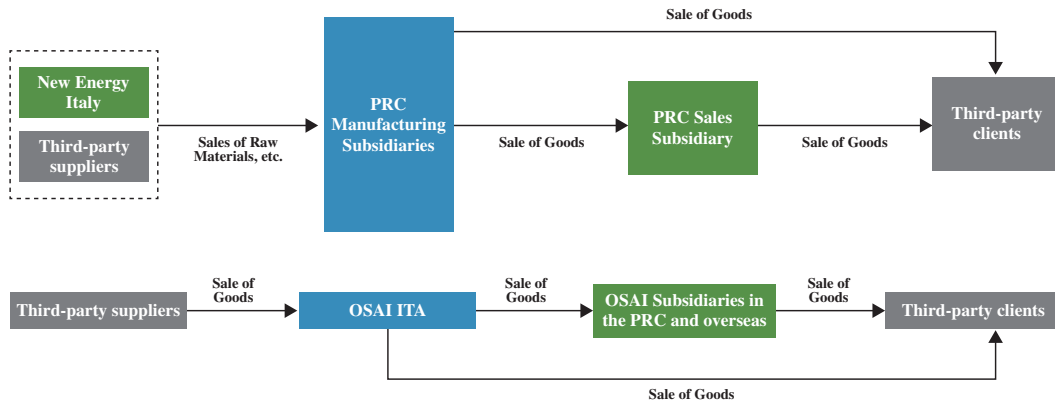
During the Track Record Period and up to the Latest Practicable Date, we conducted our operations primarily through our subsidiaries in China and established subsidiaries overseas to expand the operation in the international markets. During the same period, our intra-group transactions primarily included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

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



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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.

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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.

REGULATIONS

The contents disclosed in this section summarize the applicable laws and regulations in the jurisdictions in which we operate that currently have a material impact on our business operations. They do not constitute a comprehensive or detailed analysis, nor do they purport to cover all laws and regulations that may be relevant to our business. Such laws and regulations are subject to change.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN THE PRC

Laws and Regulations relating to Motors, Drives, and Control Systems

According to the Made in China 2025 (《中國製造2025》) promulgated by the State Council on May 8, 2015, which should promote the deep integration of information technology and industrialization, and accelerate the development of intelligent manufacturing equipment and products. Breakthroughs in new sensors, intelligent measuring instruments, industrial control systems, servo motors and drives, and reducers and other intelligent core devices promote engineering and industrialization. Vigorously promote breakthroughs in key areas. Develop several precision, high-speed, high-efficiency, flexible CNC machine tools and basic manufacturing equipment, and integrated manufacturing systems. Accelerate the research and development of cutting-edge technologies and equipment such as high-grade CNC machine tools and additive manufacturing. Focusing on improving reliability and precision retention, develop high-grade CNC systems, servo motors, bearings, gratings, and other major functional components and key application software, and accelerate industrialization.

On October 20, 2020, the General Office of the State Council issued the New Energy Vehicle Industry Development Plan (2021-2035) (《新能源汽車產業發展規劃(2021-2035年)》), which explicitly called for the enhancement of industrial basic capabilities. Deepen the “three horizontal” layout of power battery and management system, drive motor and power electronics, networking and intelligent technology, and build a key parts and components technology supply system. Explore a new generation of automotive motor drive system solutions, and strengthen the development of key components and systems for intelligent networked vehicles. At the same time, it will implement the basic technology upgrading project for NEVs. Breakthroughs will be made in key technologies and products such as automotive-grade chips, automotive operating systems, new electrical and electronic architectures, and high-efficiency and high-density drive motor systems.

On December 21, 2021, the Ministry of Industry and Information Technology (MIIT), the National Development and Reform Commission (NDRC), the Ministry of Education (MOE), the Ministry of Science and Technology (MOST), the Ministry of Finance (MOF), and other governmental departments jointly issued the “14th Five-Year Plan for the Development of Intelligent Manufacturing” (《“十四五”智能製造發展規劃》), which puts industrial control equipment such as advanced controllers, high-precision servo-driven systems, intelligent numerical-control systems, high-end distributed control systems, programmable logic controllers, surveillance control and Data Acquisition System and other industrial control equipment are included in the intelligent manufacturing equipment innovation and development action.

On July 7, 2022, the Ministry of Industry and Information Technology (MIIT), the National Development and Reform Commission (NDRC), and the Ministry of Ecology and Environment (MOE) issued the “Implementation Plan for Carbon Peak in the Industrial Sector” (《工業領域碳达峰實施方案》) to improve the energy efficiency of key energy-using equipment. Implement the energy efficiency improvement program for transformers, motors, etc., and promote energy-saving renovation and upgrading of key energy-using equipment systems, such as industrial kilns, boilers, compressors, fans, and pumps. It focuses on promoting new energy-saving equipment such as rare-earth permanent magnet iron-coreless motors, extra-high-power high-voltage frequency-conversion transformers, triangular three-dimensional rolled-iron core structure transformers, controllable heat-tube energy-saving heat-treatment furnaces, variable-frequency stepless speed-change fans, and magnetically levitated centrifugal fans.

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According to the Guidance Catalog for Industrial Structure Adjustment (2024 edition) (《產業結構調整指導目錄(2024年本)》) issued by the National Development and Reform Commission on December 27, 2023 and implemented on February 1, 2024, high-precision gearboxes, high-performance servo systems, intelligent controllers, intelligent integrated joints and other key parts and components for robots, numerical control systems for high-end numerical control machine tools, servo drives and motors, and drive motor systems for electric vehicles have been included in the Encouragement Category Industry.

Laws and Regulations relating to Environmental Protection

Environmental Protection

Under the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) (“**Environmental Protection Law**” or “**EPL**”) promulgated by the Standing Committee of the National People’s Congress (“**NPCSC**”) on December 26, 1989, amended on April 24, 2014 and effective as of January 1, 2015, any enterprise or undertaking that discharges or will discharge pollutants in the course of its operations or other activities, shall adopt effective environmental protection measures and procedures to control and properly deal with waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibration, electromagnetic wave radiation and other hazards generated in the course of such activities.

On October 28, 2002, the Standing Committee of the National People’s Congress promulgated the Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》), which was last amended on December 29, 2018. According to the Environmental Impact Assessment Law, the State Council implements environmental impact assessment and categorizes construction projects based on their impact on the environment.

According to the Interim Measures for Environmental Protection Acceptance of Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which came into effect on November 20, 2017, and the Regulations on the Administration of Environmental Protection of Construction Projects, which were amended on July 16, 2017 and implemented on October 1, 2017, upon completion of a construction project that requires the issuance of an environmental impact report or an environmental impact report form, the construction unit shall, following the standards and procedures stipulated by the administrative department of environmental protection, carry out an environmental protection acceptance of the completion of the project and prepare an acceptance report. A construction project that requires the issuance of an environmental impact report or an environmental impact report form may be put into production or use only after the completion of the environmental protection acceptance.

Laws and Regulations relating to Imported and Exported Goods

According to the Foreign Trade Law of the People’s Republic of China (《中華人民共和國對外貿易法》), promulgated by the Standing Committee of the National People’s Congress on May 12, 1994, and last revised on December 30, 2022, the competent department of foreign trade of the State Council is responsible for foreign trade throughout the country. The competent department of foreign trade of the State Council, in conjunction with other relevant departments of the State Council, formulates, adjusts, and publishes lists of goods and technologies that are restricted or prohibited from import or export. The competent authority for foreign trade under the State Council, or in conjunction with other relevant departments of the State Council, may, with the approval of the State Council, temporarily decide to restrict or prohibit the import or export of specific goods or technologies not included in the aforementioned lists, within the scope prescribed by law.

According to the Measures for the Record Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the Ministry of Commerce (MOFCOM) on June 25, 2004, which came into effect on July 1, 2004 and was last amended on May 10, 2021, foreign trade operators engaged in the import and export of goods or the import and export of technology shall

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apply for the record registration with the MOFCOM or the agency entrusted by the MOFCOM; except for the cases where the record registration is not required under the provisions of any laws, administrative regulations or the provisions of the MOFCOM. If a foreign trade operator fails to apply for the record registration following the relevant provisions, the Customs shall not handle the customs clearance of imported and exported goods.

According to the “Notice on Matters Relating to the Filing of Consignees and Consignees of Import and Export Goods” (《關於進出口貨物收發貨人備案有關事宜的通知》) promulgated by, which came into effect on the same day, and the General Administration of Customs of the People’s Republic of China on January 3, 2023 “Provisions of the People’s Republic of China on the Record Management of Customs Brokerage Units of the Customs Service of the People’s Republic of China” (《中華人民共和國海關報關單位備案管理規定》) promulgated on November 19, 2021, which came into effect on January 1, 2022, the consignee or consignee of imported or exported goods or the customs brokerage company applying for filing shall acquire Market Entity Qualification; among them, if the consignee or consignor of import and export goods applies for filing, it shall also obtain the foreign trade operator filing. If the consignee or consignor of imported or exported goods and the customs declaration enterprise have applied for the record of customs declaration unit, its branches that meet the conditions of the preceding paragraph may also apply for the record of customs declaration unit.

Laws and Regulations relating to Overseas Direct Investment

The Measures for the Administration of Overseas Investment (《境外投資管理辦法》) were promulgated by the Ministry of Commerce (“MOFCOM”) on September 6, 2014, and came into effect on October 6, 2014. As defined in the Measures for the Administration of Outbound Investment, outbound investment refers to the behavior of an enterprise legally established in China that owns a non-financial enterprise or acquires the ownership, control, operation, and management rights and other interests of an established non-financial enterprise outside China by way of new establishment, merger, and acquisition and other means. If an enterprise’s overseas investment involves sensitive countries and regions or sensitive industries, it shall be subject to approval management. In other cases of overseas investment, the implementation of record management is required. Local enterprises shall report to the competent provincial commerce department of their location for the record. Eligible enterprises will be recorded and granted a Certificate of Enterprise Overseas Investment by the provincial commerce department.

Laws and Regulations relating to Labor and Social Insurance

According to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), promulgated by the Standing Committee of the National People’s Congress on July 5, 1994, and last revised and re-enacted on December 29, 2018, Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), promulgated by the Standing Committee of the National People’s Congress on June 29, 2007, effective on January 1, 2008, revised on December 28, 2012, and re-enacted on July 1, 2013, and the Implementing Regulations of the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, and effective on the same day, employers shall strictly comply with national standards and provide relevant training to employees to ensure that employees enjoy their labor rights and fulfill their labor obligations.

According to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the National People’s Congress (“NPC”) on October 28, 2010 and amended and newly effective on December 29, 2018, and the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) newly amended and effective on March 24, 2019 by the State Council, an enterprise in the PRC shall, following the statutory contribution base and the contribution ratio, pay for its employees’ pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and basic medical insurance. Failure to pay the relevant contributions in full and on time to the relevant local administrative authorities may result in the employer being ordered to make up the contributions or fined.

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According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and last amended and newly effective on March 24, 2019, employers shall register with the Housing Provident Fund Management Center for the payment of housing provident fund contributions, and shall pay the housing provident fund contributions on time and in full. If an employer fails to pay or underpays the housing provident fund, the Housing Provident Fund Management Center shall order the employer to pay the fund within a certain period; if the employer still fails to pay the fund after the expiration of the period, the employer may apply to the People’s Court for compulsory execution.

According to the Interpretation (II) of the Supreme People’s Court on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases, which was deliberated and adopted by the Adjudication Committee of the Supreme People’s Court on February 17, 2025, and came into force on September 1, 2025, where an employer and an employee agree, or an employee undertakes to the employer, that social insurance premiums need not be paid, the people’s court shall determine such agreement or undertaking to be invalid. Where an employer fails to pay social insurance premiums in accordance with the law, and an employee claims to terminate the labor contract and demand the employer to pay economic compensation in accordance with the provisions of Item 3 of Article 38 of the Labor Contract Law, the people’s court shall support such claim in accordance with the law. Under the circumstances specified in the preceding paragraph, if the employer has paid the social insurance premiums retroactively in accordance with the law and then claims that the employee shall return the compensation for social insurance premiums already paid, the people’s court shall support such claim in accordance with the law.

Laws and Regulations relating to Intellectual Property Rights

Copyright

The Standing Committee of the National People’s Congress promulgated the Copyright Law of the People’s Republic of China(《中華人民共和國著作權法》) (“**Copyright Law**”) on September 7, 1990, which came into effect on June 1, 1991 and was amended on October 27, 2001, February 26, 2010 and November 11, 2020, respectively, with the most recent amendment coming into effect on June 1, 2021. According to the Copyright Law, Chinese citizens, legal persons, or other organizations enjoy copyright in respect of their works, whether published or unpublished, including (among others) works of literature, art, natural sciences, social sciences, engineering technology, and computer software. Owners of copyright enjoy several legal rights, including the right to publish, the right of attribution, and the right of reproduction. Infringers of copyrights shall be subject to civil liability, including cessation of the infringement, apology to the copyright owner, and compensation for damages to the copyright owner. In serious cases, copyright infringers may also be fined and/or subject to administrative or criminal liability.

Trademarks

According to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People’s Congress (“**NPC**”) on August 23, 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, the Trademark Office of the State Administration for Industry and Commerce (“**SAIC**”) under the State Council is responsible for the registration and administration of trademarks in the PRC. A Trademark Review and Adjudication Board (“**TRAB**”) has been established under the SAIC under the State Council to handle trademark disputes. A registered trademark is valid for ten years from the date of approval of registration. The registrant shall apply for renewal within twelve months before the expiration of the registration. If the registration is not renewed within this period, a grace period of six months may be granted. The expiration of the grace period does not apply to renewal procedures; the registered trademark is canceled. Renewal of registration is valid for ten years.

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Patents

According to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) (the “**Patent Law**”), promulgated by the Standing Committee of the National People’s Congress on March 12, 1984, and revised on September 4, 1992, August 25, 2000, December 27, 2008, and October 17, 2020, the latest revision of which took effect on June 1, 2021, and the Implementing Regulations of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》) (the “**Implementing Regulations of the Patent Law**”), promulgated by the State Council on June 15, 2001, and amended on December 28, 2002, January 9, 2010, and December 11, 2023, which took effect on January 20, 2024, The State Council’s patent administration department is responsible for managing patent-related work nationwide, while the patent administration departments of provincial, autonomous region, and municipal people’s governments are responsible for managing patent work within their respective administrative regions. The Patent Law and the Implementing Regulations of the Patent Law stipulate three types of patents: “inventions,” “utility models,” and “design patents.” The term of validity for invention patents is twenty years, and for utility model patents, ten years. Additionally, effective June 1, 2021, the term of validity for design patents filed on or after June 1, 2021, is extended to fifteen years from the filing date.

Domain name

On August 24, 2017, the Ministry of Industry and Information Technology (“**MIIT**”) promulgated the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) (“**Domain Name Administration Measures**”), which became effective on November 1, 2017. The Domain Name Administration Measures regulate the registration of domain names, such as China’s ccTLD as “.CN.” On June 18, 2019, the China Internet Network Information Center (“**CNNIC**”) issued the “Announcement on the Issuance and Implementation of the Series of Provisions of the Implementation Rules for the Registration of Country Top-Level Domain Names” (《關於發佈並實施《國家頂級域名註冊實施細則》系列規定的公告》), according to which the CNNIC may authorize the domain name dispute resolution authority to make decisions on domain name-related disputes.

Laws and Regulations relating to Real Estate

According to the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法》) promulgated by the Standing Committee of the National People’s Congress (“**NPCSC**”) on June 25, 1986, last amended on August 26, 2019 and effective on January 1, 2020, China implements a system of land use control, including agricultural land, construction land and unused land. All units and individuals must use land in strict accordance with the purposes determined in the overall land use plan. The registration of ownership and use of land is carried out following the laws and administrative regulations governing the registration of real estate. The ownership and use rights of land registered following the law are protected by law and may not be infringed upon by any unit or individual.

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》) promulgated by the State Council on November 24, 2014, which became effective on March 1, 2015 and were amended on March 24, 2019 and March 10, 2024, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016 and amended on July 24, 2019 and May 9, 2024, respectively, provide that (among other things) that the State shall implement a unified real estate registration system and that real estate registration shall follow the principles of strict management, stable continuity and convenience for the public.

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Laws and Regulations relating to Leasing

According to the Civil Code, the owner has the right to possess, use, gain, and dispose of their real or movable property following the law. A lessee may, with the consent of the lessor, sublet the leased premises to a third person. If the lessee sublets, the lease contract between the lessee and the lessor continues to be effective. If the lessee sublets without the lessor’s consent, the lessor may terminate the contract. In addition, any change of ownership of the leased property during the period of possession by the lessee in accordance with the lease contract shall not affect the validity of the lease contract. In addition, if the mortgaged property has been leased and possession transferred before the creation of the mortgage, the original lease relationship is not affected by the mortgage.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Measures for the Administration of Commodity Housing Lease (《商品房屋租賃管理辦法》), which came into effect on February 1, 2011. According to the Measures, within 30 days after the conclusion of a housing lease contract, the parties to the housing lease shall go to the competent department of construction (real estate) of the people’s government of the municipality directly under the central government, city or county where the leased housing is located to apply for the registration and filing of the housing lease. Any violation of this provision shall be ordered to make corrections within a certain period, and in case of failure to do so, a fine of not less than RMB1,000 and not more than RMB10,000 shall be imposed in respect of each lease agreement.

Laws and Regulations relating to Foreign Exchange

The main laws and regulations governing foreign exchange in the PRC are the Foreign Exchange Management Regulations of the People’s Republic of China (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Management Regulations**”) promulgated by the State Council on January 29, 1996 and effective as of April 1, 1996, and subsequently amended on January 14, 1997 and August 1, 2008 (effective as of August 5, 2008) respectively, and the Provisions on the Administration of Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People’s Bank of China on June 20, 1996 and effective July 1, 1996. Under these regulations, payments for current account items (such as profit distribution and trade and service related foreign exchange transactions) may be made in foreign currencies without the prior approval of the State Administration of Foreign Exchange (the “**SAFE**”), subject to certain procedural requirements. On the contrary, if Renminbi (“**RMB**”) has to be converted into foreign currencies and remitted out of the PRC to pay for capital accounts (e.g. repayment of loans denominated in foreign currencies, direct overseas investments and investments in securities or derivatives outside the PRC, etc.), such conversion has to be approved or registered by the relevant governmental authorities or designated banks.

On February 13, 2015, the State Administration of Foreign Exchange (“**SAFE**”) promulgated the Circular on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**Circular No. 13 of the Huifa**”), which came into effect on June 1, 2015 and was further amended on December 30, 2019. According to the Circular No. 13 of the Huifa, banks directly review and process foreign exchange registrations for domestic direct investments and foreign exchange registrations for overseas direct investments, and the State Administration of Foreign Exchange (“**SAFE**”) and its branches indirectly supervise the foreign exchange registrations for direct investments through the banks.

On March 30, 2015, SAFE promulgated the “Circular of the State Administration of Foreign Exchange on the Reform of the Administration of Settlement of Foreign Exchange Capital Funds of Foreign Invested Enterprises” (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (“**SAFE Circular No. 19**”), which became effective on June 1, 2015 and will be further amended in 2019. According to foreign exchange capital funds of foreign-invested enterprises are subject to the willingness to settle (“**Willingness to Settle**”). Willingness to settle means that the foreign exchange capital in the capital account (including foreign exchange capital, foreign loans,

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and funds drawn from the proceeds of overseas listings) recognized for willingness to settle under the relevant policy may be settled by banks following the actual operational needs of the domestic organization. The proportion of foreign exchange capital to be willingly settled is tentatively set at 100%. The RMB funds derived from the willingness to settle foreign exchange capital will be included in the account for settlement of foreign exchange pending payment. If a foreign-invested enterprise needs to make further payments through this settlement account, it is still required to provide supporting documents and go through the bank’s vetting procedures.

On June 9, 2016, SAFE promulgated the “Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Policy on the Administration of Settlement of Capital Accounts” (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“**SAFE Circular No. 16**”). SAFE Circular No. 16 standardizes the policy on willful foreign exchange settlement for all domestic institutions.

On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (“**SAFE Circular No. 28**”). SAFE Circular No. 28 stipulates that non-investment foreign-invested enterprises may use capital funds to make domestic equity investments following the law, provided that they do not violate the Negative List and the investment projects are genuine, compliant, and lawful.

On April 10, 2020, SAFE promulgated the “Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management to Support the Development of Foreign-Related Businesses” (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (“**SAFE Circular No. 8**”). SAFE Circular No. 8 stipulates that on the premise that the use of funds is genuine and in compliance with the existing regulations on the administration of the use of capital account income, enterprises are allowed to use capital account income such as capital funds, foreign debts and overseas listings for domestic payments without the need to provide the banks with authentic certificates for the payments before each transaction.

Laws and Regulations relating to Taxation

Enterprise Income Tax

Under the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated by the National People’s Congress (“NPC”) on March 16, 2007 and last amended by the Standing Committee of the NPC on December 29, 2018, and the Regulations for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (“**EIT Law Implementation Regulations**”) promulgated by the State Council on December 6, 2007 and last amended on January 20, 2025, taxpayers include Resident enterprises and non-resident enterprises. A resident enterprise is defined as an enterprise established in China under the laws of China or an enterprise established under the laws of a foreign country, but the effective control of which is exercised in China. A non-resident enterprise is defined as an enterprise established under foreign law and whose effective control is exercised outside of China, but has established an organization or office in China, or does not have an organization or office in China but derives its income from within China. Under the EIT Law and the relevant implementing regulations, the enterprise is subject to a flat corporate income tax rate of 25%.

Value-Added Tax

According to the Provisional Regulations of the People’s Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) (“**VAT**”) promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017, and the Rules for the Implementation of the Provisional Regulations of the People’s Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (“**Provisional Regulations of VAT**”) promulgated by the Ministry of Finance on December 25, 1993 and last amended on October 28, 2011, the enterprises

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engaged in the sale of goods in the PRC, the supply of processing Units and individuals engaged in the sale of goods, provision of processing, repair and fabrication services and import of goods in China are taxpayers of value-added tax (“VAT”) and shall pay VAT following the laws and regulations. Unless otherwise specified, the VAT rate for the sale of goods is 17%. The Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”) issued the Circular on Adjustment of VAT Rate (《關於調整增值稅稅率的通知》) on April 4, 2018, which became effective on May 1, 2018, and adjusted the tax rates to 16% and 10% for taxpayers who have engaged in taxable sales or imported goods to which the tax rates of 17% and 11% were originally applicable.

Subsequently, the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs of the People’s Republic of China jointly issued the Announcement on Relevant Policies on Deepening the Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 (which became effective on April 1, 2019) to make further adjustments. Where a taxpayer engages in VAT taxable sales behavior or imports goods, the tax rate will be adjusted to 13% and 9% where 16% and 10% tax rates were previously applicable.

Laws and Regulations relating to the Share Incentive Scheme

According to the Notice on Foreign Exchange Management Issues Related to Domestic Individuals Participating in Equity Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) issued by the State Administration of Foreign Exchange on February 15, 2012 (the “SAFE Circular No. 7”) and other relevant regulations, directors, supervisors, senior management personnel, and other employees who are Chinese citizens or non-Chinese citizens who have resided continuously in China for at least one year must register with the State Administration of Foreign Exchange through a domestic agent when participating in any equity incentive plan of an overseas-listed company, except in certain exceptional circumstances. Additionally, all matters related to the exercise of options, the purchase or sale of shares or equity interests, and the corresponding transfer of funds must be handled by an overseas trustee institution. Foreign exchange income derived from the sale of shares under equity incentive plans and dividends distributed by overseas-listed companies must be remitted into bank accounts opened by domestic institutions in China before being distributed to Chinese residents.

Laws and Regulations relating to Overseas Offering and Listing

On February 17, 2023, with the approval of the State Council, the China Securities Regulatory Commission (“CSRC”) promulgated the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (“Trial Measures”), which became effective on March 31, 2023, together with five related guidelines. According to the Trial Measures, (1) a PRC domestic company that directly or indirectly issues or lists securities overseas shall file a record with the CSRC and report the relevant information; (2) a domestic company that directly issues or lists securities overseas refers to a joint stock limited company registered and established in the PRC that issues or lists securities overseas; and (3) any joint stock limited company registered and established in the PRC that seeks an overseas listing must file the application for overseas listing with the CSRC within three working days of submission. If a PRC domestic company fails to fulfill the filing procedures following the Trial Measures, it will be ordered by the CSRC to make corrections, given a warning and fined from RMB1 million to RMB10 million, and its controlling shareholders, de facto controllers, persons in charge and other persons directly responsible may also be subject to administrative penalties, such as warnings and fines.

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Regulations relating to Full Circulation of H Shares

On November 14, 2019, the CSRC issued the “14 Operational Guidelines on Application for ‘Full Circulation’ of Domestic Unlisted Shares of H-share Companies” (《H股公司境内未上市股份申请「全流通」业务指引》) (the “**Guidelines**”), which was amended and became effective on August 10, 2023. According to the Guidelines, “full circulation” refers to the listing and circulation of domestic unlisted shares of an H-share company (including unlisted domestic shares held by domestic shareholders before the overseas listing, unlisted domestic shares issued in the PRC after the overseas listing and unlisted shares held by foreign shareholders) on the Hong Kong Stock Exchange. Unlisted domestic shareholders may negotiate on their own to determine the number and proportion of shares to be applied for circulation and entrust the H-share company to apply to “full circulation” and the H-share company submit a filing document for “full circulation” to the CSRC, subject to compliance with relevant laws and regulations and policies and regulations relating to state-owned assets management, foreign investment and industry regulation. According to the Guidelines, shareholders of unlisted domestic shares shall handle the transfer of shares for registration following the relevant business rules of China Clearing, and the H-share company shall, after the completion of the transfer of the shares involved in the application with China Clearing submit a report on the relevant situation to the CSRC within 15 days.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN ITALY

Tax Laws

According to Italian tax law, joint-stock companies resident in Italy for tax purposes are subject to corporate income tax (“**IRES**”) on their worldwide income. A company is considered resident in Italy if its legal office, place of effective management or main business is in Italy for the greater part of the financial year. The taxable period for corporate income tax purposes is the financial year of the company, as determined by law or the by-laws.

In principle, taxable business income is determined according to the accrual principle, with certain exceptions (e.g. directors’ fees). The taxable base is the worldwide income shown on the profit and loss account prepared for the relevant financial year according to company law rules and adjusted according to the tax law provisions concerning business income. For companies adopting the IAS/IFRS, the accounting treatment under IAS/IFRS is fully relevant for corporate income tax purposes, i.e. the criteria set forth by IAS/IFRS for the qualification, timing accrual and classification of items of income and cost are also applicable for corporate income tax purposes and prevail over any provisions contained in the Italian Income Tax Code.

Certain rules governing the deduction of interest and depreciation and the tax treatment of capital gains upon disposal of shares are as follows: generally, interest expense is fully tax deductible up to the amount of interest income. Thereafter, excess interest expense is deductible at up to 30% of the gross EBITDA (interest deduction capacity) (non-IFRS measure) relevant for tax purposes. Gross operating margin is defined as the difference between operating revenues and expenses excluding depreciation of tangible and intangible assets and charges for leased assets based on their tax value. Net interest expense in excess of the yearly limitation is carried forward in the following fiscal years. Hence, net interest expense not deducted in previous years can be deducted in the future fiscal years as long as total interest in that year does not exceed 30% of gross operating margin. If net interest expense is lower than the annual limit (i.e. 30% of gross operating margin), this difference can be carried over to increase the company’s interest deduction capacity in the future years. Interest income exceeding interest expenses can be carried forward to offset future interest expenses in any following fiscal years. Fixed assets that are not financial fixed assets may be depreciated using the straight-line method. Depreciation may be taken in every financial year, regardless of whether the taxpayer incurred losses or made profits.

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A 95% exemption (the “**Participation Exemption**” regime) applies to gains from the disposal of shares where the following conditions are met: (a) the participation has been held continuously from the first day of the 12th month prior to that of the disposal; (b) the participation was classified as a financial fixed asset in the first balance sheet closed after the acquisition (in the case of companies adopting IAS/IFRS shareholdings are deemed to be fixed financial assets if they are not held for trading); (c) the subsidiary is resident in a “white list” country; and (d) the subsidiary carries on a commercial activity. The requirement referred to in paragraph 1(c), must be met continuously from the first period of ownership. The last condition must have been met since the beginning of the third year preceding the year of disposal. Where the above conditions are not met, capital gains are fully taxable at the ordinary rate.

The holding of participations qualifying for the “Participation Exemption” triggers limitations in the deductibility of capital losses. Generally, 95% of dividends paid by a company to corporate shareholders resident in Italy should be exempted from tax.

A special tax regime applies to shares and similar financial instruments held by companies preparing their financial statements according to IAS/IFRS. Such regime differs, depending on whether the shares are accounted for as “held for trading” under IAS/IFRS. For shares that are not accounted for as “held for trading” under IAS/IFRS, the 95% exemption regime on dividend distributions remains applicable and the unrealized gains and losses resulting from the mark-to-market valuation of the shares in the profit and loss account of the company according to IAS/IFRS are not relevant for income tax purposes.

The Italian Parliament is currently discussing the Finance Act for the year of 2026. In this law there is a possible amendment to the dividend exemption regime. The taxable base (if positive) is subject to IRES (currently at the rate of 24%). Tax losses can be carried forward for IRES purposes and used to offset income in the following tax periods without any time limitation. Tax losses can only be offset with taxable income for an amount not exceeding 80% of the taxable income. Note that losses arising in the first three years of activity can be offset with 100% of taxable income.

In addition to IRES, companies are also subject to a regional tax on productive activities (“**IRAP**”). The taxable base for IRAP is the net value of the production derived in each Italian region. The standard rate is 3.9% (which may be increased or decreased by regional authorities, to a certain extent). Special rules for groups A domestic tax consolidation regime are available both for direct taxation and VAT.

Italy also enforces transfer pricing rules which provide that items of income derived from transactions with related, non-resident companies are to be valued on arm’s length basis. Official transfer pricing documentation requirements have been recently updated which are in line with the ones contained in the “OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations”, as well as in the “Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the European Union”.

Labor Laws

Italian labor law system consists of a significant number of sources that are affected by the influence of the regulatory provisions of “supranational” sources (such as, for example, European Regulations and Directives, international conventions, regulatory provisions on discriminatory behavior and gender equality, etc.).

As a way of general overview, the Italian labor law system, in addition to the above mentioned international and EU sources, is regulated by a series of domestic provisions set forth in particular:

- (i) in the Italian Constitution (e.g., article 36 on fair and reasonable remuneration, article 40 on the right to strike and article 41 on freedom of private economic initiative);

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- (ii) in the Italian Civil Code;
- (iii) in Italian national laws (among which one of the most important is Law no. 300/70 — the so-called “Workers’ Statute”);
- (iv) in sector collective bargaining agreements, operating at national and (possibly) company level;
- (v) in individual employment contracts; and
- (vi) (in the presence of certain requirements) in practice (the so-called “corporate uses”).

In addition to the above, certain aspects connected to labor law are often dealt with by regulatory sources dedicated to other sectors (e.g., the job protection regime provided for in the presence of an employer affected by an insolvency procedure).

The collective bargaining agreements supplement the law and, under certain conditions, may also derogate from it. The collective bargaining agreements usually contain provisions that cover many aspects of employment relationships in the specific sector, such as, by way of example, the worker’s rights regarding: (i) the form and minimum content of the employment letter; (ii) maximum length of the trial period; (iii) holidays, working hours and overtime; (iv) sick leave and maternity leave; (v) disciplinary procedures in the event of violations by employees; (vi) minimum wage and other employment-related benefits; (vii) notice period and notice; (viii) severance indemnity; (ix) trade union relations (e.g., exercise of the right of assembly, exercise of the right to strike, terms and conditions of union leave periods).

The above mentioned sources composing the Italian labor law system are also affected by the interpretative work of the judges. Quite often, indeed, the latter are substantially called to “replace” the Italian legislator in the regulation of certain legal institutions. It follows that, although the Italian legal tradition does not apply the Anglo-Saxon principle of the “binding precedent”, it is however undeniable that, for the purposes of identifying the regulation of certain legal institutions, the orientation of the judges must necessarily be taken into consideration.

In light of the breadth and complexity of the applicable legislation, any further indication can only be made in the light of the specific needs, and actual implications, of each individual case (e.g., information on legislation and practice to follow in the event of collective dismissal, or in case of transfer of going concern).

Data Protection Laws

A company is required to comply with applicable EU and Italian data protection laws and regulations. In particular, the European Union’s Regulation (EU) 2016/679 (“**GDPR**”), which became effective in May 2018, as supplemented by national laws (i.e. Legislative Decree no. 196/2003, as amended by Legislative Decree no. 101/2018), imposes strict requirements on controllers and processors of personal data in the European Economic Area. Applicable data protection laws create new compliance obligations and increase financial penalties for non-compliance (including possible fines of up to 4% of global annual revenues for the preceding financial year or EUR20 million (whichever is higher), for the most serious violations).

Cybersecurity Laws

A company is required to comply with the applicable cybersecurity legislation at both European Union and national level.

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In particular, Directive (EU) 2022/2555 (“**NIS 2**”), as transposed into Italian law by Legislative Decree No. 138/2024, introduces a regulatory framework aimed at strengthening the security of networks and information systems used by public and private entities operating in sectors deemed strategic or significant.

NIS 2 framework establishes graduated and proportionate obligations depending on the nature of the activities carried out, the level of risk, and the classification of the entity as “essential” or “important” one. It also introduces specific responsibilities for administrative and management bodies, together with significant sanctions in the event of non-compliance.

Intellectual Property Rights Protection Laws

Intellectual property rights follow what is called the “territoriality principle”. Each single trademark registration follows the law of the country in which the trademark is registered.

In Europe, all trademark laws of the 27 EU countries have been harmonized under the Directive (EU) 2015/2436 of the European Parliament and of the Council dated 16 December 2015 to approximate the laws of the Member States relating to trademarks.

The Regulation (EU) 2017/1001 of the European Parliament and of the Council, dated 14 June 2017, applies to European trademarks. In Italy, all industrial property laws have been unified under the Legislative Decree No. 30/2005 (Codice della Proprietà Industriale) (the “**Industrial Property Law**”). The Industrial Property Law governs trademark rights, patent rights and registered design rights.

In addition, the Madrid System for the International Registration of Marks, governed by the Madrid Agreement, executed in 1981, and the Protocol relating to the Madrid Agreement, executed in 1989, make it possible to protect a mark in a large number of countries by obtaining an international registration that has effect in each of the designated contracting parties of the Madrid Agreement.

Environment Laws

In Italy, environmental protection on Waste Electrical and Electronic Equipment (WEEE) sector is regulated on the basis of the Legislative Decree 152/2006, Part IV (“**Environmental Code**”), which establishes general principles for waste management, including the traceability obligations through forms and electronic registers.

Moreover, the WEEE dismissal is regulated by the European Directive 2012/19/EU (WEEE 2), which governs the management of WEEE, imposing separate collection, treatment, recycling, and producer responsibility. It has been implemented in Italy by the Legislative Decree 49/2014, which defines obligations for producers/importers, distributors and municipalities.

LAWS AND REGULATIONS IN RELATION TO INTERNATIONAL SANCTIONS

Set out below is a summary of the sanctions regimes imposed by the U.S., the UN, the EU, the UK, UK Overseas Territories and Australia. This summary does not set out the laws and regulations relating to the U.S., the UN, the EU, the UK and Australia in their entirety.

U.S.

Treasury Regulations

OFAC is the primary agency responsible for administering U.S. sanctions programs against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by

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non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programs currently apply to Cuba, Iran, North Korea, the Crimea, the so-called Luhansk People’s Republic and the Donetsk People’s Republic regions. OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. An entity that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) is also blocked, regardless of whether that entity is expressly named on the SDN List.

Export Controls

The U.S. primarily regulates the export of items including goods, technology or technical data, software, and some services through two sets of regulations.¹ The International Traffic in Arms Regulations (“**ITAR**”) implements section 48 of the Arms Export Control Act of 1976. The ITAR is administered and enforced by the U.S. State Department and regulates the export and temporary import of defense articles. A separate set of export controls that regulate almost all other exports from the U.S. is administered by the U.S. Department of Commerce under the Export Administration Regulations (“**EAR**”).

Both the ITAR and EAR primarily regulate exports, reexports, certain transfers and retransfers and, in the case of ITAR, temporary imports. Although these terms all carry their own definitions, an “export” can be broadly understood to be the movement of an item, software, or technology outside of the U.S.

With respect to defense articles, manufacturers, exporters, or brokers of defense articles that are controlled under the ITAR, are subject to an additional registration requirement with the U.S. Department of State and annual renewals. Such manufacturers, exporters or brokers are required to register with the U.S. Department of State Directorate of Defense Trade Controls (“**DDTC**”) and keep the registration current. When certain changes occur within the registered company, such as a change of control, a merger or acquisition, or a change in executive leadership, those changes must be reported to DDTC and the company’s ITAR registration must be updated. At a minimum, ITAR registration must be renewed annually.

The EAR specifically prohibits exports of anything subject to the jurisdiction of the EAR for certain prohibited end uses such as use in the development or production of weapons of mass destruction among other end uses. In addition to these broadly prohibited end uses, the EAR defines specific end use restrictions on certain types of items to certain destinations.

¹ This overview covers the ITAR and EAR at a high level, but there are other agencies and regulations that can and do regulate certain exports such as the Department of Energy. Any export activity should be reviewed on a case-by-case basis to determine what legal requirements exist.

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Penalties for individuals and companies for non-compliance with U.S. export control laws can be both civil and criminal. Civil penalties can include substantial monetary fines, loss of export privileges, and government contract debarment. For knowing and willful violations, the government can enforce criminal penalties that include large fines and imprisonment.

United Nations

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes and financial restrictions.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under EU sanction measures, there is no ‘blanket’ ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business, provided that no funds and economic resources are made available to the Sanctioned Targets.

United Kingdom

UK sanctions are in force under the Sanctions and Anti-Money Laundering Act 2018 (“**the UK Sanctions Act**”), which enables the transition of existing EU sanctions programs and the establishment of autonomous UK regimes. The United Kingdom is no longer an EU member state as of January 1, 2021. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs through regulations setting out the specific measures under each UK sanctions regime.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The following table sets out information in respect of our Directors.

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Key responsibilities
Wenjie REN (任文傑) . . .	56	November 2001	November 2001	Chairman of the Board, Executive Director, General Manager, Chief Executive Officer	Overall management of the Board, overall management and operations of our Group and the overall development strategies, business plans, and major operational decisions of our Group
Yahong DING (丁亞紅) . . .	56	May 2003	December 2019	Executive Director, Deputy General Manager	Overall management and operations of our Group and responsible for development strategies and major decisions of the international business of the Group
Yi DONG (董毅)	56	January 2004	December 2015	Executive Director	Overall management and operations of our Group
Dongsheng HE (賀東升) . . .	54	July 2011	December 2015	Executive Director	Overall management and operations of our Group
Shihai WANG (王世海) . . .	49	December 2015	December 2015	Non-executive Director	Providing professional opinion and strategic advice to the Board
Lin YANG (楊麟)	33	June 2024	June 2024	Non-executive Director	Providing professional opinion and strategic advice to the Board
Yun QIU (邱斌)	62	December 2019	December 2019	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board
Zhenlei CHEN (陳振雷) . . .	62	December 2022	December 2022	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board
Shengqiang LU (盧勝強) . . .	42	July 2024	July 2024	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board
Warren Yung Liang SUN (孫榮良) . . .	48	August 2025 ^(Note)	August 2025 ^(Note)	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board

Note: The appointment will become effective upon [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wenjie REN (任文傑), aged 56, is an executive Director, the chairman of the Board, the general manager and the chief executive officer of our Company. He is responsible for the overall management of the Board, overall management and operations of our Group and the overall development strategies, business plans, and major operations decisions of our Group. He also holds several key positions within our Group. He is the chairman of the board and general manager of Pysis New Energy and New Energy Tianjin. He also serves as an executive director and the general manager of New Energy Ningbo, New Energy Zhuzhou and New Energy Ganzhou. Further, he is the chairman of the board of directors of OSAI ITA. From August 2007 to January 2018, he was an executive director of the Pysis Motion. From March 2018 to July 2019, he served as the chairman of the board of directors of Pysis Xi'an. From January 2010 to January 2018, he was an executive director of the Pysis Automation. Mr. Ren obtained his bachelor's degree in business and economics in 1991 from Ningbo University. In 2020, Mr. Ren was recognized as Scientific and Technology Innovation and Entrepreneurship Talent in the Innovation Talent Promotion Program (創新人才推進計劃科技創新創業人才) by the Ministry of Science and Technology of the PRC.

Ms. Yahong DING (丁亞紅), aged 56, is an executive Director, an deputy general manager and the head of the international business sector of our Company. She is responsible for the overall management and operations of our Group as well as the development strategies and major decisions of the international business of the Group. Since joining our Company in May 2003, Ms. Ding has held various important positions in our Group. She is the general manager of Pysis Hangzhou Bay Branch since December 2019, and was the chairperson and general manager of Pysis Industrial Design from May 2016 to October 2021. Ms. Ding obtained a master of business administration degree in July 2016 from University of Canberra, Australia. In March 2020, Ms. Ding was awarded the title of May Day Female Model Worker (五一巾幗標兵) by the Federation of Trade Unions of Ningbo (寧波市總工會).

Mr. Yi DONG (董毅), aged 56, is an executive Director and responsible for overall management and operations of our Group. Mr. Dong also holds several key positions within our Group since joining our Company in January 2004. He is the chairman of the board of directors and the general manager of Pysis Xi'an. He also serves as the chairman of the board of directors of Pysis Wuhan and Pysis Automation. Mr. Dong received his bachelor's degree in economics in 1994 from Hangzhou Business College of the Zhejiang Gongshang University (杭州商學院(浙江工商大學)).

Mr. Dongsheng HE (賀東升), aged 54, is an executive Director and responsible for overall management and operations of our Group. Mr. He also serves as a director of Innovation Center, Pysis Motion, Pysis New Energy, Pysis Automation and Pysis Wuhan within our Group. Prior to joining our Group in July 2011, Mr. He served as the deputy general manager at Ningbo Huaguang Stainless Steel Co., Ltd (寧波華光不銹鋼有限公司) from August 2007 to July 2011. Mr. He obtained an executive master of business administration degree in July 2008 from Zhejiang University.

Non-Executive Directors

Mr. Shihai WANG (王世海), aged 49, is a non-executive Director and responsible for providing professional opinion and strategic advice to the Board.

Mr. Wang has extensive experience in investment and financing. He has served as the managing director of CS Capital Co., Ltd. (國投招商投資管理有限公司) since July 2018, and has also held various positions at SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司) including vice president, executive director and managing director since January 2010. Previously, Mr. Wang worked at Hua Xia Bank Co., Ltd. (華夏銀行股份有限公司), a company listed on the Shanghai Exchange (stock code: 600015.SH) from 1999 to 2003. He then worked at CEFC Shanghai Securities Limited (上海華信證券有限責任公司), whose predecessor is China Euro Securities Limited (華歐國際證券有限責任公司), from July 2006 to August 2008. From August 2008 to

DIRECTORS AND SENIOR MANAGEMENT

January 2010, Mr. Wang worked as a vice president in the investment banking department at CITIC Securities Company Limited (中信證券股份有限公司), a company dually listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange (stock code: 06030.HK and 600030.SH).

Mr. Wang has been a non-independent director of Leader Harmonious Drive Systems Co., Ltd. (蘇州綠的諧波傳動科技股份有限公司) (stock code: 688017.SH) since September 2018 and a non-independent director of Changzhou Xingyu Lamp Co., Ltd. (常州星宇車燈股份有限公司) (stock code: 601799.SH) since April 2025.

Mr. Wang obtained his bachelor’s degree in investment economy at Shandong University of Finance and Economics in July 1999 and master’s degree at Shanghai Jiao Tong University in business administration in June 2006. Mr. Wang obtained qualification for private equity fund practitioner in November 2023.

Mr. Lin YANG (楊麟), aged 33, is a non-executive Director and responsible for providing professional opinion and strategic advice to the Board. Mr. Yang held the position of a senior associate at PricewaterhouseCoopers Zhong Tian LLP from October 2016 to October 2022. Since November 2022, he has served as a senior manager at Ningbo Tongshang Fund Management Co., Ltd. (寧波通商基金管理有限公司) (previously known as Ningbo Jiaofu Equity Investment Fund Management Co., Ltd. (寧波交富股權投資基金管理有限公司)). Mr. Yang obtained his bachelor’s degree in international economics and trade at Xi’an Jiaotong University in July 2014 and master’s degree in economics and investment at University of Nottingham in December 2015.

Independent Non-Executive Directors

Ms. Yun QIU (邱媛), aged 62, is an independent non-executive Director and responsible for supervising and providing independent opinion and judgment to our Board.

Ms. Qiu worked as an associate professor in the principles of accounting and financial management and was the vice dean of the International College of Ningbo University from 2000 to 2005, where she was then promoted to professor and then the dean of the college from 2005 to 2014. Ms. Qiu has subsequently been a professor in the principles of accounting and financial management at the business school of Ningbo University.

Throughout her career, Ms. Qiu has held directorships and positions in audit committees across various industries as shown in the below:

Name of the company	Position	Terms
Ningbo Powerway Alloy Material Co., Ltd. (寧波博威合金材料股份有限公司) (stock code: 601137.SH)	independent director and chairperson of audit committee	July 2015 to May 2021
Rongan Real Estate Group Co., Ltd (榮安地產股份有限公司) (stock code: 000517.SZ)	independent director and chairperson of audit committee	from June 2014 to July 2020
Zhejiang Kaiyuan Hotel Management Co., Ltd. (浙江開元酒店管理股份有限公司) (previously listed on the main board of the Hong Kong Stock Exchange)	independent director and chairperson of audit committee	June 2017 to May 2021
Zhejiang Hisun Biomaterial Co., Ltd (海正生物材料股份有限公司) (stock code: 688203.SH))	independent director	February 2021 to April 2023
Ningbo Fuda Co., Ltd. (寧波富達股份有限公司) (stock code: 600724.SH)	independent director	April 2020 to current

DIRECTORS AND SENIOR MANAGEMENT

Name of the company	Position	Terms
Zylox-Tonbridge Medical Technology Co., Ltd. (歸創通橋醫療科技股份有限公司) (stock code: 02190.HK)	independent non-executive director and chairperson of audit committee	March 2021 to current
Ningbo Solartron Technology Co., Ltd. (寧波長陽科技股份有限公司) (stock code: 688299.SH)	independent director and chairperson of audit committee	March 2022 to current
Youngor Group Co., Ltd. (雅戈爾時尚股份有限公司) (stock code: 600177.SH) .	independent director and a member of audit committee	Current

Ms. Qiu obtained her bachelor’s degree in economics in July 1986 from Fudan University, and later obtained a master degree in business administration in June 1997 from McGill University, Canada. Ms. Qiu was qualified as a professor in accounting in November 2004 at the Zhejiang Provincial Normal High School Teacher Senior Technical Expert Qualifications Board (浙江省普通高校教師高級專業技術資格評審委員會).

Ms. Qiu also had various publications on the topics of management accounting and capital markets. Ms. Qiu published *Case Study of Management Accounting* in 2021 and led publications of various insightful reports about public companies including *Ningbo Capital Market Development Report 2016* in 2017, *Ningbo Capital Market Development Report 2017* in 2018, *Yongshang — Ningbo Listed Company Development Research Report 2018* in 2019 and *Yongshang — Ningbo Listed Company Development Research Report 2019* in 2020.

In light of Ms. Qiu’s academic background in accounting and management, extensive work experience as director and chairperson/member of audit committee in listed companies and profound publications on accounting management and capital markets, the Board believes that she could utilize her expertise in reviewing and analyzing financial information of listed companies and experience in advising the board of directors of listed companies regarding financial issues when performing the function of independent non-executive Director as required under Rule 3.10(2) of the Listing Rules.

Dr. Zhenlei CHEN (陳振雷), aged 62, is an independent non-executive Director and responsible for supervising and providing independent opinion and judgment to our Board. Dr. Chen has extensive experience in academia and industry. At the Maritime College of Ningbo University, Dr. Chen serves as a professor and doctoral supervisor for the Naval Architecture Department. He currently serves as an executive director and general manager at Zhejiang Gongzhi Simulation Mechanical Technology Consulting Co., Ltd. (浙江工之仿機械技術諮詢有限公司) and an executive director at the Silicool Innovation Technologies (Zhuhai) Co., Ltd. (珠海適道科技有限公司). Dr. Chen served as the director of computing and analysis department and vice president of the research institute at the Kunshan Sany Power Co., Ltd. (昆山三一動力有限公司). Dr. Chen obtained a bachelor’s degree in engineering in July 1984 and a master’s degree in engineering in December 1990, both from Hohai University. He obtained his doctorate degree in mechanical engineering in May 2000 from the University of Illinois at Urbana-Champaign. In 2014, Dr. Chen was awarded Jiangsu Province Dual Innovation Talent Award (江蘇省雙創人才) by the Organization Department of Jiangsu Provincial Committee of the CPC (江蘇省組織部).

Mr. Shengqiang LU (盧勝強), aged 42, is an independent non-executive Director and responsible for supervising and providing independent opinion and judgment to our Board. Mr. Lu has over 18 years experiences in the legal industry. He has been a partner at the Zhejiang Tiance Law Firm (浙江天冊律師事務所) since April 2019. Previously, he worked at Zhejiang Zhelien Law Firm (浙江浙聯律師事務所) from June 2008 to October 2009. After that, Mr. Lu spent ten years practicing as a lawyer at Shanghai AllBright Law Firm (上海錦天城律師事務所) in Hangzhou from November 2009 to March 2019. Mr. Lu obtained a bachelor’s degree in laws in June 2006 from Zhejiang University of Technology.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Warren Yung Liang SUN (孫榮良), aged 48, was appointed as an independent non-executive Director in August 2025, which will take effect from the [REDACTED] and is responsible for supervising and providing independent opinion and judgment to our Board. Mr. Sun has held various positions at Kinox Industrial (Shenzhen) Co., Ltd. (建樂士工業(深圳)有限公司): he worked as a product engineer from February 2004 to September 2012, then as an operating director from October 2012 to December 2016 and as a deputy managing director since 2014. Mr. Sun obtained a bachelor’s degree in technology (mechatronics) in September 2008 from University of Western Sydney. Mr. Sun is a member of Zhejiang Provincial Committee of the Chinese People’s Political Consultative Conference and a member of Ningbo Municipal Committee of the Chinese People’s Political Consultative Conference.

SENIOR MANAGEMENT

The table below shows certain information in respect of the senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as a senior management	Position	Key responsibilities
Wenjie REN (任文傑)	56	November 2001	November 2001	Chairman of the Board, Executive Director, General Manager	Overall management of the Board, overall management and operations of our Group and the overall development strategies, business plans, and major operational decisions of our Group
Yahong DING (丁亞紅)	56	March 2003	December 2019	Executive Director, Deputy General Manager	Overall management and operations of our Group and responsible for development strategies and major decisions of the international business of the Group
Yang LI (李暘)	43	October 2015	December 2019	Chief Financial Officer, Board Secretary and Joint Company Secretary	Overall management of the accounting and finance, investment and financing, and investor relations of our Group
Meixiang LIU (劉美香)	47	November 2008	November 2008	Deputy Chief Financial Officer	Overall financial management, accounting and investment of our Group
Xiaoying XU (徐小英)	49	May 2002	August 2025	Deputy General Manager	Responsible for management of administration and human resources department and management of research institutions

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wenjie REN (任文傑), aged 56, is an executive Director, the chairman of the Board and general manager of our Company. For the biography of Mr. Ren, see “— Board of Directors — Executive Directors”.

Ms. Yahong DING (丁亞紅), aged 56, is an executive Director and an deputy general manager of the Company. For the biography of Ms. Ding, see “— Board of Directors — Executive Directors”.

Mr. Yang LI (李暘), aged 43, serves as the chief financial officer, secretary to the Board, and a joint company secretary of our Company. He is responsible for the overall management of the accounting and finance, investment and financing, and investor relations of our Group. Mr. Li also serves as a director of Innovation Center, OSAI ITA, Physis Jinan and New Energy Yibin within our Group. Before joining our Company, Mr. Li worked at the PricewaterhouseCoopers Zhongtian Certified Public Accountants LLP (普華永道中天會計師事務所(特殊普通合夥)) from October 2009 to October 2015. Before that, he worked at the Shanghai Boss & Young Law Firm (上海市邦信陽律師事務所) from November 2007. Mr. Li has obtained the Shanghai Stock Exchange Board Secretary Qualification Certificate and Shenzhen Stock Exchange Board Secretary Qualification Certificate in May 2017 and March 2019 respectively. He is also a Certified Public Accountant and a Certified Tax Agent in China. Mr. Li obtained a bachelor’s degree in laws in June 2005 from Ningbo University, and a master of science in international business in November 2007 from University of Nottingham in Ningbo (寧波諾丁漢大學).

Ms. Meixiang LIU (劉美香), aged 47, is the deputy chief financial officer of our Company and is responsible for the overall financial management, accounting and investment of our Group. Prior to joining our Company in November 2008, Ms. Liu worked as the accounting assistant and later the chief account at Carman Enterprise Co., Ltd. (浙江嘉邁國際貿易有限公司) from June 1999 to April 2003. From May 2003 to March 2007, Ms. Liu served as the chief financial officer, audit manager and finance manager at Ningbo Tuopu Group Co., Ltd. (寧波拓普集團有限公司). After that, Ms. Liu worked at the accounting department of Ningbo Sanli Vintage Co., Ltd. (寧波三立釀酒有限公司) from June 2007 to August 2008. Ms. Liu obtained a bachelor’s degree in accounting & management in January 2009 from China Agricultural University, and a master of business administration degree in October 2015 from University of Canberra. She is also qualified as an intermediate accountant in China.

Ms. Xiaoying XU (徐小英), aged 49, is a deputy general manager, the head of the procurement center and the head of human resources department of the Company. She is responsible for management of administration and human resources department and management of research institutions. Ms. Xu also currently serves as the chairperson of the board of directors at Physis Motion and as a director of Innovation Center, Physis Jinan and New Energy Yibin. Since joining our Company as a manager of the trade department in May 2002, Ms. Xu has held various key roles within our Group. From December 2011 to January 2016, she served as the director of manufacturing of the Company. From January 2016 to December 2016, she served as a vice president of our Company and was responsible for the manufacturing of the Group. In addition, Ms. Xu served as a Supervisor from May 2020 to August 2025. Ms. Xu also served as the general manager of Physis Motion from January 2018 to July 2019. She has been the chairman of the board of Physis Motion since July 2019. Ms. Xu obtained a bachelor’s degree in English in July 2000 from Ningbo University and a master of business administration degree in July 2015 from International College of Ningbo University.

JOINT COMPANY SECRETARIES

Mr. Yang LI was appointed as our joint company secretary in August 2025. For further details, see “— Senior Management” above.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Vivien Pak Yu TAM (譚栢如) was appointed as our joint company secretary in August 2025. Ms. Vivien Pak Yu Tam serves as a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services, and has over nine years of experience in corporate secretarial field. Ms. Vivien Pak Yu Tam is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom. Ms. Vivien Pak Yu Tam obtained a bachelor’s degree in China Studies from Hong Kong Baptist University in 2014 and a master’s degree in Professional Accounting and Corporate Governance from City University of Hong Kong in 2017.

INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors or senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas within the three years immediately preceding the date of this document.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors or chief executive that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Save as disclosed above, as of the Latest Practicable Date, none of our Directors or senior management are related to other Directors or senior management of our Company.

Save as disclosed in “Relationship with Controlling Shareholders”, “Substantial Shareholders” and “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Disclosure of Interests” in Appendix VI to this document, as of the Latest Practicable Date, none of the Directors or chief executive of the Company held any interest or short position in the Shares or underlying Shares within the meaning of Part XV of the SFO.

CONFIRMATION FROM OUR DIRECTORS

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in August 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules. Each independent non-executive Director has confirmed to us (a) his or her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, (b) that he or she has no past or present financial or other interest in our business or any connection with any core connected person of our Company and (c) that there are no other factors that may affect his or her independence at the time of his or her appointment.

COMPETITION

Each of our executive and non-executive Directors confirmed that, as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. Our Group has also adopted corporate governance measures as described in section headed “Relationship with Controlling Shareholders — Corporate Governance Measures”, which help us to manage any potential conflicts of interest between our Group and our Controlling Shareholders and our Directors.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Track Record Period, the remuneration of our Directors, Supervisors and senior management was paid in the form of fees, salaries, allowances and benefits in kind, performance related bonuses, pension scheme contributions and share-based payment expenses. The remuneration (including any fees, salaries, bonuses, allowances and benefits in kind, pension scheme contributions and share-based payment expenses) paid to our Directors in the three years ended December 31, 2023, 2024 and 2025 were RMB8.34 million, RMB5.92 million and RMB6.60 million, respectively.

The five highest paid individuals of our Group during the three years ended December 31, 2023, 2024 and 2025, included one, one and one Director respectively, and the aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind and pension scheme contributions) which were paid by our Group to the five highest paid individuals who were not Directors or chief executive of the Company were approximately RMB8.23 million, RMB6.52 million and RMB8.58 million, respectively. During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in connection with the management of the affairs of any members of our Group. Furthermore, none of the Directors had waived or agreed to waive any emoluments during the same periods.

It is estimated that under the arrangements currently in force, the aggregate amount of remuneration (including any fees, salaries, allowances and benefits in kind, performance related bonuses, pension scheme contributions and share-based payment expenses) payable to and benefits in kind receivable by our Directors will be approximately RMB5.64 million for the year ended December 31, 2026.

Save as disclosed above, no other payments had been made, or are payable, by any member of our Group to our Directors and Supervisors during the Track Record Period. For additional information on our Directors during the Track Record Period as well as information on the five highest paid individuals, see Notes 8 and 9 to the Accountants’ Report set out in Appendix I to this document. See “Statutory and General Information — D. [REDACTED] Incentive Scheme — 2. [REDACTED] Share Option Scheme” in Appendix VI to this document for details regarding the incentive plans for our Directors and senior management.

BOARD COMMITTEES

In accordance with relevant PRC laws and regulations, the Articles and the practices in relation to the Corporate Governance Code under the Listing Rules, we have established four board committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

Audit Committee

We have established the Audit Committee with terms of reference in compliance with the relevant PRC laws and regulations and Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting process, risk management and internal control system of our Group. The Audit Committee consists of three members, namely, Ms. Yun QIU, Mr. Zhenlei CHEN and Mr. Shengqiang LU. Ms. Yun QIU, being the chairperson of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee with terms of reference in compliance with the relevant PRC laws and regulations and Rules 3.25 and 3.26 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendation to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration and Appraisal Committee consists of three members, namely, Mr. Shengqiang LU, Mr. Wenjie REN and Ms. Yun QIU with Mr. Shengqiang LU being the chairperson of the committee.

Nomination Committee

We have established the Nomination Committee with terms of reference in compliance with the relevant PRC laws and regulations and Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendation to the Board regarding the appointment of Director and senior management and succession planning for Directors. The Nomination Committee consists of three members, namely, Mr. Shengqiang LU, Mr. Zhenlei CHEN and Ms. Yahong DING with Mr. Shengqiang LU being the chairperson of the committee.

Strategy Committee

We have established the Strategy Committee with terms of reference in compliance with the relevant PRC laws. The primary duties of the Strategy Committee are to research and make recommendation to the Board regarding the long-term development strategy and major investment decisions of the Company. The Strategy Committee consists of five members, namely, Mr. Wenjie REN, Mr. Yi DONG, Mr. Lin YANG, Mr. Shihai WANG and Mr. Zhenlei CHEN, with Mr. Wenjie REN being the chairperson of the committee.

DIVERSITY

The Board [has adopted] a board diversity policy (the “**Board Diversity Policy**”) with a view to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a wide range of factors, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. Our Directors believe that our board diversity policy is well implemented. Our Board consists of ten Directors spanning a wide range of ages from 33 years old to 62 years old and will include two female Directors. Furthermore, our Directors have a balanced mixed of knowledge and skills, including overall management and strategic development, legal, accounting, and financial and investment management, in addition to extensive experience in the manufacturing industry. They obtained degrees in various majors including business administration, economics, mechanics and law, among others. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy.

Our Nomination Committee is responsible for the implementation of the Board Diversity Policy and ensuring its compliance with the Corporate Governance Code. After the [REDACTED], the Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness, and we will disclose in our corporate governance report the implementation results of the Board Diversity Policy annually.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE CODE

Our Group considers that appointing Mr. Wenjie REN as both the chairman of our Board and the general manager of our Company will provide us with strong and consistent leadership, resulting in more effective planning and management of our Group. Pursuant to code provision C.2.1 of Appendix C1 to the Listing Rules, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Wenjie REN’s extensive industry experience, personal profile and critical role in our Group’s historical development, we believe that it would be beneficial for our Group’s business prospects if Mr. Wenjie REN continues to act as both the chairman of our Board and the general manager of our Company upon [REDACTED]. Save as disclosed above, we are in compliance with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Patrons Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including: (a) before the publication of any regulatory announcement, circular or financial report; (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; and (c) where the Hong Kong Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules. Meanwhile, pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor shall inform us on a timely basis of any amendment or supplement to the Listing Rules issued by the Hong Kong Stock Exchange from time to time and any new or amended laws and regulations in Hong Kong applicable to our Company. The Compliance Advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations. The term of appointment of our Compliance Advisor shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wenjie REN, an executive Director, chairman of the Board and the general manager of the Company, and his spouse, Ms. Jin HU, were interested in an aggregate of 78,735,865 Shares, representing 49.48% of our total issued Shares, of which: (i) 35,282,269 Shares were held directly by Mr. Wenjie REN, representing 22.17% of our total issued Shares; (ii) 6,234,740 Shares were held directly by Ms. Jin HU, representing 3.92% of our total issued Shares; and (iii) an aggregate of 37,218,856 Shares were held directly by Ningbo Hongrui, Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan, each of which is controlled by Mr. Wenjie REN as the sole general partner, representing an aggregate of 23.39% of our total issued Shares. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised), Mr. Wenjie REN and his spouse, Ms. Jin HU, will be collectively entitled to exercise voting rights of [REDACTED] of our total issued Shares of our Company.

Therefore, Mr. Wenjie REN, Ms. Jin HU, Ningbo Hongrui and the Employee Incentive Platforms are considered as a group of Controlling Shareholders of our Company upon [REDACTED]. For further details of Mr. Wenjie REN, see “Directors and Senior Management — Directors” in this document.

COMPETITION

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are of the view that we are able to carry out our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of ten Directors, comprising four executive Directors, two non-executive Directors and four independent non-executive Directors. For more information, see “Directors and Senior Management” of this document for details.

Our Directors are of the view that our Board as a whole and together with our senior management team are able to manage our business independently from the Controlling Shareholders and their close associates for the following reasons:

- (i) our Directors and senior management are able to devote sufficient time and efforts to manage the daily operations of our Group and make decisions independent of the Controlling Shareholders. Our executive Directors and senior management have been devoting and will continue to allocate adequate amount of time and effort to the management and operation of our Group and would bear the best interests of the Company and the Shareholders as a whole in mind;
- (ii) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) with respect to any matters of conflict or potential conflict of interest which involve a transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall not be counted towards the quorum for the voting;
- (iv) we have appointed four independent non-executive Directors to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;
- (v) we have adopted other corporate governance and internal control measures to manage conflicts of interests, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures” below.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Financial Independence

We have an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently from our Controlling Shareholders or their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

During the Track Record Period, our Controlling Shareholder Mr. Wenjie REN provided guarantees and charged certain Shares held by him in favor of certain [REDACTED] Investors in respect of their redemption right granted by our Company in the [REDACTED] Investment, which was revoked on the day before the first submission of the [REDACTED] Application. Such guarantees and share charges were released on October 31, 2025.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders and their close associates.

Operational Independence

We engage in our operations independently, making and implementing operational decisions independently. We have obtained all material licenses and permits necessary for our business operations and are not dependent upon our Controlling Shareholders or their close associates for any such licenses and permits. In addition, we have established our internal organizational and management structure which includes Shareholders’ meetings, our Board and other committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

Based on the above, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

- (i) where a Shareholders’ meeting is held for considering proposed transactions in which our Controlling Shareholders have a material interest, our Controlling Shareholders shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (iii) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;
- (iv) our Company has established internal control mechanisms to identify connected transactions and to ensure any connected transactions of the Company shall be in compliance with the relevant requirements under Chapter 14A of the Listing Rules;
- (v) our Audit Committee will conduct a review on the effectiveness of the above internal control measures on an annual basis;
- (vi) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company’s cost as and when appropriate in accordance with the Corporate Governance Code;
- (vii) we have appointed Patrons Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the conversion of our Unlisted Shares to H Shares, assuming the [REDACTED] is not exercised and without taking into account the options under the [REDACTED] Share Option Scheme, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	As of the Latest Practicable Date		Immediately following the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised)		
		Number of Shares	Approximate percentage of shareholding in our total share capital	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in Unlisted Shares/H Shares ⁽²⁾	Approximate percentage of shareholding in our total share capital ⁽²⁾
Mr. Wenjie REN	Beneficial owner	35,282,269	22.17%	[REDACTED]	[REDACTED]%	[REDACTED]%
				[REDACTED]	[REDACTED]%	[REDACTED]%
	Interest in controlled corporations ⁽³⁾	37,218,856	23.39%	[REDACTED]	[REDACTED]%	[REDACTED]%
	Interest of spouse ⁽⁴⁾	6,234,740	3.92%	[REDACTED]	[REDACTED]%	[REDACTED]%
Ningbo Hongrui	Beneficial owner	24,494,896	15.39%	[REDACTED]	[REDACTED]%	[REDACTED]%
				[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Jin HU ⁽⁴⁾	Beneficial owner	6,234,740	3.92%	[REDACTED]	[REDACTED]%	[REDACTED]%
				[REDACTED]	[REDACTED]%	[REDACTED]%
	Interest of spouse	72,501,125	45.57%	[REDACTED]	[REDACTED]%	[REDACTED]%
Mr. Dongsheng HE. . .	Interest in controlled corporations ⁽⁵⁾	24,494,896	15.39%	[REDACTED]	[REDACTED]%	[REDACTED]%
				[REDACTED]	[REDACTED]%	[REDACTED]%
	Others ⁽⁶⁾	30,283	0.02%	[REDACTED]	[REDACTED]%	[REDACTED]%
Metropolitan Industrial Investment Fund . . .	Beneficial owner	18,753,042	11.79%	[REDACTED]	[REDACTED]%	[REDACTED]%
Future Industry Investment Fund . . .	Beneficial owner	12,851,200	8.08%	[REDACTED]	[REDACTED]%	[REDACTED]%
Future Industry Investment Fund II .	Beneficial owner	7,952,475	5.00%	[REDACTED]	[REDACTED]%	[REDACTED]%
CS Capital Co., Ltd. (國投招商投資管理有限公司) (“CS Capital”) ⁽⁷⁾	Interest in controlled corporations	26,705,517	16.78%	[REDACTED]	[REDACTED]%	[REDACTED]%
SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司) (“SDIC Fund”) ⁽⁸⁾ . .	Interest in controlled corporations	12,851,200	8.08%	[REDACTED]	[REDACTED]%	[REDACTED]%
China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國國投高新產業投資有限公司) (“SDIC Gaoxin”) ⁽⁸⁾	Interest in controlled corporations	12,851,200	8.08%	[REDACTED]	[REDACTED]%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	As of the Latest Practicable Date		Immediately following the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised)		
		Number of Shares	Approximate percentage of shareholding in our total share capital	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in Unlisted Shares/H Shares ⁽²⁾	Approximate percentage of shareholding in our total share capital ⁽²⁾
State Develop and Investment Corporation (國家開發投資集團有限公司) ⁽⁸⁾	Interest in controlled corporations	12,851,200	8.08%	[REDACTED]	[REDACTED]%	[REDACTED]%
Ningbo Hongjun	Beneficial owner	8,906,772	5.60%	[REDACTED]	[REDACTED]%	[REDACTED]%
Huijia Huijin	Beneficial owner	4,008,047	2.52%	[REDACTED]	[REDACTED]%	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of [REDACTED] Unlisted Shares and [REDACTED] H Shares in issue immediately after completion of the [REDACTED] since [REDACTED] Unlisted Shares will be converted into H Shares and [REDACTED] H Shares will be issued pursuant to the [REDACTED], assuming that the [REDACTED] is not exercised.
- (3) Ningbo Hongrui holds 24,494,896 Shares. Mr. Wenjie REN is the sole general partner of Ningbo Hongrui, and Mr. Dongsheng HE, our executive Director, holds approximately 45.50% of the partnership interests in Ningbo Hongrui as a limited partner. No other limited partners of Ningbo Hongrui holds more than one-third of the partnership interest in Ningbo Hongrui. Therefore, Mr. Wenjie REN is deemed to be interested in the Shares held by Ningbo Hongrui under the SFO.

Ningbo Hongjun is an Employee Incentive Platform holding 8,906,772 Shares. Mr. Wenjie REN is the sole general partner of Ningbo Hongjun and holds approximately 83.61% of the partnership interests in Ningbo Hongjun. Therefore, Mr. Wenjie REN is deemed to be interested in the Shares held by Ningbo Hongjun under the SFO.

Ningbo Hongche is an Employee Incentive Platform holding 2,290,313 Shares. Mr. Wenjie REN is the sole general partner of Ningbo Hongche and holds approximately 47.61% of the partnership interests in Ningbo Hongche. Therefore, Mr. Wenjie REN is deemed to be interested in the Shares held by Ningbo Hongche under the SFO.

Ningbo Honglan is an Employee Incentive Platform holding 1,526,875 Shares. Mr. Wenjie REN is the sole general partner of Ningbo Honglan. Therefore, Mr. Wenjie REN is deemed to be interested in the Shares held by Ningbo Honglan under the SFO.
- (4) Mr. Wenjie REN and Ms. Jin HU are spouses. Therefore, they are deemed to be interested in the Shares held by each other under the SFO.
- (5) Mr. Dongsheng HE, as a limited partner, holds 45.50% of the partnership interest in Ningbo Hongrui which holds 24,494,896 Shares. As he holds not less than one-third of the partnership interest in Ningbo Hongrui, Mr. Dongsheng HE is deemed to be interested in the Shares held by Ningbo Hongrui under the SFO.
- (6) Ningbo Hongjun is an Employee Incentive Platform holding 8,906,772 Shares. Mr. Dongsheng HE, as a limited partner, holds 0.34% of the partnership interest in Ningbo Hongjun. Therefore, Mr. Dongsheng HE is interested in approximately 30,283 Shares, corresponding to his partnership interest in Ningbo Hongjun.
- (7) CS Capital is the general partner and manager of each of Metropolitan Industrial Investment Fund and Future Industry Investment Fund II. Therefore, CS Capital is deemed to be interested in the Shares held by Metropolitan Industrial Investment Fund and Future Industry Investment Fund II under the SFO.
- (8) Future Industry Investment Fund is managed by its general manager SDIC Fund, which is 40% owned by SDIC Gaoxin. SDIC Gaoxin is controlled by State Development and Investment Corporation, a state-owned enterprise. As such, each of SDIC Fund, SDIC Gaoxin and State Development and Investment Corporation is deemed to be interested in Shares held by Future Industry Investment Fund.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above and the section headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders” in Appendix VI, our Directors are not aware of any person who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XB of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of our Group.

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the [REDACTED], we entered into certain transactions with parties who will, upon the [REDACTED], become connected persons of the Company.

CONNECTED PERSONS

We have entered into certain transactions with the following parties who will, upon the [REDACTED], become connected persons of the Company:

Connected Person	Connected Relationship
Future Industry Investment Fund II	CS Capital Co., Ltd. (國投招商投資管理有限公司) (“ CS Capital ”) is a substantial shareholder of the Company. Future Industry Investment Fund II is fund managed by CS Capital as its general partner. Accordingly, Future Industry Investment Fund II is an associate of CS Capital and therefore a connected person of the Company.
Anhui Sinomags Technologies Co., Ltd. (安徽希磁科技股份有限公司) (“ Sinomags ”) .	To the best knowledge of our Directors, Future Industry Investment Fund II holds more than 30% interest in Anhui Guosheng Electronics Co., Ltd (安徽國盛電子有限公司), of which Sinomags is a shareholder. Accordingly, Sinomags is a joint venture partner of Future Industry Investment Fund II with respect to Anhui Guosheng Electronics Co., Ltd (安徽國盛電子有限公司), and thus an associate of Future Industry Investment Fund II pursuant to Rule 14A.15 of the Listing Rules. Therefore, Sinomags is a connected person of the Company.
Innovation Center	Innovation Center is a non-wholly owned subsidiary of the Company where Future Industry Investment Fund II holds not less than 10% equity interest. Accordingly, Innovation Center is a connected subsidiary of the Company.

EXISTING ONE-OFF CONNECTED TRANSACTION

The following transaction was entered into by our Company with Future Industry Investment Fund II prior to, but is expected to be completed after the [REDACTED].

Promoters’ Agreement of Innovation Center

On August 8, 2022, the Company, Future Industry Investment Fund II, Ningbo Industrial Investment Group Co., Ltd. (寧波工業投資集團有限公司), Ningbo Beilun District Industrial Investment Group Co., Ltd. (寧波市北侖區工業投資集團有限公司), Ningbo Zhaobao Magnet Co., Ltd. (寧波招寶磁業股份有限公司) Ningbo Zhongxuan Industrial Internet Co., Ltd (寧波中選工業互聯網有限公司) (collectively, the “**Promoters**”) entered into a promoters’ agreement (the “**Promoters’ Agreement of Innovation Center**”), pursuant to which the Promoters agreed to establish Innovation Center. According to the terms of the Promoters’ Agreement of Innovation Center, the Company, Future Industry Investment Fund II, and the four other Promoters in aggregate, shall make a capital contribution to Innovation Center in the amount of RMB55.5 million, RMB20 million, and RMB35 million, respectively.

According to the Promoters’ Agreement of Innovation Center, each of the Promoters shall make such capital contribution in two instalments, with the first instalment being 40% of their respective total investment amount (the “**First Instalment**”), and the second instalment being the remaining 60% of their respective total investment amount (the “**Second Instalment**”). As of the Latest Practicable Date, each of the Promoters has made the First Instalment. It is anticipated that the Second Instalment will be made by the Promoters after the [REDACTED].

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions of the Company upon the [REDACTED] are set out below.

Summary of Continuing Connected Transactions

No.	Connected Transaction	Relevant Listing Rules	Connected Person	Waiver Sought
<i>Fully exempt continuing connected transaction</i>				
1 . . .	Property Lease Agreement	14A.76(1)	Innovation Center	Not Applicable
2 . . .	Software Licensing Agreement	14A.76(1)	Innovation Center	Not Applicable
<i>Partially exempt continuing connected transactions</i>				
3 . . .	Sinomags Procurement Framework Agreement	14A.76(2), 14A.105	Sinomags	Waiver from strict compliance with announcement requirements
4 . . .	Framework Agreement with Innovation Center	14A.76(2), 14A.105	Innovation Center	Waiver from strict compliance with announcement requirements

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Property Lease Agreement

On December 5, 2025, the Company, as lessor, entered into certain property lease agreement (the “**Beilun Property Lease Agreement**”) with Innovation Center, as lessee for a term from January 1, 2026 to December 31, 2026, pursuant to which, the Company agreed to lease certain properties located at Beilun District, Ningbo (the “**Beilun Properties**”) to Innovation Center. The Beilun Properties are mainly office spaces used by Innovation Center for its daily operations and business.

According to the Beilun Property Lease Agreement, Innovation Center shall pay to the Company a rental fee being determined on a cost basis taking into account the depreciation cost and the property management fees to be incurred by the Company in relation to the Beilun Properties.

Listing Rules Implications

As all of the applicable percentage ratios (as defined under the Listing Rules) of the proposed annual cap for the transactions contemplated under the Property Lease Agreement on an aggregated basis during the term are less than 0.1%, the transactions contemplated under the Property Lease Agreement are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

2. Software Licensing Agreement

On March 25, 2026, our Company and Innovation Center entered into an software licensing agreement (the “**Software Licensing Agreement**”), pursuant to which the Company, as licensor, agreed to license to Innovation Center, as licensee the right to use certain software (the “**Software**”) for a term January 1, 2026 to December 31, 2026, according to the terms and conditions of the Software Licensing Agreement. Such Software is used by Innovation Center during its daily operations and business. According to the Software Licensing Agreement, Innovation Center shall pay to the Company an annual license fee which was determined on a cost basis and calculated with reference to Innovation Center’s consumption volume and the Company’s costs incurred in procuring and maintaining such Software taking into account the amortization expenses for such Software.

The historical payments received by the Company from Innovation Center for the Information Technology Services were nil, nil and RMB6,848 respectively for the years ended December 31, 2023, 2024 and 2025. The proposed annual cap for the transactions contemplated under the Software Licensing Agreement is RMB9,162 for the year ending December 31, 2026, equivalent to the annual license fee to be received by the Company from the Innovation Center in 2025 according to the terms of the Software Licensing Agreement.

Listing Rules Implications

As all of the applicable percentage ratios (as defined under the Listing Rules) of the proposed annual cap during the term of Software Licensing Agreement (being the period from January 1, 2026 to December 31, 2026) are less than 0.1%, the transactions contemplated under the Software Licensing Agreement are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

3. Sinomags Procurement Framework Agreement

We have historically procured current sensors or other components (the “**Products**”) from Sinomags. On [●], our Company and Sinomags entered into a procurement framework agreement (the “**Sinomags Procurement Framework Agreement**”), pursuant to which Sinomags, as the seller, shall supply the Products to the Group, as the purchaser, in accordance with the terms of the Sinomags Procurement Framework Agreement for a term of three years commencing from its signing date.

Pricing Basis

The consideration of the Products will be negotiated on an arm’s lengths basis between the Company and Sinomags on normal commercial terms with reference to prevailing market prices of similar products, taking into account: (1) the prices of similar products in comparable transactions conducted by the Group with Independent Third Parties during the same period (if any), to ensure that the price to be paid by the Group to Sinomags for the Products will not be higher than the price paid by the Group to the Independent Third Parties; and (2) the recent market prices of comparable transactions, by making enquiries on market prices of similar products with industry players and conducting researches on industry websites, and then comparing the references with the prices quoted by Sinomags to ensure that the prices to be paid by the Group to Sinomags for the Products will not be higher than the prices offered by independent third party suppliers to the Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the products in similar quantities for comparison.

CONNECTED TRANSACTIONS

Reasons for and Benefits of Entering into the Sinomags Procurement Framework Agreement

Sinomags is an integrated device manufacturer company in the magnetic sensors industry. During the Track Record Period, the Group has procured the Products from Sinomags from time to time in the ordinary and usual course of our business, which enables Sinomags to be familiar with our business needs, quality standards and operational requirements in respect of our production and manufacturing lines. Based on our experience in cooperations with Sinomags, we consider that Sinomags is capable of effectively satisfying our demands in the Products.

Furthermore, we believe the continuous procurement of the Products from Sinomags can reduce the Group’s costs associated with prolonged negotiations with new suppliers, thus providing a cost-effective source of the Products to the Group. Therefore, we believe it is in the interest of our Group and the Shareholders as a whole to enter into the Sinomags Procurement Framework Agreement and to continue the transactions contemplated thereunder.

Corporate Governance Measures

In order to ensure that the aforesaid pricing basis for the Sinomags Procurement Framework Agreement is adhered to, the Company will monitor the relevant payments to ensure that the purchase price of the Products are determined properly. The Company and Sinomags will negotiate the terms of such transactions to ensure that the prices are fair and reasonable. In implementing the above pricing policies and principles, the internal audit department of the Company will also assess the terms of the proposed connected transactions, in particular the pricing, with reference to the above pricing policies and principles. The final price will be determined after confirmation of the internal audit department with reference to the above pricing policies and principles and after the approval of the general manager or deputy general manager or other authorized management personnel of the Company. The Audit Committee will also be responsible for reviewing the internal control systems to ensure its effectiveness.

In addition, the Company has implemented a procurement policy for our procurement activities during the ordinary and usual course of our business. In respect of selecting new suppliers for the Products, the procurement team normally requires the potential suppliers to provide, among others, its industrial background and credentials and the quotations with detailed breakdowns of the products involved. Further, the procurement team routinely monitors market prices for procurement of the relevant Products necessary for our operations for the purpose of benchmarking and cost control. The procurement department leads the commercial negotiations with the potential suppliers and independently evaluates the terms with reference to all the relevant factors the Company regards as necessary. When deciding on the engagement of such supplier, the Company will refer to pure commercial considerations and will only engage such supplier if the Company considers it is in the best interest of the Company and the Shareholders as a whole to enter into the procurement arrangement.

Historical Transaction Amount

The transaction amounts of the procurement of the Products from Sinomags were RMB4,000, RMB37,000 and RMB44,000, respectively, for the years ended December 31, 2023, 2024 and 2025.

Annual Caps and Basis

The proposed annual caps for the transactions contemplated under the Sinomags Procurement Framework Agreement are RMB6,000,000, RMB8,000,000 and RMB8,400,000, respectively, for the years ended December 31, 2026, 2027 and 2028.

CONNECTED TRANSACTIONS

In determining the proposed annual caps for the transactions contemplated under the Sinomags Procurement Framework Agreement, we have taken into account the following factors:

- (1) the fee rates of the Products to be purchased from Sinomags during the term of the Sinomags Procurement Framework Agreement;
- (2) historical transaction amount in respect of the Company’s procurement of the Products from Sinomags;
- (3) the expected demand from the Company for the Products to be purchased from Sinomags during the term of the Sinomags Procurement Framework Agreement. It is expected that such demand will increase significantly primarily because the Products supplied by Sinomags were historically and currently used in certain projects of the Company that are still in the prototype manufacturing stage and have not yet started mass production, and the Company anticipates that mass production of such projects will begin in 2026. It is expected that the volume of the Products to be purchased from Sinomags for the year ending December 31, 2026 will be more than ten times greater as compared to the year ended December 31, 2025, and will progressively increase in each year for the two years ending December 31, 2028; and
- (4) the relevant capacity of Sinomags in manufacturing and providing the Products.

Listing Rules Implications

As all of the applicable percentage ratios (as defined under the Listing Rules) of the highest annual caps (on an aggregation basis) during the term of the Sinomags Procurement Framework Agreement is no less than 0.1% but will not exceed 5%, the Sinomags Procurement Framework Agreement and the transactions contemplated thereunder are exempt from the circular (including independent financial advice) and shareholders’ approval requirements but are subject to the relevant annual reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

4. Framework Agreement with Innovation Center

Historically, certain subsidiaries (other than Innovation Center) of the Company (the Company and its subsidiaries other than Innovation Center, collectively, the “**Remaining Group**”) provided to Innovation Center services of processing silicon steel sheet into parts or components to be used in certain R&D projects of Innovation Center (the “**Processing Services**”). The Remaining Group also sold to Innovation Center (1) certain materials to be used in the R&D activities of Innovation Center R&D process (the “**R&D Materials**”) and (2) electric motors (the “**Motors**”) manufactured by the Remaining Group.

On the other hand, the Remaining Group also procured certain R&D services (the “**R&D Services**”) from Innovation Center for developing new products or components of products of the Company. In addition, the Remaining Group also purchased from Innovation Center components or semi-finished products (the “**Manufacturing Materials**”) developed by Innovation Center. Such Manufacturing Materials were used in the manufacturing process of the Remaining Group.

On [●], the Company and Innovation Center entered into a framework agreement for a term of three years commencing from the [REDACTED] (the “**Framework Agreement with Innovation Center**”), pursuant to which the Remaining Group agreed to (1) procure from Innovation Center the R&D Services and the Manufacturing Materials, and (2) provide to Innovation Center the R&D Materials, the Motors and the Processing Services according to the terms and conditions of the Framework Agreement with Innovation Center.

CONNECTED TRANSACTIONS

Pricing Basis:

The prices of the purchase of the Manufacturing Materials and/or the procurement of the R&D Services by the Remaining Group from Innovation Center will be determined with reference to:

- (1) the cost of provisions of such materials or services (such as the labor cost and the cost of consumables used);
- (2) the prices of similar manufacturing materials or the service fees of similar R&D services in comparable transactions conducted by the Group with Independent Third Parties during the same period (if any), to ensure that price or the service fees to be paid by the Remaining Group for the purchase of the Manufacturing Materials and/or the procurement of the R&D Services to Innovation Center will not be higher than the price paid by the Remaining Group to Independent Third Parties in comparable transactions; and
- (3) the recent market prices of comparable transactions, by making enquiries on market prices of similar materials or services with industry players and conducting researches on industry websites, and then comparing the references with the prices or service fees quoted by Innovation Center to ensure that the prices to be paid by the Remaining Group for the purchase of the Manufacturing Materials and/or the procurement of the R&D Services to Innovation Center will not be higher than the prices or service fees offered by independent third party suppliers to the Remaining Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the materials or equipment in similar quantities for comparison.

The prices of the sale of the R&D Materials by the Remaining Group to Innovation Center will be determined with reference to the cost of provision of such materials to Innovation Center taking into account of the procurement expenses for such R&D Materials.

The prices of the sale of the Motors by the Remaining Group to Innovation Center will be determined with reference to:

- (1) the prices of similar electric motors in comparable transactions conducted by the Remaining Group with Independent Third Parties during the same period (if any), to ensure that the price to be received by the Remaining Group for the Motors from Innovation Center will not be lower than the price received by the Remaining Group from Independent Third Parties in comparable transactions; and
- (2) the recent market prices of comparable transactions, by making enquiries on market prices of similar electric motors with industry players and conducting researches on industry websites, to ensure that the price to be received by the Remaining Group for the Motors from Innovation Center will not be lower than the price offered by independent third party customers to the Remaining Group (if any). To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the electric motors in similar quantities for comparison.

In accordance with the customary practice within the industry, the consideration of the provision of the Processing Services by the Remaining Group to Innovation Center will be settled by the remaining waste of silicon steel sheet (supplied by Innovation Center to the Remaining Group for processing) after processing. As a customary practice within the industry, after processing the silicon steel sheet, the Remaining Group will then sell the remaining waste of silicon steel sheet to Independent Third Parties, and for accounting treatment purpose, the service fees of the Processing Services will be equal to the sale proceeds to be received by the Remaining Group from selling such remaining waste.

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Reasons for and Benefits of Entering into the Framework Agreement with Innovation Center

Innovation Center is one of our research institutes established in 2022 in Zhejiang Province. This integrated innovation platform 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 and 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. To fully utilize the technical R&D strengths of Innovation Center and considering that since the establishment of Innovation Center, the R&D Services and the Manufacturing Materials (which were the results of the R&D efforts of Innovation Center) has continued to meet the R&D and manufacturing needs and requirements of the Remaining Group, the Remaining Group anticipates that it will continue to procure from Innovation Center the R&D Services and the Manufacturing Materials that could be utilized by the Remaining Group as semi-finished products in its manufacturing process. Such purchases made by the Remaining Group would enable the Remaining Group to steadily build on its existing R&D capabilities and improve its day-to-day operational efficiency. Taken as a whole, the enhancement of Innovation Center’s R&D function capabilities through the R&D Services will ultimately support the continued advancement of the Group’s business development and achievement of its expansion goals.

The R&D Materials to be sold by the Remaining Group to Innovation Center are to be used by Innovation Center in its R&D activities. For materials to be used by the Group (including Innovation Center as a subsidiary of the Company) in its R&D activities, the Company or a designated subsidiary of the Company will first procure on a large-scale basis and then sell to other subsidiaries of the Company as and when needed. The Company believes such approach would help increase the bargaining power and improve cost efficiency of the Group as a whole.

Regarding the Motors to be sold by the Remaining Group to Innovation Center, Innovation Center will from time to time through its own customer network obtain purchase orders of Motors placed by Independent Third Parties. As Innovation Center currently does not have manufacturing or production capability for Motors, it will turn to the Remaining Group who will manufacture such electric motors and sell to Innovation Center for its further sale. The Company believes such sale model will leverage the customer base of Innovation Center and help increase the revenue of the Group as a whole. The Processing Services to be provided by the Remaining Group to Innovation Center would enhance the processing and manufacturing capacity and improve the manufacturing utilization of the Remaining Group.

Furthermore, we believe continuous procurement/provision of the services or materials from/to Innovation Center can reduce the Remaining Group’s costs associated with prolonged negotiations with new service providers and customers, provide a reliable and cost-effective source of such services and materials for both parties, giving the Remaining Group flexibility to purchase or sell such materials and/or procure or provide such services as and when the need arises, and thereby enabling the Remaining Group and Innovation Center to fine-tune and optimize its allocation of R&D and manufacturing resources.

Corporate Governance Measures

In order to ensure that the aforesaid pricing basis for the Framework Agreement with Innovation Center is adhered to, the Group will monitor the relevant costs/payments to ensure that the selling/purchase price of such services are determined properly. The Remaining Group and Innovation Center will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions. In implementing the above pricing policies and principles, the internal audit department of the Company will also assess the terms of the proposed connected transactions, in particular the pricing, with reference to the above pricing policies and principles. The final price will be determined after confirmation of the internal audit department with reference to the above pricing policies and

CONNECTED TRANSACTIONS

principles and after the approval of the general manager or the deputy general manager or other authorized management personnel of the Company or the relevant subsidiaries. The Audit Committee will also be responsible for reviewing the internal control systems to ensure its effectiveness.

Furthermore, to ensure the transactions with Innovation Center are conducted on normal commercial terms or on terms no less favorable to us than those available to or from Independent Third parties and the fees under the individual agreements are consistent with the pricing policy as stipulated in the Framework Agreement, the Company will collect the information on market fees or fees (as the case may be) to assess the applicable fees for each individual agreement:

- (1) in respect of procurement of R&D Services by the Remaining Group from the Innovation Center: the Company will make enquiries on market prices of similar services with industry players and conduct researches on industry websites, and then compare the references with the service fees quoted by Innovation Center to ensure that the prices to be paid by the Remaining Group for the procurement of the R&D Services to Innovation Center will not be higher than the prices or service fees offered by independent third party suppliers to the Remaining Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the similar services for comparison.
- (2) in respect of provision of Processing Services by the Remaining Group from the Innovation Center: to ensure that the price to be received by the Remaining Group for the Processing Services from Innovation Center will not be lower than the price offered by independent third party customers to the Remaining Group, the Company will make enquiries on market prices of the Processing Services with industry players and conduct researches on industry websites to ensure that it remains a customary practice within the industry that the consideration of the provision of the Processing Services are to be settled by the remaining waste of silicon steel sheet after processing. The management of the Company would also solicit at least three Independent Third Parties for the sale price of the remaining waste to ensure that the proceeds to be received by the Remaining Group for the remaining waste would be fair and reasonable and reflect the market prices.
- (3) in respect of procurement of Manufacturing Materials by the Remaining Group from the Innovation Center: the Company will make enquiries on market prices of similar materials with industry players and conduct researches on industry websites, and then compare the references with the fees quoted by Innovation Center to ensure that the prices to be paid by the Remaining Group for the procurement of the Manufacturing Materials to Innovation Center will not be higher than the prices or service fees offered by independent third party suppliers to the Remaining Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for components or products in similar quantities for comparison.
- (4) in respect of provision of R&D Materials and Motors by the Remaining Group from the Innovation Center:
 - (a) in respect of R&D Materials: The Company will make enquiries on market prices of similar materials with industry players and conduct researches on industry websites, and then compare the references with the prices to be received by the Remaining Group from Innovation Center for the R&D Materials will not be lower than the price offered by Independent Third Parties (if any). To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Materials for the materials in similar quantities for comparison. In the event that market price information is not

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available, given that the such R&D Materials were firstly procured by the Company or a designated subsidiary of the Company on a large-scale basis and then sell to Innovation Center (as a subsidiary of the Company), the Company will ensure that the prices to be received from the Company from Innovation Center for the sale of the R&D Materials will be no less than the costs incurred by the Company for procurement of such R&D Materials.

- (b) in respect of Motors: the Company will make enquiries on market prices of similar electric motors with industry players and conduct researches on industry websites, to ensure that the price to be received by the Remaining Group for the Motors from Innovation Center will not be lower than the price offered by independent third party customers to the Remaining Group (if any). To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the electric motors in similar quantities for comparison.

In addition, our Company has implemented a procurement policy for our procurement activities during our ordinary and usual course of business. For selecting new providers for the R&D Services or the Manufacturing Materials, our procurement team normally requests the potential supplier to provide, among others, its industrial background and credentials and the quotations with breakdown of detailed components of the materials involved. Furthermore, our procurement team routinely monitors market prices for procurement of the relevant R&D Services or the Manufacturing Materials necessary for our operations, for benchmarking and cost control purposes. The commercial negotiations with potential suppliers are led by our procurement department, which independently evaluates the terms taking into account all relevant factors as we consider necessary. A decision on whether to engage such supplier will be made purely based on commercial considerations and only if we consider it is in the best interest of our Company and the Shareholders to enter into such procurement arrangement.

Historical transaction amount

The historical transaction amounts of the provision/procurement of the R&D or manufacturing related services or materials by the Remaining Group to/from Innovation Center are as follows:

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousand)		
Provision of R&D Services by Innovation Center to the Remaining Group	136	715	213
Provision of Processing Services by the Remaining Group to Innovation Center	630	657	Nil
Sales of Manufacturing Materials by Innovation Center to the Remaining Group	5,152	6,502	Nil
Sales of R&D Materials and Motors by the Remaining Group to Innovation Center	30	464	100

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Annual Caps and Basis

The proposed annual caps for the transactions contemplated under the Framework Agreement with Innovation Center are as follows.

	For the year ending December 31,		
	2026	2027	2028
	<i>(RMB in thousand)</i>		
Provision of R&D Services by Innovation Center to the Remaining Group	3,000	3,000	3,000
Provision of Processing Services by the Remaining Group to Innovation Center	1,000	1,200	1,500
Sales of Manufacturing Materials by Innovation Center to the Remaining Group	8,500	9,500	11,000
Sales of R&D Materials and Motors by the Remaining Group to Innovation Center	3,520	4,920	7,020
Total	16,020	18,620	22,520

The proposed annual caps are determined based on the following factors:

- (1) in respect of procurement of R&D Services by the Remaining Group from the Innovation Center:
 - (a) the fee rates of the R&D Services and the potential fluctuation in such fee rates;
 - (b) the historical transaction amount of the procurement of R&D Services by the Remaining Group from the Innovation Center;
 - (c) the relevant R&D capacity of Innovation Center in providing the R&D Services. It is expected that there will an increase in the capacity of Innovation Center in providing the R&D Services to the Remaining Group. Established in September 2022, Innovation Center has been enhancing its R&D team and committed to frontier researches in electric drive area throughout these years and has achieved the scale and capacity as a top-tier innovation hub and cross-industry collaboration platform; and
 - (d) the Remaining Group’s anticipated demand for R&D Services during the term of the Framework Agreement with Innovation Center. In light of the increasing capacity of Innovation Center in providing the R&D Services, the Group intends to leverage the R&D capability of Innovation Center in maintaining its technology leadership. As such, it is expected that the Remaining Group’s demands of R&D Services from Innovation Center will increase in the near future.
- (2) in respect of provision of Processing Services by the Remaining Group from the Innovation Center:
 - (a) the usage rate of silicon steel sheet for the Processing Services and the unit price of remaining waste of silicon steel sheet after processing;
 - (b) the historical transaction amount of the provision of Processing Services by the Remaining Group from the Innovation Center;

CONNECTED TRANSACTIONS

- (c) Innovation Center’s anticipated demand for the Processing Services during the term of the Framework Agreement with Innovation Center. It is expected that the weights of silicon steel sheet anticipated to be processed by the Remaining Group for Innovation Center in the year ending December 31, 2026 will increase as compared to the annual transaction amount during the Track Record Period, and further increase at a growth rate in between 20% to 30% for each of the year ending December 31, 2027 and 2028; and
 - (d) the relevant manufacturing capacity of our Group in providing the Processing Services;
- (3) in respect of procurement of Manufacturing Materials by the Remaining Group from the Innovation Center:
 - (a) the unit price of the Manufacturing Materials and the potential fluctuation in such unit price;
 - (b) the historical transaction amount in respect of the procurement of the Manufacturing Materials by the Remaining Group from the Innovation Center; and
 - (c) the Remaining Group’s anticipated demand for Manufacturing Materials during the term of the Framework Agreement with Innovation Center. It is expected that the quantities of the Manufacturing Materials in demand in the year ending December 31, 2026 will increase as compared to the annual transaction amount during the Track Record Period, and further increase steadily in the two years ending December 31, 2028.
- (4) in respect of provision of R&D Materials and Motors by the Remaining Group from the Innovation Center:
 - (a) the unit price of the R&D Materials and Motors and potential fluctuation in such unit price;
 - (b) the historical transaction amount in respect of provision of R&D Materials and Motors by the Remaining Group from the Innovation Center; and
 - (c) Innovation Center’s anticipated demand for the R&D Materials and the Motors during the term of the Framework Agreement with Innovation Center. It is expected that the quantities of the Motors and in demand in the year ending December 31, 2026 will increase significantly as compared to the demands in the year ending December 31, 2025 taking into account of the anticipated development of new types of motors and will increase progressively each year for the two years ending December 31, 2028.

The parties will make the purchases/sales according to their respective actual commercial needs at the relevant time.

Listing Rules Implications:

As all of the applicable percentage ratios (as defined under the Listing Rules) of the highest annual caps (on an aggregation basis) during the term of the Framework Agreement with Innovation Center is no less than 0.1% but will not exceed 5%, the Framework Agreement with Innovation Center and the transactions contemplated thereunder are exempt from the circular (including independent financial advice) and independent Shareholders’ approval requirements but are subject to the reporting, annual review and announcement requirements set out in Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.76(2) of the Listing Rules, the transactions under the sub-section “—Partially Exempt Continuing Connected Transactions” will constitute connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. As the above partially exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers to us under Rule 14A.105 of the Listing Rules from compliance with the reporting, annual review and announcement requirements in respect of the above partially exempt continuing connected transactions. Save for the reporting, annual review and announcement requirements for which waivers have been sought, our Group will comply with all other relevant requirements under Chapter 14A of the Listing Rules with respect to above partially exempt continuing connected transactions. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that (i) the partially exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better which are fair and reasonable and in the interests of our Shareholders as a whole; (ii) the proposed annual caps in respect of the partially exempt continuing connected transactions are fair and reasonable and in the interests of our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Having considered the above, the Sole Sponsor is of the view that (i) the aforesaid partially exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of business of the Company on normal commercial terms or better which are fair and reasonable, and in the interests of the Shareholders as a whole; and (ii) the proposed annual caps in respect of the partially exempt continuing connected transaction are fair and reasonable and in the interests of the Shareholders as a whole.

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the issued share capital of our Company was RMB159,114,227 which was fully paid-up and comprised 159,114,227 Unlisted Shares of nominal value of RMB1.00 each.

UPON THE COMPLETION OF THE [REDACTED]

Assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised, the share capital of our Company immediately following completion of the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital of our Company
Unlisted Shares in issue	[REDACTED]	[REDACTED]
H Shares to be converted from Unlisted Shares.	[REDACTED]	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00%

Assuming the [REDACTED] is fully exercised and without taking into account the options under the [REDACTED] Share Option Scheme, the share capital of Our Company immediately following completion of the [REDACTED], will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital of our Company
Unlisted Shares in issue	[REDACTED]	[REDACTED]
H Shares to be converted from Unlisted Shares.	[REDACTED]	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00%

RANKING

Upon completion of the [REDACTED] and the conversion of the Unlisted Shares into H Shares, the Shares will consist of H Shares and Unlisted Shares. Upon completion of the [REDACTED], we would have only one class of Shares. H Shares and Unlisted Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

SHARE CAPITAL

Unlisted Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, [REDACTED] and trading will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies shall file with the CSRC for the conversion of unlisted shares into H shares for listing and circulation on the Hong Kong Stock Exchange. An unlisted domestic joint stock company may file for “full circulation” when applying for an overseas initial public offering. We [have filed] with the CSRC for the conversion of [REDACTED] Unlisted Shares in aggregate into H Shares on a one-for-one basis (“**Conversion of Unlisted Shares into H Shares**”) upon the completion of the [REDACTED] (“**Full Circulation Filing of the Company**”) and CSRC [issued] the filing notices in respect of the Conversion of Unlisted Shares into H Shares dated [●].

[REDACTED] Approval by the Stock Exchange

We [have applied] to the Listing Committee of the Hong Kong Stock Exchange for the granting of [REDACTED] of, and permission to deal in, our H Shares to be issued pursuant to the [REDACTED] (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]), the H Shares to be issued pursuant to the exercise of the options granted under the [REDACTED] Share Option Scheme and the H Shares to be converted from the Unlisted Shares, on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our [REDACTED] regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by [REDACTED] for deposit, clearance and settlement in the [REDACTED].

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, our Shares issued prior to the [REDACTED] shall not be transferred within one year from the [REDACTED].

Shares transferred by our Directors and members of the senior management each year during their term of office as determined when taking the office shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by applicable laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors and members of the senior management in our Company.

See “[REDACTED]” for details of the lock-up undertakings.

SHARE CAPITAL

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Service Guide on Register and Custody of Non-overseas Listed Shares of Overseas Listed Companies from China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司境外上市公司非境外上市股份登記存管服務指南》), an overseas listed company should apply to China Securities Depository and Clearing Corporation Limited for the initial registration procedures of non-overseas listed shares in accordance with relevant requirements of the CSRC.

[REDACTED] EQUITY INCENTIVE SCHEME

We have adopted the [REDACTED] Equity Incentive Scheme, details of which are set forth in “Statutory and General Information — D. [REDACTED] Incentive Scheme — 1. [REDACTED] Equity Incentive Scheme” in Appendix VI to this document. All awards granted under the [REDACTED] Equity Incentive Scheme had been vested and exercised and no further awards will be granted under the [REDACTED] Equity Incentive Scheme upon [REDACTED].

[REDACTED] SHARE OPTION SCHEME

We have adopted the [REDACTED] Share Option Scheme, details of which are set forth in “Statutory and General Information — D. [REDACTED] Incentive Scheme — 2. [REDACTED] Share Option Scheme” in Appendix VI to this document.

SHAREHOLDERS’ GENERAL MEETING

See “Appendix V — Summary of Articles of Association” for details of circumstances under which our general meeting is required.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information included in the Accountants’ Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the HKFRSs, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Appendix I and not rely merely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results could differ materially from those anticipated in the forward-looking statements due to various factors, including those discussed in the sections headed “Forward-Looking Statements,” “Risk Factors” and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

OVERVIEW

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.

During the Track Record Period, our electric drive solutions have been deployed across two core segments: industrial control and 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 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.

BASIS OF PRESENTATION

Our Company was incorporated in the PRC as a limited liability company on November 15, 2001 and converted into a joint stock company with limited liability on December 20, 2019.

Our consolidated financial information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. All HKFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the consolidated financial information throughout the Track Record Period. The consolidated financial information has been prepared under the historical cost convention except for equity investments designated at fair value through other comprehensive income (“FVOCI”), debt investments at FVOCI and financial assets at fair value through profit or loss (“FVPL”) which have been measured at fair value at the end of each reporting period.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are beyond our control. We believe the following are key factors that affect our results of operations:

Industrial Policies and Growth of Electric Drive Solution Market

The demand for our products and solutions is subject to the industrial policies affecting the industry in which we operate and the end markets of our customers. Changes in the general industry conditions could affect our business and results of operations. For example, the Ministry of Industry and Information Technology in conjunction with seven other government ministries released the 14th Five-Year Plan for the Development of Intelligent Manufacturing 《“十四五”智能製造發展規劃》 in December 2021, which describes the overall path and goals of China’s intelligent manufacturing development for the next five years and strongly influences Chinese industry trends. Pursuant to such plan, industrial control equipment, such as advanced controllers and high-precision servo drive systems, among others, are included into the intelligent manufacturing equipment innovation and development action. According to CIC, the global electric drive solution market size increased from RMB292.7 billion in 2021 to RMB545.6 billion in 2025, and is expected to further grow to RMB1,091.4 billion in 2030. As a global manufacturing hub, China is also one of the major markets for global electric drive solutions. According to CIC, the electric drive solution market size in China grew from RMB113.0 billion in 2021 to RMB257.1 billion in 2025, and is expected to reach RMB485.6 billion in 2030, with a CAGR of 13.6% from 2025 to 2030.

Leveraging our strong technology capability and established experience and expertise in motion control and energy conversion, we believe that we are well-positioned to capture future market opportunities to achieve continuous growth.

Our Ability to Grow Our NEV Solutions Business and Effectively Manage the Ramp-Up Period

Built upon technologies honed in industrial control, we have strategically expanded into NEV solutions business since 2016. During the Track Record Period, we expanded the customer base and recorded an increase in sales volume for our NEV solutions business by effectively capturing the first-mover advantage and related market opportunities. In 2023, 2024 and 2025, we derived revenue from NEV solutions business of RMB374.7 million, RMB731.7 million and RMB823.4 million respectively, accounting for 30.1%, 48.8% and 50.7% of our total revenue during the same periods. Being a capital-intensive business, it requires a long-term perspective and substantial upfront investment. In addition, there are usually higher fixed cost associated with the customized development and early-stage production of NEV products for a new NEV customer and the production efficiency for same NEV customer would be improved upon later scaled-up production. Accordingly, we recorded gross loss for NEV solutions business prior to 2025. Along with its continuously operational ramp-up and large-scale sales led by expanded customer base, we achieved gross profit turnaround for NEV solutions business in 2025 primarily attributable to the greater economies of scale we enjoyed and improved utilization of our production capacity. See “— Description of Key Consolidated Statements of Profit or Loss Items — Gross Profit and Gross Margin” for more details. Our success in effectively expanding customer base and managing the ramp-up period of our NEV solutions business to bring it profitable allowed us to increase the revenue and improve the overall profitability, which further enhanced our industry position.

Additionally, according to CIC, China’s NEV electric drive solution market increased from RMB27.8 billion in 2021 to RMB131.9 billion in 2025 with a CAGR of 47.6% from 2021 to 2025 and is expected to further grow and reach RMB251.4 billion in 2030 at a CAGR of 13.8% from 2025 to 2030, driven by the increasing sales volume of NEV across end markets. The continuous growth of China’s NEV electric drive solution market provides a strong foundation for us to further grow our NEV solutions business.

FINANCIAL INFORMATION

Technical Innovation and Investment in Research and Development

Being an early mover to tap into the electric drive solution industry, we have built in-depth industry knowledge and technical know-how throughout the years. We are recognized by the Ministry of Industry and Information Technology as one of the first batch of Specialized, Refined, Differential and Innovative “Little Giants” Enterprises. As of December 31, 2025, we were the registered owner of over 400 patents. Furthermore, 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.

Our research and development costs amounted to RMB120.2 million, RMB121.2 million and RMB134.9 million in 2023, 2024 and 2025, respectively, accounting for 9.7%, 8.1% and 8.3% of our total revenue, respectively. Our significant research and development costs are primarily due to high technological demands, which are inherent in our business. High upfront investment in R&D enabled us to build our market leadership in terms of technology innovation and is expected to yield long-term results. As our business grows, we expect to benefit from our accumulated technological expertise to foster sustained innovation with heightened efficiency. In particular, our technology innovation on platform-based and modular product development and production has contributed to our cost reduction and accelerated lead time in NEV solutions business during the Track Record Period. Accordingly, we are committed to furthering our R&D efforts to remain at the forefront of industry innovation. We will continue to commit significant resources to our R&D so as to further enhance our key technologies to strengthen our competitive edges and to enhance our market position. Our future profitability and financial position depend, to a certain extent, on our R&D capability and technological advancement.

Our Ability to Grow Customer Base

The expansion of our customer base is the key driver of our business growth. Our revenue and overall profitability is largely affected by our ability to maintain existing customer cooperation and attract new customers by expanding the application scenarios for our products and solutions in order to grow our customer base.

Currently, we provide a broad product and solution portfolio to customers across various sectors and industries by focusing on three main business lines, being NEV solutions, specialized precision electric drive systems and industrial automation solutions. Despite the relatively short operating period, NEV solutions business contributed 30.1%, 48.8% and 50.7%, respectively, of our total revenue in 2023, 2024 and 2025 while a significant portion of such revenue was derived from a small number of customers. In particular, our results of operations and financial condition during the Track Record Period were affected by business with a NEV customer which experienced financial distress (“**the distressed customer**”). Our formal partnership with the distressed customer spanned from 2020 to 2024, preceded by an extensive period of preparation and validation to secure the contract. During 2020 to 2024, the credit term we extended to the distressed customer was generally three months, which was determined based on our internal credit assessment procedures, taking into account its operating scale, historical cooperation performance and industry position at the time. As of the Latest Practicable Date, we no longer maintain any ongoing business relationship with the distressed customer. Our revenue from NEV solutions business was low in 2023, primarily because the distressed customer reduced its procurement of NEV products as a result of its declined sales in the year. We maintained close communication with the distressed customer, urging them to expedite the consumption and use of ordered materials and products. Additionally, we actively implemented measures to mitigate our risk exposure, such as shortening the credit term, reducing credit limits, and transitioning some orders to payment-upon-delivery settlement. In October 2024, it was reported on the news that the distressed customer experienced certain payment delays with business partners and encountered internal operational challenge. That is when we first became aware of the impairment indicator. In the following months, operational adjustments and communication issues gradually emerged, and account receivables due from the distressed customer

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were also delinquent. Accordingly, in 2024, we individually recognized full impairment loss with respect to trade receivables of RMB104.1 million due from the distressed customer in view of the material adverse change in its business operations and its prolonged delay and inability to settle receivables. Before 2024, we did not individually recognize impairment loss with respect to the trade receivables due from the distressed customer; instead, such trade receivables were assessed on an aggregate basis together with other trade receivables and we made provisions based on the carrying amount and measured at an amount equal to the lifetime expected credit losses. This incident also led to write-down of our inventories amounting to RMB17.4 million in 2024. As a result, the aggregate impairment in trade and notes receivables as well as inventories in 2024 arising from the distressed customer amounted to RMB121.5 million. We believe the impact of this incident was one-off in nature and there was no incident similar to this incident in the course of our operations as of the Latest Practicable Date. We have been proactively expanding our customer base and diversifying our customer portfolio by offering products and solutions that keep up with our customers’ specific and evolving needs. Our continual effort has yielded favorable results. Notably, we recorded significant increase in revenue from NEV solutions business attributable to an enlarged group of customers and achieved gross profit turnaround for NEV solutions business in 2025.

By enhancing and expanding product and solution offerings, we aim to grow our customer base and pursue new business opportunities through broader geographic market coverage across additional countries and regions. See “Business — Future Strategies” for further details. Our future business growth depends significantly on our ability to expand our business with existing customers and at the same time to attract new customers.

Competition and Pricing

Our businesses operate in markets that are highly competitive, and we compete on the basis of product performance, quality, service and/or price across the industries and markets served. For a long time, foreign suppliers have dominated the electric drive solution industry in China with their first-mover and technological and production advantages. In recent years, with the continual progress and breakthroughs in domestic electric drive technology, competition has become increasingly fierce. We believe that we have enjoyed competitive advantages as a result of our technological superiority, quality of our product offerings at competitive prices, production capability, strong relationships with our customers as well as extensive sales, marketing and after-sale services network, among other factors. However, increased competition or our inability to sustain our competitive advantage could adversely affect our results of operations.

When pricing our products and solutions, we consider various factors, such as prevailing market prices and conditions, costs of production and expected margins. Our pricing directly affects our revenue, gross profit margin and results of operations.

Our Ability to Control Costs and Expenses

Our ability to control our costs and expenses efficiently is critical to the success of our business and our prospect of maintaining profitability.

Our cost of sales primarily consists of cost of raw materials, staff costs as well as depreciation and amortization. In 2023, 2024 and 2025, our cost of sales amounted to RMB1,065.7 million, RMB1,258.4 million and RMB1,352.4, respectively. The cost of raw materials, our largest cost component, accounted for 83.9%, 85.0% and 84.6% of our total cost of sales during the same periods. Therefore, we are subject to the risks of fluctuations in the price of raw materials. Changes in the availability and price of raw materials could have a significant impact on our operating costs, profit margin and results of operations. We have, and will continue to, intensify the cooperation with upstream raw material suppliers by entering into long-term procurement agreements to secure critical raw materials, which would ensure stability and continuity in our supply chain and help us to mitigate the risk of fluctuations in the price of raw materials.

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Our profit margin is also affected by our operating expenses, which consisted of research and development costs, selling and marketing expenses and administrative expenses during the Track Record Period. We incurred operating expenses of RMB292.2 million, RMB314.5 million and RMB354.1 million in 2023 and 2024 and 2025, respectively, representing 23.5%, 21.0% and 21.8% of our total revenue for the respective periods. As we continue to expand our business, we expect to continually maintain our operating expenses at reasonable levels corresponding to our growth, and, in the long term, realize greater economies of scale that further optimizes our cost structure and improves our profitability. In addition, we anticipate increasing legal, compliance, accounting, insurance as well as investor and public relations expenses associated with being a public company in Hong Kong.

Our Product and Solution Portfolio

Our overall gross margin is affected by the mix of products and solutions in our business lines, which led to considerable differences in the gross margins among our business lines. During the Track Record Period, our specialized precision electric drive systems business recorded a higher gross profit margin and our industrial automation solutions business had a moderate gross profit margin while NEV solutions business achieved a turnaround to gross profit margin position in 2025. Our results of operation may vary from period to period due to the change in the composition of our revenue from different business lines. As a result, our overall gross margin and profitability are affected by our ability to generate more revenue from the business line that offers a higher gross margin, and improve our general cost efficiency. We expect that our mix of product and solution offerings with varying gross margins and revenue contribution would continue to affect our overall gross margin.

MATERIAL ACCOUNTING POLICY INFORMATION AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Our material accounting policies, significant accounting judgments and estimates are set forth in Notes 2.3 and 3 to the Accountants’ Report included in Appendix I to this document. We prepare our consolidated financial information in accordance with HKFRSs, which requires us to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

We evaluate these estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

DESCRIPTION OF KEY CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

The following table sets forth selected consolidated statements of profit or loss items for the periods indicated, which are derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants’ Report included in Appendix I to this document:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Revenue	1,242,819	1,500,397	1,624,520
Cost of sales	(1,065,655)	(1,258,379)	(1,352,382)

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	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Gross profit	177,164	242,018	272,138
Other income and gains	37,310	47,587	45,504
Selling and marketing expenses	(39,410)	(48,559)	(54,593)
Administrative expenses	(132,585)	(144,825)	(164,595)
Research and development costs	(120,214)	(121,155)	(134,936)
Reversal of impairment losses/(impairment losses)			
on financial assets and contract assets, net	200	(102,802)	(1,185)
Finance costs	(30,594)	(24,505)	(24,221)
Other expenses	(1,623)	(25,468)	(564)
Loss before tax	(109,752)	(177,709)	(62,452)
Income tax (expense)/credit	(2,446)	755	566
Loss for the year	(112,198)	(176,954)	(61,886)
Attributable to:			
Owners of the parent	(34,279)	(163,389)	(53,866)
Non-controlling interests	(77,919)	(13,565)	(8,020)

Non-HKFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. Our management uses them to analyze and compare our capability of generating operating cash flow. We believe that these measures provide useful information to [REDACTED] and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of non-HKFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under HKFRSs.

We define EBITDA (non-HKFRS measure) as loss before tax for the year adjusted by excluding interest income and adding back (i) finance costs; (ii) depreciation of property, plant and equipment; (iii) depreciation of investment properties; (iv) amortization of other intangible assets; and (v) depreciation of right-of-use assets. We define adjusted EBITDA (non-HKFRS measure) as EBITDA (non-HKFRS measure) for the year adjusted by adding back share-based payment expenses and [REDACTED] expenses. The following table shows our EBITDA (non-HKFRS measure) and adjusted EBITDA (non-HKFRS measure) for the periods indicated:

	Year ended December 31, June 30,		
	2023	2024	2025
	(RMB'000, except for percentages)		
Loss before tax	(109,752)	(177,709)	(62,452)
Add:			
Finance costs	30,594	24,505	24,221
Depreciation of property, plant and equipment	62,908	70,431	84,462
Depreciation of investment properties	452	452	452
Amortization of other intangible assets	7,252	9,200	9,877
Depreciation of right-of-use assets	5,716	5,372	5,779
Less:			
Interest income	(2,099)	(4,768)	(6,606)
EBITDA (non-HKFRS measure)	(4,929)	(72,517)	55,733

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	Year ended December 31, June 30,		
	2023	2024	2025
(RMB'000, except for percentages)			
Add:			
Share-based payment expenses	917	1,012	3,407
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA			
(non-HKFRS measure)	(4,012)	(71,505)	75,890
Adjusted EBITDA margin			
(non-HKFRS measure) ⁽¹⁾	(0.3)%	(4.8)%	4.7%

Note:

- (1) Adjusted EBITDA margin (non-HKFRS measure) equals adjusted EBITDA (non-HKFRS measure) divided by revenue and multiplied by 100%.

The adjusted items for our non-HKFRS measure generally are non-cash items. Specifically, share-based payment expenses represent non-cash amortized stock incentive cost incurred in connection with our award to management and key employees. Such amortization in any specific period are not expected to result in future cash payments. In addition, we have also adjusted for [REDACTED] expenses, as such expenses are non-recurring in nature.

Revenue

Revenue by Nature

We offer integrated and customized electric drive systems and solutions. During the Track Record Period, substantially all of our revenue was generated from sales of products, comprising (i) industrial control products, mainly including controllers, servo drives and servo motors; and (ii) NEV products, including NEV powertrains and components. We also generated a small portion of our revenue from the provision of services, comprising (i) maintenance services, representing the after-sales repair and maintenance services for our products and solutions; and (ii) R&D services, representing the development of customized molds for NEV customers as well as other specialized development and design services for industrial customers.

The following table sets forth a breakdown of our revenue by nature 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)						
Sales of products	1,197,777	96.4	1,444,876	96.3	1,541,313	94.9
Service income	27,610	2.2	35,299	2.4	54,150	3.3
Others ⁽¹⁾	17,432	1.4	20,222	1.3	29,057	1.8
Total	1,242,819	100.0	1,500,397	100.0	1,624,520	100.0

Note:

- (1) Others comprise primarily the 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.

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Revenue by Business Line

Our electric drive systems and solutions, serving as an essential element of motion control and energy conversion in machines, are widely applied across various sectors and industries. During the Track Record Period, we primarily generated revenue from three main business lines, being NEV solutions, specialized precision electric drive systems and industrial automation solutions.

The following table sets 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 following table sets forth the sales volume and average selling prices for our three main business lines 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.

Revenue by Geographic Region

During the Track Record Period, we generated revenue from both domestic and overseas markets, including mainly Italy, Belgium, the United States and South Korea. The Chinese Mainland was our major market, accounting for 75.2%, 81.2% and 82.6% of our total revenue in 2023, 2024 and 2025, respectively.

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The following table sets forth a breakdown of our revenue by geographic region based on locations of customers 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)						
Chinese Mainland	934,631	75.2	1,217,906	81.2	1,340,996	82.6
Italy	133,125	10.7	107,514	7.2	139,667	8.6
Europe (excluding Italy) ⁽¹⁾	88,628	7.1	93,180	6.2	76,573	4.7
United States	58,749	4.7	46,857	3.1	35,377	2.2
South Korea	12,179	1.0	14,757	1.0	16,838	1.0
Other countries and regions ⁽²⁾	15,507	1.3	20,183	1.3	15,069	0.9
Total	1,242,819	100.0	1,500,397	100.0	1,624,520	100.0

Notes:

(1) Include mainly Belgium, Austria, Germany and the Netherlands.

(2) Include mainly India and Israel.

Cost of Sales

During the Track Record Period, our cost of sales consisted of (i) cost of raw materials; (ii) staff costs, mainly consisting of the salaries, bonuses and other employee benefits of our production staff; (iii) depreciation and amortization, representing mainly the depreciation of plants and equipment, and the amortization of long-term deferred expenses for renovations and expansions; and (iv) others including primarily utilities, transportation costs and warranty costs.

The following table sets forth a breakdown of our cost of sales by nature 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)						
Cost of raw materials	894,327	83.9	1,069,651	85.0	1,144,543	84.6
Staff costs	73,309	6.9	72,888	5.8	73,913	5.5
Depreciation and amortization	43,812	4.1	51,654	4.1	61,682	4.6
Others ⁽¹⁾	54,207	5.1	64,186	5.1	72,244	5.3
Total	1,065,655	100.0	1,258,379	100.0	1,352,382	100.0
<i>As % of total revenue</i>		85.7		83.9		83.2

Note:

(1) Others include primarily utilities, transportation costs, and warranty costs.

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Gross Profit and Gross Margin

Gross Profit and Gross Margin by Business Line

Our gross profit represents our revenue less cost of sales. Our overall profitability varies due to the mix of business lines, as the gross margin of our each business line differs considerably. The two business lines targeting the industrial control sector, namely the specialized precision electric drive systems and the industrial automation solutions, with an aggregate revenue contribution to our Group of approximately 66.4%, 48.3% and 46.1%, respectively, in 2023, 2024 and 2025, contributed gross profit to our Group for the same periods. The NEV solutions business, with a revenue contribution to our Group of approximately 30.1%, 48.8% and 50.7% during the Track Record Period, recorded gross loss in 2023 and 2024 and achieved gross profit turnaround in 2025.

Our gross loss position of the NEV solutions business was largely attributable to its relatively small scale amid intense competition. In 2023, our revenue from the NEV solutions business was only RMB374.7 million with a sales volume of 62.1 thousand sets of powertrains products. Low production volumes prevent us from achieving economies of scale and limit our leverage in supplier negotiations, which ultimately squeezes our gross margin and results in our gross loss. We have been actively implementing various measures to improve our performance in the NEV solutions business, including (i) continuous product design optimization and iteration. We are committed to continuous product iteration, with an emphasis towards lightweight and integrated designs. This not only enhance product performance and appeal but also reduces material usage and production complexity; (ii) proactive supply chain management. We are implementing strategic improvements from the source, working closely with suppliers to enhance cost efficiency and ensure timely and stable supplies; and (iii) customer base expansion and economies of scale. By actively growing our customer portfolio and securing more orders, we are increasing production volumes, spreading fixed costs such as amortization and depreciation over more units, and improving overall profitability. Notably, all our initiatives and measures will remain susceptible to raw material price volatility which may impact the expected financial improvements. In 2025, our NEV solutions business sold 201.6 thousand sets of powertrains products and generated revenue of RMB823.4 million, representing a revenue increase at a CAGR of 48.2% from 2023 to 2025. With the increased economies of scale, our NEV solutions business achieved gross profit turnaround in 2025.

The following table sets forth a breakdown of our gross profit and gross 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.

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Gross Profit and Gross Margin by Geographic Region

The table below set forth a breakdown of our gross profit and gross margin by geographic region based on locations of customers for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
(RMB'000, except for percentages)						
Chinese Mainland	60,674	6.5%	132,641	10.9%	161,857	12.1%
Italy	54,473	40.9%	48,235	44.9%	60,631	43.4%
Europe (excluding Italy) ⁽¹⁾	29,239	33.0%	29,829	32.0%	24,794	32.4%
United States	25,164	42.8%	20,473	43.7%	15,090	42.7%
South Korea	2,504	20.6%	3,813	25.8%	4,448	26.4%
Other countries and regions ⁽²⁾	5,110	33.0%	7,027	34.8%	5,318	35.3%
Total	177,164	14.3%	242,018	16.1%	272,138	16.8%

Notes:

- (1) Include mainly Belgium, Austria, Germany and the Netherlands.
- (2) Include mainly India and Israel.

Our gross profit in the Chinese Mainland increased throughout the Track Record Period. Specifically, it increased from RMB60.7 million in 2023 to RMB132.6 million in 2024, primarily due to the reduction in gross loss in our NEV solutions business; and further increased to RMB161.9 million in 2025, mainly attributable to the gross profit turnaround in NEV solutions business. During the Track Record Period, our gross margin in the Chinese Mainland was comparatively lower than that in overseas markets, primarily due to the gross loss position and lower profitability of our NEV solutions business at its early stage, which derived all of its revenue from the Chinese Mainland. Despite these challenges, our gross margin in the Chinese Mainland increased from 6.5% in 2023 to 10.9% in 2024, and further to 12.1% in 2025. This improvement was mainly driven by (i) the ramp-up of our NEV solutions business, which achieved a turnaround to gross profit margin position in 2025; and (ii) continued growth in gross margin of our industrial control segment in domestic market.

Our gross profit in overseas markets decreased by RMB7.1 million, or 6.1%, from RMB116.5 million in 2023 to RMB109.4 million in 2024, primarily driven by changes in gross profit in Italy and the United States. In 2025, our gross profit in overseas markets remained relatively stable at RMB110.3 million. Our gross margin in overseas markets increased from 37.8% in 2023 to 38.7% in 2024 and further to 38.9% in 2025, primarily attributable to the increase in RMB-denominated revenue from Euro-settled sales following the overall appreciation of the Euro against the RMB since 2023. Within our overseas markets, gross margins in Europe (excluding Italy) and South Korea were relatively lower, mainly because (i) the commercially negotiated terms for our sales in Belgium, which contributed a significant portion of our revenue from Europe (excluding Italy) during the Track Record Period, were less favorable to us, due to our customer’s significant scale and market position in the air-compressor industry, and (ii) we derived a significant portion of our revenue in South Korea from the injection molding machine sector, a highly competitive global market characterized by intense price competition.

Other Income and Gains

During the Track Record Period, our other income and gains primarily consisted of (i) government grants, representing mainly various types of financial subsidies from the PRC government authorities as the support and incentives for our technical renovation, technological innovation and business operations, which were non-recurring in nature and usually subject to the satisfaction of certain conditions; (ii) interest income, representing primarily the settlement

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discounts offered by suppliers and interest income on our bank deposits; (iii) investment income and fair value gains from financial assets at FVPL, mainly in relation to wealth management products and unlisted equity investments. We purchased wealth management products issued by commercial banks in the Chinese Mainland and held unlisted equity investments during the Track Record Period. See “— Discussion of Selected Items from Consolidated Statements of Financial Position — Financial Assets at FVPL” for more details about these investments; and (iv) net foreign exchange gains, representing the gains from the fluctuations in exchange rates mainly between EUR and USD relative to RMB.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB'000, except for percentages)</i>						
Other income						
Government grants	20,485	54.9	28,060	59.0	31,647	69.5
Interest income	2,099	5.6	4,768	10.0	6,606	14.5
Investment income from financial assets at FVPL	762	2.1	7,667	16.1	264	0.6
Dividend income from equity investment at FVOCI	1,680	4.5	—	—	—	—
Total other income	25,026	67.1	40,495	85.1	38,517	84.6
Gains						
Foreign exchange gains, net	2,948	7.9	1,852	3.9	1,244	2.7
Fair value gains on financial assets at FVPL	7,719	20.7	4,732	9.9	4,804	10.6
Gain on disposal of items of property, plant and equipment, net	52	0.1	—	—	—	—
Termination of leases, net	—	—	—	—	213	0.5
Others ⁽¹⁾	1,565	4.2	508	1.1	726	1.6
Total gains	12,284	32.9	7,092	14.9	6,987	15.4
Total other income and gains	37,310	100.0	47,587	100.0	45,504	100.0
<i>As % of total revenue</i>		3.0		3.2		2.8

Note:

(1) Others primarily comprise miscellaneous non-operating income.

Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses consisted primarily of (i) staff costs including the salaries, bonuses and other employees’ benefits for our sales and marketing staff; (ii) marketing and promotion expenses; (iii) office and travel expenses; and (iv) professional service fees, representing service fees paid to third-party service providers mainly for market consulting services. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB'000, except for percentages)</i>						
Staff costs	25,563	64.9	32,209	66.3	34,157	62.6
Marketing and promotion expenses	5,330	13.5	5,545	11.4	10,576	19.4
Office and travel expenses	4,315	10.9	5,380	11.1	6,481	11.9

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	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB'000, except for percentages)</i>						
Professional service fees	1,552	3.9	2,052	4.2	325	0.6
Depreciation and amortization	726	1.9	1,006	2.1	1,307	2.4
Share-based payment expenses ⁽¹⁾	(168)	(0.4)	135	0.3	786	1.4
Others ⁽²⁾	2,092	5.3	2,232	4.6	961	1.7
Total	39,410	100.0	48,559	100.0	54,593	100.0
<i>As % of total revenue</i>		3.2		3.2		3.4

Notes:

- (1) The share-based payment expenses represent share-based incentive we paid to our key sales and marketing personnel under our [REDACTED] Equity Incentive Scheme and [REDACTED] Share Option Scheme adopted in June 2017 and August 2025, respectively. We recorded reversal of share-based payment expenses of RMB168 thousand in 2023, due to (i) the reversal of share-based awards to departed employees of which our expenses had been recognized in previous periods; and (ii) the reversal of certain expenses for the extension of estimated vesting period.
- (2) Others primarily comprise sales commissions, freight and other miscellaneous expenses.

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) staff costs including the salaries, bonuses and other employees’ benefits for our management and supporting staff; (ii) office expenses; (iii) depreciation and amortization; (iv) professional service fees, representing service fees paid to third-party service providers in connection with consulting services in the ordinary course of business and A-share listing attempts; (v) taxes and surcharges; and (vi) travel and business activities expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(RMB'000, except for percentages)</i>						
Staff costs	60,463	45.6	62,652	43.3	63,235	38.3
Office expenses	17,487	13.2	18,336	12.7	17,973	10.9
Depreciation and amortization	15,411	11.6	16,130	11.1	19,579	11.8
Professional service fees	9,251	7.0	15,910	11.0	6,829	4.1
Taxes and surcharges	13,091	9.9	12,394	8.5	14,524	8.8
Travel and business activities expenses	9,060	6.8	11,104	7.7	14,962	9.1
Share-based payment expenses	1,484	1.1	654	0.4	1,190	1.1
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others ⁽¹⁾	6,338	4.8	7,645	5.3	9,553	5.8
Total	132,585	100.0	144,825	100.0	164,595	100.0
<i>As % of total revenue</i>		10.7		9.7		10.1

Note:

- (1) Others primarily comprise training expenses, property insurance premiums and conference expenses.

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Research and Development Costs

During the Track Record Period, our research and development costs consisted primarily of (i) staff costs including the salaries, bonuses and other employees’ benefits for our R&D staff; (ii) depreciation and amortization; (iii) R&D supplies involved in our R&D activities; and (iv) professional service fees, representing service fees paid to third-party service providers mainly for product design services and testing services. The following table sets forth a breakdown of our research and development costs 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)					
Staff costs	80,960	67.3	85,341	70.4	89,237	65.9
Depreciation and amortization	16,023	13.3	16,443	13.6	17,523	12.9
R&D supplies	12,787	10.7	6,034	5.0	13,334	9.9
Professional service fees	3,163	2.6	3,754	3.1	3,577	2.6
Share-based payment expenses	(398)	(0.3)	223	0.2	999	1.1
Others ⁽¹⁾	7,679	6.4	9,360	7.7	10,266	7.6
Total	120,214	100.0	121,155	100.0	134,936	100.0
<i>As % of total revenue</i>		9.7		8.1		8.3

Note:

(1) Others primarily comprise travel expenses, utilities and other miscellaneous expenses.

Reversal of Impairment Losses/(Impairment Losses) on Financial Assets and Contract Assets, Net

During the Track Record Period, our impairment losses on financial assets and contract assets included mainly the allowance for ECLs on trade and notes receivables in the ordinary course of business. We use a provision matrix to calculate ECLs for trade and notes receivables. See Note 22 to the Accountants’ Report included in Appendix I to this document for further details.

Finance Costs

During the Track Record Period, our finance costs mainly consisted of interest on bank and other borrowings. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Interest on:			
Bank and other borrowings	32,731	29,802	32,956
Lease liabilities	386	468	431
Others	—	—	—
Less:			
Interest capitalized	(2,523)	(5,765)	(9,166)
Total	30,594	24,505	24,221
<i>As % of total revenue</i>	2.5	1.6	1.5

Other Expenses

During the Track Record Period, our other expenses primarily represented non-operating expenses, including fair value loss from financial assets at FVPL, losses from the damage or disposal of non-current assets and donation expenditures. In 2023, 2024 and 2025, our other

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expenses amounted to RMB1.6 million, RMB25.5 million and RMB0.6 million, respectively, representing 0.1%, 1.7% and 0.03% of our revenue, respectively. The higher amount in 2024 was mainly due to the fair value loss of RMB18.7 million for our equity investment in an unlisted company measured at FVPL.

Income Tax (Expenses)/Credit

The following table sets forth a breakdown of our income tax expenses/credit for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Current tax expense	4,292	1,566	2,349
Deferred income tax	(1,846)	(2,321)	(2,915)
Total	2,446	(755)	(566)

Our effective income tax rate, calculated by dividing income tax by loss before tax, expressed as a percentage, was 2.2%, negative 0.4% and negative 0.9% in 2023, 2024 and 2025, respectively. Our effective income tax rate in each period was lower than our statutory EIT rate and fluctuated between positive tax rate and negative tax rate, primarily because we recorded loss before tax during the Track Record Period, and the notional tax on our loss before tax was partially offset by the combined tax effects of (i) deductible temporary difference and tax losses not recognized; (ii) additional deductible allowance for qualified research and development expenses; and (iii) preferential income tax rates enacted by local authorities.

We are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. See Note 10 to the Accountants’ Report included in Appendix I to this document for details. As of the Latest Practicable Date, we did not have any dispute with any tax authority.

Loss for the Year and Net Margin

As a result of the foregoing, we recorded a loss of RMB112.2 million, RMB177.0 million and RMB61.9 million in 2023, 2024 and 2025, respectively. Net margin represents loss for the year divided by revenue, expressed as a percentage. In 2023, 2024 and 2025, our net margin was negative 9.0%, negative 11.8% and negative 3.8%, respectively.

PATH TO NET PROFITABILITY

As a major electric drive solution provider in China with overseas presence, we had achieved business growth but were loss-making during the Track Record Period. The following table sets forth certain financial data for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000, except for percentages)		
Revenue	1,242,819	1,500,397	1,624,520
Cost of sales	(1,065,655)	(1,258,379)	(1,352,382)
Gross profit	177,164	242,018	272,138
Gross margin	14.3%	16.1%	16.8%
Operating expenses	(292,209)	(314,539)	(354,124)
Reversal of impairment losses/(impairment losses) on financial assets and contract assets, net	200	(102,802)	(1,185)
Net loss	(112,198)	(176,954)	(61,886)
Net loss margin	(9.0)%	(11.8)%	(3.8)%

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Our loss was RMB112.2 million, RMB177.0 million and RMB61.9 million, respectively, in 2023, 2024 and 2025. See “— Reasons for Historical Loss” for the detailed analysis.

Furthermore, we had net cash outflow from operating activities of RMB130.1 million in 2024. We believe that such short-term net operating cash outflow shall not have continuous material impact on our working capital in the long run. We expect to improve our net operating cash outflow position through, among others, revenue growth and additional cash flow to be generated from growing our business scale and expanding our customer base. See “— Liquidity and Capital Resources — Cash Flows” and “— Working Capital Sufficiency” for more details.

Our net current liability position as of December 31, 2023, 2024 and 2025, respectively are further discussed in “— Liquidity and Capital Resources — Net Current Liabilities.” Also see “Risk Factors — Risks Relating to Our Business and Industries — We have incurred net losses, net operating cash outflow and net current liabilities in the past and may not be able to achieve or maintain profitability, net operating cash inflow or net current assets in the foreseeable future.”

Reasons for Historical Loss

We offer a broad portfolio of electric drive systems and solutions by strategically planning and developing a business layout spanning (i) NEV solutions business which we expanded into in 2016 and are dedicated to demands from NEV customers; (ii) specialized precision electric drive systems business targeting various application scenarios with demanding requirements for motion control accuracy and performance; and (iii) industrial automation solutions business serving application scenarios where high efficiency and reliability of electric drive systems and solutions are critical. Such strategic business layout enables more strategic and targeted business growth and development.

During the Track Record Period, our overall gross profit margin continued to increase from 14.3% in 2023 to 16.1% in 2024, and further to 16.8% in 2025. Yet, we incurred net losses of RMB112.2 million, RMB177.0 million and RMB61.9 million, respectively, in 2023, 2024 and 2025. Our net loss position during the Track Record Period was primarily due to the following reasons:

Continuous and strategic investment in the NEV solutions business

During the Track Record Period, we recorded gross profit and positive gross profit margins for our specialized precision electric drive systems business and industrial automation solutions business, which are our traditional business since inception. Meanwhile, our NEV solutions business recorded gross loss and negative gross profit margin in 2023 and 2024, and recorded gross profit in 2025. We strategically expanded into NEV solutions business in 2016, in recognition of the transformative potential of the NEV sector and aiming to position ourselves as an early mover in this emerging market. However, at the early stage of the development of the NEV sector, it is characterized by thin, and often negative, profit margins. The necessity for continuous and substantial resource allocation to R&D, production scaling, and talent acquisition inevitably resulted in financial losses during this foundational period. Specifically —

- *Substantial pre-contracted R&D investment.* Securing a formal design-win mandate requires significant upfront expenditure, including both manpower and resource commitments. Suppliers like us must undertake detailed design, prototyping, and validation testing to meet exacting NEV OEM specifications, a process often spanning 12 months. These investments represent sunk costs with no guaranteed return.
- *Continued design iterations as a cost driver.* The early-stage NEV platforms exhibited a high degree of fluidity, driven by rapid technological shifts and evolving market demands. For instance, the transition from round-wire to flat-wire motor winding technology represented a significant upgrade in electric vehicle motor design. In response, we re-invested in this technological evolution, including upgrading production

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lines, to align with industry trends. At the same time, NEV development cycles have been shortening, with OEMs demanding not only higher-performing NEV powertrains but also faster development timelines. To reduce design costs and accelerate development, we adopted a platform-based development approach, creating multiple new platforms with different dimensions, each requiring substantial investment in human and material resources before they could become operational.

- *Aggressive competitive bidding.* NEV OEM procurement processes exert intense downward pressure on pricing. To be considered for a program, for a period of time, we had to submit bids at or near cost, anticipating future profitability through volume scaling and manufacturing efficiencies.
- *Program-specific capital commitment.* A successful design-win necessitates investment in dedicated production tooling and assembly lines. The profitability of this capital is entirely contingent on the commercial success of the vehicle platform. Low sales volumes directly result in high per-unit cost burdens due to poor asset utilization.
- *Unfavorable commercial terms.* Prolonged payment cycle was not unusual for our NEV solutions business. Though we typically grant credit terms of only 30 to 90 days to our NEV solutions customers, our NEV solutions customers may use bank acceptance notes due in 180 days to settle their payment, which effectively extends the payment cycle. This imposes a significant working capital burden and negatively impacts cash flow. In 2025, we have tightened our credit policy for customers to improve our cash flow, such as shortening our credit term granted to certain customers, and bringing forward the settlement date.

Customer concentration and a one-off significant impairment loss on financial assets and contract assets

At an early stage of our NEV solutions business, our NEV customer base was highly concentrated. For example, in 2023, our largest NEV customer contributed 23.6% of our total revenue. As a result, before we effectively expanded our NEV customer base, our financial performance was heavily affected by the performance of our largest NEV customer. On the one hand, as we have heavily invested in dedicated production tooling and assembly lines for our largest NEV customer, the profitability of this capital is entirely contingent on the commercial success of the largest NEV customer. Low sales volumes directly result in high per-unit cost burdens due to poor asset utilization. On the other hand, underperformance of a large NEV customer can render associated investments non-performing. In 2024, we individually recognized full impairment loss with respect to trade receivables of RMB104.1 million due from such NEV customer in view of material adverse change in its business operations and its prolonged delay and inability to settle receivables. As a result, despite our improvement in the overall gross profit from RMB177.2 million in 2023 to RMB242.0 million in 2024, with an increase of 36.6%, our net loss expanded by 57.7% from RMB112.2 million in 2023 to RMB177.0 million in 2024. Excluding the impact from such a non-recurring item, our financial performance improved in 2025, with net loss decreasing by 65.0% compared to 2024.

Business Sustainability and Path to Net Profitability

We expect to further improve our financial performance and achieve profitability with the plans set forth below. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and positive operating cashflows. Importantly, we have moved past the phase of significant upfront investment and entered a more stable operational stage. This shift enables us to leverage our prior capital expenditures and infrastructure investments to drive efficiency and transition firmly into a profit-generating phase. Based on our current business plan, order backlog, capacity utilization and cost structure, we expect to record net profit for the year ending December 31, 2026.

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Driving Continuous Revenue Growth

During the Track Record Period, our revenue increased from RMB1,242.8 million in 2023 to RMB1,624.5 million in 2025, with a CAGR of 14.3%. We expect to further increase our revenue through implementation of the following business initiatives and strategies:

- *Further grow our NEV solutions business.* According to CIC, China’s NEV electric drive solutions market is expected to grow and reach RMB251.4 billion in 2030 with a CAGR of 13.8% from 2025 to 2030, driven by the booming NEV sector. The continuous growth of China’s NEV electric drive solutions market provides a strong foundation for us to further grow our NEV solutions business. While the continued expansion of China’s NEV electric drive solutions market provides a favorable industry backdrop, we believe the growth, profitability and sustainability of our NEV solutions business are primarily driven by our internal capabilities rather than solely by overall market growth. We achieved a gross profit turnaround for our NEV solutions business in 2025, mainly as a result of the ramp-up of secured design-win projects into mass production, improved economies of scale from higher production volumes, and ongoing optimization of product design and manufacturing processes. 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. This has demonstrated our ability to continuously expand our customer base and generate recurring orders and stable revenue over the respective product life cycles of these projects. To prepare ourselves for the increased customer demands, we have established three production facilities and are in the process of constructing three additional production facilities in strategic locations of China. See “Business — Production — Production Facilities” for details. In 2025, the overall utilization rate of our production facilities for the production of powertrains for NEV segment reached 71.6%. Going forward, we plan to further enhance production efficiency and expand our NEV production capacity in a disciplined and phased manner, including through capacity expansion funded by the [REDACTED] from the [REDACTED], in order to meet anticipated demand growth while maintaining cost efficiency. Along with the continued execution of these initiatives, we expect our NEV solutions business to further increase revenue and gross profit in a sustainable manner.
- *Continue to explore new application scenarios for specialized precision electric drive systems business.* As one of the few players capable of delivering integrated electric drive systems and solutions encompassing the control layer, drive layer and execution layer, we have proven track record across various application scenarios. Leveraging our established market position, our distinguished ability to understand and implement our customized product development, and our production capabilities, we plan to continue to strengthen our position or explore new opportunities in the following major application scenarios: (i) CNC machine tools. Recognized as the “mother machines” of industry, CNC machine tools are critical for manufacturing virtually all other machinery and equipment, granting them immense and sustained market potential. However, this application scenario characterized by exceptionally high technological barriers, including precision mechanics, advanced servo controls, and sophisticated software integration. These complexities have historically led to dominance by established international leaders from Germany, Japan and Switzerland. By leveraging our in-house, top-tier technological capabilities in precision motion control and system integration, we are committed to providing products with comparable quality to enable high-end domestic substitution. We plan to adopt a three-fold strategy: In the short term, we will continue to strengthen our core motor technology, solidifying our competitive edge through innovation. In the mid-term, we will further enhance our overall capabilities in the controller system, which will allow us to capture a greater share of the higher value added segments, thereby enhancing our profitability. In the medium to long term, we plan to enhance our capability to provide full turnkey solutions, by expanding our offering to include integrated electrical cabinet solutions, while continuously iterating to

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deliver ever-better performance at an optimal cost. (ii) Mining equipment and oil drilling. Mining equipment and oil drilling can be characterized as high unit value and substantial project volumes, which offer a clear pathway to significant near-term revenue expansion. We have developed products and solutions suitable for these application scenarios. For example, we designed and manufactured the 9-km top drive drilling system, recognized as the “first-of-its-kind” in China. We are also constructing our new production facility in Beilun, Ningbo, which is expected to commence operations in 2026 and will focus on the production of large scale electric drive products suitable for these application scenarios. We have also engaged in customized collaborations with key clients, having largely completed and validated the series development of top drives and mud pumps. Furthermore, we plan to jointly participate in industry exhibitions with customers in 2026 to promote water-cooled permanent magnet direct drive motors together. (iii) Medical electronics. Medical electronics demand an exceptionally high level of precision in motion control and system reliability, which aligns with our core technological strengths. This strategic synergy makes it a key growth priority for us, and we are dedicated to developing tailored solutions that meet the stringent standards of this high-value application scenario. For example, in 2026, we plan to initiate a more systematic development of integrated products, combining permanent magnet direct drive motors, bearings, encoders and drives, with a focused business promotion strategy targeting key customers and their core product lines.

- *Sustain steady growth for industrial automation solutions business.* With our roots in servo motors from the establishment of our Group, industrial automation is a key business area for us. We are committed to delivering industry-leading electric drive products and solutions to support our customers in increasing productivity and efficiency and drive the digital transformation forward. In recent years, our industrial automation solutions business operated in a highly competitive market. Amid challenging market conditions and adapting to changes in market demand, we proactively selected to strategically focus on the business with higher profit margins with an aim to optimize the business structure and improve the overall profitability of our industrial automation solutions business. We have formulated detailed client analysis and targeted business development plans, with a sharp focus on the premium product lines of key customers, where we identify the highest profitability. The strategy is to secure these pivotal accounts first, using them as springboards to expand our presence and capture the broader associated client base. Looking ahead, the sustained steady growth is achievable for our industrial automation solutions business in light of (i) our industry position and established market share in this area; and (ii) the government support policies aiming to create a favorable environment for the industry development.

Continuous Efforts to Control Cost of Sales and Operating Expenses

Our ability to effectively control our cost of sales and operating expenses while achieving expected business growth is critical to our profitability.

Costs of Sales

In 2023, 2024 and 2025, our cost of sales was RMB1,065.7 million, RMB1,258.4 million and RMB1,352.4 million, respectively. The major components of our cost of sales comprise cost of raw materials, staff costs as well as depreciation and amortization expenses, representing in aggregate 94.9%, 94.9% and 94.7% of our total cost of sales in 2023, 2024 and 2025, respectively. We have adopted various measures to enhance the cost-efficiency of our operation, including, among others:

- *Product design innovation.* We are committed to continuous product iteration, with an emphasis towards lightweight and integrated designs. This not only enhance product performance and appeal but also reduces material usage and production complexity.

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- *Production capacity expansion and process optimization.* The expansion in our production capacity during the Track Record Period enabled us to effectively respond to the increasing market demand and scale up our business. For example, supported by our expanded production capacity for NEV segment, the sales volume of our NEV products increased from 62.1 thousand sets in 2023 to 201.6 thousand sets in 2025. The overall utilization rate of our production facilities for the production of powertrains for NEV segment reached 71.6% in 2025, compared to an utilization rate of 40.0% in 2023. Such improvement in utilization rates signaled an improved economies of scale and contributed the gross profit margin turnaround of our NEV solutions business. Capitalizing on our R&D and strong in-house production capabilities, we plan to further optimize the production process in our facilities through advanced, intelligent and automated production as well as energy-saving measures to reduce production costs and staff costs. For example, our Ganzhou facility, a highly automated facility commenced operation in 2024. The level of automation within our production facilities is expected to further increase with the introduction of more high-performance automation equipment.
- *Efficient supply chain management.* 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. We deploy a hybrid procurement model that dynamically balances order-driven requirements with safety stock buffers, managed through a centralized procurement platform overseeing procurement needs of the entire Group. Such centralized procurement capabilities can streamline procurement practices and establish strong bargaining power, allowing us to procure raw materials at optimal prices without compromising the quality. Additionally, we secure critical raw materials for production through negotiation and entering into long-term procurement agreements with suppliers. Looking ahead, we also seek to enhance our bargaining power in raw materials purchases by leveraging increasing economies of scale brought by the growth of sales volume.

Additionally, we incurred increased depreciation and amortization expenses relating to the equipment and properties used for production facilities during the Track Record Period, however, we believe such expenses, as a percentage of our revenue, will decline in the long-term. Through our continuous efforts in centralized procurement, product design innovation and production process optimization, we expect to further control our cost of sales and manage to decrease the cost of sales as a percentage of our total revenue, contributing to the increase in our profit margins.

Operating Expenses

Our operating expenses comprise research and development costs as well as administrative expenses and, to a less extent, selling and marketing expenses. In 2023, 2024 and 2025, our operating expenses as a percentage of revenue was 23.5%, 21.0% and 21.8%, respectively. We believe our operating expenses have and will continue to be measurable and controllable and spent in accordance with our strategies for the continued success. Furthermore, we intend to optimize our operating expenses by achieving increasing economies of scale and cost-efficiency as our business continues to grow.

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PERIOD-ON-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Revenue by Business Line

Our revenue increased by RMB124.1 million, or 8.3%, from RMB1,500.4 million in 2024 to RMB1,624.5 million in 2025, primarily driven by the revenue growth of NEV solutions business and specialized precision electric drive systems business.

NEV Solutions. Our revenue from NEV solutions business increased by RMB91.7 million, or 12.5%, from RMB731.7 million in 2024 to RMB823.4 million in 2025, driven by the growing demand from our NEV customers.

Specialized Precision Electric Drive Systems. Our revenue from specialized precision electric drive systems business increased by RMB27.1 million, or 5.6%, from RMB482.8 million in 2024 to RMB509.9 million in 2025, primarily due to (i) growth in our customer base across CNC machine tool, astronomical telescope and elevator sectors; and (ii) expansion into new sectors, including data centers and energy efficiency retrofits, supported by our ongoing business cultivation and development efforts.

Industrial Automation Solutions. Our revenue from industrial automation solutions business remained relatively stable at RMB241.4 million in 2024 and RMB238.6 million in 2025.

Revenue by Geographic Region

Our revenue from the Chinese Mainland increased by RMB123.1 million, or 10.1%, from RMB1,217.9 million in 2024 to RMB1,341.0 million in 2025, primarily attributable to the growing demand from NEV customers, along with increased sales to industrial customers in wind power, CNC machine tool and energy efficiency retrofit sectors.

Our revenue from overseas markets remained relatively stable in 2024 and 2025, amounting to RMB282.5 million and RMB283.5 million, respectively.

Cost of Sales

Our cost of sales increased by RMB94.0 million, or 7.5%, from RMB1,258.4 million in 2024 to RMB1,352.4 million in 2025 generally in line with our revenue growth. The increase was primarily due to increases in cost of sales as well as depreciation and amortization, driven by our sales volume growth in 2025 and expanded production capacity for NEV segment to meet rising order demand.

Gross Profit and Gross Margin

Our gross profit increased by RMB30.1 million, or 12.4%, from RMB242.0 million in 2024 to RMB272.1 million in 2025, mainly attributable to the gross profit turnaround in NEV solutions business and the increase in gross profit from specialized precision electric drive systems business. Our gross margin was 16.1% and 16.8% in 2024 and 2025, respectively.

NEV Solutions. Our NEV solutions business achieved gross profit turnaround of RMB7.6 million in 2025 as compared to the gross loss position of RMB7.8 million in 2024 and recorded improved gross margin from negative 1.1% to positive 0.9% during the same periods. This improvement was primarily attributable to increasing economies of scale and our continued advancement of platform-based and modular product development and production, which enhanced operational efficiency and scalability.

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Specialized Precision Electric Drive Systems. Our gross profit for specialized precision electric drive systems business increased by RMB15.4 million, or 8.4%, from RMB183.0 million in 2024 to RMB198.5 million in 2025, primarily attributable to the growth in revenue. Gross margin for specialized precision electric drive systems business increased slightly from 37.9% in 2024 to 38.8% in 2025, driven by the increase in revenue proportion from high-margin sectors, particularly CNC machine tools, astronomical telescopes and elevators.

Industrial Automation Solutions. Our gross profit for industrial automation solutions business decreased by RMB4.3 million, or 11.5%, from RMB37.5 million in 2024 to RMB33.1 million in 2025 and its gross margin decreased from 15.5% to 14.0% during such periods, primarily due to a reduction in average selling prices amid intensified market competition.

Other Income and Gains

Our other income and gains decreased by RMB2.1 million, or 4.4%, from RMB47.6 million in 2024 to RMB45.5 million in 2025, primarily due to a decrease in investment income from our wealth management products purchased from commercial banks, partially offset by increases in government grants and interest income.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB6.0 million, or 12.4%, from RMB48.6 million in 2024 to RMB54.6 million in 2025, primarily due to (i) an increase of RMB5.0 million in marketing and promotion expenses, reflecting our continued efforts to strengthen business development and market expansion; and (ii) an increase of RMB1.9 million in staff costs, mainly driven by the expansion of our overseas sales and marketing team following the acquisition of NEGTC in July 2024.

Administrative Expenses

Our administrative expenses increased by RMB19.8 million, or 13.7%, from RMB144.8 million in 2024 to RMB164.6 million in 2025, primarily due to the recognition of RMB16.8 million in [REDACTED] expenses related to the [REDACTED] in 2025.

Research and Development Costs

Our research and development costs increased by RMB13.8 million, or 11.4%, from RMB121.2 million in 2024 to RMB134.9 million in 2025, primarily due to (i) an increase of RMB7.3 million in R&D supplies to support our R&D activities; (ii) an increase of RMB3.9 million in staff costs resulting from additional hiring; and (iii) an increase of RMB1.1 million in depreciation and amortization.

Impairment Losses on Financial Assets and Contract Assets, Net

We recorded impairment losses on financial assets and contract assets of RMB102.8 million and RMB1.2 million in 2024 and 2025, respectively. The significant higher amount in 2024 was primarily due to the full impairment of trade receivables due from the distressed customer.

Finance Costs

Our finance costs remained relatively stable at RMB24.5 million in 2024 and RMB24.2 million in 2025.

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Other Expenses

Our other expenses decreased by RMB24.9 million, or 97.8%, from RMB25.5 million in 2024 to RMB0.6 million in 2025. The decrease was primarily due to only minor incidental expenses incurred in 2025, as compared to a one-off fair value loss on an equity investment in an unlisted company measured at FVPL recognized in 2024.

Income Tax Credit

We recorded income tax credit of RMB775 thousand and RMB566 thousand in 2024 and 2025, respectively.

Loss for the Year and Net Margin

As a result of the foregoing, we recorded a loss of RMB177.0 million in 2024 and RMB61.9 million in 2025. Our loss for the year decreased by RMB115.1 million, or 65.0%, from 2024 to 2025, primarily attributable to (i) revenue growth from our NEV solutions business and specialized precision electric drive systems business; and (ii) lower impairment losses on financial assets and contract assets, as the write-offs related to the distressed customer recorded in 2024 did not recur.

Our net margin was negative 11.8% and negative 3.8% in 2024 and 2025, respectively.

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

Revenue

Revenue by Business Line

Our revenue increased by RMB257.6 million, or 20.7%, from RMB1,242.8 million in 2023 to RMB1,500.4 million in 2024 primarily driven by the revenue growth of NEV solutions business, the effect of which was partially offset by revenue decreases in industrial automation solutions and specialized precision electric drive systems businesses.

NEV Solutions. Our revenue from NEV solutions business increased significantly from RMB374.7 million in 2023 to RMB731.7 million in 2024, attributable to increased sales volume from NEV customers. Capitalizing on our ongoing efforts on business development and accumulation, we expanded customer base and diversified customer portfolio for our NEV solutions business by effectively capturing the growth of NEV market.

Specialized Precision Electric Drive Systems. Our revenue from specialized precision electric drive systems business decreased by RMB66.7 million, or 12.1%, from RMB549.5 million in 2023 to RMB482.8 million in 2024, primarily due to (i) the declined demand from PV customers as a result of intensified market competition and industry overcapacity; and (ii) the decreased revenue from overseas markets, mainly Italy and the United States, affected by the market downturn and challenging economic environment in overseas machine tool sector in 2024.

Industrial Automation Solutions. Our revenue from industrial automation solutions business decreased by RMB35.1 million, or 12.7%, from RMB276.5 million in 2023 to RMB241.4 million in 2024, primarily due to the continued sluggish market demand.

Revenue by Geographic Region

Our revenue from the Chinese Mainland increased by RMB283.3 million, or 30.3%, from RMB934.6 million in 2023 to RMB1,217.9 million in 2024, primarily attributable to the revenue growth of NEV solutions business.

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Our revenue from overseas markets decreased by RMB25.7 million, or 8.3%, from RMB308.2 million in 2023 to RMB282.5 million in 2024, primarily due to a decline in market demand in Italy and the United States for the same reason stated above, partially offset by higher revenue from Belgium due to a surge in demand for high-power models in air-compressor sector in 2024.

Cost of Sales

Our cost of sales increased by RMB192.7 million, or 18.1%, from RMB1,065.7 million in 2023 to RMB1,258.4 million in 2024 generally in line with our revenue growth. The increase was primarily due to an increase in cost of raw materials of RMB175.3 million, driven by the increased sales of NEV products.

Gross Profit and Gross Margin

Our gross profit increased by RMB64.9 million, or 36.6%, from RMB177.2 million in 2023 to RMB242.0 million in 2024 mainly attributable to the reduction in gross loss of NEV solutions business. Accordingly, our gross margin improved from 14.3% in 2023 to 16.1% in 2024.

NEV Solutions. Our gross loss for NEV solutions business decreased significantly from RMB77.9 million in 2023 to RMB7.8 million in 2024 and gross margin for NEV solutions business improved from negative 20.8% in 2023 to negative 1.1% in 2024, primarily attributable to (i) the growth of sales volume, which led to improved utilization of our production capacity and greater economies of scale; (ii) effective cost reduction associated with our technology innovation on platform-based and modular product development and production; and (iii) lower raw materials procurement cost due to stronger bargaining power from enlarged business scale.

Specialized Precision Electric Drive Systems. Our gross profit for specialized precision electric drive systems business decreased by RMB7.6 million, or 4.0%, from RMB190.7 million in 2023 to RMB183.0 million in 2024 while gross margin for specialized precision electric drive systems business improved from 34.7% in 2023 to 37.9% in 2024, primarily attributable to the higher revenue proportion from certain high-value-added and high-margin sectors, such as flywheel energy storage, aviation simulators and astronomical telescopes.

Industrial Automation Solutions. Our gross profit for industrial automation solutions business remained relatively stable at RMB36.6 million in 2023 and RMB37.5 million in 2024. Gross margin for industrial automation solutions business increased from 13.2% in 2023 to 15.5% in 2024, primarily attributable to the launch of new cost-efficient solutions adapting to customer needs.

Other Income and Gains

Our other income and gains increased by RMB10.3 million, or 27.5%, from RMB37.3 million in 2023 to RMB47.6 million in 2024, primarily due to (i) an increase of RMB7.6 million in government grants relating to tax refund and technological innovation subsidies; and (ii) an increase of RMB6.9 million in investment income from financial assets at FVPL generated by disposing certain equity investments in the second half of 2024. Such increases were partially offset by a decrease of RMB3.0 million in fair value gains on our unlisted equity investments measured at FVPL.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB9.1 million, or 23.2%, from RMB39.4 million in 2023 to RMB48.6 million in 2024, primarily due to an increase in staff costs for general salary increases and increased headcounts to suit our business expansion.

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Administrative Expenses

Our administrative expenses increased by RMB12.2 million, or 9.2%, from RMB132.6 million in 2023 to RMB144.8 million in 2024, primarily due to (i) an increase of RMB6.7 million in professional service fees in relation to A-share listing attempts; (ii) an increase of RMB2.2 million in staff costs for increased headcount; and (iii) an increase of RMB2.0 million in travel and business activities expenses along with the growth of our business scale.

Research and Development Costs

Our research and development costs remained relatively stable at RMB120.2 million in 2023 and RMB121.2 million in 2024.

Reversal of Impairment Losses/(Impairment Losses) on Financial Assets and Contract Assets, Net

We recorded reversal of impairment losses on financial assets and contract assets of RMB0.2 million in 2023, as compared to impairment losses on financial assets and contract assets of RMB102.8 million in 2024 because we individually recognized full impairment with respect to trade receivables due from the distressed customer.

Finance Costs

Our finance costs decreased by RMB6.1 million, or 19.9%, from RMB30.6 million in 2023 to RMB24.5 million in 2024, primarily due to (i) an increase in capitalized interest of RMB3.2 million corresponding to the construction progress and capital expenditures of our Beilun facility; and (ii) a decrease in interest on bank and other borrowings of RMB2.9 million as we repaid certain bank loans and the loan interest rates also decreased in 2024.

Other Expenses

Our other expenses increased by RMB23.8 million from RMB1.6 million in 2023 to RMB25.5 million in 2024, primarily because we recognized fair value loss of RMB18.7 million in 2024 for our equity investment in an unlisted company measured at FVPL.

Income Tax (Expenses)/Credit

We recorded income tax expenses of RMB2.4 million in 2023 and income tax credit of RMB0.8 million in 2024, primarily due to an increase in our loss before tax.

Loss for the Year and Net Margin

As a result of the foregoing, we recorded a loss of RMB112.2 million in 2023 and RMB177.0 million in 2024. Our loss for the year increased by RMB64.8 million, or 57.7%, from 2023 to 2024, primarily due to (i) an increase in impairment losses on financial assets and contract assets, reflecting the write-offs related to the distressed customer, and (ii) an increase in other expenses because we recognized fair value loss in 2024 for our equity investment in an unlisted company measured at FVPL, partially offset by an increase in revenue driven by the growth of our NEV solutions business.

Our net margin was negative 9.0% and negative 11.8% in 2023 and 2024, respectively.

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DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which are extracted from the Accountants’ Report included in Appendix I to this document:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Non-current assets			
Property, plant and equipment	863,670	980,265	1,039,059
Investment properties	4,518	4,066	3,614
Other intangible assets	46,236	43,467	38,534
Right-of-use assets	118,719	119,165	111,367
Goodwill	24,133	26,156	26,156
Equity investments designated at FVOCI	30,517	33,834	–
Financial assets at FVPL	28,690	13,972	18,739
Deferred tax assets	9,917	12,605	14,795
Contract assets	1,906	3,373	4,737
Other non-current assets	2,474	3,998	8,890
Total non-current assets	1,130,780	1,240,901	1,265,891
Current assets			
Inventories	274,476	329,426	265,645
Trade and notes receivables	492,036	636,479	621,587
Prepayments, other receivables and other assets	52,936	51,048	45,702
Financial assets at FVPL	25,903	20,449	14,213
Debt investments at FVOCI	33,954	3,885	30,172
Restricted bank deposits	15,098	13,414	23,607
Cash and cash equivalents	37,329	46,216	87,694
Total current assets	931,732	1,100,917	1,088,620
Current liabilities			
Interest-bearing bank borrowings	548,532	515,301	627,972
Trade and notes payables	619,146	766,790	762,380
Other payables and accruals	171,949	151,836	127,412
Contract liabilities	24,161	21,727	23,071
Provisions	4,200	7,189	3,308
Lease liabilities	4,110	5,187	3,162
Tax payables	1,000	21	329
Total current liabilities	1,373,098	1,468,051	1,547,634
Net current liabilities	(441,366)	(367,134)	(459,014)
Total assets less current liabilities	689,414	873,767	806,877
Non-current liabilities			
Interest-bearing bank borrowings	276,621	326,658	333,335
Lease liabilities	8,616	11,076	7,136
Employee defined benefit obligation	4,809	5,842	5,313
Provisions	8,460	5,808	10,318
Deferred income	58,221	68,469	66,862
Deferred tax liabilities	11,085	12,282	3,471
Total non-current liabilities	367,812	430,135	426,435
NET ASSETS	321,602	443,632	380,442

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We had net assets of RMB321.6 million as of December 31, 2023, reflecting a net assets position of RMB426.6 million as of January 1, 2023 which was further affected by (i) loss for the year of RMB112.2 million in 2023, (ii) changes in fair value of equity investments at FVOCI, net of tax, of RMB3.4 million and (iii) exchange differences of RMB3.3 million.

Our net assets increased from RMB321.6 million as of December 31, 2023 to RMB443.6 million as of December 31, 2024, mainly attributable to issue of shares of RMB300.0 million, partially offset by loss for the year of RMB177.0 million in 2024. Our net assets decreased from RMB443.6 million as of December 31, 2024 to RMB380.4 million as of December 31, 2025, primarily due to (i) loss for the year of RMB61.9 million, and (ii) changes in fair value of equity investments at FVOCI, net of tax, of RMB13.4 million, partially offset by exchange differences of RMB5.1 million, transfer of fair value reserve upon the disposal of equity investments at FVOCI of RMB3.6 million and share-based payment expenses of RMB3.4 million in 2025.

Property, Plant and Equipment

Our property, plant and equipment include primarily machine equipment, buildings, construction in progress, electronic equipment as well as renovation and leasehold improvement. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Machine equipment	323,846	324,983	476,705
Buildings	280,101	269,851	253,831
Construction in progress	236,869	354,482	275,464
Electronic equipment	14,361	14,350	14,327
Renovation and leasehold improvement	3,704	11,080	14,233
Transportation equipment	4,789	5,519	4,499
Total	863,670	980,265	1,039,059

Our property, plant and equipment increased by RMB116.6 million from RMB863.7 million as of December 31, 2023 to RMB980.3 million as of December 31, 2024 and then increased by RMB58.8 million to RMB1,039.1 million as of December 31, 2025. The continual increase was mainly due to (i) an increase in construction in progress in 2024 for our production facility expansion and upgrade, particularly to support the growth of our NEV solutions business; and (ii) an increase in machine equipment in 2025, reflecting the procurement of new equipment and the transfer of fixed assets from construction in progress upon completion of relevant projects.

We assess whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Based on the results of the impairment testing, no impairment of non-financial assets was provided as of December 31, 2023, 2024 and 2025. See Note 13 to the Accountants’ Report included in Appendix I to this document for further details.

Other Intangible Assets

Our other intangible assets primarily consist of our proprietary technologies, patents, trademarks and software purchased by us in connection with our business operations.

Our other intangible assets decreased by RMB2.8 million from RMB46.2 million as of December 31, 2023 to RMB43.5 million as of December 31, 2024 mainly as a result of the amortization provided during the year, which was partially offset by additions in proprietary technologies and software through both external purchase and acquisition of 70% equity interest of NGTEC in July 2024. Our other intangible assets decreased by RMB4.9 million to RMB38.5 million as of December 31, 2025, primarily due to the amortization provided during the period which was partially offset by purchase of software and technologies to support our R&D activities.

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Right-of-Use Assets

Our right-of-use assets include leasehold land, buildings and transportation equipment used in our operations. We have lease contracts for various items of leasehold land, buildings and transportation equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 49.25 years to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between two and six years. Leases of transportation equipment generally have lease terms between one and five years. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Leasehold land	106,100	103,737	101,375
Buildings	11,578	14,109	8,310
Transportation equipment	1,041	1,319	1,682
Total	118,719	119,165	111,367

Our right-of-use assets remained relatively stable at RMB118.7 million and RMB119.2 million as of December 31, 2023 and 2024, respectively. Our right-of-use assets decreased by RMB7.8 million from RMB119.2 million as of December 31, 2024 to RMB111.4 million as of December 31, 2025, primarily due to depreciation charge.

Goodwill

Our goodwill arose from our acquisitions of OSAI ITA and NGTEC. We acquired 60.0% equity interest of OSAI ITA in December 2019 and completed the remaining 40.0% in August 2022, thus it has become our wholly-owned subsidiary since then. See “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers.” Our goodwill increased by RMB2.0 million from RMB24.1 million as of December 31, 2023 to RMB26.2 million as of December 31, 2024, resulting from the acquisition of 70.0% equity interest of NGTEC from two Independent Third Parties at a consideration of EUR663,137.00 in July 2024. Our goodwill remained stable at RMB26.2 million as of December 31, 2025.

We determine whether goodwill is impaired at least on an annual basis. Based on the results of the impairment testing, our management determined that goodwill was not impaired as of December 31, 2023, 2024 and 2025. See Note 18 to the Accountants’ Report included in Appendix I to this document for further details.

Equity Investments Designated at FVOCI

Our equity investments designated at FVOCI represent our strategic investment in the unlisted equity interest of CS Capital, an equity investment management company focusing on advanced manufacturing industries. Our equity investments designated at FVOCI were RMB30.5 million and RMB33.8 million as of December 31, 2023 and 2024, respectively. The increase was primarily due to the growth in fair value of our equity interest in CS Capital. Our equity investments designated at FVOCI were nil as of December 31, 2025, following the disposal of our entire equity interest in CS Capital in December 2025 to optimize capital allocation.

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Accordingly, the fair value of our equity investments designated at FVOCI, net of tax, increased by RMB3.4 million and RMB2.5 million in 2023 and 2024, respectively, and decreased by RMB13.4 million in 2025. The fair value of our equity investments designated at FVOCI is measured under level 2 of the fair value hierarchy. See Note 46 to the Accountants’ Report included in Appendix I to this document for further details.

Inventories

Our inventories consist of (i) raw materials, representing the various kinds of supplies that we procure for manufacturing our products which include mainly permanent magnet, enameled wire, electronic components, silicon steel sheets, flanges and aluminum profiles; (ii) work in progress and (iii) finished goods.

The following table sets forth our inventory balances as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Raw materials	114,294	131,473	110,554
Work in progress	52,437	98,852	70,281
Finished goods	107,745	99,101	84,810
Total	274,476	329,426	265,645

Our production involves various types and specifications of raw materials. The level of inventory of our finished products is dependent on our production volume as well as the sales orders on hand and the time for delivery of the finished products to our customers. In order to ensure timely supply of our products, we formulate production plans based on the sales orders on hand and the historical trends of sales, and adjust our production plans in accordance with actual sales to maintain a certain level of raw materials and finished products. Therefore, the amount of raw materials and finished goods constitute the substantial part of our inventories, representing 80.9%, 70.0% and 73.5% of our total inventories as of December 31, 2023, 2024 and 2025, respectively.

Our inventories increased by RMB55.0 million from RMB274.5 million as of December 31, 2023 to RMB329.4 million as of December 31, 2024, primarily due to increases in work in progress of RMB46.4 million and raw materials of RMB17.2 million as we increased procurement in the fourth quarter of 2024 driven by the increased sales volume and business growth of our NEV products. Our inventories decreased by RMB63.8 million to RMB265.6 million as of December 31, 2025, primarily due to (i) more stable procurement and production activities in 2025 in line with our overall growth, compared to the aforementioned higher base at the end of 2024; and (ii) ongoing efforts to optimize inventory management.

The aging analysis of our inventories as of the dates indicated is as follows:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Within 1 year	230,891	271,937	195,248
1 to 2 years	29,387	34,745	42,519
2 to 3 years	9,936	17,893	15,943
Over 3 years	4,262	4,851	11,935
Total	274,476	329,426	265,645

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We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in fair value. Allowance is made when the net realizable value of inventories falls below the cost. During the Track Record Period, we recorded inventory write-downs of RMB17.2 million, RMB23.6 million and a reversal of inventory write-downs of RMB0.5 million as of December 31, 2023, 2024 and 2025, respectively. The relatively higher amount for write-down of inventories as of December 31, 2024 was mainly due to the individual write-down of inventories amounting to RMB17.4 million associated with the distressed customer. See “— Key Factors Affecting Our Results of Operations — Our Ability to Grow Customer Base” for further details.

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

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	100.7	87.6	80.3

Note:

- (1) The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories (net of provision for impairment of inventories) in that period by cost of sales for the corresponding period and then multiplying by 365 days for the years ended December 31, 2023, 2024 and 2025.

In 2023, 2024 and 2025, our inventory turnover days were 100.7 days, 87.6 days and 80.3 days, respectively. The decrease in inventory turnover days from 2023 to 2024 was primarily attributable to accelerated lead time in NEV solutions business, led by our platform-based and modular product development and production approach which effectively improved production efficiency. Our inventory turnover days further decreased in 2025 mainly attributable to enhanced inventory management in an effort to improve our warehousing efficiency.

As of March 31, 2026, approximately RMB203.3 million, or 76.5%, of our inventories as of December 31, 2025 had been subsequently utilized or sold.

Trade and Notes Receivables

Our trade and notes receivables consist of trade receivables and notes receivables. The following table sets forth our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Trade receivables	364,239	608,767	512,159
Notes receivables ⁽¹⁾	134,009	135,329	218,367
Subtotal	498,248	744,096	730,526
Less:			
Impairment of trade receivables	(6,212)	(107,617)	(108,939)
Total	492,036	636,479	621,587

Note:

- (1) Certain notes receivables were pledged to secure the issuance of bank acceptance notes with a carrying amount of RMB3.2 million, nil and nil as of December 31, 2023, 2024 and 2025, respectively.

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As of December 31, 2023, 2024 and 2025, our trade and notes receivables were RMB492.0 million, RMB636.5 million and RMB621.6 million, respectively. Our trade and notes receivables increased by RMB144.4 million from December 31, 2023 to December 31, 2024, mainly due to an increase of RMB244.5 million in trade receivables associated with the growth of our NEV product sales during the same periods, in particular, a significant portion of sales was made in the fourth quarter of 2024 and had not yet become due or settled as of the end of 2024. Such increase was partially offset by an increase of RMB101.4 million in impairment of trade receivables with respect to the distressed customer. Our trade and notes receivables decreased by RMB14.9 million from December 31, 2024 to December 31, 2025, primarily due to a decrease of RMB96.6 million in trade receivables, primarily driven by improved collection efficiency and faster settlement from certain key customers, together with a reduction in sales to certain customers toward the end of the period. This decrease was partially offset by an increase of RMB83.0 million in notes receivables, attributable to our overall revenue growth in 2025.

Our trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to 180 days for major customers and each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables and have a designated credit control department to minimize the credit risk. Overdue balances are reviewed regularly by our management. An impairment analysis is performed at the end of each reporting period in accordance with relevant accounting standards and based on a provision matrix to measure ECLs. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables and we have provided full impairment for the defaulted receivables. See Note 22 to the Accountants’ Report included in Appendix I to this document for details on the credit risk exposure on our trade and notes receivables using a provision matrix.

The following table sets forth aging analysis of trade receivables, based on revenue recognition date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Within 1 year	350,858	497,345	395,955
Over 1 year	7,169	3,805	7,265
Total	358,027	501,150	403,220

The following table sets forth the movements in the loss allowance for impairment of trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
At beginning of year	8,144	6,212	107,617
Impairment losses, net	(352)	102,954	1,182
Amount written off as uncollectible	(1,599)	(1,559)	—
Exchange realignment	19	10	140
At end of year	6,212	107,617	108,939

We recorded loss allowance for impairment of trade receivables of RMB6.2 million, RMB107.6 million and RMB108.9 million as of December 31, 2023, 2024 and 2025, respectively. The significant higher amount of loss allowance for impairment of trade receivables as of December 31, 2024 and 2025 was because we recorded full impairment loss on trade receivables due from the distressed customer amounting to RMB104.1 million in 2024. See “— Key Factors Affecting Our Results of Operations — Our Ability to Grow Customer Base” for further details.

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The following table sets forth our trade and notes receivables turnover days for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
Trade and notes receivables turnover days ⁽¹⁾ . . .	157.1	137.3	141.3

Note:

- (1) The trade and notes receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade and notes receivables in that period by revenue for the corresponding period and then multiplying by 365 days for the years ended December 31, 2023, 2024 and 2025.

Our trade and notes receivables turnover days decreased from 157.1 days in 2023 to 137.3 days in 2024 primarily due to (i) our revenue growth driven by increased sales volume of NEV products; and (ii) our strengthened receivables management to ensure timely collections. Our trade and notes receivables turnover days remained relatively stable at 141.3 days in 2025. During the Track Record Period, our trade and notes receivables turnover days were relatively high. This was primarily because certain bank acceptance notes that we received from our customers and subsequently endorsed to our suppliers, cannot be derecognized at the time of endorsement under the relevant accounting standards. Instead, such notes, typically with a maturity term of five to six months, remained recorded as notes receivables until maturity, resulting in a relatively high overall turnover of trade and notes receivables.

As of March 31, 2026, approximately RMB492.2 million, or 79.2%, of our trade and notes receivables (net of impairment of trade receivables) as of December 31, 2025 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) value-added tax recoverable; (ii) prepayments, mainly including advance to suppliers for purchasing raw materials; and (iii) other receivables, mainly representing various deposits relating to our daily operation. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Value-added tax recoverable	27,891	33,550	20,134
Prepayments	14,033	12,309	17,007
Other receivables	2,817	2,810	4,587
Prepaid income tax	431	2,440	428
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Less:			
Impairment of other receivables	(61)	(61)	(64)
Total	52,936	51,048	45,702

Our prepayments, other receivables and other assets remained relatively stable at RMB52.9 million and RMB51.0 million as of December 31, 2023 and 2024, respectively and decreased by RMB5.3 million to RMB45.7 million as of December 31, 2025 primarily due to a decrease in value-added tax recoverable.

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Financial Assets at FVPL

Our financial assets at FVPL represent our investments in wealth management products and unlisted equity investments in several entities. As part of our treasury management, we invested in low-risk wealth management products as a supplemental means to improve utilization of our cash on hand on a short-term basis. In addition, we acquired unlisted equity interest for investment return, potential cost reduction, strengthened control over supply chain, and potential business opportunities. The following table sets forth our financial assets at FVPL as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Non-current asset			
Unlisted equity investments, at fair value ⁽¹⁾	28,690	13,972	18,739
Current asset			
Wealth management products ⁽²⁾	25,903	20,449	14,213
Total	54,593	34,421	32,952

Notes:

- (1) The above equity investments were classified as financial assets at FVPL as they were held for trading. The fair value of unlisted equity investments is measured under level 2 and level 3 of the fair value hierarchy. See Note 46 to the Accountants' Report included in Appendix I to this document for further details.
- (2) The wealth management products, mainly non-principal-guaranteed with floating returns products issued by reputable commercial banks in the Chinese Mainland, were generally redeemable on demand. They were mandatorily classified as financial assets at FVPL and the fair value is categorized within level 2 of fair value measurement.

Our financial assets at FVPL decreased by RMB20.2 million from RMB54.6 million as of December 31, 2023 to RMB34.4 million as of December 31, 2024, mainly due to the fair value loss for our equity investment in an unlisted company measured at FVPL. Our financial assets at FVPL remained relatively stable at RMB33.0 million as of December 31, 2025.

We have established internal policies to monitor and control the risks relating to our investment activities. In particular, any proposed investment is subject to a feasibility study which shall be reviewed and approved by the investment decision-making bodies, being the shareholders' general meetings, the Board and the Chairman of the Board within their respective approval limits. The Board shall regularly review the implementation progress and performance of our major investments and the General Manager shall take the lead in daily management of the invested assets. Our financial department is responsible for making comprehensive and complete financial records in connection with our investment activities. In case of any significant or adverse fluctuation in our investments, we may transfer and recover our interests in the invested assets in accordance with applicable laws and regulation. We may adjust our investment policies from time to time based on our development, conditions of the financial market and the macroeconomic environment in China. Our investments will be subject to the requirements under Chapter 14 of the Listing Rules upon [REDACTED].

Debt Investments at FVOCI

Our debt investments at FVOCI represent bank acceptance notes issued by reputable commercial banks in the Chinese Mainland. These notes are commonly transferred through endorsement or discounted by banks, bearing a business model with the objective of both collecting contractual cash flows and selling. The fair value of debt investments at FVOCI approximates to the carrying value due to the short maturity. Certain bank acceptance notes were restricted with a carrying amount of RMB22.4 million, nil and nil as of December 31, 2023, 2024 and 2025, respectively.

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Our debt investments at FVOCI amounted to RMB34.0 million, RMB3.9 million and RMB30.2 million as of December 31, 2023, 2024 and 2025, respectively. The fluctuation in debt investments at FVOCI was mainly associated with the maturity of bank acceptance notes.

Restricted Bank Deposits

Our restricted bank deposits are placed primarily for notes payables and letters of guarantee. Our restricted bank deposits decreased from RMB15.1 million as of December 31, 2023 to RMB13.4 million as of December 31, 2024 and increased to RMB23.6 million as of December 31, 2025, primarily due to changes in the amounts required to be pledged by banks when issuing bank acceptance notes and letters of guarantee. Restrictions on these deposits were released upon our payment at the maturity of the respective instruments.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB37.3 million, RMB46.2 million and RMB87.7 million as of December 31, 2023, 2024 and 2025, respectively. See “— Liquidity and Capital Resources — Cash Flows” for more details.

Trade and Notes Payables

Our trade and other payables mainly represent outstanding amounts due to our suppliers of raw materials as well as our various service providers. We are typically given a credit period ranging from 30 to 120 days by our suppliers. The following table sets forth our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Trade payables	504,834	706,881	666,184
Notes payables	114,312	59,909	96,196
Total	619,146	766,790	762,380

Our trade and notes payables increased by RMB147.6 million from RMB619.1 million as of December 31, 2023 to RMB766.8 million as of December 31, 2024, primarily due to an increase in trade payables of RMB202.0 million mainly because we increased procurement volume of raw materials for our NEV solutions business to fit its sales growth and production capacity expansion, which was partially offset by a decrease in notes payables of RMB54.4 million as a result of the reduced use of bank acceptance notes for the settlement. Our trade and notes payables decreased by RMB4.4 million to RMB762.4 million as of December 31, 2025, primarily due to a decrease of RMB40.7 million in trade payables mainly due to (i) a higher base at the end of 2024 driven by a ramp-up in NEV solutions business, whereas procurement and production activities in 2025 were more stable and in line with our overall growth; and (ii) the reclassification of certain amounts to interest-bearing bank borrowings in connection with the reverse factoring arrangement we entered into with some suppliers in 2025. This decrease was partially offset by an increase of RMB36.3 million in notes payables following the establishment of credit facilities with a new bank.

The majority of our trade and notes payables are expected to be settled within one year or repayable on demand. The following table sets forth an aging analysis of our trade payables, based on invoice date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Within 1 year	503,421	700,409	655,451
1 to 2 years	1,281	6,038	9,981
2 to 3 years	40	384	467
Over 3 years	92	50	285
Total	504,834	706,881	666,184

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The following table sets forth our trade and notes payables turnover days for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
Trade and notes payables turnover days ⁽¹⁾	235.7	201.0	206.4

Note:

- (1) The trade and notes payables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade and notes payables in that period by cost of sales for the corresponding period and then multiplying by 365 days for the years ended December 31, 2023, 2024 and 2025.

In 2023, 2024 and 2025, our trade and notes payables turnover days were 235.7 days, 201.0 days and 206.4 days, respectively. The relatively longer trade and notes payables turnover days in 2023 were because of a temporary extension of credit periods to facilitate ongoing commercial discussions. Our trade and notes payables turnover days remained relatively stable in 2024 and 2025.

As of March 31, 2026, approximately RMB406.0 million, or 53.3%, of our trade and notes payables as of December 31, 2025 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals include primarily (i) other payables that are non-interest-bearing and have no fixed terms of settlement, mainly representing the final installments for our equipment purchase and construction projects of production facilities; (ii) taxes payable other than corporate income tax; (iii) payable for endorsed notes receivables that are not derecognized, representing payables to relevant counterparties in relation to bank acceptance notes that have been transferred and not yet due, excluding those meets the criteria for derecognition; and (iv) payroll payables. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Other payables	131,547	110,134	87,862
Taxes payable other than corporate income tax .	18,658	17,984	13,940
Payable for endorsed notes receivables that are not derecognized ⁽¹⁾	7,364	10,830	13,742
Payroll payables	11,915	10,375	8,421
Other current liabilities	2,294	2,206	3,270
Advances from customers	171	307	177
Total	171,949	151,836	127,412

Note:

- (1) For the endorsed notes receivables that we neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, we continue to recognize the notes receivables and associated liabilities. See Note 45 to the Accountants’ Report included in Appendix I to this document for further details.

Our other payables and accruals decreased by RMB20.1 million from RMB171.9 million as of December 31, 2023 to RMB151.8 million as of December 31, 2024, primarily as a result of a decrease in other payables of RMB21.4 million due to settlement we made pursuant to the payment schedules in agreements for equipment procurement and construction projects in 2024. Our other payables and accruals decreased by RMB24.4 million to RMB127.4 million as of December 31, 2025, primarily due to (i) a decrease in other payables of RMB22.3 million, as certain procurements

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made in 2024 in preparation for the Ganzhou facility launch were settled on schedule in 2025; and (ii) a decrease in taxes payable other than corporate income tax of RMB4.0 million; partially offset by an increase in payable for endorsed notes receivables that are not derecognized of RMB2.9 million.

As of March 31, 2026, approximately RMB46.3 million, or 36.3%, of our other payables and accruals as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities represent short-term advances received from customers for sales of products and solutions. We had contract liabilities of RMB24.2 million, RMB21.7 million and RMB23.1 million as of December 31, 2023, 2024 and 2025, respectively, mainly in line with the sales order received from customers. Our contracts with customers are rendered in a short period of time, which is generally less than one year. As of March 31, 2026, approximately RMB12.2 million, or 52.9%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

Provisions

Our provisions are mainly related to warranties. We provide warranties to our customers on product defects occurring during the warranty periods generally ranging from 8 to 10 years or 100,000 kilometers to 200,000 kilometers for NEV products and 18 to 36 months for industrial control products. During the warranty periods, we offer free repair services to customers and generally allow product exchange or return for quality issues. See “Business — Sales and Marketing — Product Warranties and Product Return.” The amount of the provisions for warranties is estimated based on past warranty experience, comparable industry company data, and sales conditions. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

As of December 31, 2023, 2024 and 2025, our provisions amounted to RMB12.7 million, RMB13.0 million and RMB13.6 million, respectively, generally in line with our sales growth.

Deferred Income

Our deferred income represents deferred government grants which consist mainly of subsidies received from the local government in the PRC that relate to both expenses and assets. These government grants are typically awarded on a one-off basis and were released to profit or loss either over the periods that the expenses for which it is intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are compliant with. We had deferred income of RMB58.2 million, RMB68.5 million and RMB66.9 million as of December 31, 2023, 2024 and 2025, respectively. The increases in our deferred income from December 31, 2023 to December 31, 2024 were mainly attributable to government grants received during the periods. Our deferred income remained relatively stable as of December 31, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including upgrading and expanding the existing production facilities, establishing new production facilities and production lines as well as other working capital requirements. During the Track Record Period, we financed our capital expenditures and working capital requirements mainly through cash generated from operating activities, bank borrowings and Series C Financing. In the foreseeable future, we expect working capital to continue to be our principal requirements of liquidity and we may use a portion of the [REDACTED] from the [REDACTED] to finance some of our capital expenditures. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB37.3 million, RMB46.2 million and RMB87.7 million, respectively, consisting of cash at bank and on hand.

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Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Cash generated from/(used in) operations	10,932	(130,352)	96,156
Interest received	2,099	4,768	6,606
Income tax paid	(5,146)	(4,555)	(29)
Net cash flows from/(used in) operating activities	7,885	(130,139)	102,733
Net cash flows used in investing activities	(111,180)	(147,654)	(110,926)
Net cash flows from financing activities	77,280	286,681	49,553
Net (decrease)/increase in cash and cash equivalents	(26,015)	8,888	41,360
Cash and cash equivalents at beginning of year	63,147	37,329	46,216
Effect of foreign exchange rate changes, net	197	(1)	118
Cash and cash equivalents at end of the year	37,329	46,216	87,694

Operating Activities

In 2025, our net cash generated from operating activities was RMB102.7 million. Our loss before tax of RMB62.5 million was adjusted to reflect primarily (i) non-cash items of depreciation of property, plant and equipment of RMB84.5 million and finance costs of RMB24.2 million; and (ii) working capital adjustments for a decrease in inventories of RMB63.9 million, attributable to more stable procurement and production activities in 2025 and optimized inventory management, and an increase in other payables and accruals of RMB24.1 million. Such adjustments were partially offset by a decrease in trade and notes payables of RMB51.6 million.

In 2024, our net cash used in operating activities was RMB130.1 million. Our loss before tax of RMB177.7 million was adjusted to reflect primarily (i) non-cash items of impairment of trade and notes receivables of RMB103.0 million, depreciation of property, plant and equipment of RMB70.4 million, finance costs of RMB24.5 million and write-down of inventories to net realizable value of RMB23.6 million; and (ii) working capital adjustments for an increase in trade and notes payables of RMB133.9 million mainly in relation to increased raw material procurement for our NEV solutions business led by its sales growth and production capacity expansion. Such adjustments were partially offset by (i) an increase in trade and notes receivables of RMB275.2 million and (ii) an increase in inventories of RMB74.6 million.

In 2023, our net cash generated from operating activities was RMB7.9 million. Our loss before tax of RMB109.8 million was adjusted to reflect primarily (i) non-cash items of depreciation of property, plant and equipment of RMB62.9 million and finance costs of RMB30.6 million; and (ii) working capital adjustments for a decrease in trade and notes receivables of RMB75.4 million, a decrease in other payables and accruals of RMB49.7 million and a decrease in inventories of RMB21.6 million. Such adjustments were partially offset by a decrease in trade and notes payables of RMB130.4 million mainly because of our decreased raw material procurement.

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In view of our net operating cash outflows in 2024, we plan to improve such position by (i) generating additional cash inflows by expanding our business scale, including further penetration into new application scenarios and continued growth of our customer base; (ii) enhancing cost efficiency by implementing measures to control costs and operating expenses, such as improving our production technology; and (iii) improving our working capital management efficiency by strengthening the management of trade and notes receivables and inventories. For example, we plan to enhance our credit assessment mechanism and regularly review our credit policies to ensure they remain aligned with our business and market conditions. Our management will continue to actively monitor our cashflows according to the market condition, overall performance of our business, our expansion plans and the availability of the banking facilities.

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Investing Activities

In 2025, our net cash used in investing activities was RMB110.9 million. This net cash outflow was primarily attributable to purchase of property, plant and equipment of RMB132.1 million; partially offset by (i) proceeds from disposal of financial assets at FVOCI of RMB16.0 million, and (ii) proceeds from sales of financial assets at FVPL of RMB12.9 million.

In 2024, our net cash used in investing activities was RMB147.7 million. This net cash outflow was primarily attributable to (i) purchase of property, plant and equipment of RMB155.3 million; and (ii) purchase of financial assets at FVPL of RMB7.0 million; partially offset by proceeds from sales of financial assets at FVPL of RMB20.9 million.

In 2023, our net cash used in investing activities was RMB111.2 million. This net cash outflow was primarily attributable to (i) purchase of property, plant and equipment of RMB107.6 million, (ii) additions of other intangible assets of RMB15.8 million, and (iii) purchase of financial assets at FVPL of RMB11.0 million; partially offset by proceeds from sales of financial assets at FVPL of RMB21.0 million.

Financing Activities

In 2025, our net cash generated from financing activities was RMB49.6 million. This net cash inflow was attributable to new bank borrowings of RMB710.0 million; partially offset by (i) repayment of bank borrowings of RMB630.7 million; and (ii) interest on bank borrowings of RMB22.7 million.

In 2024, our net cash generated from financing activities was RMB286.7 million. This net cash inflow was primarily attributable to (i) new bank borrowings of RMB626.2 million, and (ii) proceeds from issue of shares of RMB300.0 million; partially offset by (i) repayment of bank borrowings of RMB607.0 million, and (ii) interest on bank borrowings of RMB24.2 million.

In 2023, our net cash generated from financing activities was RMB77.3 million. This net cash inflow was primarily attributable to new bank borrowings of RMB621.0 million; partially offset by (i) repayment of bank borrowings of RMB504.0 million, and (ii) interest on bank borrowings of RMB30.1 million.

Net Current Liabilities

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
				(unaudited)
				(RMB'000)
Current assets				
Inventories	274,476	329,426	265,645	312,040
Trade and notes receivables	492,036	636,479	621,587	440,503
Prepayments, other receivables and other assets	52,936	51,048	45,702	63,112
Financial assets at FVPL	25,903	20,449	14,213	24,676
Debt investments at FVOCI	33,954	3,885	30,172	12,705
Restricted bank deposits	15,098	13,414	23,607	12,583
Cash and cash equivalents	37,329	46,216	87,694	66,314
Total current assets	931,732	1,100,917	1,088,620	931,933

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	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB'000)			(unaudited)
Current liabilities				
Interest-bearing bank borrowings . . .	548,532	515,301	627,972	624,203
Trade and notes payables.	619,146	766,790	762,380	666,444
Other payables and accruals	171,949	151,836	127,412	86,976
Contract liabilities	24,161	21,727	23,071	26,609
Provisions	4,200	7,189	3,308	3,260
Lease liabilities	4,110	5,187	3,162	3,426
Tax payables.	1,000	21	329	704
Total current liabilities	1,373,098	1,468,051	1,547,634	1,411,622
Net current liabilities	(441,366)	(367,134)	(459,014)	(479,689)

We recorded net current liabilities of RMB479.7 million as of March 31, 2026, representing an increase of RMB20.7 million from RMB459.0 million as of December 31, 2025.

We recorded net current liabilities of RMB459.0 million as of December 31, 2025, representing an increase of RMB91.9 million from RMB367.1 million as of December 31, 2024. The increase was primarily due to (i) an increase of RMB112.7 million in interest-bearing bank borrowings; and (ii) a decrease of RMB63.8 million in inventories attributable to more stable procurement and production activities in 2025 and optimized inventory management, which were partially offset by an increase of RMB41.5 million in cash and cash equivalents.

We recorded net current liabilities of RMB367.1 million as of December 31, 2024, representing a decrease of RMB74.2 million from RMB441.4 million as of December 31, 2023. The decrease was primarily due to (i) an increase of RMB144.4 million in trade and notes receivables associated with the growth of our NEV product sales; and (ii) an increase of RMB55.0 million in inventories, which were partially offset by an increase of RMB147.6 million in trade and notes payables mainly in relation to increased raw material procurement for our NEV solutions business led by its sales growth and production capacity expansion.

Our net current liabilities position as of December 31, 2023, 2024 and 2025 and March 31, 2026 was primarily due to:

- the net loss position of RMB112.2 million, RMB177.0 million and RMB61.9 million we recorded in 2023, 2024 and 2025, respectively. In particular, our NEV solutions business, accounting for 30.1%, 48.8% and 50.7% of our total revenue in each period, recorded gross loss of RMB77.9 million and RMB7.8 million in 2023 and 2024, respectively, and achieved gross profit turnaround of RMB7.6 million in 2025; and
- the increased amount of the current portion of the long-term interest-bearing bank borrowings as the repayment dates of the long-term bank borrowings approach. We have incurred such long-term interest-bearing bank borrowings to fund significant capital investments in the expansion of our production facilities, establishment of additional production lines and the purchase of equipment (such as land use rights purchase, construction and renovation costs, equipment procurement costs). As a result, we acquired increased non-current assets during the Track Record Period, particularly in property, plant and equipment.

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In view of the above, we have (i) established a financial-risk-early-warning mechanism that monitors and analyzes key financial metrics to promptly detect potential risks and enable preemptive countermeasures, (ii) strengthened collaboration among internal departments (including finance, procurement and sales) through cross-departmental information sharing and coordinated efforts, thereby enhancing our overall capability to manage liquidity risk, and (iii) created a rolling cash flow forecast that tracks both payables and receivables, enabling improved cash flow efficiency and better working capital management. We intend to adopt measures to narrow our net current liabilities position and to turn into net current assets position going forward. See “— Working Capital Sufficiency” for more details.

Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations, interest-bearing bank borrowings and equity financing.

Taking into account the financial resources available to us, including cash flow from operating activities, banking facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements for the next 12 months from the date of this document, and fund our operations until we achieve net profit break-even and record operating cash inflows, based on the following factors:

- *Revenue growth and cash flow generated from operations.* As we continue to grow our business and our NEV solutions business continues to generate increasing revenue and show sound growth momentum, we expect to generate a steady inflow of cash from operations in the foreseeable future, which will be applied to our working capital. In particular, (i) our NEV solutions business started to generate gross profit in 2025; and (ii) our other two main business lines, including specialized precision electric drive systems and industrial automation solutions, maintained relatively stable gross profit, totaling RMB227.3 million, RMB220.5 million and RMB231.6 million in 2023, 2024 and 2025, respectively. We believe as we further expand our business scale, especially with the further ramp-up of our NEV solutions business, we are well positioned to enhance economies of scale, and improve our results of operations, including our profit margin and liquidity position.
- *Bank facilities.* We intend to monitor and control our short-term and long-term borrowings in light of actual business needs in order to optimize our liability position. As of March 31, 2026, we had committed but unutilized banking facilities of RMB1,528.2 million.
- *Net [REDACTED] from the [REDACTED].* We expect to receive net [REDACTED] from the [REDACTED] of approximately [REDACTED] based on an [REDACTED] of [REDACTED] per H Share (being the mid-point of the [REDACTED] range stated in this document).
- *Stringent cash management.* As of December 31, 2025 and March 31, 2026, we had RMB87.7 million and RMB66.3 million, respectively, in cash and cash equivalents. We closely monitor and diligently review our cash position and cash requirements on a regular basis to determine the usage and allocation of cash in our operations, optimize our capital structure and meet our working capital needs.

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 sufficiency of working capital.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material defaults in payment of trade and non-trade payables, interest-bearing bank borrowings or other financing obligations.

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Our cash burn rate refers to the average monthly aggregate amount of (i) net cash generated from/(used in) operating activities, (ii) payments for purchase of property, plant and equipment, (iii) payments for purchase of other intangible assets, and (iv) lease payments. Our historical cash burn rate was RMB10.2 million, RMB24.5 million and RMB3.2 million in 2023, 2024 and 2025, respectively. We had relatively higher cash burn rate in 2024, primarily due to (i) uncollectible trade receivables from the distressed customer and increased working capital requirements associated with the ramp up of NEV solutions business, which led to net cash outflows from operating activities in 2024; and (ii) higher capital expenditures on property, plant and equipment during the same period.

We had cash and cash equivalents of RMB87.7 million, current financial assets at FVPL of RMB14.2 million, restricted bank deposits of RMB23.6 million, debt investments at FVOCI of RMB30.2 million and committed but unutilized banking facilities of RMB1,628.0 million as of December 31, 2025. We estimate that we will receive net [REDACTED] of approximately [REDACTED] (equivalent to approximately [REDACTED]) after deducting the [REDACTED] fees and expenses payable by us in the [REDACTED], assuming that the [REDACTED] is not exercised and based on an [REDACTED] of [REDACTED] per H Share (being the mid-point of the [REDACTED] range stated in this document). Assuming that the average cash burn rate going forward will be similar to the level in 2025, and based on the assumptions that (i) we do not expect a significant increase in workforce headcount; and (ii) before securing new financing, we will control the scale of expansion to avoid large short-term capital expenditures and continue to align spending with the pace of business growth, we estimate that our cash and cash equivalents, current financial assets at FVPL, restricted bank deposits and debt investments at FVOCI and committed but unutilized banking facilities as of December 31, 2025 will be able to maintain our financial viability for approximately [REDACTED]. If we take into account 10% of the estimated net [REDACTED] from the [REDACTED] (namely, the portion allocated for our working capital and other general purposes), this period extends to approximately [REDACTED]; and if we take into account 100% of the estimated net [REDACTED] from the [REDACTED], it extends to approximately [REDACTED]. We will continue to monitor our cash flows from operations closely and maintain our financial viability through a variety of means, including, among others, banking facilities and external financings.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily for purchase of property, plant and equipment in connection with our production capacity expansion. In 2023, 2024 and 2025, we recorded capital expenditures of RMB123.4 million, RMB158.6 million, and RMB136.8 million, respectively.

During the Track Record Period, we funded our capital expenditures primarily with cash generated from operating activities, bank borrowings and equity financing. We intend to fund our planned capital expenditures through a combination of cash generated from operations, bank borrowings, equity financing and net [REDACTED] from the [REDACTED]. See “Future Plans and Use of [REDACTED].” Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Purchase of property, plant and equipment	107,590	155,278	132,144
Purchase of other intangible assets	15,840	3,368	4,641
Total	123,430	158,646	136,785

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INDEBTEDNESS

During the Track Record Period, our indebtedness mainly consisted of interest-bearing bank borrowings and lease liabilities. As of March 31, 2026, being the latest practicable date for the purpose of the indebtedness statement, except as disclosed in this document, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. Our Directors confirm that there had been no material change in our indebtedness position since March 31, 2026 and up to the Latest Practicable Date.

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB'000)			(unaudited)
Current				
Interest-bearing bank borrowings . . .	548,532	515,301	627,972	624,203
Lease liabilities	4,110	5,187	3,162	3,426
Non-current				
Interest-bearing bank borrowings . . .	276,621	326,658	333,335	361,231
Lease liabilities	8,616	11,076	7,136	6,484
Total	837,879	858,222	971,605	995,344

Interest-Bearing Bank Borrowings

During the Track Record Period, we obtained bank loans to finance our capital expenditures and working capital requirements. In addition, to a lesser extent, we incurred factoring borrowings from commercial banks in 2025 in connection with the reverse factoring arrangement we entered into with some suppliers. All of our interest-bearing bank borrowings are denominated in RMB and typically have terms ranging from one year to five years, with effective interest rates ranging from 2.45% to 4.3% per annum. Certain of our bank loans are secured by (i) mortgages over our properties, plant and equipment situated in the Chinese Mainland, which had an aggregate carrying value of approximately RMB365.5 million, RMB311.8 million and RMB415.5 million as of December 31, 2023, 2024 and 2025, respectively; and (ii) mortgages over our leasehold land situated in the Chinese Mainland, which had an aggregate carrying value of approximately RMB65.7 million, RMB70.9 million and RMB60.5 million as of December 31, 2023, 2024 and 2025, respectively. Certain of our bank loans, with an effective interest rate of 0.8% per annum, are related to discounted notes receivables that are not derecognized. See Note 45 to the Accountants' Report included in Appendix I to this document for further details, including the maturity profile. As of March 31, 2026, we had committed but unutilized banking facilities of RMB1,528.2 million.

As of December 31, 2023, 2024 and 2025, our interest-bearing bank borrowings amounted to RMB825.2 million, RMB842.0 million and RMB961.3 million, respectively. The continual increase in our interest-bearing bank borrowings was mainly attributable to (i) significant capital investments in construction projects and equipment procurement to expand our production capacity, including (a) constructing Beilun facility for industrial control segment, which is expected to commence operation in 2026, and (b) establishing Ganzhou production facility and implementing other production line expansion projects in our facilities for NEV segment; (ii) factoring borrowings incurred in 2025; and (iii) working capital needs from our growing business scale. As of March 31, 2026, we had interest-bearing bank borrowings of RMB985.4 million.

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

Lease Liabilities

We are the lessee in respect of certain properties held under leases for our production premises and offices during the Track Record Period. At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. For more details, see Notes 2.3 and 16 to the Accountants’ Report included in Appendix I to this document.

As of December 31, 2023, 2024 and 2025, our lease liabilities amounted to RMB12.7 million, RMB16.3 million and RMB10.3 million, respectively. As of March 31, 2026, we had lease liabilities of RMB9.9 million.

CONTINGENT LIABILITIES

As of December 31, 2025, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)		
Contracted, but not provided for items of property, plant and equipment	254,287	124,036	79,215

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 43 of the Accountants’ Report included in Appendix I to this document. All of the amounts due to/from the related parties are trade in nature.

Our Directors are of the view that each of the related party transactions set out in Note 43 to the Accountants’ Report included in Appendix I to this document was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended/As of December 31,		
	2023	2024	2025
Current ratio ⁽¹⁾	0.68	0.75	0.70
Quick ratio ⁽²⁾	0.48	0.53	0.53
Gearing ratio ⁽³⁾	2.61	1.93	2.55
Gross margin ⁽⁴⁾	14.3%	16.1%	16.8%
Adjusted EBITDA margin (non-HKFRS measure) ⁽⁵⁾	(0.3)%	(4.8)%	4.7%

Notes:

- (1) Current ratio equals total current assets divided by total current liabilities of the same date.
- (2) Quick ratio equals total current assets less inventories divided by total current liabilities of the same date.
- (3) Gearing ratio equals total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity of the same date.
- (4) Gross margin equals gross profit for the year divided by revenue and multiplied by 100%.
- (5) Adjusted EBITDA margin (non-HKFRS measure) is calculated as adjusted EBITDA (non-HKFRS measure) divided by revenue and multiplied by 100%. See “— Description of Key Consolidated Statements of Profit or Loss Items — Non-HKFRS Measures” for a reconciliation of loss before tax to adjusted EBITDA (non-HKFRS measure).

Current Ratio

Our current ratio increased from 0.68 as of December 31, 2023 to 0.75 as of December 31, 2024, primarily due to the increase in our current assets, in which trade and notes receivables as well as inventories increased in line with the growth of our NEV solutions business. Our current ratio then decreased to 0.70 as of December 31, 2025, primarily due to an increase in our current liabilities as we had more interest-bearing bank borrowings.

Quick Ratio

Our quick ratio increased from 0.48 as of December 31, 2023 to 0.53 as of December 31, 2024, primarily due to an increase in trade and notes receivables in line with the growth of our NEV solutions business. Our quick ratio remained stable at 0.53 as of December 31, 2025.

Gearing Ratio

Our gearing ratio decreased from 2.61 as of December 31, 2023 to 1.93 as of December 31, 2024, mainly due to our increase in reserves. Our gearing ratio then increased to 2.55 as of December 31, 2025, mainly due to the increase in our interest-bearing bank borrowings.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group’s principal financial instruments comprise interest-bearing bank borrowings, financial assets at FVPL as well as cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities which arise directly from our operations.

FINANCIAL INFORMATION

The main risks arising from our Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each risk, and we monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The primary objectives of our capital management are to safeguard our Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders’ value. We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may issue new shares, make borrowings or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period. For details, see Note 47 to the Accountants’ Report included in Appendix I to this document.

DIVIDENDS

During the Track Record Period, we did not declare or paid any dividends. As of the Latest Practicable Date, we did not have a specific dividend policy or a predetermined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a payment of dividends in the future after taking into account a number of factors, including our earnings, capital requirements, overall financial conditions, contractual and applicable legal restrictions and other factors which they may deem relevant at such time. Any declaration and payment of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations, including the approval of our Shareholders.

According to the PRC Company Law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund. As confirmed by our PRC Legal Advisor, we will only be able to declare or pay dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. We may stop allocate the net profit when the aggregate balance of the statutory common reserve fund has reached more than 50% of our registered capital.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves.

[REDACTED] EXPENSES

Our [REDACTED] expenses include mainly [REDACTED] commissions, legal and other professional fees paid and payable to professional parties, and printing and other expenses for their services rendered in relation to the [REDACTED] and the [REDACTED]. We expect to incur a total of approximately [REDACTED] of [REDACTED] expenses in connection with the [REDACTED], representing approximately [REDACTED] of the gross [REDACTED] from the [REDACTED] (based on an [REDACTED] of [REDACTED] per H Share, being the mid-point of our indicative price range for the [REDACTED], and assuming that the [REDACTED] is not exercised), among which (a) [REDACTED] expenses, including [REDACTED] commission and other expenses, are expected to be approximately [REDACTED] and (b) [REDACTED] expenses are expected to be approximately [REDACTED], comprising (1) fees and expenses of legal advisors and accountants of approximately [REDACTED] and (2) other fees and expenses of approximately [REDACTED].

Out of the expected [REDACTED] expenses of approximately [REDACTED], approximately [REDACTED] is expected to be recognized in the consolidated statements of profit or loss and approximately [REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. During the Track Record Period, we recorded [REDACTED]

FINANCIAL INFORMATION

expenses of [REDACTED], among which [REDACTED] as administrative expenses in our consolidated statements of profit or loss in 2025, and [REDACTED] as prepayments, other receivables and other assets in the consolidated statements of financial position as of December 31, 2025.

The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date of our latest audited financial statements, and there has been no event since December 31, 2025 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of [REDACTED] per H Share (being the mid-point of the [REDACTED] range stated in this document), we estimate that we will receive net [REDACTED] from the [REDACTED] of approximately [REDACTED], after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies and based on the priority of business development needs, we plan to apply these net [REDACTED] for the following intended purposes in the amounts set forth below:

- approximately 50% of the net [REDACTED], or [REDACTED], is expected to be used for production capacity expansion to meet the fast growing market demands in the electric drive solution industry. In furtherance of the foregoing, we intend to allocate roughly 25% of the net [REDACTED], or [REDACTED], to each of industrial control segment and NEV segment, respectively. Specifically:
 - (i) approximately 40% of the net [REDACTED], or [REDACTED], will be used to expand our production capacity in China. Our production capacity expansion plan will be implemented in stages, after carefully considering our business growth trajectory, industry demands and capital availability. The implementation plan comprises the following:
 - (a) We plan to allocate approximately 35% of the net [REDACTED], or [REDACTED], to establish a new production facility in China (the “**New Facility**”). The New Facility will be equipped with flexible production lines for both industrial control segment and NEV segment, with a designed annual production capacity of approximately 60,000 sets of electric drive systems and 240,000 sets of powertrains, respectively. We currently intend, subject to further evaluation, to locate the New Facility in the Yangtze River Delta region or at a location where we already maintain a subsidiary, in order to optimize operational efficiency.

During the Track Record Period, we maintained high capacity utilization rates, exceeding 65% across our production facilities for both the industrial control segment and the NEV segment. As of the Latest Practicable Date, we operated three production facilities at strategic locations in China, two of which are leased and primarily dedicated to the production of NEV products, and the remaining self-owned facility supports the production of both industrial control products and NEV products. In addition, we had three new production facilities currently under construction in Beilun, Ningbo, Jinan, Shandong and Yibin, Sichuan. The Beilun and Jinan facilities are designated for industrial control products tailored to specific application scenarios, whereas the Yibin facility is intended for NEV products. See “Business — Production — Production Facilities” for further details. In light of the relatively high utilization levels and the specialized nature of certain existing and pipeline facilities, we consider it necessary to construct an additional production facility with flexible production lines to enable cross-segment allocation. This initiative will not only alleviate capacity constraints, but also enhance our ability to dynamically adjust production between segments to meet evolving customer demands, thereby improving overall manufacturing efficiency, broadening product diversity and supporting our long-term strategic expansion.

FUTURE PLANS AND USE OF [REDACTED]

We plan to acquire the land and commence construction of the New Facility by the end of 2026, with operations expected to commence in stages around mid-2028. The table below sets forth the expected timeframe for the New Facility to achieve its full designed annual production capacity:

Designed annual production capacity as of December 31,			
	2028	2029	2030
Electric drive systems for industrial control segment	18,000 sets	48,000 sets	60,000 sets
Powertrains for NEV segment	72,000 sets	192,000 sets	240,000 sets

The main expenses will include costs associated with land acquisition, building construction, procurement of production machinery and equipment, and operational costs of the New Facility, of which:

- approximately 4% of the net [REDACTED], or [REDACTED], will be used to acquire the land needed for the construction of the New Facility, with a total GFA of approximately 67,000 sq.m.;
- approximately 28% of the net [REDACTED], or [REDACTED], will be used for the (1) the construction of the New Facility and (2) the procurement and installation of production equipment; and
- approximately 3% of the net [REDACTED], or [REDACTED], will be used to recruit approximately 240 personnel for the New Facility, primarily related to production, quality control and administrative support functions.

Similar to our existing production facilities, the New Facility to be constructed will be required to complete the investment project filing procedures and obtain the planning permits for land use and construction project as well as the construction permit. In accordance with applicable PRC laws and regulations, the New Facility will also be required to obtain a Real Property Ownership Certificate upon completing the relevant acceptance procedures, environmental protection approval and other requisite approvals and permits. As advised by our PRC Legal Advisor, subject to our compliance with the aforementioned laws and regulations, there are no material legal impediments to the establishment of the New Facility. We will comply with all applicable regulatory requirements and obtain the relevant licenses and permits prior to the commencement of operations of the New Facility.

- (b) We plan to allocate approximately 5% of the net [REDACTED], or [REDACTED], to continue the construction of our Beilun facility, including 2% [REDACTED] for internal works and 3% [REDACTED] for the procurement of related equipment. As part of our strategic deployment to support the expansion of our specialized precision electric drive systems business and industrial automation solutions business, we began the construction of Beilun facility in June 2022 and completed the structural works in December 2024. We are currently progressing with the interior decoration of office buildings. In addition, the production lines of the Hangzhou Bay facility dedicated to supplying servo motor products to overseas customers have been relocated to the Beilun facility. We plan to bring Beilun facility into operation on a phased basis, and upon reaching full operations by the end of June 2027, it is expected to achieve a designed annual production capacity of a total of 33,480 sets of electric drive systems for industrial control segment.

FUTURE PLANS AND USE OF [REDACTED]

As of December 31, 2025, our annualized production capacity at existing facilities was approximately 143.8 thousand sets of electric drive systems for industrial control segment and 287.6 thousand sets of powertrains for NEV segment. Upon the implementation of the aforementioned production expansion plans, our total annualized production capacity in China is expected to reach approximately 247.5 thousand sets of electric drive systems for industrial control segment and 627.6 thousand sets of powertrains for NEV segment, significantly enhancing our overall production capacity and strengthening our supply capabilities.

- (ii) approximately 10% of the net [REDACTED], or [REDACTED] will be used to establish our production capacity in Italy with a focus on industrial control products. We strategically target Italy to complement our established local capabilities in R&D and sales capabilities, thereby forming a complete end-to-end value chain from innovation to production to market delivery. This is particularly important facing uncertainties associated with geopolitical tensions, trade disruption and supply chain volatility.

To enhance synergies with our existing overseas operations, we intend to pursue opportunities to acquire an Italian motor manufacturer and, subject to the completion of such acquisition, to expand its industrial production capacity through investments in additional production equipment, with a view to aligning production scale with the growth of our overseas business. As of the Latest Practicable Date, we have not identified any definitive acquisition target nor entered into any binding agreement in this regard.

In identifying potential acquisition targets, we expect that a suitable target would, among other things, (a) have over 10 years of experience in the manufacturing of electric drive systems for the industrial sector; (b) own production facilities and manufacturing equipment with clear title and have existing or available vacant space which, following appropriate equipment investments, would be capable of supporting a designed annual production capacity of over 40,000 sets of electric drive systems; (c) have a clear equity structure, with its shareholders having expressed an intention to dispose of a controlling interest; (d) have maintained sound compliance and financial records and not be involved in any material litigation or legal disputes; and (e) be located in Northern Italy, including within the “Industrial Triangle” region (Turin–Milan–Genoa), to better align with our existing Italian subsidiary. Based on information available to us and the advice of our industry consultant, our Directors believe that there are acquisition targets available in the market that meet the above criteria.

The intended use of [REDACTED] from the [REDACTED] for overseas production capacity expansion is as follows:

- approximately 4% of the net [REDACTED], or [REDACTED], is expected to be used to acquire the equity interest in an Italian motor manufacturer, with the acquisition anticipated to be completed by early 2027;
- approximately 3% of the net [REDACTED], or [REDACTED], is expected to be used for equipment upgrades and production line expansion; and
- approximately 3% of the net [REDACTED], or [REDACTED], is expected to be used for the operation of the overseas facility, covering expenses such as staffing, training, raw material procurement, utility costs and other operating expenses necessary to sustain the daily operations of the overseas facility.

FUTURE PLANS AND USE OF [REDACTED]

We plan to capitalize on our established wholly-owned Italian subsidiary, OSAI ITA, to expand our local production capacity. As advised by our Italian legal advisor, OSAI ITA is not required to obtain licenses, authorizations, permissions, declarations, certificates, approvals, orders, registrations, clearances, reports, permits, or consents from Italian governmental authorities to do so, given that it is already duly incorporated in Italy.

- approximately 20% of the net [REDACTED], or [REDACTED], is expected to be used for R&D activities. Specifically:
 - (i) Approximately 15% of the net [REDACTED], or [REDACTED], is expected to be used for our R&D initiatives, focusing on (a) advancing platform-based and modular design architectures. This strategic approach significantly shortens product development cycles, while simultaneously enabling lighter-weight, lower-cost, and higher-efficiency outcomes; (b) investing in and strengthening our bespoke engineering capabilities; and (c) targeting and developing solutions for emerging industries with high growth potential, capitalizing on our Innovation Center. Our focused areas include embodied robotics, low-altitude economy and various application scenarios where specialized precision electric drive systems are required. To implement the above plans, we intend to allocate:
 - (a) approximately 6% of the net [REDACTED], or [REDACTED], to expand our R&D team. Over the next three years, we plan to recruit around 36 technical professionals across various levels in the electric drive system field, including (1) senior technical leadership, such as a chief scientist and other senior research management personnel, to formulate research strategies, identify frontier technologies and lead exploratory and pre-research initiatives; (2) other technical professionals, including industry experts, NEV and industrial engineers at principal and senior levels, as well as product line managers, to support our research, development and commercialization activities; and (3) early-career professionals to form a graduate talent pool and strengthen our long-term technical capabilities.
 - (b) approximately 6% of the net [REDACTED], or [REDACTED], to procure and upgrade software and hardware to support our R&D initiatives. Specifically, we plan to (1) adopt advanced three-dimensional design and simulation software to improve product development efficiency through parametric design, solid modeling, assembly management and automated parameter calculations; (2) apply digital simulations, including motor electromagnetic design, thermo-fluid simulation as well as mechanical and structural strength simulation, to accelerate design cycles and reduce validation time and costs; and (3) establish a private R&D cloud platform to centralize design work, enhance collaboration on large-scale models, securely store design data and mitigate risks from staff turnover; and
 - (c) approximately 3% of the net [REDACTED], or [REDACTED], to invest in other R&D related activities.
 - (ii) Approximately 5% of the net [REDACTED], or [REDACTED], is expected to be used for lab-testing capability enhancement. During the Track Record Period, we have two laboratories in Ningbo. We plan to purchase more equipment to enhance our lab-testing capability to suit our business development, as detailed below.

Equipment type	Quantity	Approximate amount
EMC (Electromagnetic Compatibility) laboratory testing equipment.	1 set	[REDACTED]
High-speed dynamometer test bench (25,000 rpm)	1 set	[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

Equipment type	Quantity	Approximate amount
HALT (Highly Accelerated Life Test) equipment .	1 set	[REDACTED]
Electric spindle high-speed dynamometer test bench	1 set	[REDACTED]
Durability test bench	2 sets	[REDACTED]
Total		[REDACTED]

- approximately 10% of the net [REDACTED], or [REDACTED], is expected to be allocated to expand our global sales channel and enhance our brand presence in Europe and the United States, to maximize our market reach and better capture the market opportunities. This will be achieved through targeted initiatives such as participating in key industry exhibitions and expanding our dedicated sales team. Furthermore, we are committed to strengthen post-sales relationships with our customers by deploying onsite engineers to provide immediate, high-value technical support and service.

We plan to strengthen our sales and customer support capabilities by recruiting personnel across different levels of sales management, sales engineering and field service functions.

- Sales management: Our sales management team is expected to comprise senior and mid-level sales management personnel, who will be responsible for formulating and executing sales strategies, managing regional and industry-specific sales teams, and overseeing sales targets, profitability and customer relationships. Our selection criteria are based on managerial capability, industry expertise and over 12 years of relevant experience, including at least five years managing teams of more than 20 members or cross-regional teams with proven sales performance. We expect to recruit approximately six sales management personnel in aggregate.
- Sales engineering: We plan to recruit sales engineering personnel at principal, senior and mid levels to support customer engagement, solution design, technical communication and the execution of complex sales projects. Such personnel are expected to work closely with customers to deliver integrated solutions and support the achievement of sales objectives. In terms of selection criteria, we expect them to have the capability and relevant experience in (a) managing large-scale, complex projects and engaging in strategic discussions with customer senior executives for principal-level roles; (b) overseeing key regions or customer portfolios and building stable customer relationships for senior-level roles; and (c) handling end-to-end process for designated regions or customer groups for mid-level roles. We expect to recruit approximately 20 to 25 sales engineering personnel in aggregate.
- Field service engineering: We also intend to recruit field service engineering personnel to provide on-site technical support, commissioning, troubleshooting and after-sales services. Our selection criteria include strong skills in diagnosing and troubleshooting complex issues, the ability to adapt to frequent and extended business trips, and preferably an electrician certification. We expect to recruit approximately eight field service engineering personnel.
- approximately 10% of the net [REDACTED], or [REDACTED], is expected to be allocated for strategic investments and/or acquisitions. In particular, we plan to focus on potential targets in China or in Italy of upstream and downstream business in the industry chain, to further strengthen and supplement our established business layout. In evaluating potential targets, we will consider various factors including the level of synergy, the degree of innovation of the underlying technology as well as the potential growth and profitability of the business. Such vertical acquisition and integration in the industry chain aim to help us achieve cost reduction, strengthen control over supply chain, and explore new application scenarios.

FUTURE PLANS AND USE OF [REDACTED]

In identifying potential acquisition targets, we expect that suitable targets would generally (a) possess the necessary qualifications to carry out the relevant business and have an established market position or demonstrated market growth potential; (b) have a track record of operations of more than five years; (c) have a clear ownership structure, together with sound compliance, internal control and financial management records, and not be involved in any material legal disputes; and (d) demonstrate a solid financial position and stable operations. We also prioritize targets with meaningful scale and sustainable profitability, such as those generating over RMB30 million in revenue and a net profit margin of at least 5% in the most recent financial year. Based on information currently available to us, and the advice of our industry consultant, our Directors believe that potential acquisition targets meeting the above criteria are available in the relevant market. Subject to our strategic priorities, internal assessment and prevailing market conditions, we intend to pursue a limited number of acquisitions over the medium term and may adjust our acquisition plans from time to time. We will maintain flexibility in structuring acquisitions, including minority investments in larger targets, controlling stakes in small- to medium-sized targets, and staged acquisitions where appropriate.

As of the Latest Practicable Date, we have not identified any specific acquisition targets (either overseas or in the PRC), formed any specific acquisition plans or entered into any agreements with potential targets.

- approximately 10% of the net [REDACTED], or [REDACTED], is expected to be allocated for working capital and other general corporate purposes.

The table below sets forth the expected timeframe for the intended use of our net [REDACTED] from the [REDACTED], which is subject to changes based on our actual needs and market conditions at the relevant time:

	2026	2027	2028	2029	Approximate % of the total	Approximate amount (HK\$ million)
Production capability expansion	9%	19%	13%	9%	50%	[REDACTED]
Expand production capability in China . . .	7%	16%	10%	7%	40%	[REDACTED]
– establish a new production facility . . .	4%	14%	10%	7%	35%	[REDACTED]
– continue the construction of Beilun facility	3%	2%	–	–	5%	[REDACTED]
Establish production capability in Italy . .	2%	3%	3%	2%	10%	[REDACTED]
– acquire the equity interest in an Italian motor manufacturer	2%	2%	–	–	4%	[REDACTED]
– equipment upgrades and production line expansion	–	0.5%	2%	0.5%	3%	[REDACTED]
– operation costs of the overseas facility .	–	0.5%	1%	1.5%	3%	[REDACTED]
R&D activities	4%	6%	5%	5%	20%	[REDACTED]
Undertake R&D initiatives	3%	4%	4%	4%	15%	[REDACTED]
– expand R&D team	1.2%	1.6%	1.6%	1.6%	6%	[REDACTED]
– procure and upgrade software and hardware	1.2%	1.6%	1.6%	1.6%	6%	[REDACTED]
– invest in other R&D related activities .	0.6%	0.8%	0.8%	0.8%	3%	[REDACTED]
Enhance lab-testing capability	1%	2%	1%	1%	5%	[REDACTED]
– procure equipment	1%	2%	1%	1%	5%	[REDACTED]
Global sales channel expansion and brand presence enhancement	2%	3%	3%	2%	10%	[REDACTED]
Strategic investments and/or acquisitions⁽¹⁾	–	3%	3%	4%	10%	[REDACTED]
Working capital and other general corporate purposes	2%	3%	3%	2%	10%	[REDACTED]
Total	17%	34%	27%	22%	100%	[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

Note:

- (1) The implementation timeline for strategic investments and/or acquisitions depends on investment and acquisition opportunities and the selection process based on our selection criteria.

If the [REDACTED] is set at the high end of the indicative [REDACTED] range or the low end of the indicative [REDACTED] range, the net [REDACTED] we receive will increase or decrease by approximately [REDACTED], assuming the [REDACTED] is not exercised. In the event that the [REDACTED] is exercised in full, the additional net [REDACTED] that we would receive would be [REDACTED] (assuming an [REDACTED] of [REDACTED] per H Share, being the mid-point of the [REDACTED] range stated in this document). To the extent our net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we will adjust our allocation of the net [REDACTED] for the above purposes on a pro-rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [REDACTED] from the [REDACTED].

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to put into effect any part of our future development plan as intended, and to the extent permitted by the relevant laws and regulations, we will only deposit such net [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

“[To insert the firm’s letterhead]”

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NINGBO PHYSIS TECHNOLOGY CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Ningbo Physis Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB’000	RMB’000	RMB’000
REVENUE	5	1,242,819	1,500,397	1,624,520
Cost of sales		(1,065,655)	(1,258,379)	(1,352,382)
Gross profit		<u>177,164</u>	<u>242,018</u>	<u>272,138</u>
Other income and gains	5	37,310	47,587	45,504
Selling and marketing expenses		(39,410)	(48,559)	(54,593)
Administrative expenses		(132,585)	(144,825)	(164,595)
Research and development costs		(120,214)	(121,155)	(134,936)
Reversal of impairment losses/ (impairment losses) on financial assets and contract assets, net		200	(102,802)	(1,185)
Finance costs	7	(30,594)	(24,505)	(24,221)
Other expenses		<u>(1,623)</u>	<u>(25,468)</u>	<u>(564)</u>
LOSS BEFORE TAX	6	(109,752)	(177,709)	(62,452)
Income tax (expense)/credit	10	<u>(2,446)</u>	<u>755</u>	<u>566</u>
LOSS FOR THE YEAR		<u>(112,198)</u>	<u>(176,954)</u>	<u>(61,886)</u>
Attributable to:				
Owners of the parent		(34,279)	(163,389)	(53,866)
Non-controlling interests		<u>(77,919)</u>	<u>(13,565)</u>	<u>(8,020)</u>
		<u>(112,198)</u>	<u>(176,954)</u>	<u>(61,886)</u>
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB yuan)				
– for loss for the year	12	<u>(0.27)</u>	<u>(1.05)</u>	<u>(0.34)</u>

Details of [REDACTED] investments are disclosed in note 36 to the Historical Financial Information.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
LOSS FOR THE YEAR		<u>(112,198)</u>	<u>(176,954)</u>	<u>(61,886)</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income/(loss)				
that may be reclassified to profit or				
loss in subsequent periods:				
Debt investments at fair value through				
other comprehensive income:				
Changes in fair value, net of tax . . .		186	150	–
Exchange differences on translation of				
foreign operations		<u>3,333</u>	<u>(2,259)</u>	<u>5,102</u>
Net other comprehensive income/(loss)				
that may be reclassified to profit or				
loss in subsequent periods		<u>3,519</u>	<u>(2,109)</u>	<u>5,102</u>
Other comprehensive income/(loss)				
that will not be reclassified to profit				
or loss in subsequent periods:				
Remeasurement on defined benefit				
plan		(561)	(99)	(72)
Equity investments designated at fair				
value through other comprehensive				
income:				
Changes in fair value,				
net of tax		3,390	2,488	(13,372)
Net other comprehensive income/(loss)				
that will not be reclassified to profit				
or loss in subsequent periods		<u>2,829</u>	<u>2,389</u>	<u>(13,444)</u>
OTHER COMPREHENSIVE				
INCOME/(LOSS) FOR THE YEAR,				
NET OF TAX		<u>6,348</u>	<u>280</u>	<u>(8,342)</u>
TOTAL COMPREHENSIVE LOSS				
FOR THE YEAR		<u>(105,850)</u>	<u>(176,674)</u>	<u>(70,228)</u>
Attributable to:				
Owners of the parent		(29,417)	(163,216)	(61,665)
Non-controlling interests		<u>(76,433)</u>	<u>(13,458)</u>	<u>(8,563)</u>
		<u>(105,850)</u>	<u>(176,674)</u>	<u>(70,228)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	863,670	980,265	1,039,059
Investment properties	14	4,518	4,066	3,614
Other intangible assets	15	46,236	43,467	38,534
Right-of-use assets	16	118,719	119,165	111,367
Goodwill	18	24,133	26,156	26,156
Equity investments designated at fair value through other comprehensive income	19	30,517	33,834	—
Financial assets at fair value through profit or loss	25	28,690	13,972	18,739
Deferred tax assets	35	9,917	12,605	14,795
Contract assets	24	1,906	3,373	4,737
Other non-current assets	20	2,474	3,998	8,890
Total non-current assets		1,130,780	1,240,901	1,265,891
CURRENT ASSETS				
Inventories	21	274,476	329,426	265,645
Trade and notes receivables	22	492,036	636,479	621,587
Prepayments, other receivables and other assets	23	52,936	51,048	45,702
Financial assets at fair value through profit or loss	25	25,903	20,449	14,213
Debt investments at fair value through other comprehensive income	26	33,954	3,885	30,172
Restricted bank deposits	27	15,098	13,414	23,607
Cash and cash equivalents	27	37,329	46,216	87,694
Total current assets		931,732	1,100,917	1,088,620
CURRENT LIABILITIES				
Interest-bearing bank borrowings	28	548,532	515,301	627,972
Trade and notes payables	29	619,146	766,790	762,380
Other payables and accruals	30	171,949	151,836	127,412
Contract liabilities	31	24,161	21,727	23,071
Provisions	33	4,200	7,189	3,308
Lease liabilities	16	4,110	5,187	3,162
Tax payables		1,000	21	329
Total current liabilities		1,373,098	1,468,051	1,547,634
NET CURRENT LIABILITIES		(441,366)	(367,134)	(459,014)
TOTAL ASSETS LESS CURRENT LIABILITIES				
		689,414	873,767	806,877

APPENDIX I

ACCOUNTANTS’ REPORT

		31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	16	8,616	11,076	7,136
Employee defined benefit obligation . .	32	4,809	5,842	5,313
Provisions	33	8,460	5,808	10,318
Deferred income	34	58,221	68,469	66,862
Deferred tax liabilities	35	11,085	12,282	3,471
Interest-bearing bank borrowings	28	276,621	326,658	333,335
Total non-current liabilities		367,812	430,135	426,435
Net assets		321,602	443,632	380,442
EQUITY				
Equity attributable to owners of the parent				
Share capital	36	128,432	159,114	159,114
Reserves	37	206,796	275,215	208,940
		335,228	434,329	368,054
Non-controlling interests		(13,626)	9,303	12,388
Total equity		321,602	443,632	380,442

Details of [REDACTED] investments are disclosed in note 36 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

Attributable to owners of the parent											
	Share capital	Capital reserve	Share award reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Other reserve	Exchange fluctuation reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000 (note 36)	RMB'000 (note 37)	RMB'000 (note 38)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	128,432	279,632	46,059	10,478	265	(1,681)	672	(100,127)	363,730	62,903	426,633
Loss for the year	-	-	-	-	-	-	-	(34,279)	(34,279)	(77,919)	(112,198)
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	1,981	-	-	-	-	1,981	1,409	3,390
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax	-	-	-	109	-	-	-	-	109	77	186
Remeasurement on defined benefit plan	-	-	-	-	(561)	-	-	-	(561)	-	(561)
Exchange differences	-	-	-	-	-	3,333	-	-	3,333	-	3,333
Total comprehensive income for the year	-	-	-	2,090	(561)	3,333	-	(34,279)	(29,417)	(76,433)	(105,850)
Acquisition of non controlling interests	-	(2)	-	-	-	-	-	-	(2)	(96)	(98)
Share-based payment expenses (note 38)	-	-	917	-	-	-	-	-	917	-	917
At 31 December 2023	128,432	279,630*	46,976*	12,568*	(296)*	1,652*	672*	(134,406)*	335,228	(13,626)	321,602

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Attributable to owners of the parent										
	Share capital	Capital reserve	Share award reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Other reserve	Exchange fluctuation reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000 (note 36)	RMB'000 (note 37)	RMB'000 (note 38)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	128,432	279,630	46,976	12,568	(296)	1,652	672	(134,406)	335,228	(13,626)	321,602
Loss for the year	-	-	-	-	-	-	-	(163,389)	(163,389)	(13,565)	(176,954)
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	2,387	-	-	-	-	2,387	101	2,488
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax	-	-	-	144	-	-	-	-	144	6	150
Remeasurement on defined benefit plan	-	-	-	-	(99)	-	-	-	(99)	-	(99)
Exchange differences	-	-	-	-	-	(2,259)	-	-	(2,259)	-	(2,259)

APPENDIX I

ACCOUNTANTS’ REPORT

Attributable to owners of the parent											
	Share capital	Capital reserve	Share award reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Other reserve	Exchange fluctuation reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000 (note 36)	RMB'000 (note 37)	RMB'000 (note 38)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000 (note 37)	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income											
for the year	–	–	–	2,531	(99)	(2,259)	–	–	(163,389)	(163,216)	(13,458)
Issue of shares (note 36)	11,929	288,071	–	–	–	–	–	–	300,000	–	300,000
Acquisition of non-controlling interests through share exchanges (note 36)	18,753	(58,321)	–	8,173	–	–	–	–	(31,395)	31,395	–
Acquisition of non-controlling interests	–	(7,300)	–	–	–	–	–	–	(7,300)	3,657	(3,643)
Acquisition of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	1,335	1,335
Share-based payment expenses (note 38)	–	–	1,012	–	–	–	–	–	1,012	–	1,012
At 31 December 2024	159,114	502,080*	47,988*	23,272*	(395)*	(607)*	672*	(297,795)*	434,329	9,303	443,632

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Attributable to owners of the parent										
	Share capital	Capital reserve	Share award reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Other reserve	Exchange fluctuation reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB '000 (note 36)	RMB '000 (note 37)	RMB '000 (note 38)	RMB '000 (note 37)	(note 37)	RMB '000 (note 37)	RMB '000 (note 37)	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2025	159,114	502,080	47,988	23,272	(395)	(607)	672	(297,795)	434,329	9,303	443,632
Loss for the year	-	-	-	-	-	-	-	(53,866)	(53,866)	(8,020)	(61,886)
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(12,829)	-	-	-	-	(12,829)	(543)	(13,372)
Remeasurement on defined benefit plan	-	-	-	-	(72)	-	-	-	(72)	-	(72)
Exchange differences	-	-	-	-	-	5,102	-	-	5,102	-	5,102
Total comprehensive income for the year	-	(12,039)	-	(12,829)	(72)	5,102	-	(53,866)	(61,665)	(8,563)	(70,228)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(12,039)	12,039	-
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	(10,443)	-	-	-	14,513	4,070	(439)	3,631
Share-based payment expenses (note 38)	-	-	3,359	-	-	-	-	-	3,359	48	3,407
At 31 December 2025	159,114	490,041*	51,347*	-*	(467)*	4,495*	672*	(337,148)*	368,054	12,388	380,442

* These reserve accounts comprised the consolidated reserves of RMB206,796,000, RMB275,215,000 and RMB208,940,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(109,752)	(177,709)	(62,452)
Adjustments for:				
Interest income	5	(2,099)	(4,768)	(6,606)
Finance costs	7	30,594	24,505	24,221
Loss on disposal of items of property, plant and equipment, net		157	1,463	102
Termination of leases, net		–	50	(213)
Depreciation of property, plant and equipment.	13	62,908	70,431	84,462
Depreciation of investment properties	14	452	452	452
Amortisation of other intangible assets	15	7,252	9,200	9,877
Depreciation of right-of-use assets . .	16	5,716	5,372	5,779
Foreign exchange differences		(197)	–	(118)
Write-down/(reversal of write-down) of inventories to net realisable value, net		17,154	23,609	(507)
Impairment/(reversal of impairment) of contract assets, net.		152	(152)	–
(Reversal of impairment)/impairment of trade and notes receivables, net.		(352)	102,954	1,182
Impairment of other receivables, net		–	–	3
Impairment of property, plant and equipment, net		320	–	–
Investment income from financial assets at fair value through profit or loss	5	(762)	(7,667)	(264)
Dividend income from equity investment at fair value through other comprehensive income.	5	(1,680)	–	–
Fair value gains or loss on financial assets at fair value through profit or loss		(7,719)	13,958	(4,804)
Share-based payment expenses	38	917	1,012	3,407

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Decrease/(increase) in restricted bank balances		579	1,684	(10,193)
Decrease/(increase) in inventories		21,582	(74,635)	63,943
Decrease/(increase) in trade and notes receivables		75,427	(275,186)	10,675
Increase in contract assets		(2,058)	(1,315)	(1,364)
(Increase)/decrease in prepayments, other receivables and other assets		(18,657)	2,611	7,313
(Increase)/decrease in other non-current assets		(100)	(1,125)	383
(Decrease)/increase in trade and notes payables		(130,431)	133,947	(51,569)
Increase in other payables and accruals		49,663	15,209	24,054
Increase/(decrease) in deferred income		11,866	5,748	(1,607)
Cash generated from operations		10,932	(130,352)	96,156
Interest received		2,099	4,768	6,606
Income tax paid		(5,146)	(4,555)	(29)
Net cash flows from/(used in) operating activities		7,885	(130,139)	102,733
Net cash flows (used in)/from operating activities		7,885	(130,139)	102,733
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of financial assets at fair value through profit or loss		21,001	20,882	12,917
Dividend income from equity investment at fair value through other comprehensive income		1,680	—	—
Proceeds from disposal of items of property, plant and equipment		569	1,874	3,318
Purchases of property, plant and equipment		(107,590)	(155,278)	(132,144)
Additions of other intangible assets		(15,840)	(3,368)	(4,641)
Acquisition of a subsidiary		—	(4,764)	—
Proceeds from disposal of financial investments at fair value through other comprehensive income		—	—	16,004
Purchase of financial assets at fair value through profit or loss		(11,000)	(7,000)	(6,380)

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net cash flows used in investing activities		(111,180)	(147,654)	(110,926)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank borrowings		621,008	626,179	709,982
Repayment of bank borrowings		(504,034)	(607,030)	(630,722)
Interest on bank borrowings		(30,113)	(24,150)	(22,713)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Proceeds from issue of shares		–	300,000	–
Lease payments		(6,407)	(4,675)	(4,848)
Acquisition of non-controlling interests		(98)	(3,643)	–
Net cash flows from financing activities		77,280	286,681	49,553
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(26,015)	8,888	41,360
Cash and cash equivalents at beginning of year		63,147	37,329	46,216
Effect of foreign exchange rate changes, net		197	(1)	118
CASH AND CASH EQUIVALENTS AT END OF YEAR		37,329	46,216	87,694
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the consolidated statements of financial position	27	37,329	46,216	87,694

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	270,392	325,244	395,913
Intangible assets		4,201	3,504	3,572
Right-of-use assets	16	52,373	50,837	49,509
Investments in subsidiaries	17	288,925	760,553	786,671
Financial assets at fair value through profit or loss	25	18,690	—	—
Contract assets		—	—	1,711
Other non-current assets		—	1,245	6,544
Total non-current assets		634,581	1,141,383	1,243,920
CURRENT ASSETS				
Inventories	21	45,477	50,093	53,040
Trade and notes receivables	22	121,923	137,711	169,671
Prepayments, other receivables and other assets	23	159,700	585,883	649,327
Debt investments at fair value through other comprehensive income		220	89	1,968
Restricted bank deposits	27	4,285	7,836	11,650
Cash and cash equivalents	27	2,130	10,213	23,516
Total current assets		333,735	791,825	909,172
CURRENT LIABILITIES				
Interest-bearing bank borrowings	28	309,689	307,865	372,276
Trade and notes payables	29	141,072	170,149	185,295
Other payables and accruals	30	56,822	121,944	183,621
Contract liabilities	31	4,411	6,205	14,382
Provisions		1,002	1,298	963
Lease liabilities	16	486	178	—
Total current liabilities		513,482	607,639	756,537
NET CURRENT				
(LIABILITIES)/ASSETS		(179,747)	184,186	152,635
TOTAL ASSETS LESS CURRENT				
LIABILITIES		454,834	1,325,569	1,396,555

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		31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	16	142	—	—
Interest-bearing bank borrowings	28	80,259	165,908	209,005
Deferred tax liabilities		688	644	599
Provisions		9	107	185
Deferred income		2,047	2,034	2,220
Total non-current liabilities		83,145	168,693	212,009
Net assets		371,689	1,156,876	1,184,546
EQUITY				
Share capital	36	128,432	159,114	159,114
Reserves	37	243,257	997,762	1,025,432
Total equity		371,689	1,156,876	1,184,546

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was a limited liability company incorporated in Ningbo, People’s Republic of China (the “Chinese Mainland” or the “PRC”) on 15 November 2001, which was converted into a joint stock company on 20 December 2019. The registered office address of the Company is No. 308, Anju Road, Xiaogang, Beilun District, Ningbo City, Zhejiang Province, the Chinese Mainland.

During the Relevant Periods, the Company and its subsidiaries (together, the “Group”) was involved in the development, research, manufacturing, processing, and sales of integrated and customised electric drive systems and solutions.

In the opinion of the directors of the Company (the “Directors”), the ultimate controlling shareholders of the Company is Mr. Ren Wenjie.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the principal subsidiaries are set out below:

Name	Place and date of incorporation/registration and place of operations	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Physis Motion Control Ningbo Co., Ltd.* (寧波菲仕運動控制技術有限公司 (note a))	PRC/Chinese Mainland 02 August 2007	RMB100,610,751	100.00	–	Production and sales of Motors
Physis New Energy Technology Beijing Co., Ltd. (“Physis New Energy”)* (菲仕綠能科技(北京)有限公司 (note a&d))	PRC/Chinese Mainland 11 August 2016	RMB32,000,000	95.94	–	Sales of Motors
Physis New Energy Technology Ningbo Co., Ltd.* (菲仕綠能科技(寧波)有限公司 (note a))	PRC/Chinese Mainland 04 December 2018	RMB250,000,000	–	95.94	Production and sales of Motors
Physis New Energy Technology Tianjin Co., Ltd.* (菲仕綠能電氣技術(天津)有限公司 (note b & f))	PRC/Chinese Mainland 24 October 2018	RMB35,000,000	–	95.94	Production and sales of Controllers
Physis New Energy Technology Zhuzhou Co., Ltd.* (株洲菲仕綠能科技有限公司 (note b & g))	PRC/Chinese Mainland 16 July 2019	RMB108,210,000	–	95.94	Production and sales of Motors
Physis New Energy Technology Ganzhou Co., Ltd.* (菲仕綠能科技(贛州)有限公司 (note c))	PRC/Chinese Mainland 10 March 2023	RMB100,000,000	–	95.94	Production and sales of Motors
OSAI CNC Srl (“OSAI ITA”)* (note e)	Italy 1 October 2019	EUR2,860,000	100.00	–	Sales of CNC Systems
Zhejiang Electric Drive Innovation Center Co., Ltd.* (note b) (“Innovation Center”) (“浙江電驅動創新中心有限公司”)	PRC/Chinese Mainland 2 September 2022	RMB110,500,000	50.23	–	R&D services

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Notes:

- (a) The statutory financial statements of this entity for the years ended 31 December 2023 and 2024 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)), certified public accountants registered in the Chinese Mainland.
- (b) The statutory financial statements of this entity for the year ended 31 December 2023 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)), certified public accountants registered in the Chinese Mainland. For the year ended 31 December 2024 and 2025, no audit financial statements has been prepared for these entities as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.
- (c) As at the date of this report, no audited financial statements have been prepared for these entities as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation or newly incorporated.
- (d) In January 2024, the Company acquired 37.5% equity interest in Pysis New Energy at a consideration of RMB471,628,000 which was settled by issue of 18,753,000 shares. Further details are included in notes 36 to the Historical Financial Information.
- (e) The statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025 were audited by EY S.p.A, certified public accountants registered in Italy.
- (f) In June 2024, the Company acquired 14.29% equity interests in Pysis New Energy Technology Tianjin Co., Ltd. at a consideration of RMB3,538,000.
- (g) In July 2025, the Company acquired 6.48% equity interests in Pysis New Energy Technology Zhuzhou Co., Ltd. at a consideration of RMB2,580,000.
- * The English names of these companies registered in the Chinese Mainland represent the best effort made by the Directors to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

For ordinary shares issued to [REDACTED] investors, pursuant to the supplemental agreements entered into between the Company and the [REDACTED] Investors in relation to the termination of redemption rights granted by the Company, which are void ab initio as described in note 36 to this report, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplementary agreements, the Directors considered that it is appropriate to present the [REDACTED] Investments as equity throughout the Relevant Periods. For the details of financial impacts, see note 36 of this report.

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value at the end of each of the Relevant Periods.

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Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern basis

Notwithstanding that the Group recorded net current liabilities of RMB459,014,000 as at 31 December 2025, the Historical Financial Information has been prepared on a going concern basis. The Group assesses its liquidity by its ability to generate cash from operating activities. The Directors of the Company have reviewed the Group’s working capital forecast, which covers a period of twelve months from 31 December 2025, and have considered the Group’s sources of liquidity and believed that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations when they fall due and to sustain its operations for the next twelve months from 31 December 2025.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following revised HKFRS Accounting Standards that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹

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Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
<i>Annual Improvements to HKFRS Accounting Standards — Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HFRS 9, HKFRS 10 and HKAS 7 ¹
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 is not expected to have any impact on the Group’s results of operations and financial position but is expected to have impact on the presentation and disclosure of the Group’s financial statements.

Except for HKFRS 18, the Directors anticipate that the application of the new and amended HKFRS Accounting Standards will have no material impact on the Group’s financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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An assessment is made at the end of each Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.50% to 9.00%
Machine equipment	9.00% to 50.00%
Transportation equipment	9.00% to 18.00%
Electronic equipment	9.00% to 18.00%
Renovation and leasehold improvement.	Shorter of remaining lease terms and estimated useful lives

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each Relevant Periods.

Intangible assets with definite useful lives are amortised on the straight-line basis over the following useful economic lives:

Software	5 years
Patents	7 to 20 years
Technology	5 to 10 years
Trademarks	5 to 10 years

Research and development costs

All research costs are charged to profit or loss as incurred.

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Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Transportations	1 to 5 years
Buildings	2 to 6 years
Leasehold land	49.25 to 50 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and employee dormitory (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Classification as equity and financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

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A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity’s own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group’s financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and financial liabilities at fair value through profit or loss.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group’s normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows. Otherwise, the financial liabilities are classified in interest-bearing bank and other borrowings in the statement of financial position and the related cash flows are included in financing activities in the statement of cash flows.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within Six months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each or the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

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

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Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products for export sales and acceptance of the products as agreed in the sales contracts for domestic sales.

A portion of the sales of products is on vendor-managed inventory (“VMI”) arrangements where the products are delivered to the customers’ locations for their use. The control of the products is transferred when the products are used by the customers.

Some customers signed contract for the moulds manufactured by the Group specifically to satisfy the promise to deliver products to the customers at stand-alone selling prices. Revenue from the sales of moulds is recognised at point in time when the moulds are accepted and confirmed by the customer or when the bulk orders to manufacture the specified products are made by the customer.

(b) Provision of service

The Group recognised revenue when the services are delivered and accepted by the customer.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates share-based payment scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of restricted shares refers to the fair value of the underlying ordinary shares. Further details are included in note 38 to the Historical Financial Information.

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

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

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

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

Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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Defined benefit plans

The Group operates a defined benefit pension plan for Physis New Energy Technology S.r.l. and OSAI ITA which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “administrative expenses” in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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Classification of financial assets

The classification of financial assets at initial recognition depends on the Group’s business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group’s key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, the way those risks are managed. In determining whether cash flows are going to be realised by collecting the financial assets’ contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and notes receivables

The Group uses a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade and notes receivables is disclosed in note 22 to the Historical Financial Information.

Provision of inventories

The Group’s inventories are stated at the lower of cost and net realisable value. The Group’s provision for its inventories based on estimates of realisable value with reference to the economic circumstances on the marketability of such inventories, including future sales price and volume, together with the ageing and conditions of the inventories. Further details of the inventories are set out in note 21 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 18 to the Historical Financial Information.

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Leases — Estimating the incremental borrowing rate (“IBR”)

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

Warranties

The provision for the warranties is estimated based on revenue and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique and guideline company method as detailed in note 46 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the valuation multiple, make estimates about the discount for lack of marketability, and/or adjust quoted prices in active markets. The Group classifies the fair value of these investments as level 2 and level 3. Further details are included in note 19 and note 25 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the industrial products use in industrial control;
- (b) the industrial products use in new energy vehicles (“NEV”);

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit/loss.

Segment gross profit/(loss) and results

Year ended 31 December 2023

	Industrial control	NEV	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Segment gross profit/(loss)			
Revenue	861,795	381,024	1,242,819
Cost of sales	(612,683)	(452,972)	(1,065,655)
Segment results	<u>249,112</u>	<u>(71,948)</u>	<u>177,164</u>
Reconciliation:			
Other income and gains			37,310
Costs and expenses			(324,226)
Loss before tax			<u>(109,752)</u>

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Year ended 31 December 2024

	Industrial control	NEV	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment gross profit/(loss)			
Revenue	764,359	736,038	1,500,397
Cost of sales	(518,336)	(740,043)	(1,258,379)
Segment results	<u>246,023</u>	<u>(4,005)</u>	<u>242,018</u>
Reconciliation:			
Other income and gains			47,587
Costs and expenses			<u>(467,314)</u>
Loss before tax			<u><u>(177,709)</u></u>

Year ended 31 December 2025

	Industrial control	NEV	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment gross profit			
Revenue	794,792	829,728	1,624,520
Cost of sales	(536,568)	(815,814)	(1,352,382)
Segment results	<u>258,224</u>	<u>13,914</u>	<u>272,138</u>
Reconciliation:			
Other income and gains			45,504
Costs and expenses			<u>(380,094)</u>
Loss before tax			<u><u>(62,452)</u></u>

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chinese Mainland	934,631	1,217,906	1,340,996
Other countries/regions	<u>308,188</u>	<u>282,491</u>	<u>283,524</u>
Total	<u><u>1,242,819</u></u>	<u><u>1,500,397</u></u>	<u><u>1,624,520</u></u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chinese Mainland	1,001,584	1,108,970	1,163,144
Other countries/regions	<u>60,072</u>	<u>71,520</u>	<u>69,213</u>
Total	<u><u>1,061,656</u></u>	<u><u>1,180,490</u></u>	<u><u>1,232,357</u></u>

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The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from each of the major customers, which accounted for 10% or more of the Group’s revenue during the Relevant Period are set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	N/A*	N/A*	385,037
Customer B	N/A*	325,014	312,086
Customer C	293,365	179,905	N/A*

* The corresponding revenue of the customers are not disclosed as the revenue individually did not account for 10% or more of the Group’s revenue during the respective period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers	1,242,381	1,499,941	1,624,064
Revenue from other sources rental income	438	456	456
Total	<u>1,242,819</u>	<u>1,500,397</u>	<u>1,624,520</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

Year ended 31 December 2023

	Industrial control	NEV	Total
	RMB’000	RMB’000	RMB’000
Types of goods or services			
Sales of products	823,621	374,156	1,197,777
Services income	27,015	595	27,610
Others	10,721	6,273	16,994
Total	<u>861,357</u>	<u>381,024</u>	<u>1,242,381</u>
Geographical markets			
Chinese Mainland	553,169	381,024	934,193
Other countries.	308,188	—	308,188
Total	<u>861,357</u>	<u>381,024</u>	<u>1,242,381</u>
Timing of revenue recognition			
At a point in time	<u>861,357</u>	<u>381,024</u>	<u>1,242,381</u>

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Year ended 31 December 2024

	Industrial control	NEV	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Types of goods or services			
Sales of products	714,640	730,236	1,444,876
Services income	33,793	1,506	35,299
Others	15,470	4,296	19,766
Total	<u>763,903</u>	<u>736,038</u>	<u>1,499,941</u>
Geographical markets			
Chinese Mainland	481,412	736,038	1,217,450
Other countries.	282,491	–	282,491
Total	<u>763,903</u>	<u>736,038</u>	<u>1,499,941</u>
Timing of revenue recognition			
At a point in time	<u>763,903</u>	<u>736,038</u>	<u>1,499,941</u>

Year ended 31 December 2025

	Industrial control	NEV	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Types of goods or services			
Sales of products	728,874	812,439	1,541,313
Services income	43,168	10,982	54,150
Others	22,294	6,307	28,601
Total	<u>794,336</u>	<u>829,728</u>	<u>1,624,064</u>
Geographical markets			
Chinese Mainland	510,848	829,692	1,340,540
Other countries.	283,488	36	283,524
Total	<u>794,336</u>	<u>829,728</u>	<u>1,624,064</u>
Timing of revenue recognition			
At a point in time	<u>794,336</u>	<u>829,728</u>	<u>1,624,064</u>

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Revenue recognised that was included in contract liabilities at the beginning of the periods:</i>			
Sale of products	<u>23,365</u>	<u>20,375</u>	<u>21,451</u>
Total	<u>23,365</u>	<u>20,375</u>	<u>21,451</u>

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(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sales of products

The performance obligation is satisfied upon delivery or acceptance of the products and payment is mainly due within 30 to 120 days from delivery, where payment in advance is required for some customers.

Provision of service

The performance obligation is satisfied upon service completed and accepted by the customers and payment is mainly due within 30 to 180 days from acceptance, where payment in advance is required for some customers.

As the contracts with customers are rendered in a short period of time, which is generally less than one year, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

An analysis of other income and gains, net is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Other income</u>			
Government grants	20,485	28,060	31,647
Interest income.	2,099	4,768	6,606
Investment income from financial assets at fair value through profit or loss	762	7,667	264
Dividend income from equity investment at fair value through other comprehensive income.	1,680	—	—
Total other income	<u>25,026</u>	<u>40,495</u>	<u>38,517</u>
<u>Gains</u>			
Foreign exchange gains, net.	2,948	1,852	1,244
Fair value gains on financial assets at fair value through profit or loss.	7,719	4,732	4,804
Gain on disposal of items of property, plant and equipment, net	52	—	—
Termination of leases, net	—	—	213
Others	1,565	508	726
Total gains	<u>12,284</u>	<u>7,092</u>	<u>6,987</u>
Total other income and gains	<u>37,310</u>	<u>47,587</u>	<u>45,504</u>

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6. LOSS BEFORE TAX

The Group’s loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of inventories sold*		1,048,501	1,234,770	1,352,889
Depreciation of property, plant and equipment	13	62,908	70,431	84,462
Depreciation of right of use assets	16	7,615	7,272	6,742
Less: Amount capitalised in construction in progress		(1,899)	(1,900)	(963)
Net depreciation of right-of-use assets		5,716	5,372	5,779
Amortisation of other intangible assets	15	7,252	9,200	9,877
Research and development costs**		120,214	121,155	134,936
[REDACTED] expense		[REDACTED]	[REDACTED]	[REDACTED]
Auditor’s remuneration		1,537	900	1,789
Employee benefit expenses: (including Directors’ and supervisors’ remuneration (note 8)):				
– Salaries, bonuses, allowances and benefits in kind		221,807	232,070	257,664
– Pension scheme contributions****		15,495	19,068	22,730
– Share-based payment expenses		917	1,012	3,407
Total		238,219	252,150	283,801
(Reversal of impairment)/impairment of trade and notes receivables, net	22	(352)	102,954	1,182
Impairment of other receivables, net		–	–	3
Fair value (gains)/losses on financial assets at fair value through profit or loss, net***		(7,719)	13,958	(4,804)
Investment income from financial assets at fair value through profit or loss	5	(762)	(7,667)	(264)
Foreign exchange gains	5	(2,948)	(1,852)	(1,244)
Interest income	5	(2,099)	(4,768)	(6,606)
Government grants	5	(20,485)	(28,060)	(31,647)
Dividend income from equity investment at fair value through other comprehensive income	5	(1,680)	–	–
Write-down/(reversal of write-down) of inventories to net realisable value, net*		17,154	23,609	(507)
Loss on disposal of items of property, plant and equipment, net		157	1,463	102
Termination of leases, net		–	50	(213)

* The amounts disclosed for cost of inventories sold exclude the write-down of inventories to net realisable value and include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and employee benefit expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** Research and development costs include part of employee benefit expenses, depreciation of property, plant and equipment and depreciation of right-of-use assets.

*** The amounts are included in “other income and gains” and “other expenses” in profit or loss.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on:			
Bank and other borrowings	32,731	29,802	32,956
Lease liabilities	386	468	431
Less:			
Interest capitalised	(2,523)	(5,765)	(9,166)
Total	<u>30,594</u>	<u>24,505</u>	<u>24,221</u>

8. DIRECTORS’ AND SUPERVISORS’ REMUNERATION

The remuneration of each director and supervisor as recorded during the Relevant Periods is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	<u>300</u>	<u>300</u>	<u>300</u>
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind.	6,182	6,177	6,590
Pension scheme contributions	42	50	50
Share based payment expenses.	<u>2,950</u>	<u>528</u>	<u>1,042</u>
Subtotal.	<u>9,174</u>	<u>6,755</u>	<u>7,682</u>
Total	<u>9,474</u>	<u>7,055</u>	<u>7,982</u>

During the Relevant Periods, certain directors were granted restricted shares and share options, in respect of their services to the Group, under these share-based payments schemes of the Company, further details of which are set out in note 38 to the Historical Financial Information. The share-based payments expenses included in the financial statements for the Relevant Periods is included in the above directors’ and supervisors’ remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Ms. Qiu Yun	100	100	100
Mr. Chen Zhenlei	100	100	100
Mr. Fang Kunfu (note (i))	100	64	–
Mr. Lu Shengqiang (note (ii)).	–	36	100
Total	<u>300</u>	<u>300</u>	<u>300</u>

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(b) Executive directors and supervisors

Year ended 31 December 2023

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share based payments	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ren Wenjie (chief executive) .	2,471	7	2,926	5,404
Ms. Ding Yahong	1,041	7	6	1,054
Mr. Dong Yi	874	7	6	887
Mr. He Dongsheng	686	7	6	699
Mr. Wang Shihai	–	–	–	–
Mr. Guan Libin (<i>note (iii)</i>)	–	–	–	–
Supervisors:				
Ms. Xu Xiaoying	836	7	6	849
Ms. Wang Min	274	7	–	281
Mr. Zuo Ye.	–	–	–	–
Total	<u>6,182</u>	<u>42</u>	<u>2,950</u>	<u>9,174</u>

Year ended 31 December 2024

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share based payments	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ren Wenjie (chief executive) .	2,472	9	508	2,989
Ms. Ding Yahong	1,056	5	5	1,066
Mr. Dong Yi	852	9	5	866
Mr. He Dongsheng	685	9	5	699
Mr. Wang Shihai	–	–	–	–
Mr. Guan Libin (<i>note (iii)</i>)	–	–	–	–
Mr. Yang Lin (<i>note (iv)</i>).	–	–	–	–
Supervisors:				
Ms. Xu Xiaoying	793	9	5	807
Ms. Wang Min	319	9	–	328
Mr. Zuo Ye.	–	–	–	–
Total	<u>6,177</u>	<u>50</u>	<u>528</u>	<u>6,755</u>

Year ended 31 December 2025

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share based payments	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ren Wenjie (chief executive) .	2,663	10	773	3,446
Ms. Ding Yahong	968	–	128	1,096
Mr. Dong Yi	869	10	70	949
Mr. He Dongsheng	778	10	20	808
Mr. Wang Shihai	–	–	–	–
Mr. Yang Lin (<i>note (iv)</i>).	–	–	–	–

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	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share based payments	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supervisors:				
Ms. Xu Xiaoying	1,029	10	43	1,082
Ms. Wang Min	283	10	8	301
Mr. Zuo Ye.	—	—	—	—
Total	<u>6,590</u>	<u>50</u>	<u>1,042</u>	<u>7,682</u>

There was no arrangement under which directors or supervisors waived or agreed to waive any remuneration during the Relevant Periods.

Notes:

- (i) Mr. Fang Kunfu was resigned as an independent director of the Company on July 2024.
- (ii) Mr. Lu Shengqiang was appointed as an independent director of the Company with effect from July 2024.
- (iii) Mr. Guan Libin was resigned as a director of the Company on June 2024.
- (iv) Mr. Yang Lin was appointed as a non-independent director of the Company with effect from June 2024.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 1, 1 and 1 director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the 4, 4 and 4 highest paid employees who are neither a director nor supervisor of the Group during the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind	8,115	6,379	8,463
Pension scheme contributions	<u>119</u>	<u>145</u>	<u>119</u>
Total	<u>8,234</u>	<u>6,524</u>	<u>8,582</u>

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>Numbers of employees</i>		
Nil to HK\$1,000,000	—	—	—
HK\$1,000,001 to HK\$1,500,000	3	3	3
HK\$1,500,001 to HK\$2,000,000	1	1	—
HK\$2,000,000 and above	—	—	<u>1</u>
Total	<u>4</u>	<u>4</u>	<u>4</u>

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During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration, and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese Mainland

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland which are granted tax concession and are taxed at preferential tax rates.

The Company was qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2023 to 2025.

Physis Motion Control Ningbo Co., Ltd. was qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2023 to 2025.

Physis New Energy Technology Zhuzhou Co., Ltd. was qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2023 to 2025.

Physis New Energy Electrical Technology Tianjin Co., Ltd. was qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2024 to 2026.

Wuhan Physis Motion Control Solution Co., Ltd. and Physis New Energy Technology Ningbo Co., Ltd. was qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2021 to 2023 and from 2024 to 2026.

These qualifications are subject to review by the relevant tax authority in Chinese Mainland for every three years.

Pursuant to Caishui [2022] No. 13 “Announcement on Further implementing the income Tax Preferential Policies for Small Meagre-profit Enterprises” (關於進一步實施小微企業所得稅優惠政策的公告), Caishui [2023] No. 6 “Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses” (關於小微企業和個體工商戶所得稅優惠政策的公告), and Caishui [2023] No. 12 “Announcement on the Income Tax Preferential Policies for Small Meagre-profit Enterprises and Self-employed Businesses” (關於進一步支援小微企業和個體工商戶發展有關稅費政策的公告), certain of our subsidiaries were qualified for Small Meagre-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of portion of taxable income generally not exceeding RMB3,000,000 during the Relevant Periods.

Italy

The corporate income tax (Imposta sul Reddito delle Società, IRES) in Italy is governed by the Unified Income Tax Act (Testo Unico delle Imposte sui Redditi, TUIR), enacted under Presidential Decree No. 917 of December 22, 1986, and subsequently amended. The statutory tax rate for resident companies is 24%.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax expense	4,292	1,566	2,349
Deferred income tax	(1,846)	(2,321)	(2,915)
Total	<u>2,446</u>	<u>(755)</u>	<u>(566)</u>

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13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023							
Cost	388,238	409,415	8,153	32,570	3,627	70,881	912,884
Accumulated depreciation	(92,327)	(129,853)	(4,392)	(16,837)	(3,455)	–	(246,864)
Net carrying amount	295,911	279,562	3,761	15,733	172	70,881	666,020
At 1 January 2023, net of accumulated depreciation	295,911	279,562	3,761	15,733	172	70,881	666,020
Additions	924	15,645	2,053	1,625	289	241,035	261,571
Exchange realignment . . .	485	69	5	84	–	–	643
Transfers	455	70,059	–	3	3,844	(74,361)	–
Transfer to others	–	–	–	–	–	(686)	(686)
Depreciation provided during the year	(17,674)	(40,554)	(1,030)	(3,049)	(601)	–	(62,908)
Disposals	–	(615)	–	(35)	–	–	(650)
Impairment	–	(320)	–	–	–	–	(320)
At 31 December 2023, net of accumulated depreciation and impairment	280,101	323,846	4,789	14,361	3,704	236,869	863,670
At 31 December 2023							
Cost	390,162	490,059	10,025	34,073	7,760	236,869	1,168,948
Accumulated depreciation and impairment	(110,061)	(166,213)	(5,236)	(19,712)	(4,056)	–	(305,278)
Net carrying amount	280,101	323,846	4,789	14,361	3,704	236,869	863,670
	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024							
Cost	390,162	490,059	10,025	34,073	7,760	236,869	1,168,948
Accumulated depreciation and impairment	(110,061)	(166,213)	(5,236)	(19,712)	(4,056)	–	(305,278)
Net carrying amount	280,101	323,846	4,789	14,361	3,704	236,869	863,670
At 1 January 2024, net of accumulated depreciation and impairment	280,101	323,846	4,789	14,361	3,704	236,869	863,670
Additions	1,733	30,115	1,637	1,969	1,519	153,722	190,695
Exchange realignment . . .	(342)	(151)	(18)	(135)	–	–	(646)
Transfers	2,135	22,402	582	833	8,763	(34,715)	–
Transfer to others	–	–	–	–	–	(1,394)	(1,394)
Acquisition of subsidiary .	–	70	–	309	–	–	379
Depreciation provided during the year	(13,658)	(49,607)	(1,288)	(2,972)	(2,906)	–	(70,431)
Disposals	(118)	(1,692)	(183)	(15)	–	–	(2,008)
At 31 December 2024, net of accumulated depreciation and impairment	269,851	324,983	5,519	14,350	11,080	354,482	980,265

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	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024							
Cost	393,428	540,695	11,767	37,399	18,042	354,482	1,355,813
Accumulated depreciation and impairment	(123,577)	(215,712)	(6,248)	(23,049)	(6,962)	–	(375,548)
Net carrying amount	<u>269,851</u>	<u>324,983</u>	<u>5,519</u>	<u>14,350</u>	<u>11,080</u>	<u>354,482</u>	<u>980,265</u>

	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025							
Cost	393,428	540,695	11,767	37,399	18,042	354,482	1,355,813
Accumulated depreciation and impairment	(123,577)	(215,712)	(6,248)	(23,049)	(6,962)	–	(375,548)
Net carrying amount	<u>269,851</u>	<u>324,983</u>	<u>5,519</u>	<u>14,350</u>	<u>11,080</u>	<u>354,482</u>	<u>980,265</u>
At 1 January 2025, net of accumulated depreciation and impairment	269,851	324,983	5,519	14,350	11,080	354,482	980,265
Additions	1,022	28,567	327	2,780	8,006	104,951	145,653
Exchange realignment	753	23	238	9	–	–	1,023
Transfers	920	180,474	–	740	1,835	(183,969)	–
Depreciation provided during the year	(18,715)	(54,620)	(981)	(3,458)	(6,688)	–	(84,462)
Disposals	–	(2,722)	(604)	(94)	–	–	(3,420)
At 31 December 2025, net of accumulated depreciation and impairment	<u>253,831</u>	<u>476,705</u>	<u>4,499</u>	<u>14,327</u>	<u>14,233</u>	<u>275,464</u>	<u>1,039,059</u>
At 31 December 2025							
Cost	396,274	744,295	11,451	40,554	27,883	275,464	1,495,921
Accumulated depreciation and impairment	(142,443)	(267,590)	(6,952)	(26,227)	(13,650)	–	(456,862)
Net carrying amount	<u>253,831</u>	<u>476,705</u>	<u>4,499</u>	<u>14,327</u>	<u>14,233</u>	<u>275,464</u>	<u>1,039,059</u>

Impairment testing on non-financial assets

The Group incurred losses throughout the Relevant Periods as the fierce market competition among NEV solutions business, this may reflects an indication of impairment of non-financial assets in this business. At the end of each of the Relevant Periods, the Group performed impairment tests on the Group’s long-lived non-financial assets in NEV solutions business, including property, plant and equipment and other intangible assets.

These impairment testing took into account the estimated future cash flows which are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the assets.

The following table sets out the information of key assumptions for the value in use calculation:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Pre-tax discount rate	14.84%	15.40%	15.45%
Post-tax discount rate	14.00%	14.00%	14.00%

The recoverable amount and carrying amount are presented below, based on the results of the impairment testing, and no impairment of non-financial assets was provided at the end of each of the Relevant Periods.

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	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Recoverable amount	450,850	501,610	493,410
Carrying amount	330,470	388,240	392,800
Headroom	120,380	113,370	100,610
Headroom percentage	36.43%	29.20%	25.61%

For the industrial control business, the Directors are of the opinion that there was no impairment indicator that required an impairment assessment at the end of each Relevant Periods.

The Company

	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023							
Cost	164,568	43,183	5,684	10,164	194	29,409	253,202
Accumulated depreciation and impairment	(23,267)	(17,749)	(2,436)	(5,184)	(153)	–	(48,789)
Net carrying amount	141,301	25,434	3,248	4,980	41	29,409	204,413
At 1 January 2023, net of accumulated depreciation and impairment	141,301	25,434	3,248	4,980	41	29,409	204,413
Additions	48	2,204	285	401	266	78,141	81,345
Transfers	–	2,421	–	3	–	(2,424)	–
Transfer to others	–	–	–	–	–	(411)	(411)
Depreciation provided during the year	(7,631)	(3,925)	(736)	(1,185)	(83)	–	(13,560)
Disposals	–	(1,391)	–	(2)	(2)	–	(1,395)
At 31 December 2023, net of accumulated depreciation and impairment	133,718	24,743	2,797	4,197	222	104,715	270,392
At 31 December 2023							
Cost	164,616	45,748	5,969	10,544	458	104,715	332,050
Accumulated depreciation and impairment	(30,898)	(21,005)	(3,172)	(6,347)	(236)	–	(61,658)
Net carrying amount	133,718	24,743	2,797	4,197	222	104,715	270,392
	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024							
Cost	164,616	45,748	5,969	10,544	458	104,715	332,050
Accumulated depreciation and impairment	(30,898)	(21,005)	(3,172)	(6,347)	(236)	–	(61,658)
Net carrying amount	133,718	24,743	2,797	4,197	222	104,715	270,392
At 1 January 2024, net of accumulated depreciation and impairment	133,718	24,743	2,797	4,197	222	104,715	270,392
Additions	–	11,737	–	194	122	58,663	70,716
Transfers	–	55	–	332	–	(387)	–

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	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Transfer to subsidiaries . .	–	(135)	–	–	–	–	(135)
Depreciation provided during the year.	(7,633)	(4,807)	(818)	(1,030)	(94)	–	(14,382)
Disposals	–	(210)	(45)	(5)	–	(1,087)	(1,347)
At 31 December 2024, net of accumulated depreciation and impairment	<u>126,085</u>	<u>31,383</u>	<u>1,934</u>	<u>3,688</u>	<u>250</u>	<u>161,904</u>	<u>325,244</u>
At 31 December 2024							
Cost	164,616	56,194	5,471	11,053	580	161,904	399,818
Accumulated depreciation and impairment	<u>(38,531)</u>	<u>(24,811)</u>	<u>(3,537)</u>	<u>(7,365)</u>	<u>(330)</u>	<u>–</u>	<u>(74,574)</u>
Net carrying amount	<u>126,085</u>	<u>31,383</u>	<u>1,934</u>	<u>3,688</u>	<u>250</u>	<u>161,904</u>	<u>325,244</u>

	Buildings	Machine equipment	Transportation equipment	Electronic equipment	Renovation and leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025							
Cost	164,616	56,194	5,471	11,053	580	161,904	399,818
Accumulated depreciation and impairment	<u>(38,531)</u>	<u>(24,811)</u>	<u>(3,537)</u>	<u>(7,365)</u>	<u>(330)</u>	<u>–</u>	<u>(74,574)</u>
Net carrying amount	<u>126,085</u>	<u>31,383</u>	<u>1,934</u>	<u>3,688</u>	<u>250</u>	<u>161,904</u>	<u>325,244</u>
At 1 January 2025, net of accumulated depreciation and impairment	126,085	31,383	1,934	3,688	250	161,904	325,244
Additions	–	10,633	327	633	154	73,633	85,380
Depreciation provided during the year.	(7,954)	(5,266)	(351)	(824)	(291)	–	(14,686)
Disposals	–	(8)	–	(17)	–	–	(25)
At 31 December 2025, net of accumulated depreciation and impairment	<u>118,131</u>	<u>36,742</u>	<u>1,910</u>	<u>3,480</u>	<u>113</u>	<u>235,537</u>	<u>395,913</u>
At 31 December 2025							
Cost	164,616	66,681	5,844	11,534	734	235,537	484,946
Accumulated depreciation and impairment	<u>(46,485)</u>	<u>(29,939)</u>	<u>(3,934)</u>	<u>(8,054)</u>	<u>(621)</u>	<u>–</u>	<u>(89,033)</u>
Net carrying amount	<u>118,131</u>	<u>36,742</u>	<u>1,910</u>	<u>3,480</u>	<u>113</u>	<u>235,537</u>	<u>395,913</u>

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14. INVESTMENT PROPERTIES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year:			
Cost	10,048	10,048	10,048
Accumulated depreciation	(5,078)	(5,530)	(5,982)
Net carrying amount	<u>4,970</u>	<u>4,518</u>	<u>4,066</u>
At beginning of year, net of accumulated depreciation	4,970	4,518	4,066
Depreciation provided during the year	(425)	(452)	(452)
At end of year, net of accumulated depreciation	<u>4,518</u>	<u>4,066</u>	<u>3,614</u>
At end of year			
Cost	10,048	10,048	10,048
Accumulated depreciation	(5,530)	(5,982)	(6,434)
Net carrying amount	<u>4,518</u>	<u>4,066</u>	<u>3,614</u>

In 2022, the Group leased out certain property situated in Ningbo which had been self-used as office premise. The Group transferred this office premise from property, plant and equipment to investment property at the date of change in use.

15. OTHER INTANGIBLE ASSETS

The Group

	Patents	Technology	Software	Trademarks	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023					
Cost	35,560	32,212	13,342	1,317	82,431
Accumulated amortisation	(25,412)	(9,952)	(8,163)	(274)	(43,801)
Net carrying amount	<u>10,148</u>	<u>22,260</u>	<u>5,179</u>	<u>1,043</u>	<u>38,630</u>
At 1 January 2023, net of accumulated amortisation	10,148	22,260	5,179	1,043	38,630
Additions	–	11,157	3,520	6	14,683
Exchange realignment	–	135	40	–	175
Amortisation provided during the year	(2,187)	(3,105)	(1,829)	(131)	(7,252)
At 31 December 2023, net of accumulated amortisation	<u>7,961</u>	<u>30,447</u>	<u>6,910</u>	<u>918</u>	<u>46,236</u>
At 31 December 2023					
Cost	35,560	43,792	16,899	1,324	97,575
Accumulated amortisation	(27,599)	(13,345)	(9,989)	(406)	(51,339)
Net carrying amount	<u>7,961</u>	<u>30,447</u>	<u>6,910</u>	<u>918</u>	<u>46,236</u>

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	Patents	Technology	Software	Trademarks	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024					
At 1 January 2024					
Cost.	35,560	43,792	16,899	1,324	97,575
Accumulated amortisation	(27,599)	(13,345)	(9,989)	(406)	(51,339)
Net carrying amount.	<u>7,961</u>	<u>30,447</u>	<u>6,910</u>	<u>918</u>	<u>46,236</u>
At 1 January 2024, net of accumulated amortisation . . .	7,961	30,447	6,910	918	46,236
Additions	–	2,403	964	–	3,367
Acquisition of subsidiary	15	–	3,254	–	3,269
Exchange realignment	–	(121)	(59)	–	(180)
Disposals	–	(25)	–	–	(25)
Amortisation provided during the year	<u>(2,203)</u>	<u>(4,331)</u>	<u>(2,533)</u>	<u>(133)</u>	<u>(9,200)</u>
At 31 December 2024, net of accumulated amortisation . . .	<u>5,773</u>	<u>28,373</u>	<u>8,536</u>	<u>785</u>	<u>43,467</u>
At 31 December 2024					
Cost.	35,580	45,449	21,219	1,324	103,572
Accumulated amortisation	(29,807)	(17,076)	(12,683)	(539)	(60,105)
Net carrying amount.	<u>5,773</u>	<u>28,373</u>	<u>8,536</u>	<u>785</u>	<u>43,467</u>
	Patents	Technology	Software	Trademarks	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025					
At 1 January 2025					
Cost.	35,580	45,449	21,219	1,324	103,572
Accumulated amortisation	(29,807)	(17,076)	(12,683)	(539)	(60,105)
Net carrying amount.	<u>5,773</u>	<u>28,373</u>	<u>8,536</u>	<u>785</u>	<u>43,467</u>
At 1 January 2025, net of accumulated amortisation . . .	5,773	28,373	8,536	785	43,467
Additions	–	1,597	2,661	–	4,258
Exchange realignment	1	635	50	–	686
Amortisation provided during the year	<u>(2,209)</u>	<u>(4,289)</u>	<u>(3,246)</u>	<u>(133)</u>	<u>(9,877)</u>
At 31 December 2025, net of accumulated amortisation . . .	<u>3,565</u>	<u>26,316</u>	<u>8,001</u>	<u>652</u>	<u>38,534</u>
At 31 December 2025					
Cost.	35,582	48,237	24,003	1,324	109,146
Accumulated amortisation	(32,017)	(21,921)	(16,002)	(672)	(70,612)
Net carrying amount.	<u>3,565</u>	<u>26,316</u>	<u>8,001</u>	<u>652</u>	<u>38,534</u>

For the details of impairment test for other intangible assets in NEV solutions business, please refer to note 13 to the Historical Financial Information. For the industrial control business, the Directors are of the opinion that there was no impairment indicator that required an impairment assessment at the end of each Relevant Periods.

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16. LEASES

The Group as a lessee

The Group has lease contracts for various items of transportation equipment, buildings and leasehold land. For Leasehold land, lump sum payments were made upfront to acquire the land from the owners with lease periods of periods of 49.25 years to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease term between 2 and 6 years.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Transportation Equipment	Buildings	Leasehold land	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	930	8,519	108,464	117,913
Additions	401	7,839	–	8,240
Depreciation charge	(428)	(4,823)	(2,364)	(7,615)
Exchange realignment	138	43	–	181
At 31 December 2023	1,041	11,578	106,100	118,719
At 1 January 2024	1,041	11,578	106,100	118,719
Additions	962	7,840	–	8,802
Depreciation charge	(659)	(4,250)	(2,363)	(7,272)
Exchange realignment	(25)	(85)	–	(110)
Termination	–	(974)	–	(974)
At 31 December 2024	1,319	14,109	103,737	119,165
At 1 January 2025	1,319	14,109	103,737	119,165
Additions	1,213	–	–	1,213
Depreciation charge	(901)	(3,479)	(2,362)	(6,742)
Exchange realignment	51	513	–	564
Termination	–	(2,833)	–	(2,833)
At 31 December 2025	1,682	8,310	101,375	111,367

The Directors are of the opinion that there was no impairment indicator that required an impairment assessment at the end of each Relevant Periods.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	10,322	12,726	16,263
New leases	8,240	8,802	1,213
Termination	–	(924)	(3,352)
Accretion of interest recognised during the year	386	468	431
Exchange realignment	185	(134)	591
Lease payments	(6,407)	(4,675)	(4,848)
Carrying amount at 31 December	12,726	16,263	10,298
Analysed into:			
Current portion	4,110	5,187	3,162

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	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion	8,616	11,076	7,136
Total	12,726	16,263	10,298

The maturity analysis of lease liabilities is disclosed in note 47 to the Historical Financial Information.

- (c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Short-term lease	1,831	1,119	1,046
Interest on lease liabilities	386	468	431
Depreciation charge of right-of-use assets	5,716	5,372	5,779
Total amount recognised in profit or loss	7,933	6,959	7,256

- (d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 41 and note 47 to the Historical Financial Information, respectively.

The Company as a lessee

The Company has lease contracts for various items of buildings and leasehold land. Leases of properties generally have lease term between 1 and 4 years.

- (a) *Right-of-use assets*

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At 1 January	53,032	52,373	50,837
Additions	930	—	—
Depreciation charge	(1,589)	(1,536)	(1,328)
At 31 December	52,373	50,837	49,509

- (b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	357	628	178
New leases	930	—	—
Accretion of interest recognised during the year	23	38	2
Lease payments	(682)	(488)	(180)
Carrying amount at 31 December	628	178	—

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	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Current portion	486	178	—
Non-current portion	142	—	—
Total	<u>628</u>	<u>178</u>	<u>—</u>

17. INVESTMENTS IN SUBSIDIARIES

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	<u>288,925</u>	<u>760,553</u>	<u>786,671</u>

The subsidiaries in which losses incurred during the Relevant Periods were mainly engaged in the NEV solutions business. The directors are of the opinion that the losses were temporary because NEV solution business is in the development and early production stage, and profit will be achieved along with the revenue increase and scaled-up production. Based on the results of the impairment testing for investments in these subsidiaries, no impairment was provided at the end of each of the Relevant Periods.

For the subsidiaries engaged in industrial control business, the Directors are of the opinion that there was no impairment indicator that required an impairment assessment at the end of each Relevant Periods.

18. GOODWILL

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	24,133	24,133	26,156
Addition	<u>—</u>	<u>2,023</u>	<u>—</u>
Carrying amount at 31 December	<u>24,133</u>	<u>26,156</u>	<u>26,156</u>

- (a) In November 2019, the Company and Prima Electro S.p.A (“Prima Electro”) entered into (1) a share purchase agreement (the “SPA”), pursuant to which the Company acquired 60% equity interests in OSAI ITA for a consideration of EUR4,548,000 (equivalent to RMB31,324,000), resulting in goodwill of RMB24,133,000, and (2) a shareholders’ agreement (the “SHA”), pursuant to which Prima Electro granted the Company the right to purchase, and the Company granted Prima Electro the right to sell, the remaining 40% equity interest in OSAI ITA. In July 2022, Prima Electro exercised its put right pursuant to the SHA, and the Company acquired from Prima Electro the remaining 40% equity interests in OSAI ITA.
- (b) On 8 July 2024, the Group acquired 70% equity interest of NGTEC S.r.l. at a consideration of EUR 663,000 (equivalent to RMB5,137,000), resulting in goodwill of RMB2,023,000, as detailed in notes 39 to the Historical Financial Information.

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Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- OSAI ITA operating unit; and
- NGTEC S.r.l. operating unit.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
OSAI ITA	24,133	24,133	24,133
NGTEC S.r.l.	—	2,023	2,023
Net carrying amount	<u>24,133</u>	<u>26,156</u>	<u>26,156</u>

OSAI ITA cash-generating unit

The recoverable amount of the OSAI ITA cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections, gross profit margin, annual revenue growth rate and terminal growth rate used to extrapolate the cash flows of the OSAI ITA cash-generating unit beyond the five-year period are as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Pre-tax discount rate	16.53%	15.45%	14.75%
Post-tax discount rate	12.30%	11.83%	11.48%
Gross profit margin	47.76%	47.80%	49.09%
Annual revenue growth rate	5.32%	10.81%	9.47%
Terminal growth rate	<u>0%</u>	<u>0%</u>	<u>0%</u>

Key assumptions used in the value in use calculation

The calculation of value in use is based on the following assumptions:

- Pre-tax discount rates
- Gross margins and operating expenses
- Annual revenue growth rates

Pre-tax discount rates — the rates reflect management’s estimate of the risks specific to the unit.

Gross margins and operating expenses — Gross margins are based on the average gross margins achieved in the year immediately before the budget year and are projected to stabilise during the budget period. Estimates on operating expenses reflect past experience and management’s commitment to maintain them at an acceptable level.

Annual revenue growth rates — the predicted revenue growth rate for the five years subsequent to the date of assessment is based on the historical data and management’s expectation on the future market.

The values assigned to the key assumptions on gross margins and operating expenses, discount rates and growth rates are consistent with management’s past experience and external information sources.

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The recoverable amount and the carrying amount of the OSAI ITA cash-generating unit including goodwill are presented below, based on the results of the impairment testing, and no impairment of goodwill was provided at the end of each Relevant Periods.

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Recoverable amount	63,900	61,500	66,900
Carrying amount	57,232	57,139	59,021
Headroom	6,668	4,361	7,879
Headroom percentage	<u>11.65%</u>	<u>7.63%</u>	<u>13.35%</u>

The Group performed a sensitivity analysis based on reasonably possible changes in the key assumptions disclosed above. The table below summarises the results of the sensitivity analysis, identifying the maximum percentage change in key assumptions that would cause the recoverable amount to equal the carrying amount—thereby eliminating the headroom and triggering impairment.

OSAI ITA

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Pre-tax discount rate	1.43%	0.72%	1.09%
Gross profit margin	(0.93%)	(0.58%)	(0.94%)
Annual revenue growth rate	(0.58%)	(0.37%)	(0.31%)

19. EQUITY INVESTMENTS DESIGNED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value:			
CS Capital Co., Ltd.* (國投招商投資管理有限 公司)	<u>30,517</u>	<u>33,834</u>	<u>—</u>

* The above equity investment were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

In December 2025, the Group disposed of the aforementioned equity investment to a third party as a strategic adjustment for a consideration of RMB16,004,000.

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20. OTHER NON-CURRENT ASSETS

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment . .	2,375	2,772	8,047
Others	99	1,226	843
Total	<u>2,474</u>	<u>3,998</u>	<u>8,890</u>

21. INVENTORIES

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	114,294	131,473	110,554
Work in progress	52,437	98,852	70,281
Finished goods	107,745	99,101	84,810
Total	<u>274,476</u>	<u>329,426</u>	<u>265,645</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	17,506	16,974	19,983
Work in progress	6,841	8,334	8,656
Finished goods	21,130	24,785	24,401
Total	<u>45,477</u>	<u>50,093</u>	<u>53,040</u>

22. TRADE AND NOTES RECEIVABLES

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Notes receivables	134,009	135,329	218,367
Trade receivables	364,239	608,767	512,159
Subtotal	<u>498,248</u>	<u>744,096</u>	<u>730,526</u>
Less: impairment of trade receivables	<u>(6,212)</u>	<u>(107,617)</u>	<u>(108,939)</u>
Net carrying amount	<u>492,036</u>	<u>636,479</u>	<u>621,587</u>

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The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Notes receivables	25,355	24,045	21,234
Trade receivables	97,284	114,136	148,755
Subtotal	<u>122,639</u>	<u>138,181</u>	<u>169,989</u>
Less: impairment of trade receivables	<u>(716)</u>	<u>(470)</u>	<u>(318)</u>
Net carrying amount	<u>121,923</u>	<u>137,711</u>	<u>169,671</u>

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each Relevant Periods, based on revenue recognition date and net of loss allowance, is as follows:

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	350,858	497,345	395,955
Over 1 year.	<u>7,169</u>	<u>3,805</u>	<u>7,265</u>
Total	<u>358,027</u>	<u>501,150</u>	<u>403,220</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	96,270	113,171	144,391
Over 1 year.	<u>298</u>	<u>495</u>	<u>4,046</u>
Total	<u>96,568</u>	<u>113,666</u>	<u>148,437</u>

Certain notes receivables were pledged to secure the issuance of bank acceptance notes with a carrying amount of RMB3,242,000, nil and nil as at the end of each Relevant Periods, respectively.

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	8,144	6,212	107,617
Impairment losses, net (note 6).	<u>(352)</u>	<u>102,954</u>	<u>1,182</u>

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	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amount written off as uncollectible	(1,599)	(1,559)	–
Exchange realignment	19	10	140
At end of year	<u>6,212</u>	<u>107,617</u>	<u>108,939</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	1,899	716	470
Impairment losses	(1,183)	(186)	(139)
Amount written off as uncollectible	–	(60)	–
Exchange realignment	–	–	(13)
At end of year	<u>716</u>	<u>470</u>	<u>318</u>

An impairment analysis is performed at the end of each of Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided full impairment for the defaulted receivables. In the opinion of the Directors, the credit risk of note receivables are immaterial.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

The Group

At 31 December 2023

	Default receivables	Trade receivables ageing with		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	100%	0.44%	31.50%	1.71%
Gross carrying amount (RMB'000)	1,357	352,417	10,465	364,239
Expected credit losses (RMB'000)	1,357	1,559	3,296	6,212

At 31 December 2024

	Default receivables	Trade receivables ageing with		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	100%	0.28%	26.80%	17.68%
Gross carrying amount (RMB'000)	104,824	498,745	5,198	608,767
Expected credit losses (RMB'000)	104,824	1,400	1,393	107,617

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At 31 December 2025

	Default receivables	Trade receivables ageing with		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	100.00%	0.38%	26.65%	21.27%
Gross carrying amount (RMB’000)	104,785	397,470	9,904	512,159
Expected credit losses (RMB’000)	104,785	1,515	2,639	108,939

The Company

At 31 December 2023

	Default receivables	Trade receivables ageing with		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	–	0.67%	17.22%	0.74%
Gross carrying amount (RMB’000)	–	96,924	360	97,284
Expected credit losses (RMB’000)	–	654	62	716

At 31 December 2024

	Default receivables	Trade receivables ageing with		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	–	0.30%	20.42%	0.41%
Gross carrying amount (RMB’000)	–	113,514	622	114,136
Expected credit losses (RMB’000)	–	343	127	470

At 31 December 2025

	Default receivables	Trade receivables ageing with		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	–	0.13%	3.25%	0.21%
Gross carrying amount (RMB’000)	–	144,573	4,182	148,755
Expected credit losses (RMB’000)	–	182	136	318

During the Relevant Periods, certain notes receivables were discounted or endorsed. Further details are contained in note 45 to the Historical Financial Information.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Value-added tax recoverable	27,891	33,550	20,134
Prepayments	14,033	12,309	17,007
Other receivables	2,817	2,810	4,587
Prepaid income tax	431	2,440	428
Deferred [REDACTED] expense	7,825	–	3,610
Less: Impairment of other receivables	(61)	(61)	(64)
Total	<u>52,936</u>	<u>51,048</u>	<u>45,702</u>

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The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Value-added tax recoverable	9,556	2,360	2,876
Prepayments	3,315	2,176	5,030
Other receivables from subsidiaries	138,737	581,111	637,647
Other receivables from third parties	275	244	172
Deferred [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Less: Impairment of other receivables	(8)	(8)	(8)
Total	<u>159,700</u>	<u>585,883</u>	<u>649,327</u>

The other receivables were interest-free and are not secured with collateral.

The financial assets included in the above balances relating to receivables were categorised in stage 1 at the end of each Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. The Company estimated that the expected loss for its other receivables due from subsidiaries is minimal.

24. CONTRACT ASSETS

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets arising from:			
<i>Sales of products</i>	<u>2,058</u>	<u>3,373</u>	<u>4,737</u>
Less: Impairment	<u>(152)</u>	<u>—</u>	<u>—</u>
Total	<u>1,906</u>	<u>3,373</u>	<u>4,737</u>

The Group’s trading terms and credit policy with customers are disclosed in note 22 to the Historical Financial Information.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current asset			
Unlisted equity investments,			
at fair value	<u>28,690</u>	<u>13,972</u>	<u>18,739</u>
Current asset			
Wealth management products	<u>25,903</u>	<u>20,449</u>	<u>14,213</u>

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The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current asset			
Unlisted equity investments,			
at fair value	18,690	—	—
	<u> </u>	<u> </u>	<u> </u>

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

These wealth management products were issued by certified financial institution in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

26. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank acceptance notes	33,954	3,885	30,172
	<u> </u>	<u> </u>	<u> </u>

The bank acceptance notes were issued by reputable banks in Chinese Mainland.

These bank acceptance notes were classified as financial assets at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling. The fair value approximates to the carrying value due to the short maturity.

Certain bank acceptance notes were restricted with a carrying amount of RMB22,373,000, nil and nil as at the end of each Relevant Periods, respectively.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	37,329	46,216	87,694
Restricted bank deposits*	15,098	13,414	23,607
Subtotal	52,427	59,630	111,301
Less: Restricted bank deposits	(15,098)	(13,414)	(23,607)
Cash and cash equivalents	<u>37,329</u>	<u>46,216</u>	<u>87,694</u>
Denominated in			
RMB	14,301	31,647	52,052
USD	1,963	6,410	4,367
EUR	19,840	7,220	28,920
GBP	1,225	939	2,355
Total	<u>37,329</u>	<u>46,216</u>	<u>87,694</u>

* The bank deposit was mainly restricted as deposit for notes payable, letter of guarantee and lawsuit.

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The RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	2,130	10,213	23,516
Restricted bank deposits	4,285	7,836	11,650
Subtotal	6,415	18,049	35,166
Less: Restricted bank deposits	(4,285)	(7,836)	(11,650)
Cash and cash equivalents	2,130	10,213	23,516
Denominated in			
RMB	2,084	10,193	15,810
USD	–	–	3,928
EUR	46	20	3,778
Total	2,130	10,213	23,516

28. INTEREST-BEARING BANK BORROWINGS

The Group

	Effective interest rate (%)	Maturity	31 December
			2023
			RMB'000
Current			
Bank loans – secured (<i>note a</i>)	3.3-3.7	2024	260,012
Bank loans – unsecured	3.4-3.6	2024	119,300
Current portion of long-term bank loans – secured (<i>note a</i>)	3.3-4.3	2024	169,220
Non-current			
Bank loans – secured (<i>note a</i>)	3.3-4.3	2025-2028	276,621
Total			825,153

	Effective interest rate (%)	Maturity	31 December
			2024
			RMB'000
Current			
Bank loans – secured (<i>note a</i>)	2.8-3.35	2025	233,100
Bank loans – unsecured	2.8-2.9	2025	178,880
Current portion of long-term bank loans – secured (<i>note a</i>)	2.9-3.35	2025	93,321
Bank loans – secured (<i>note b</i>)	0.80	2025	10,000
Non-current			
Bank loans – secured (<i>note a</i>)	2.9-4.3	2026-2028	326,658
Total			841,959

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	Effective interest rate	Maturity	31 December 2025 RMB'000
	(%)		
Current			
Bank loans – secured (<i>note a</i>)	2.5-3.35	2026	210,016
Bank loans – unsecured	2.6-2.9	2026	124,128
Current portion of long-term bank loans – secured (<i>note a</i>)	2.45-3.95	2026	228,664
Factoring – secured (<i>note d</i>)	2.65	2026	65,164
Non-current			
Bank loans – secured (<i>note a</i>)	2.45-3.95	2027-2028	333,335
Total			961,307

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings repayable:			
Within one year	548,532	515,301	627,972
In the second year	234,512	123,964	203,848
In the second to third years	31,768	202,694	129,487
Beyond third years	10,341	–	–
Total	825,153	841,959	961,307

Notes:

- (a) Certain of the Group’s bank loans are secured by:
 - (i) mortgages over the Group’s properties, plant and equipment situated in Chinese Mainland, which had an aggregate carrying value at the end of each of the Relevant Periods of RMB365,498,000, RMB311,794,000 and RMB415,496,000, respectively;
 - (ii) mortgages over the Group’s leasehold land situated in Chinese Mainland, which had an aggregate carrying value at the end of each of the Relevant Periods of RMB65,721,000, RMB70,910,000 and RMB60,454,000, respectively.
- (b) These bank loans are related to discounted notes receivables that are not derecognised. Further details are contained in note 45 to the Historical Financial Information.
- (c) All loans are denominated in RMB.
- (d) These bank loans are related to supplier finance arrangements. Details of the supplier finance arrangements are included in note 29 to the Historical Financial Information.

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The Company

	Effective interest rate	Maturity	31 December 2023 RMB'000
	(%)		
Current			
Bank loans – secured	3.3-3.7	2024	170,316
Bank loans – unsecured	3.4-3.6	2024	119,300
Current portion of long-term bank loans – secured	3.3-4.3	2024	20,073
Non-current			
Bank loans – secured	3.3-4.3	2025-2028	80,259
Total			389,948

	Effective interest rate	Maturity	31 December 2024 RMB'000
	(%)		
Current			
Bank loans – secured	2.8-3.35	2025	172,276
Bank loans – unsecured	2.8-2.9	2025	120,000
Current portion of long-term bank loans – secured	2.9-3.35	2025	15,589
Non-current			
Bank loans – secured	2.9-4.3	2026-2028	165,908
Total			473,773

	Effective interest rate	Maturity	31 December 2025 RMB'000
	(%)		
Current			
Bank loans – secured	2.5-2.9	2026	160,000
Bank loans – unsecured	2.6-2.9	2026	99,900
Current portion of long-term bank loans – secured	2.55-3.9	2026	112,376
Non-current			
Bank loans – secured	2.55-3.9	2027-2028	209,005
Total			581,281

	31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Bank loans and other borrowings repayable:			
Within one year	309,689	307,865	372,276
In the second year	55,400	32,844	105,398
In the second to third years	104,518	133,064	103,607
Beyond third years	10,341	–	–
Total	389,948	473,773	581,281

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29. TRADE AND NOTES PAYABLES

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	504,834	706,881	666,184
Notes payables	114,312	59,909	96,196
Total	<u>619,146</u>	<u>766,790</u>	<u>762,380</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables due to subsidiaries	37,932	58,710	84,661
Trade payables due to third parties	65,640	84,259	42,384
Notes payables	<u>37,500</u>	<u>27,180</u>	<u>58,250</u>
Total	<u>141,072</u>	<u>170,149</u>	<u>185,295</u>

The trade payables are non-interest-bearing and are normally settled on 120-days terms.

An ageing analysis of the trade payables at the end of each Relevant Periods, based on the invoice date, is as follows:

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	503,421	700,409	655,451
1 to 2 years.	1,281	6,038	9,981
2 to 3 years.	40	384	467
Over 3 years	<u>92</u>	<u>50</u>	<u>285</u>
Total	<u>504,834</u>	<u>706,881</u>	<u>666,184</u>

The Group has established supplier finance arrangements that are offered to some of the Group’s key suppliers in the Chinese Mainland. Participation in the arrangements is at the suppliers’ own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments from the Group’s external finance provider, and the Group will pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of the invoice due date are processed by the finance provider and, in all cases, the Group utilises its own credit facility to secure the borrowings from the finance provider, and the term is generally one year or until the expiration date of the credit facility. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements.

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All financial liabilities that are part of the supplier finance arrangements are included in interest-bearing bank borrowings in the statement of financial position, and related non-cash transaction is disclosed in note 41 to the financial statements.

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Interest-bearing bank and other borrowings of which suppliers have received payments	–	–	65,164
Total	–	–	65,164

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year.	103,193	142,865	126,220
1 to 2 years.	328	30	727
2 to 3 years.	38	53	24
Over 3 years	13	21	74
Total	103,572	142,969	127,045

30. OTHER PAYABLES AND ACCRUALS

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other payables	131,547	110,134	87,862
Taxes payable other than corporate income tax . .	18,658	17,984	13,940
Payable for endorsed notes receivable that are not derecognised (<i>note</i>)	7,364	10,830	13,742
Payroll payables	11,915	10,375	8,421
Other current liabilities.	2,294	2,206	3,270
Advances from customers	171	307	177
Total	171,949	151,836	127,412

Note: For the endorsed notes receivable that the Group neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the notes receivables and associated liabilities. Further details are contained in note 45 to the Historical Financial Information.

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Other payables are non-interest-bearing and have no fixed terms of settlement.

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other payables to third parties	52,375	16,114	22,661
Other payables to subsidiaries	674	101,616	154,477
Taxes payable other than corporate income tax . .	2,990	3,138	4,390
Payable for endorsed notes receivable that are not derecognised	185	402	491
Payroll payables	472	240	143
Other current liabilities.	126	434	1,459
Total	<u>56,822</u>	<u>121,944</u>	<u>183,621</u>

31. CONTRACT LIABILITIES

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>			
Sale of products	<u>24,161</u>	<u>21,727</u>	<u>23,071</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Short-term advances received from customers</i>			
Sale of products	<u>4,411</u>	<u>6,205</u>	<u>14,382</u>

Contract liabilities include payments from the customers based on sales order in advance of delivery of products under the contracts.

32. EMPLOYEE DEFINED BENEFIT OBLIGATION

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Employee defined benefit obligation	<u>4,809</u>	<u>5,842</u>	<u>5,313</u>

The Group operates a defined benefit pension plan for Physis New Energy Technology S.r.l. and OSAI ITA which requires monthly contributions to be made to a separately administered fund.

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Pension cost charged to profit loss during the relevant periods as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Employee defined benefit obligation	523	727	897

33. PROVISION

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January.	8,621	12,660	12,997
Additional provision and reversal of unutilised amounts, net	24,053	18,360	12,505
Amounts utilised during the year.	(20,014)	(18,023)	(11,876)
Carrying amount at 31 December	12,660	12,997	13,626
Portion classified as current liabilities	4,200	7,189	3,308
Non-current portion	8,460	5,808	10,318

Note: The provision was mainly related to warranties. The Group provides warranties generally ranging from 18 to 36 months to its customers on industrial products and 8 to 10 years or 100,000 kilometers to 200,000 kilometers to its customers on battery electric vehicle products for general repairs of defects occurring during the warranty period. During the warranty period, the Group will provide free repair services to customers. The amount of the provision for the warranties is estimated based on past warranty experience, comparable industry company data, and sales conditions. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

34. DEFERRED INCOME

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grant*	58,221	68,469	66,862
At beginning of the year	46,355	58,221	68,469
Grants received during the year	19,293	26,462	10,274
Amounts released to profit or loss during the year	(7,427)	(16,214)	(11,881)
At end of the year	58,221	68,469	66,862

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants were released to profit or loss either over the periods that the expenses for which it is intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are compliant with.

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35. DEFERRED TAX

The Group

Deferred tax assets

	Impairment of trade and other receivables	Impairment of inventories	Tax losses	Leases liabilities	Unrealised profit from intercompany transactions	Government grants	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2023	396	2,528	5,877	2,294	69	1,636	266	13,066
Credit/(charged) to profit or loss	13	(158)	2,157	429	108	547	91	3,187
Gross deferred tax assets at 31 December 2023	<u>409</u>	<u>2,370</u>	<u>8,034</u>	<u>2,723</u>	<u>177</u>	<u>2,183</u>	<u>357</u>	<u>16,253</u>
At 31 December 2023 and 1 January 2024	409	2,370	8,034	2,723	177	2,183	357	16,253
Credit/(charged) to profit or loss	(157)	491	751	564	82	889	(18)	2,602
Gross deferred tax assets at 31 December 2024	<u>252</u>	<u>2,861</u>	<u>8,785</u>	<u>3,287</u>	<u>259</u>	<u>3,072</u>	<u>339</u>	<u>18,855</u>
At 31 December 2024 and 1 January 2025	252	2,861	8,785	3,287	259	3,072	339	18,855
Credit/(charged) to profit or loss	<u>522</u>	<u>331</u>	<u>2,788</u>	<u>(929)</u>	<u>(159)</u>	<u>(447)</u>	<u>12</u>	<u>2,118</u>
Gross deferred tax assets at 31 December 2025	<u>774</u>	<u>3,192</u>	<u>11,573</u>	<u>2,358</u>	<u>100</u>	<u>2,625</u>	<u>351</u>	<u>20,973</u>

Deferred tax liabilities

	Fair value change in equity investments designated at fair value through other comprehensive income	Fair value adjustments arising from acquisition of a subsidiary	Right-of-use assets	Fair value change in financial assets at fair value through profit or loss	Depreciation difference between tax and accounting	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 and 1 January 2023	6,126	3,534	2,090	–	2,341	859	14,950
Deferred tax charged/(credit) to profit or loss during the year	–	(393)	660	1,304	(177)	(53)	1,341
Deferred tax credited to other reserve during the year	<u>1,130</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,130</u>
Gross deferred tax liabilities 31 December 2023	<u>7,256</u>	<u>3,141</u>	<u>2,750</u>	<u>1,304</u>	<u>2,164</u>	<u>806</u>	<u>17,421</u>
At 31 December 2023 and 1 January 2024	7,256	3,141	2,750	1,304	2,164	806	17,421
Deferred tax charged/(credit) to profit or loss during the year	–	412	477	(371)	(184)	(53)	281
Deferred tax credited to other reserve during the year	<u>830</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>830</u>
Gross deferred tax liabilities at 31 December 2024	<u>8,086</u>	<u>3,553</u>	<u>3,227</u>	<u>933</u>	<u>1,980</u>	<u>753</u>	<u>18,532</u>

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	Fair value change in equity investments designated at fair value through other comprehensive income	Fair value adjustments arising from acquisition of a subsidiary	Right-of-use assets	Fair value change in financial assets at fair value through profit or loss	Depreciation difference between tax and accounting	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024 and 1 January 2025	8,086	3,553	3,227	933	1,980	753	18,532
Deferred tax credit to profit or loss during the year	–	(681)	(911)	1,201	(345)	(61)	(797)
Deferred tax credited to other reserve during the year	(8,086)	–	–	–	–	–	(8,086)
Gross deferred tax liabilities 31 December 2025	<u>–</u>	<u>2,872</u>	<u>2,316</u>	<u>2,134</u>	<u>1,635</u>	<u>692</u>	<u>9,649</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position. . .	9,917	12,605	14,795
Net deferred tax liabilities recognised in the consolidated statement of financial position. . .	11,085	12,282	3,471

Deferred tax assets have not been recognised in respect of the following items:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tax losses	672,217	793,668	938,544
Deductible temporary differences	45,031	178,526	182,294

The above accumulated tax losses will expire in one to ten years for offsetting against future taxable profits of the companies located in Chinese Mainland in which the tax losses arose. The tax losses arising in Italy are available indefinitely for offsetting against future taxable profit of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

36. SHARE CAPITAL

The Group and the Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid:			
ordinary shares	<u>128,432</u>	<u>159,114</u>	<u>159,114</u>

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A summary of movements in the Company’s share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January, 31 December 2023.	128,432,000	128,432
At 19 February 2024		
Issue of shares	30,682,000	30,682
At 31 December 2024 and 2025	159,114,000	159,114

Notes:

In February 2024, Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金(有限合伙)), Zhejiang Free Trade Zone (Ningbo) New Kinetic Energy Industry Investment Fund (Limited Partnership) (浙江自貿區(寧波)新動能產業投資基金合夥企業(有限合伙)) and Ningbo Tongshang Venture Capital Partnership (Limited Partnership) (寧波通商創業投資合夥企業(有限合伙)) agreed to subscribe for the increased registered capital of RMB11,929,000 at a consideration of RMB300,000,000.

In February 2024, Metropolitan Industrial Investment Fund (Limited Partnership) (京津冀產業協同發展投資基金(有限合伙)) agreed to subscribe for the increased registered capital of RMB18,753,000 at a consideration of 37.5% equity interest of Phisis New Energy at a fair value of RMB471,628,000.

Upon the completion of the above transactions, the registered capital of the Company was increased from RMB128,432,000 to RMB159,114,000.

Pursuant to the shareholders agreements entered into on 15 December 2015, 15 June 2016, 29 December 2018, 23 December 2020, 7 February 2021 and 28 January 2024 (collectively, the “Agreements”), the Company issued 69,728,000 ordinary shares to Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金(有限合伙)), Zhejiang Free Trade Zone (Ningbo) New Kinetic Energy Industry Investment Fund (Limited Partnership) (浙江自貿區(寧波)新動能產業投資基金合夥企業(有限合伙)), Ningbo Tongshang Venture Capital Partnership (Limited Partnership) (寧波通商創業投資合夥企業(有限合伙)), Metropolitan Industrial Investment Fund (Limited Partnership) (京津冀產業協同發展投資基金(有限合伙)), Ningbo Hefeng Venture Capital Co., Ltd. (寧波和豐創業投資有限公司), Hainan Huijia Huijin Equity Investment Fund Partnership (Limited Partnership) (海南匯嘉匯金股權投資基金合夥企業(有限合伙)), Shenzhen Futian SAIF Dynamiques Equity Investment Fund Partnership (Limited Partnership) (深圳市福田賽富動勢股權投資基金合夥企業(有限合伙)), Huangshan SAIF Tourism Cultural Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合伙)), Xiamen SAIF Equity Investment Partnership (Limited Partnership) (廈門賽富股權投資合夥企業(有限合伙)), Pingtan Xingzheng Saifu Equity Investment Partnership (Limited Partnership) (平潭興證賽富股權投資合夥企業(有限合伙)), Pingtan Xingzheng Saifu No. 1 Equity Investment Partnership (Limited Partnership) (平潭興證賽富一股權投資合夥企業(有限合伙)), and Jiangsu Jiequan Meidu Equity Investment Fund Partnership (Limited Partnership) (江蘇趵泉美都股權投資基金合夥企業(有限合伙)) (collectively the “[REDACTED] Investors”) for a total net cash proceed of approximately RMB1,118,724,000 (collectively the “[REDACTED] Investments”) with the respective par value being recorded as share capital and the remainder as reserves. Pursuant to the Agreements, the [REDACTED] Investors were granted by the Company with special rights (“Special Rights”), including but not limited to director nomination, pre-emptive right, tag-along right, anti-dilution right, redemption right, liquidation right and information right.

There was no exercise of Special Rights granted by the Company throughout the Relevant Periods.

On August 27 2025, the Company and the [REDACTED] Investors subsequently entered into supplemental agreements, agreeing that the redemption rights of the [REDACTED] Investors granted by the Company shall from the day before the submission of the application for an [REDACTED] to the Hong Kong Stock Exchange by the Company be irrevocably revoked and shall be deemed *void ab initio*. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplemental agreements, the Directors considered that it is appropriate to present the [REDACTED] Investments as equity throughout the Relevant Periods.

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Had the Special Rights granted by the Company to the [REDACTED] Investors been accounted for as financial liabilities measured at present value of the redemption amount (and derivative financial instruments) prior to entering into the supplemental agreements, the redemption financial liabilities, total non-current liabilities and net assets would have been:

	31 December 2023	31 December 2024	31 December 2025
	RMB'000	RMB'000	RMB'000
Redemption financial liabilities	503,269	1,460,657	1,538,278
Total current liabilities	1,373,098	1,468,051	3,085,912
Total non-current liabilities	871,081	1,890,792	426,435
Net assets	(181,667)	(1,017,025)	(1,157,836)

The finance costs associated with the redemption financial liabilities, the net loss for the year, basic and dilutive earning per share would have been:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial costs	34,673	66,960	77,621
Total net loss	(146,871)	(243,914)	(139,507)
Basic earnings per share	(0.77)	(2.58)	(1.47)
Dilutive earnings per share	(0.77)	(2.58)	(1.47)

37. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

Share award reserve

Share option reserve represents the share-based compensation reserve due to equity-settled share award, details of which were set out in note 38 to the Historical Financial Information.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

Fair value reserve

The fair value reserve represents fair value changes of equity investments designated at fair value through other comprehensive income.

Statutory surplus reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of its registered capital. The statutory surplus reserve may be used to offset accumulated losses or be converted to increase the registered capital of such companies subject to approval from the relevant PRC authorities. The statutory surplus reserve is not available for dividend distribution to shareholders of such companies.

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The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are presented as follows:

Year ended 31 December 2023

	Capital reserve	Share award reserve	Statutory surplus reserve	Retained earnings	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	125,676	46,059	672	8,219	180,626
Profit and total comprehensive income for the year	—	—	—	61,714	61,714
Share-based payment expenses	—	917	—	—	917
At 31 December 2023	125,676	46,976	672	69,933	243,257

Year ended 31 December 2024

	Capital reserve	Share award reserve	Statutory surplus reserve	Retained earnings	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2024	125,676	46,976	672	69,933	243,257
Profit and total comprehensive income for the year	—	—	—	12,547	12,547
Issue of shares	740,946	—	—	—	740,946
Share-based payment expenses	—	1,012	—	—	1,012
At 31 December 2024	866,622	47,988	672	82,480	997,762

Year ended 31 December 2025

	Capital reserve	Share award reserve	Statutory surplus reserve	Retained earnings	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2025	866,622	47,988	672	82,480	997,762
Profit and total comprehensive income for the year	—	—	—	24,263	24,263
Share-based payment expenses	—	3,407	—	—	3,407
At 31 December 2025	866,622	51,395	672	106,743	1,025,432

38. SHARE-BASED PAYMENTS

The Company operates share-based payment schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the scheme include Company’s directors, senior management, core technical personnel, core business personnel and other employees who are determined by the Company’s board of directors to be subject to incentives as they have a direct impact on the company’s operational performance and future development.

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(1) Restricted stock incentive scheme

Upon resolution of the Board of Directors and approval of the shareholders’ meeting on 25 June 2017, the Company issued 12,723,960.05 shares to Ningbo Hongjun Investment Management Partnership (Limited Partnership), Ningbo Hongche Investment Management Partnership (Limited Partnership) and Ningbo Honglan Investment Management Partnership (Limited Partnership) (hereinafter collectively referred to as “Employee Stock Ownership Platform”) at a price of 2.20 yuan per share for employee equity incentive plan (“Restricted stock incentive scheme”). Employees of the Group indirectly hold shares of the Company through Employee Stock Ownership Platform to achieve employee incentive purposes. For employees who resign from the Group before the success of the [REDACTED], it is agreed that they shall transfer their shares to the general partner of Employee Stock Ownership Platform or third parties designated by them. According to the Restricted stock incentive scheme, incentive employees are subject to a required service period; therefore, the Group allocates the equity incentive expenses over the corresponding service period. The fair value of the shares granted is determined based on the valuation by the third party using the income method. During the year ended 31 December 2024 and 2025, RMB1,012,000 and RMB953,000.00 was recognised as share-based payment expenses, and during the year ended 31 December 2023, RMB1,378,000 was credit to share-based payment expenses.

During the Relevant Periods, certain employees transferred the granted shares held through Employee Stock Ownership Platform to Mr. Ren Wenjie, our controlling shareholder, upon their resignation from the Group. The share-based payment expenses for Mr. Ren Wenjie arising from such transfer during the Relevant Periods were RMB2,295,000, Nil and Nil respectively.

(2) [REDACTED] share option scheme

Upon resolution of the Board of Directors and approval of the shareholders’ meeting on On 31 August 2025, the Company granted 15,000,000 share options of RMB17.50 per share. The share options will be settled by the issue of H shares of the company upon exercise. The Vesting Periods for shares granted are 12 months, 24 months and 36 months from the first trading day following the expiration of the 12-month period from the date of the company’s [REDACTED]. According to the Company’s performance appraisal and individual performance appraisal, 20%, 40% and 40% of shares will be vested during the vesting periods, respectively.

The fair-value of the share options was estimated as at the date of grant using binomial model , taking into account the terms and conditions upon which the awards were granted. The following table lists the inputs to the model used:

	At grant dates
Expected volatility	40.08%/44.24%/44.52%
Risk-free interest rate.	1.50%/1.58%/1.65%
Expected life of options (year)	3.33/4.33/5.33

The expected volatility reflects the assumption that: the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

According to the share option scheme, eligible participant shall undertake to serve at least five years in the Group. Otherwise, unexercised share options granted to the participant shall lapse and be automatically cancelled by the Company in the applicable fiscal year; any benefits realised from the exercise of previously granted stock options under this incentive plan shall be forfeited and fully repaid to the Company. Accordingly, the actual vesting period of the share option scheme is determined to be five years, and share-based payment expenses shall be recognised on a straight-line basis over five-year period.

The total equity-settled share-based payments expenses recognised in profit or loss arising from the restricted shares and share options were RMB1,378,000, RMB1,012,000 and RMB3,407,000 during the Relevant Periods, respectively.

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39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	31 December		
	2023	2024	2025
	%	%	%
<i>Percentage of equity interest held by non-controlling interests:</i>			
Zhejiang Electric Drive Innovation Center Co., Ltd. (“Innovation Center”)	49.77	49.77	49.77
Physis New Energy	41.56	4.06*	4.06
	<u> </u>	<u> </u>	<u> </u>
	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Loss/(profit) for the year allocated to non-controlling interests:			
Innovation Center	(2,227)	2,349	(2,314)
Physis New Energy	(68,385)	(11,537)	(3,339)
	<u> </u>	<u> </u>	<u> </u>
	31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
<i>Accumulated balances of non-controlling interests at the reporting date:</i>			
Innovation Center	23,537	25,887	23,573
Physis New Energy	(29,235)	(9,270)	(13,594)
	<u> </u>	<u> </u>	<u> </u>

* The Company acquired the 37.5% equity interest of Physis New Energy through a share swap arrangement, and the acquisition was completed on 5 February 2024.

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Innovation Center	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue	5,917	7,923	835
Other income and gains	855	13,895	6,132
Total expenses	(11,247)	(17,098)	(11,616)
(Loss)/profit for the year	(4,475)	4,720	(4,649)
Total comprehensive (loss)/income for the year . .	(4,475)	4,720	(4,649)
Total comprehensive loss for the year attributable to the owners of the parent	<u>(4,475)</u>	<u>4,720</u>	<u>(4,649)</u>
	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue	383,443	736,729	831,916
Other income and gains	6,094	12,548	18,966
Total expenses	(561,381)	(959,793)	(934,529)
Loss for the year	(171,844)	(210,516)	(83,647)
Total comprehensive loss for the year	(168,268)	(207,878)	(97,019)
Total comprehensive loss for the year attributable to the owners of the parent	<u>(164,538)</u>	<u>(206,268)</u>	<u>(95,563)</u>

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The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Innovation center	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current asset	35,451	37,043	26,043
Non-current asset	12,308	17,324	23,012
Current liabilities	(471)	(2,022)	(961)
Non-current liabilities	—	(336)	(671)
Net cash flows used in operating activities	(12,475)	(6,852)	(2,980)
Net cash flows from investing activities	7,318	(12,177)	4,777
Net cash flows from financing activities	—	—	—
Net (decrease)/increase in cash and cash equivalents	<u>(5,157)</u>	<u>5,325</u>	<u>1,797</u>

Physis New Energy	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current asset	417,992	616,288	532,227
Non-current asset	455,328	518,064	477,617
Current liabilities	(881,202)	(1,348,291)	(1,334,458)
Non-current liabilities	<u>(75,342)</u>	<u>(78,101)</u>	<u>(63,107)</u>
Net cash flows (used in)/from operating activities	(119,848)	(19,574)	82,956
Net cash flows (used in) investing activities	(80,201)	(22,029)	(27,371)
Net cash flows from/(used in) financing activities	199,651	42,904	(41,826)
Net (decrease)/increase in cash and cash equivalents	<u>(398)</u>	<u>1,301</u>	<u>13,759</u>

40. BUSINESS COMBINATION

On 8 July 2024, the Group acquired 70% equity interest of NGTEC S.r.l. from Filippini Simone and Ferretti Umberto, independent third parties, at a consideration of EUR663,000 in total (equivalent to RMB5,137,000).

The fair values of the assets and liabilities of NGTEC S.r.l as at 8 July 2024 were as follows:

	As at 8 July 2024
	RMB'000
Cash and cash equivalents	373
Trade receivables	4,608
Prepayments, other receivables and other assets	722
Inventories	2,342
Property, plant and equipment	379
Other intangible assets	3,269
Trade payables	(2,645)
Other payables and accruals	(3,071)
Tax payable	(597)
Deferred tax liabilities	<u>(931)</u>
Total identifiable net assets at fair value	4,449
Non-controlling interests	(1,335)
Goodwill on acquisition	<u>2,023</u>
Satisfied by cash	<u>5,137</u>

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An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	As at 8 July 2024
	<i>RMB’000</i>
Cash consideration paid	(5,137)
Cash and bank balances acquired	<u>373</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u>(4,764)</u>

Since the acquisition, NGTEC contributed RMB7,089,000 to the Group’s revenue and caused a loss of RMB610,000 to the consolidated loss for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB1,501,198,000 and RMB177,005,000, respectively.

41. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

- (1) During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB8,240,000, RMB8,802,000 and RMB1,213,000, respectively, in respect of lease arrangements for factory, office premises.
- (2) As detailed in note 36, the Group acquired 37.5% equity interest of Physis New Energy. The consideration was fully satisfied by way of issuance 18,753,000 shares of the Company in February 2024.
- (3) During the Relevant Periods, other borrowings of Nil, RMB2,230,000 and RMB26,899,000 was settled by derecognition of discounted notes receivable.
- (4) The Group endorsed certain notes receivable accepted by certain banks in the PRC to certain of its equipment suppliers in order to settle the other payables due to such supplies with carrying amounts in aggregate of RMB71,996,000, RMB65,956,000 and RMB26,306,000 during the Relevant Periods, respectively.
- (5) The Group reclassified trade payables of RMB65,910,000 to interest-bearing bank borrowings in respect of the supplier finance arrangements during the year ended 31 December 2025.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	Interest bearing bank borrowings	Lease liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2023.	<u>708,083</u>	<u>10,322</u>	<u>718,405</u>
Changes from non-cash transactions	–	8,240	8,240
Changes from financing cash flow	86,861	(6,407)	80,454
Exchange realignment	–	185	185
Accretion of interest	<u>30,209</u>	<u>386</u>	<u>30,595</u>
At 31 December 2023 and 1 January 2024.	<u>825,153</u>	<u>12,726</u>	<u>837,879</u>
Changes from non-cash transactions	(2,230)	8,802	6,572
Changes from financing cash flow	(5,001)	(4,675)	(9,676)
Exchange realignment	–	(134)	(134)

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	Interest bearing bank borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
Accretion of interest	24,037	468	24,505
Disposal	—	(924)	(924)
At 31 December 2024 and 1 January 2025	841,959	16,263	858,222
Changes from non-cash transactions	(26,899)	1,213	(25,686)
Changes from financing cash flow	56,547	(4,848)	51,699
Exchange realignment	—	591	591
Accretion of interest	23,790	431	24,221
Disposal	—	(3,352)	(3,352)
Increase arising from supplier finance arrangements	65,910	—	65,910
At 31 December 2025	961,307	10,298	971,605

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within financing activities	6,407	4,675	4,848
Within operating activities	1,831	1,119	1,046
Total	8,238	5,794	5,894

42. COMMITMENTS

The Group had the following capital commitments at the end of each Relevant Periods.

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for items of property, plant and equipment	254,287	124,036	79,215

43. RELATED PARTY TRANSACTIONS

(a) Name and relationships of the related parties

Name	Relationship
Anhui Sinomags Technologies Co., Ltd. (“Sinomags”) (安徽希磁科技股份有限公司)	An associate of Future Industry Investment Fund II (Limited Partnership) (先進製造產業投資基金二期(有限合伙)), a substantial shareholder of the Company

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- (b) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchases of products from:			
Sinomags	4	37	44
	=	=	=

The above purchase and sales of products were made according to terms agreed between the parties.

- (c) Outstanding balances with related parties:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables:			
Sinomags	2	25	32
	=	=	=

- (d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	5,067	5,985	7,347
Performance related bonuses	1,564	1,563	1,666
Pension scheme contributions	71	120	140
Equity-settled share-based payments expenses	2,999	567	1,200
	<u>9,701</u>	<u>8,235</u>	<u>10,353</u>

Further details of directors’ and the chief executive’s remuneration are included in note 8 to the Historical Financial Information.

- (e) Special rights granted by the Controlling Shareholder

Pursuant to the Agreements, the [REDACTED] Investors were also granted by controlling shareholders with redemption rights. Pursuant to the supplemental agreement entered into on 27 August 2025, the redemption rights granted by controlling shareholders shall be terminated on the day before the submission of the application for an [REDACTED] to the Hong Kong Stock Exchange by the Company (the “[REDACTED] Application”), subject to reinstatement in the event of (a) the [REDACTED] Application not being approved by the Stock Exchange or the CSRC (including being rejected or returned) by 31 December 2026, (b) the Company withdrawing its [REDACTED] Application, (c) the Company has not resubmitted the [REDACTED] Application within six months after the lapse of the [REDACTED] Application, or (d) the [REDACTED] Application not being accepted, approved or being terminated by the Stock Exchange or the CSRC.

The Company has not provided any form of guarantee in connection with any potential failure of the controlling shareholders to fulfill their obligations relating to the redemption rights. Accordingly, no financial liability regarding the redemption rights was recorded by the Company during the Relevant Periods.

Further details of redemption rights are set out in note 36 to the Historical Financial Information.

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44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Periods were as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at fair value through profit or loss	54,593	34,421	32,952
Financial assets at fair value through other comprehensive income:			
Debt investments at fair value through other comprehensive income	33,954	3,885	30,172
Equity investments designated at fair value through other comprehensive income	30,517	33,834	–
Financial assets at amortised cost:			
Trade and notes receivables	492,036	636,479	621,587
Financial assets included in prepayments, other receivables and other assets	2,756	2,749	4,523
Restricted bank deposits	15,098	13,414	23,607
Cash and cash equivalents	37,329	46,216	87,694
Total	547,219	698,858	800,535
Financial liabilities at amortised cost:			
Trade and notes payables	619,146	766,790	762,380
Financial liabilities included in other payables and accruals	138,911	120,964	101,604
Interest-bearing bank borrowings	825,153	841,959	961,307
Lease liabilities	12,726	16,263	10,298
Total	1,595,936	1,745,976	1,835,589

45. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

- At the end of each of the Relevant Periods, the Group discounted certain notes receivable accepted by banks in Chinese Mainland (the “Discounted Notes”) with a carrying amount in aggregate of Nil, RMB10,000,000 and Nil. In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Discounted Notes and the associated borrowings. Subsequent to the discounting, the Group did not retain any rights on the use of the Discounted Notes, including the sale, transfer or pledge of the Discounted Notes to any other third parties. The aggregate carrying amount of Discounted Notes during the relevant Periods was RMBNil, RMB12,230,000 and RMB27,068,000, respectively.
- At the end of each of the Relevant Periods, the Group endorsed certain notes receivable accepted by banks in Chinese Mainland (the “Endorsed Notes”) with a carrying amount of RMB127,326,000, RMB124,493,000 and RMB211,090,000 to certain of its suppliers in order to settle the trade and other payables due to such suppliers (the “Endorsement”). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade and other payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to

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any other third parties. The aggregate carrying amount of the trade and other payables settled by the Endorsed Notes during the Relevant Periods to which the suppliers have recourse was RMB280,451,000, RMB286,572,000 and RMB478,033,000, respectively.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group discounted certain notes receivable accepted by banks in Chinese Mainland (the “Derecognised Notes”) to a bank with a carrying amount in aggregate of RMB46,918,000, RMB53,557,000 and RMB60,106,000. The Derecognised Notes had a maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Notes, including the Group, in disregard of the order of precedence. In the opinion of the Directors, the risk of the Group being claimed by the holders of the Derecognised Notes is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated borrowings.

During the Relevant Periods, the Group has recognised loss of RMB289,000, RMB372,000 and RMB1,389,000 on the date of transfer of the Derecognised Notes. The endorsement has been made evenly throughout the year.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and notes receivables, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the Directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income and at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable and immaterial, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by several certified financial institutions in Chinese Mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The following table summarises the valuation techniques and carrying amounts for financial instruments as at the end of each Relevant Periods:

	31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Valuation technique:			
Recent transaction price	28,690	3,306	4,459
Valuation multiples techniques with significant unobservable inputs	—	10,666	14,280
Total	28,690	13,972	18,739

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Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each Relevant Periods:

As at 31 December 2024

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Valuation multiples	Average EV/S multiple of peers	3.06 to 6.82	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB518,000/RMB(518,000)
Investment A		Discount for lack of marketability	20.0%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB(133,000)/RMB133,000

As at 31 December 2025

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Valuation multiples	Average EV/S multiple of peers	3.59 to 9.28	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB671,000/RMB(671,000)
Investment A		Discount for lack of marketability	20.0%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB(178,000)/RMB178,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

At 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss.	–	25,903	28,690	54,593
Debt investments at fair value through other comprehensive income	–	33,954	–	33,954
Equity investments designated at fair value through other comprehensive income.	–	30,517	–	30,517
	=	=	=	=

At 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss.	–	20,449	13,972	34,421
Debt investments at fair value through other comprehensive income	–	3,885	–	3,885
Equity investments designated at fair value through other comprehensive income.	–	33,834	–	33,834
	=	=	=	=

At 31 December 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss.	–	14,213	18,739	32,952
Debt investments at fair value through other comprehensive income	–	30,172	–	30,172

The Group did not have any financial liabilities measured at fair value as at 31 December 2023, 2024 and 2025.

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the interest-bearing bank borrowings with floating interest rates. The Group’s policy is to manage its interest cost using variable rate debts. The Directors of the Group believe that the cash flow risk exposure arising from floating-rate bank borrowings is not significant. The Group continuously monitors interest rate levels and, in the event that market expectations for interest rate hikes are clear or interest rates are expected to rise, the Group will leverage its credit rating and differentiated financing advantages to replace floating-rate debt facing interest rate hike risks with other financing instruments.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group’s financial condition and results of operations.

The following table demonstrates the sensitivity at the end of each Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit after tax.

	Increase/(decrease) in foreign exchange rate	Increase/(decrease) in profit after tax
	%	RMB’000
Year ended 31 December 2023		
If RMB weakens against the USD	5	398
If RMB strengthens against the USD	(5)	(398)
If RMB weakens against the EUR	5	712
If RMB strengthens against the EUR	(5)	(712)
Year ended 31 December 2024		
If RMB weakens against the USD	5	678
If RMB strengthens against the USD	(5)	(678)
If RMB weakens against the EUR	5	876
If RMB strengthens against the EUR	(5)	(876)
Year ended 31 December 2025		
If RMB weakens against the USD	5	661
If RMB strengthens against the USD	(5)	(661)
If RMB weakens against the EUR	5	2,069
If RMB strengthens against the EUR	(5)	(2,069)

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. The credit risk of the Group’s other financial assets, which comprise cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables.

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Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year end staging classification as at the end of each Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	364,239	364,239
Notes receivables.	134,009	–	–	–	134,009
Contract assets	–	–	–	2,058	2,058
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,817	–	–	–	2,817
Restricted bank deposits	15,098	–	–	–	15,098
Cash and cash equivalents	37,329	–	–	–	37,329
Total	189,253	–	–	366,297	555,550

At 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	608,767	608,767
Notes receivables.	135,329	–	–	–	135,329
Contract assets	–	–	–	3,373	3,373
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,810	–	–	–	2,810
Restricted bank deposits	13,414	–	–	–	13,414
Cash and cash equivalents	46,216	–	–	–	46,216
Total	197,769	–	–	612,140	809,909

At 31 December 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	512,159	512,159
Notes receivables.	218,367	–	–	–	218,367
Contract assets	–	–	–	4,737	4,737
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,587	–	–	–	4,587
Restricted bank deposits	23,607	–	–	–	23,607
Cash and cash equivalents	87,694	–	–	–	87,694
Total	334,255	–	–	516,896	851,151

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- * For trade receivables at the end of each Relevant Periods, the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the Historical Financial Information.
- ** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and notes receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities.

Due to the Group’s supplier finance arrangements, the relevant trade payables are due to a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with a number of suppliers. However, the Group’s payment terms for trade payables covered by the arrangements are either identical to the payment terms for other trade payables or extended to not more than 180 days. Management does not consider the supplier finance arrangements to result in excessive concentrations of liquidity risk given the payment terms are not significantly extended. Details of the arrangements are disclosed in note 29 to the financial statements.

The maturity profile of the Group’s financial liabilities as at the end of each Relevant Periods, based on the contractual undiscounted payments, is as follows:

At 31 December 2023

	Less than 12 months or on demand	1 to 4 years	Over 4 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and notes payables	619,146	–	–	619,146
Interest-bearing bank borrowings. . .	567,167	277,868	10,670	855,705
Financial liabilities included in other payables and accruals	138,911	–	–	138,911
Lease liabilities	4,344	7,472	1,603	13,419
Total	<u>1,329,568</u>	<u>285,340</u>	<u>12,273</u>	<u>1,627,181</u>

At 31 December 2024

	Less than 12 months or on demand	1 to 4 years	Over 4 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and notes payables	766,790	–	–	766,790
Interest-bearing bank borrowings. . .	525,488	346,334	–	871,822
Financial liabilities included in other payables and accruals	120,964	–	–	120,964
Lease liabilities	5,416	8,866	3,477	17,759
Total	<u>1,418,658</u>	<u>355,200</u>	<u>3,477</u>	<u>1,777,335</u>

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At 31 December 2025

	Less than 12 months or on demand	1 to 4 years	Over 4 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and notes payables	762,380	–	–	762,380
Interest-bearing bank borrowings . . .	645,068	343,222	–	988,290
Financial liabilities included in other payables and accruals	101,604	–	–	101,604
Lease liabilities	3,445	4,242	3,071	10,758
Total	<u>1,512,497</u>	<u>347,464</u>	<u>3,071</u>	<u>1,863,032</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, make borrowings or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using an asset liability ratio, which is total liabilities divided by total assets. The Group’s policy is to maintain the asset liability ratio at a reasonable level.

The Group has established supplier finance arrangements to manage its working capital, details of which are included in note 29 to the financial statements.

The asset liability ratio as at the end of each of the Relevant Periods was as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total liabilities	<u>1,740,910</u>	<u>1,898,186</u>	<u>1,974,069</u>
Total assets	<u>2,062,512</u>	<u>2,341,818</u>	<u>2,354,511</u>
Asset-liability ratio	<u>84.4%</u>	<u>81.1%</u>	<u>83.8%</u>

48. EVENTS AFTER THE RELEVANT PERIODS

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Relevant Periods.

49. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2025.

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

1. TAXATION ON HOLDERS OF SECURITIES

The taxation of income and capital gains of H Shareholders is subject to the laws and practices of the PRC and of jurisdictions in which H Shareholders are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on currently effective laws and practices, and does not constitute any prediction of changes or adjustments to relevant laws or policies or any comments or suggestions thereunder. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, investors should consult their own tax advisor regarding the tax consequences of an investment in H Shares. The discussion herein is based on the laws and related interpretations in effect as at the date of execution of this document, all of which are subject to change or adjustment and may differ from our past practices.

Mainland China Tax

Dividend Tax

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 and implemented on January 1, 2019, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax of 20%, unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Meanwhile, pursuant to the Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policy on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (財稅[2015]101號) issued by the Ministry of Finance, the State Taxation Administration and the China Securities Regulatory Commission on September 7, 2015 and effective on September 8, 2015, where an individual acquires the stocks of a listed company in a public offering of the company or from the transfer market, if the stock holding period is more than one year, the income from dividends and bonuses shall be exempted from personal income tax for the time being. Where an individual acquires the stocks of a listed company in a public offering of the company or from the transfer market, if the stock holding period is one month or less, the income from dividends and bonuses shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year (inclusive), only 50% of the income from dividends and bonuses shall be included into the taxable incomes of the individual. All such income shall be subject to individual income tax at a unit rate of 20%.

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Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the gross amount of dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by that PRC company.

Pursuant to the Notice of the State Taxation Administration on Issues Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》), issued by the State Taxation Administration on June 28, 2011 and effective on the same date, PRC domestic non-foreign-invested enterprises distributing dividends in respect of shares listed in Hong Kong may (i) withhold individual income tax at a rate of 10% in general; (ii) individual holders of H Shares receiving dividends who are citizens of countries that have entered into tax treaties with the PRC providing for a withholding rate lower than 10% may apply through the Hong Kong listed company for lower preferential tax treatments. Upon approval by the competent tax authority, any excess tax withheld will be refunded; (iii) for individual holders of H Shares receiving dividends who are citizens of countries that have entered into tax treaties with the PRC providing for a withholding rate higher than 10% but lower than 20%, the listed company shall withhold individual income tax at the agreed rate under such treaties, and no further application is required; and (iv) for individual holders of H Shares receiving dividends who are citizens of countries that have not entered into tax treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the individual income tax at a rate of 20%. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》), which was issued by the Ministry of Finance and the State Taxation Administration on May 13, 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

The Fifth Protocol to Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income of the State Taxation Administration (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) (the “**Fifth Protocol**”), issued by the State Taxation Administration and effective on December 6, 2019, states that such provisions shall not apply to any arrangements or transactions, the main purpose of which includes to gain such tax benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this Arrangement.

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Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which was last amended on December 29, 2018 and became effective on the same date, and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was last amended on December 6, 2024 and became effective on January 20, 2025, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or premise in the PRC or it has an establishment or premise in the PRC but its PRC-sourced income has no connection with such establishment or premise. The aforesaid income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax payable for non-resident enterprises is deducted at source, where the payers of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the State Taxation Administration on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to H-Share Holders Who Are Overseas Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the State Taxation Administration on November 6, 2008 and became effective on the same date, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a flat rate of 10% on the dividends of 2008 and onwards that it distributes to H-share holders who are non-PRC resident enterprises. In addition, the Response of the State Taxation Administration to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the State Taxation Administration and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on RPC and overseas stock exchanges must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders by issuing shares (A shares, B shares, and overseas shares). Such tax rate may be further amended pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the gross amount of dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by that PRC company.

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The Fifth Protocol to Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which became effective on December 6, 2019, clarifies that relevant treaty benefits shall not apply to arrangements or transactions, the main purpose of which includes to gain such benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this Arrangement.

Tax Treaties

Non-PRC resident investors residing in jurisdictions that have entered into treaties or arrangements for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC has currently established double taxation avoidance agreements/arrangements with numerous countries and regions. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Income Tax

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), the gains realized from the transfer of personal assets are subject to income tax rate of 20%. Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) jointly issued by the Ministry of Finance and the State Taxation Administration on March 30, 1998 and effective on the same date, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

However, on December 31, 2009, the Ministry of Finance, the State Taxation Administration and the CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui Zi [2009] No. 167), with effect from January 1, 2010, which states that individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange the listed shares acquired from the public offerings or the transfer market shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the

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Levy of Individual Income Tax on Individuals’ Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above departments on November 10, 2010 and effective on the same date.

As of the execution date of this document, no provision has expressly provided that individual income tax shall be collected from non-PRC resident individual shareholders on the sale of shares of PRC resident enterprises listed on overseas stock exchanges (e.g. Hong Kong Stock Exchange).

Enterprise Investors

In accordance with the EIT Law and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was most recently amended on December 6, 2024 and became effective on January 20, 2025, a non-resident enterprise is generally subject to enterprise income tax at a flat rate of 10% on PRC-sourced income, if such non-resident enterprise does not have an establishment or premise in the PRC or it has an establishment or premise in the PRC but its PRC-sourced income has no connection with such establishment or premise. Such income tax payable for non-resident enterprises is withheld at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

Stamp Duty

Pursuant to the Stamp Tax Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress on June 10, 2021, and implemented on July 1, 2022, Chinese stamp duty is applicable to entities and individuals who conclude taxable vouchers or conduct securities transactions within the territory of China, as well as to entities and individuals who conclude taxable vouchers outside China for use within the territory of China. Consequently, the Chinese stamp duty on the transfer of shares of a Chinese listed company does not apply to non-Chinese investors who purchase or sell H-shares outside the territory of China.

Inheritance Tax

As of the execution date of this document, no inheritance tax is levied in China under Chinese law.

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Tax Policies for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

On October 31, 2014, and November 5, 2016, the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission jointly issued the Notice on Tax Policies for the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) and the Notice on Tax Policies for the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127). According to these notices, for Chinese enterprise investors, income from the transfer price difference and dividends or bonus shares on stocks listed on the Hong Kong Stock Exchange, obtained through the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, shall be included in their total revenue and subject to Enterprise Income Tax in accordance with the law. Among these, dividend and bonus income received by Chinese resident enterprises from holding H-shares for 12 consecutive months is exempt from Enterprise Income Tax by law. H-share companies are not required to withhold and remit taxes on dividend and bonus income distributed to Chinese enterprise investors; the payable tax shall be declared and paid by the enterprises themselves.

For dividends and bonuses received by Chinese individual investors through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect in H shares listed on the Hong Kong Stock Exchange, the H-share company shall submit applications to China Securities Depository and Clearing Corporation Limited (“CSDC”). CSDC will then provide the H-share company with a register of Chinese individual investors. The H-share company is required to withhold and remit individual income tax on behalf of these investors at a rate of 20%. If individual investors have already had withholding tax deducted outside China, they may apply to the competent taxation authorities of the CSDC for tax credit upon the strength of valid tax withholding vouchers. For dividends and bonuses received by mainland securities investment funds through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in stocks listed on the Hong Kong Stock Exchange, individual income tax shall be calculated and levied in accordance with the aforementioned provisions.

On December 4, 2019, the Ministry of Finance (“MOF”), the State Taxation Administration, and the China Securities Regulatory Commission jointly issued the Announcement on the Continued Implementation of the Individual Income Tax Policies Related to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Mechanisms and the Mutual Recognition of Funds between the Mainland and Hong Kong (MOF Announcement No. 93 of 2019), which stipulates that from December 5, 2019 to December 31, 2022, the income from transfer price difference that a Chinese individual investor obtains by investing in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and by trading in Hong Kong fund shares through mutual recognition of funds will continue to be temporarily exempted from individual income tax.

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According to the Announcement on the Extension of the Individual Income Tax Policies Related to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Mechanisms and the Mutual Recognition of Funds between the Mainland and Hong Kong (MOF Announcement No. 23 of 2023), jointly issued by the MOF, the State Taxation Administration, and the China Securities Regulatory Commission on August 21, 2023, the policy for exemption of individual income tax has been further extended until December 31, 2027.

MAJOR TAXES ON THE COMPANY IN THE PRC

For details, please refer to the section titled “Regulatory Overview” of this document.

2. Foreign Exchange Policy of the PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the “SAFE”), with the authorization of the People’s Bank of China, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) which was issued by the State Council on January 29, 1996 and effective as of April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies. According to the Regulations on Foreign Exchange Control of the People’s Republic of China (《中華人民共和國外匯管理條例》) (revised on January 14, 1997 and August 1, 2008) and the Provisions on the Administration of Settlement, Sale and Payment of Foreign Exchange (promulgated by the People’s Bank of China on June 20, 1996 and effective as of July 1, 1996), payments under current account items (such as profit distributions, foreign exchange transactions related to trade and services, etc.) may be made in foreign currency after complying with certain procedural requirements without prior approval from the SAFE. By contrast, approval from or registration with relevant government authorities or designated banks is required where Renminbi (“RMB”) is to be converted into foreign currency and remitted out of the PRC to pay capital account items such as the repayment of foreign currency denominated loans, direct investment overseas and investments in securities or derivative products outside of the PRC.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the People’s Bank of China on July 21, 2005 and effective as of the same date, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The People’s Bank of China would publish the closing price

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of the exchange rate of the Renminbi against the U.S. dollar and other currencies in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

The Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50) promulgated by the State Council on October 23, 2014 and effective as of the same date, canceled the requirement for approval by the SAFE and its branches over matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

According to the Notice on Relevant Issues Concerning the Administration of Foreign Exchange for Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54) issued by the SAFE on December 26, 2014, domestic companies shall register their overseas listing with the local branches of the SAFE in 15 working days after completion of the overseas listing. The funds raised by the domestic companies through overseas listing may be repatriated to the PRC or deposited overseas, provided that the intended use of the funds shall be consistent with the contents of the document and other publicly disclosed documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015, implemented on June 1, 2015, and revised on December 30, 2019, two of the administrative examination and approval items, being the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment, have been canceled; banks now conduct the examination and grant approval directly. The SAFE and its branches implement indirect supervision over foreign exchange registration of direct investment via the banks.

On March 30, 2015, the SAFE issued the Circular of the State Administration of Foreign Exchange Concerning Reform of the Administrative Approaches to the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**SAFE Circular 19**”), which took effect on June 1, 2015 and was revised in 2019. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement (the “**Discretionary Foreign Exchange Settlement**”). Discretionary Foreign Exchange Settlement means that the foreign exchange capital in the capital account (including foreign exchange capital, foreign loans and funds withdrawn from the proceeds of overseas listings) that has been confirmed for Discretionary Foreign Exchange Settlement through relevant policies can be settled at banks according to the actual operational needs of domestic institutions. The proportion of foreign exchange capital subject to discretionary settlement is tentatively set at 100%. The RMB funds obtained from discretionary settlement of foreign

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exchange capital shall be placed in a pending-payment settlement account for administration. If a foreign invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

According to the Notice of the State Administration of Foreign Exchange on Revolutionizing and Regulating the Policies on Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016 and effective as of the same date, it is expressly provided that foreign currency earnings in capital account eligible for discretionary settlement (including foreign exchange capital, foreign-debt proceeds, and funds repatriated from overseas listings) may be settled at banks according to the specific needs of domestic institutions. The tentative percentage of discretionary settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustments by the SAFE in accordance with international revenue and expenditure situations.

The Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) promulgated by the SAFE on January 26, 2017 and effective as of the same date further expands the scope of settlement for domestic foreign exchange loans, allows settlement for domestic foreign exchange loans backed by merchandise trade or export background, allows repatriation of funds under domestic guaranteed foreign loans, allows settlement for foreign-exchange accounts opened by overseas institutions within pilot free-trade zones, and adopts full-coverage administration of overseas lending in both RMB and foreign currencies; where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and in foreign currencies shall not exceed 30% of its owner’s equity in the audited financial statements of the preceding year.

The Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (Hui fa [2019] No. 28) promulgated by the SAFE on October 23, 2019 and effective as of the same date, canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (SAFE Circular No. 8) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their income under capital accounts such as capital, foreign debts and overseas listing, with no need to provide the banks with the evidentiary materials concerning authenticity of such payment for each transaction in advance, provided that the use of funds is genuine and complies with the current rules governing the use of capital-account receipts.

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According to the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment 《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》(Hui Fa [2023] No. 28) (promulgated and implemented by the SAFE on December 4, 2023), domestic equity transferors (including institutions and individuals) may directly remit the consideration in foreign currency for equity transfers received from domestic entities, as well as the foreign exchange funds raised by domestic enterprises through overseas listings, into capital account settlement accounts. Funds in capital account settlement accounts may be converted and used at the account holder’s discretion.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the Company’s operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in “Appendix III — Taxation and Foreign Exchange.” The principal objective of this summary is to provide potential [REDACTED] with an overview of the principal legal and regulatory provisions applicable to the Company. This summary is not intended to include all the information which is important to potential [REDACTED]. For discussion of laws and regulations which are relevant to business of the Company, please refer to “Regulations” in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the “**Constitution**”) which was amended and came into effect on March 11, 2018 and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) which was last revised on March 13, 2023 and took effect on March 15, 2023 (the “**Legislation Law**”), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws and administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable

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after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people’s congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people’s governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people’s congresses of provinces or autonomous regions to resolve the issue. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The ministries and commissions of the State Council, the People’s Bank of China, the National Audit Office, authorities directly under the State Council with administrative management functions, as well as the bodies prescribed by law may, in accordance with the laws and the administrative regulations, decisions, and orders of the State Council, develop departmental rules within their respective power. The matters prescribed in departmental rules shall be matters for the enforcement of laws or the administrative regulations, decisions, and orders of the State Council. The people’s governments of provinces, autonomous regions, municipalities and cities divided into districts, and autonomous prefectures may formulate rules in accordance with laws, administrative regulations and local regulations of the relevant provinces, autonomous regions and municipalities.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations and separate regulations approved by its Standing Committee that contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the right to revoke administrative regulations that contravene the Constitution and laws, to revoke local regulations that contravene the Constitution, laws and administrative regulations, as well as to revoke the autonomous regulations and separate regulations approved by the standing committees of the people’s congresses of provinces, autonomous regions and municipalities that contravene the Constitution and the Legislation Law. The State Council has the right to alter or revoke inappropriate departmental rules and local government regulations. The people’s congresses of provinces, autonomous regions and municipalities have the right to alter or revoke inappropriate local regulations enacted or approved by their standing committees. The standing committees of the local people’s congresses have the power to annul any inappropriate rules enacted by the people’s governments at the corresponding level, and the people’s government of a province or an autonomous region has the authority to modify or annul any inappropriate rules formulated by people’s governments at the next lower level.

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Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) effective on June 10, 1981, in cases where the limits of articles of laws or decrees need to be further defined or additional stipulations need to be made, the Standing Committee of the NPC should provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws in court trials shall be provided by the Supreme People’s Court. Interpretation of questions involving the specific application of laws in the procuratorial work of the procuratorates shall be provided by the Supreme People’s Procuratorate. Interpretation of questions involving the specific application of laws in areas unrelated to court trials and the procuratorial work of the procuratorates shall be provided by the State Council and the competent departments. At the regional level, the power to interpret local regulations is vested in the local legislative and administrative authorities which promulgate such regulations.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Organic Law of the People’s Courts of the PRC (《中華人民共和國人民法院組織法》) (amended by the Standing Committee of the NPC on October 26, 2018 and effective from January 1, 2019), the people’s courts of the PRC are classified into the Supreme People’s Court, the local people’s courts at all levels, and special people’s courts. The local people’s courts at all levels are divided into three levels, namely, the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The primary people’s courts may set up special civil courts based on the status of the region, population and cases. The Supreme People’s Court is the highest judicial body in the PRC. The Supreme People’s Court shall supervise the judicial work of the local people’s courts at all levels and special people’s courts, and people’s courts at higher levels shall supervise the judicial work of people’s courts at lower levels.

The people’s courts employ a two-tier appellate system, that is, the judgments or rulings of the second instance at a people’s court are final. A party may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court, and judgments or rulings of the first instance of the Supreme People’s Court are final. However, if the Supreme People’s Court finds any definite errors in a legally effective final judgment or ruling of the people’s court at any level or the people’s court at the next higher level finds such errors in a legally effective final judgment or ruling of the people’s court at a lower level, or if the chief judge of a people’s court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

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The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”), which was last amended on September 1, 2023 and took effect on January 1, 2024, sets forth the criteria for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the Civil Procedure Law of the PRC. Generally, a civil case is heard by the court located in the defendant’s place of domicile. The parties to disputes over contracts or other property rights may, by a written agreement, choose a people’s court of jurisdiction located at the defendant’s place of domicile, the place where the contract is performed or signed, the plaintiff’s place of domicile, the place where the object is located or any other place that is effectively connected with the disputes, provided that such choice may not contravene the provisions of the Civil Procedure Law regarding hierarchical jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years, subject to application for postponed enforcement or revocation. The law on the suspension or interruption of the statute of limitations shall apply to the suspension or interruption of the statute of limitations of the action for which enforcement is sought. If a party fails to satisfy within the stipulated period a judgment for which the court has granted an enforcement approval, the court may, upon application by the other party, proceed with compulsory enforcement of the judgment.

If a party applies for execution of a legally effective judgment or ruling made by a people’s court and the party subject to execution or his property is not located within the territory of the PRC, the applicant may apply for recognition and enforcement of such judgment or ruling to the foreign court with relevant jurisdiction, or the people’s court may, in accordance with the provisions of the international treaties concluded or acceded to by the PRC or in accordance with the principle of reciprocity, request recognition and enforcement of such

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judgment or ruling by a foreign court. Similarly, if a legally effective judgment or ruling made by a foreign court requires recognition and enforcement by a people’s court of the PRC, the parties concerned may directly apply to the intermediate people’s court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may request recognition and enforcement by the people’s court in accordance with the provisions of international treaties concluded or acceded to by the country and the PRC or in accordance with the principle of reciprocity. However, if the judgment or ruling results in a violation of the basic legal principles of the PRC or is against PRC’s sovereignty, security or public interests, it shall not be recognized or enforced.

THE COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations of the PRC: The Company Law of the PRC (the “**Company Law**”) was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The last revised Company Law took effect on July 1, 2024.

The Trial Measures and related guidelines, which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, apply to direct and indirect subscriptions of overseas shares and listings of domestic companies. The Trial Measures also stipulate administrative filing procedures and regulatory requirements for the overseas issuance of securities and listing of domestic enterprises.

On March 28, 2025, the CSRC issued the latest Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”), which took effect on the same date. Pursuant to the Trial Measures and its supporting guideline the Guidelines on the Application of Regulatory Rules — No. 1 for Overseas Offering and Listing (《監管規則適用指引—境外發行上市類第1號》), the domestic companies that directly offer and list securities in overseas markets shall formulate their articles of association in line with the Guidelines for Articles of Association and other relevant CSRC regulations concerning corporate governance to standardize corporate governance practices.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to the Company.

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GENERAL PROVISIONS

A “joint stock limited company” refers to a corporate legal person incorporated in the PRC under the Company Law with its registered capital divided into shares of equal nominal value. The shareholders of the company shall bear liability for the company to the extent of the shares they subscribe for, and the company shall bear liability for the debts of the company with all its assets.

A company must conduct its business in accordance with laws, regulations as well as social and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor which has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by means of promotion or subscription. A joint stock limited company shall have a minimum of one but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC.

For joint stock limited companies incorporated by means of promotion, the promoters shall subscribe for the total number of shares to be issued upon the company’s formation as specified in its articles of association. For companies incorporated by means of subscription, the shares subscribed for by the promoters shall not be less than 35% of the total number of shares required to be issued upon the company’s formation as specified in its articles of association, unless otherwise provided by the laws or administrative regulations.

For a joint stock limited company incorporated by means of subscription, the promoters shall convene an inaugural meeting within 30 days after full payment has been made for all shares to be issued at the company’s incorporation. The promoters shall inform the subscribers of or announce the date of the meeting 15 days before the inaugural meeting is convened. The inaugural meeting may be held only if subscribers representing more than half of the voting rights are present. For a joint stock limited company incorporated by means of promotion, the convening and voting procedures for the inaugural meeting shall be governed by the company’s articles of association or by the promoters’ agreement.

The inaugural meeting of the company must exercise the following functions and powers:

- (i) review the promoters’ report on the preparations for the company’s establishment;
- (ii) adopt the company’s articles of association;
- (iii) elect directors and supervisors;

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- (iv) examine the company's formation expenses;
- (v) examine the valuation of any non-monetary contributions made by the promoters; and
- (vi) if force majeure occurs or significant changes in operating conditions directly affect the establishment of the company, resolve not to proceed with the company's formation.

Resolutions on the matters listed in the preceding paragraph adopted by the inaugural meeting shall be passed by a majority of the voting rights held by the subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

Registered shares and issued shares

Under the Company Law, a shareholder may make a capital contribution in money or in the form of non-monetary property such as physical assets, intellectual-property rights, land-use rights, equity rights, creditor's rights, or any other non-monetary property which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by laws or administrative regulations.

The capital of a joint stock limited company is divided into shares. All of the company's shares shall, as stipulated in the articles of association, be either par-value shares or no-par-value shares. If par-value shares are adopted, the amount per share must be the same. The company may, in accordance with its articles of association, convert all issued par-value shares into no-par-value shares, or vice versa. Where no-par-value shares are adopted, at least one-half of the proceeds from the issuance of the shares must be credited to the company's registered capital.

A joint stock limited company shall maintain a register of shareholders and keep it at the company's premises. The register shall contain the following particulars:

- (i) the name and domicile of each shareholder;
- (ii) the class and number of shares subscribed for by each shareholder;
- (iii) the serial numbers of any share certificates issued in physical form; and
- (iv) the date on which each shareholder acquired the shares.

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The issuance of shares of a joint stock limited company shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. Subscribers shall pay the same price for each of the share they subscribe for. Par-value shares may be issued at their par value or at a price above par, but never below par.

The Trial Measures provide that a company issuing and listing securities in an overseas market may raise capital and distribute dividends or interest in either foreign currency or Renminbi. In certain circumstances — such as share-based incentive schemes or acquisitions of assets through the issuance of securities — domestic enterprises that conduct a direct overseas offering and listing may also issue securities to specific domestic investors.

Under the Trial Measures, where a domestic enterprise undertakes a direct overseas offering and listing, shareholders holding its domestic unlisted shares who apply to convert those shares into overseas-listed shares for trading on an overseas exchange must comply with the relevant rules of the CSRC and entrust the domestic enterprise to file the conversion with the CSRC. The term “domestic unlisted shares” refers to shares already issued by the domestic enterprise but not listed or traded on any domestic exchange. Such domestic unlisted shares must be centrally registered and held in custody with a domestic securities depository and clearing institution. The registration, clearing, and settlement arrangements for overseas-listed shares are governed by the rules of the overseas listing venue.

Domestic enterprises conducting an overseas offering and listing must file with the CSRC in accordance with the Trial Measures, submitting a filing report, legal opinions, and other relevant documents that truthfully, accurately, and completely disclose information such as shareholder details. For a direct overseas offering and listing by a domestic enterprise, the issuer itself shall file with the CSRC. For an indirect overseas offering and listing by a domestic enterprise, the issuer must designate a principal domestic operating entity as the responsible domestic party to file with the CSRC.

Increase in Share Capital

Pursuant to the relevant provisions of the Company Law, when a joint stock limited company intends to issue new shares, the shareholders’ meeting shall adopt resolutions on the following matters:

- (i) the class and number of the new shares;
- (ii) the issue price of the new shares;
- (iii) the start and end dates of the new share offering;
- (iv) the class and number of new shares to be offered to existing shareholders; and

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- (v) where no-par-value shares are issued, the amount of the proceeds from the new share offering to be credited to the company’s registered capital.

Any public offering of shares by the company must be registered with the securities regulatory authority under the State Council and be accompanied by the publication of a prospectus.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- (i) the company shall prepare a balance sheet and a property list;
- (ii) the reduction of registered capital must be approved by the shareholders’ meeting;
- (iii) within 10 days of the date on which the resolution on reducing registered capital is made, the creditors shall be notified by the Company and a public announcement shall be made on newspapers or on the National Enterprise Credit Information Publicity System within 30 days;
- (iv) creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay the debts or provide relevant guarantees; and
- (v) the company shall file an application for change of registration with the company registry.

A company reducing its registered capital must decrease each shareholder’s contribution or shares proportionally according to their respective capital contributions or shareholdings, unless otherwise provided by law, separately agreed by all shareholders of a limited liability company, or otherwise specified in the articles of association of a joint stock limited company.

Repurchase of Shares

Under the Company Law, the company may not acquire its own shares except in any of the following circumstances:

- (i) decreasing the registered capital of the company;
- (ii) merger with other companies which hold the company’s shares;
- (iii) using the shares for an employee stock plan or share incentive;

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- (iv) a shareholder who dissents from a shareholders' resolution approving a merger or division of the company requesting that the company repurchase his or her shares;
- (v) such shares are used for transferring convertible corporate bonds issued by the company; or
- (vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

A company purchasing its own shares under any of the circumstances set forth in items (i) or (ii) above shall be subject to a resolution of the shareholders' meeting. A company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) above may, pursuant to its articles of association or the authorization of its shareholders' meeting, be subject to a resolution of a board meeting at which more than two-thirds of directors are present.

The shares of the company acquired by its own under the circumstance stipulated in item (i) of paragraph 1 of this article shall be deregistered within 10 days from the date of acquisition; the shares shall be assigned or deregistered within six months if the share repurchase is made under the circumstances stipulated in either item (ii) or item (iv); and the shares held in total by a company after a share repurchase under any of the circumstances stipulated in item (iii), item (v) or item (vi) shall not exceed 10% of the company's total issued shares, and shall be assigned or deregistered within three years.

Transfer of Shares

Shares held by shareholders may be transferred legally. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. Shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its register of shareholders. Change of the register of shareholders shall not be made within 20 days before convening of a shareholders' meeting or five days prior to the base date on which the company decides to distribute dividends. However, where there are separate provisions by laws, administrative regulations or the securities regulatory authorities under the State Council on alternation of register of shareholders of listed companies, those provisions shall prevail.

Under the Company Law, shares issued before a company's public offering may not be transferred for one year from the date on which the company's shares are listed and traded on a stock exchange. Where laws, administrative regulations, or securities regulatory authorities under the State Council provide otherwise for the transfer of shares in the company held by shareholders or actual controllers of a listed company, such provisions shall prevail.

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The directors, supervisors and senior management personnel of a company shall report to the company their shareholdings in the company and changes thereof and shall not transfer more than 25% of the total shares held by them in the company per annum during their terms of office determined at the time of their appointment; the shares they hold in the company shall not be transferred within one year from the date on which the shares of the company are listed and traded. The shares they hold in the company also cannot be transferred within half a year after such persons have left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

If shares are pledged during a period when their transfer is restricted under any law or administrative regulation, the pledgee may not enforce the pledge within that restricted period.

Shareholders

Under the Company Law and the Guidelines for Articles of Association, the rights of shareholders include the following:

- (i) to receive dividends and other forms of distributions in proportion to the number of shares they hold;
- (ii) to attend or appoint a proxy to attend shareholders' meeting and to exercise corresponding voting rights;
- (iii) to supervise, present suggestions on or make inquiries about the operations of the company;
- (iv) to transfer their shares in accordance with laws, administrative regulations and the articles of association;
- (v) to inspect the articles of association, register of shareholders, counterfoil of corporate bonds, minutes of shareholders' meetings, resolutions of board meetings, resolutions of meetings of the supervisory committee and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;
- (vi) to participate in the distribution of the remaining assets of the company according to the proportion of shares held upon the company's termination or liquidation;
- (vii) to exercise other rights conferred by laws, administrative regulations, and the articles of association.

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The obligations of shareholders include the following:

- (i) to observe the articles of association;
- (ii) to contribute to the share capital as determined by the number of shares subscribed by them and the method of subscription;
- (iii) not to abuse shareholders’ rights to infringe upon the interests of the company or other shareholders; not to abuse the company’s status as an independent legal entity or the limited liability of shareholders to damage the interests of the company’s creditors;
- (iv) to fulfill other obligations stipulated by laws, administrative regulations and the articles of association.

Shareholders’ Meeting

According to the Company Law, the shareholders’ meeting of a joint stock limited company is composed of all shareholders. The shareholders’ meeting is the organ of authority of the company, and shall exercise the following functions and powers:

- (i) to elect and replace the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;
- (ii) to deliberate and approve reports of the board of directors;
- (iii) to deliberate and approve reports of the supervisory committee;
- (iv) to deliberate and approve the company’s profit distribution proposals and loss recovery proposals;
- (v) to resolve on any increase or reduction of the company’s registered capital;
- (vi) to resolve on the issuance of corporate bonds;
- (vii) to resolve on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (viii) to amend the articles of association; and
- (ix) to exercise any other powers stipulated in the articles of association.

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Pursuant to the Company Law, the shareholders' meeting shall hold an annual meeting once every year. An extraordinary shareholders' meeting shall be convened within two months from the date of occurrence of any of the following events:

- (i) the number of directors is less than the number required by the Company Law or less than two-thirds of the number stipulated in the articles of association;
- (ii) the outstanding losses of the company amount to one-third of the company's total paid-in share capital;
- (iii) shareholders who individually or jointly hold more than 10% of the company's shares request to do so;
- (iv) the board of directors deems it necessary to convene the meeting;
- (v) the supervisory committee proposes to convene the meeting; or
- (vi) other circumstances as provided for in the articles of association.

A shareholders' meeting shall be convened and presided over by the chairman of the board of directors. If the chairman is unable to perform his/her duties or fails to perform his/her duties, the vice chairman of the board shall preside over the meeting; if the vice chairman is unable to perform his/her duties or fails to perform his/her duties, more than half of the directors shall jointly recommend a director to preside over the meeting.

If the board of directors is unable to or fails to perform its duty of convening the shareholders' meeting, the supervisory committee shall convene and preside over such meeting in a timely manner; if the supervisory committee does not convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company's shares for more than 90 consecutive days may independently convene and preside over such meeting.

Where one or more shareholders who individually or jointly hold more than 10% of the company's shares request the convening of an extraordinary shareholders' meeting, the board of directors or the supervisory committee must, within ten days of receiving the request, decide whether to convene such an extraordinary shareholders' meeting and notify the shareholders in writing of its decision.

To hold a shareholders' meeting, the time, venue and matters to be considered shall be noticed to the shareholders 20 days before the meeting is held; to hold an extraordinary shareholders' meeting, the shareholders shall be noticed 15 days before the meeting is held.

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The shareholders severally or jointly holding 1% or more of the shares of the company may raise interim proposals and submit them in writing to the board of directors 10 days prior to the convening of the shareholders' meeting. The interim proposals shall include a clear agenda and specific matters for resolution. The board of directors shall, within 2 days after the receipt of such proposals, notify other shareholders, and submit them to the shareholders' meeting for deliberation. This does not apply to any interim proposal that violates laws, administrative regulations, or the provisions of the articles of association, or that falls outside the scope of the powers of the shareholders' meeting. The company shall not raise the shareholding ratio of shareholders submitting the interim proposals.

According to the Company Law, if a shareholder appoints a proxy to attend the shareholders' meeting, the matters, authority, and duration of the proxy shall be clearly specified; the proxy shall submit a power of attorney from the shareholder to the company and exercise voting rights within the scope of the authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at the shareholders' meeting shall have one vote for each share they hold, except for holders of class shares. Shares held by the company are not entitled to any voting rights.

Under the Company Law and the Guidelines for Articles of Association, resolutions passed at the shareholders' meeting shall be approved by more than half of the voting rights held by shareholders present at the meeting. Resolutions made by the shareholders' meeting on the amendment to the articles of association, increase or reduction of registered capital, or the merger, division or dissolution of the company or changes in the company's form shall be approved by more than two-thirds of the voting rights held by shareholders present at the meeting.

A cumulative voting system may be adopted for the election of directors or supervisors at the shareholders' meeting in accordance with the articles of association or the resolution of the shareholders' meeting. The cumulative voting system means that, in the election of directors or supervisors, each share carries as many voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

Board of Directors

Pursuant to the Company Law, a joint stock limited company shall have a board of directors composed of not less than three members. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected upon the expiration of his/her term.

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The board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over the meetings of the board of directors and review the implementation of resolutions of the board of directors. The vice chairman shall assist the chairman in his/her work. If the chairman is unable or fails to perform his/her duties, the vice chairman shall perform the duties on his/her behalf; if the vice chairman is unable or fails to perform his/her duties, a director nominated by more than half of the directors shall perform the duties on his/her behalf.

A person shall not serve as a director of the company under the following circumstances:

- (i) a person without or with limited capacity for civil conduct;
- (ii) a person who has been convicted for criminal offense for corruption, bribery, encroachment of property, misappropriation of property or disruption of the socialist market economy order, or has been deprived of political rights due to a crime, and less than five years have elapsed since the completion of the execution of the penalty; or who has been declared on probation, and less than two years have elapsed since the expiration of the probation period;
- (iii) a director, factory director or manager of a company or enterprise undergoing bankruptcy liquidation and is personally liable for the bankruptcy of such company or enterprise, and less than three years have elapsed since the completion of the bankruptcy liquidation of the company or enterprise;
- (iv) a person who serves as the legal representative of a company or an enterprise whose business license has been revoked or which was ordered to close down due to its violation of law, and who is personally liable for this, and less than three years have elapsed since such revocation of business license or close-down; or
- (v) an individual who has a large amount of debts remaining unpaid and who has been listed as a dishonest debtor by the people's court.

Meetings of the board of directors shall be convened at least twice a year. Notice of the meeting shall be given to all directors and supervisors at least 10 days before the meeting. The board of directors shall exercise the following functions and powers:

- (i) to convene the shareholders' meeting and submit work reports to the shareholders' meeting;
- (ii) to implement resolutions of the shareholders' meeting;
- (iii) to decide on the company's business plans and investment proposals;

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- (iv) to formulate the company's profit distribution plans and plans for making up losses;
- (v) to formulate plans for the company to increase or decrease its registered capital, and issue corporate bonds;
- (vi) to formulate plans for the merger, division or dissolution of the company, or change of the company's form;
- (vii) to decide on the establishment of the company's internal management structure;
- (viii) to decide on the appointment or dismissal of the company's managers, and their remuneration; based on the nomination of the managers, to decide on the appointment or dismissal of the company's deputy managers and chief financial officer, and their remuneration;
- (ix) to formulate the company's basic management system; and
- (x) other powers and functions conferred by the articles of association, or the shareholders' meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Voting on the resolution of the board of directors shall be carried out on the basis of one person one vote. The board of directors shall make minutes of the decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

Directors shall attend meetings of the board of directors personally; where a director is unable to attend a meeting of the board of directors for some reason, he/she may entrust another director in writing to attend the meeting on his/her behalf. The letter of authorization shall specify the scope of authorization. The directors shall be responsible for the resolutions of the board of directors. If a resolution of the board of directors violates any laws, administrative regulations or the articles of association or resolutions of the shareholders' meeting, as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

Supervisory Committee

Under the Company Law, a joint stock limited company shall have a supervisory committee, which shall consist of at least three members. The supervisory committee shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company. In particular, the proportion of employee representatives shall not be less than one-third, and the actual proportion shall be specified in the articles of

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association. The employee representatives in the supervisory committee shall be democratically elected by the company’s employees at the employee representative assembly, employee meeting or otherwise. Directors and senior management members shall not act concurrently as supervisors. The supervisory committee shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman of the supervisory committee shall be elected by more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee; where the chairman of the supervisory committee is unable or fails to perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee; where the vice chairman of the supervisory committee is unable or fails to perform his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

The supervisory committee shall exercise the following functions and powers:

- (i) to examine the company’s finance;
- (ii) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, administrative regulations, the articles of association or the resolutions of the shareholders’ meeting;
- (iii) to demand rectification from the directors and senior management when the acts of such persons are harmful to the company’s interests;
- (iv) to propose the convening of extraordinary shareholders’ meetings and, in case the board of directors does not perform the obligations to convene and preside over the shareholders’ meetings in accordance with the Company Law, to convene and preside over the shareholders’ meetings;
- (v) to submit proposals to the shareholders’ meeting;
- (vi) to institute lawsuits against directors and senior management in accordance with Article 189 of the Company Law; and
- (vii) other functions and powers specified in the articles of association.

A joint stock company may, according to the articles of association, establish an audit committee consisting of directors in the board of directors to exercise the functions and powers of the supervisory committee, instead of establishing a supervisory committee.

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On December 27, 2024, the CSRC promulgated the Transitional Arrangements for the Implementation of Supporting Rules under the New Company Law (《關於新《公司法》配套制度規則實施相關過渡期安排》), requiring listed companies to include provisions in their articles of association for establishing an audit committee under the board of directors to perform the functions and powers of the supervisory committee stipulated in the Company Law and not setting up the supervisory committee or appointing supervisors, in accordance with the Company Law, the Provisions of the State Council on the Implementation of the Registration Management System for Registered Capital under the Company Law of the PRC (《國務院關於實施〈中華人民共和國公司法〉註冊資本登記管理制度的規定》), and the supporting rules of the CSRC by January 1, 2026. Before a listed company adjusts the setup of its internal supervisory body, the supervisory committee or supervisors shall continue to abide by the provisions in the original systems and rules of the CSRC.

Manager and Senior Management

Pursuant to the Company Law, a joint stock limited company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be accountable to the board of directors and exercise functions and powers as specified in the articles of association or as authorized by the board of directors. The manager shall attend meetings of the board of directors as a non-voting attendee.

According to the Company Law, senior management shall mean the manager, deputy manager(s) and chief financial officer of a company, board secretary (in case of a listed company) and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management have a duty of loyalty to the company and shall take measures to avoid conflicts between their personal interests and interests of the company. They shall not exploit their positions to obtain improper benefits.

Directors, supervisors and senior management shall owe a duty of diligence to the company. In performing their duties, they shall exercise the reasonable care that a manager would ordinarily exercise, in the best interests of the company.

Directors, supervisors and senior management are prohibited from:

- (i) misappropriating the company’s property or embezzling the company’s funds;
- (ii) depositing the company’s funds into accounts opened in their own names or in the names of other individuals;

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- (iii) making use of official powers to accept bribes or other illegal income;
- (iv) accepting and possessing commissions paid by a third party for transactions conducted with the company;
- (v) disclosing secrets of the company without authorization; or
- (vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management enters into a contract or conducts a transaction with the company directly or indirectly, he/she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or the shareholders' meeting, subject to the approval through a resolution of the board of directors or the shareholders' meeting according to the articles of association.

Immediate family members of directors, supervisors and senior management, enterprises directly or indirectly controlled by directors, supervisors, senior management or their immediate family members, or any connected parties that are otherwise connected with directors, supervisors and senior management, when entering into contracts or conducting transactions with the company, are subject to the provisions of the preceding paragraph.

No director, supervisor or senior management may take advantage of official powers to seek business opportunities for themselves or others that should have otherwise been available to the company, except under any of the following circumstances: (i) when he/she has reported to the board of directors or the shareholders' meeting and approved by a resolution of the board of directors or the shareholders' meeting according to the articles of association; or (ii) when the company, according to the laws, administrative regulations, or the articles of association, cannot utilize such business opportunities.

No director, supervisor or senior management may operate for themselves or others any business similar to that of the company which he/she serves, without reporting to the board of directors or the shareholders' meeting and obtaining approval through a resolution of the board of directors or the shareholders' meeting according to the articles of association.

If any director, supervisor or senior management contravenes any law, administrative regulation or the articles of association in the performance of his/her duties, resulting in any loss to the company, he/she shall be liable for compensation.

Finance and Accounting

Pursuant to the Company Law, the company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall, at the end of each financial year, prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The financial and accounting report shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

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The financial and accounting reports of a joint stock limited company shall be available at the company for inspection by the shareholders at least 20 days before the convening of an annual shareholders' meeting. A joint stock limited company which has issued shares to the public shall publish its financial and accounting reports.

The premium received by the company through issuance of shares at prices above par value, amount of proceeds from the issuance of no-par value shares not included in the registered capital and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The common reserve fund of the company shall be used to make up for the losses, enhance the operating scale or increase the registered capital of the company. Losses incurred by the company shall be offset by using discretionary common reserve fund and statutory common reserve fund first. If losses cannot be fully covered, the capital reserve fund may be applied in accordance with prescribed regulations. Upon conversion of the statutory common reserve fund into registered capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firm

Pursuant to the Company Law, the appointment and dismissal of the accounting firm responsible for the auditing of the company shall be determined by the shareholders' general meeting, the board of directors or the supervisory committee in accordance with the articles of association. The accounting firm shall be allowed to make representations when the shareholders' meeting, the board of directors or the supervisory committee conducts a vote on the dismissal of the accounting firm. The company shall provide true and complete accounting vouchers, accounting books, financial accounting reports and any other accounting materials to the accounting firm it employs and shall not refuse to provide or conceal such information, or provide false information.

According to the Guidelines for Articles of Association, the appointment of an accounting firm by the company must be determined by the shareholders' meeting, and the board of directors shall not appoint an accounting firm before such determination by the shareholders' meeting. The audit fees of the accounting firm shall be determined by the shareholders' meeting.

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Profit Distribution

When distributing after-tax profits for the current year, the company shall withdraw 10% of the profits as its statutory common reserve fund. Such withdrawal may be stopped when the statutory common reserve fund of the company has accumulated to over 50% of the registered capital of the company. When the company's statutory common reserve fund is not sufficient to make up for its losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory common reserve fund according to the preceding paragraph. After allocation of the statutory common reserve fund from after-tax profits, the company may, upon a resolution passed at the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits. The remaining after-tax profits of the company after covering losses and making appropriations to common reserve funds shall be distributed to shareholders of a joint stock limited company in proportion to the shares held by them, except as otherwise provided in the articles of association. Shares of the company held by the company itself shall not be entitled to profit distribution.

If the company distributes profits to shareholders in violation of the Company Law, the profits thus distributed shall be returned to the company. If losses are caused to the company, the shareholders as well as the liable directors, supervisors and senior management members shall bear the liability for compensation.

Where the shareholders' meeting has adopted a resolution on profit distribution, the board of directors shall distribute such profits within six months from the date on which the resolution of the shareholders' meeting is adopted.

Dissolution and Liquidation

According to the Company Law, the company shall be dissolved in the event that:

- (i) the business term stipulated in the articles of association expires, or any other cause for dissolution as specified in the articles of association occurs;
- (ii) the shareholders' meeting resolves to dissolve the company;
- (iii) dissolution is required due to the merger or division of the company;
- (iv) the company's business license is revoked, or the company is ordered to close down or rescind in accordance with the law;
- (v) dissolution is ordered by the people's court in accordance with Article 231 of the Company Law. Where a dissolution event specified in the preceding paragraph occurs, the company should publicize such event via the National Enterprise Credit Information Publicity System within 10 days.

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Where the company is to be dissolved pursuant to the provision of item (i) above, it may continue to exist through amendment of the articles of association or by resolution of the shareholders' meeting, provided that such amendment of the articles of association or such resolution of the shareholders' meeting is approved by shareholders holding more than two-thirds of the voting rights of the shareholders attending the shareholders' meeting. Where the company is dissolved pursuant to item (i), (ii), (iv) or (v) above, liquidation shall be conducted. Directors shall serve as the liquidation obligors who must form a liquidation group within 15 days from the occurrence of the dissolution event. The liquidation group shall consist of directors, unless otherwise provided in the articles of association or the shareholders' meeting resolves to appoint other persons. Liquidation obligors failing to perform obligations timely, thereby causing losses to the company or the creditors, shall be liable for damages.

Where the liquidation group is not formed to carry out liquidation within the prescribed time limit, or where a liquidation group is formed but does not proceed with liquidation, interested parties may apply to the people's court to designate relevant persons to form a liquidation group to carry out liquidation. The people's court shall accept such application and promptly organize the liquidation group to carry out liquidation.

During the liquidation period, the liquidation group may exercise the following powers:

- (i) to clear up the company's property and prepare a balance sheet and an inventory of assets respectively;
- (ii) to notify creditors of the company by mail or by announcement;
- (iii) to handle the outstanding business of the company relating to liquidation;
- (iv) to pay taxes owed by the company and taxes incurred in the course of liquidation;
- (v) to clear up claims and debts;
- (vi) to distribute the remaining property of the company after settlement of debts; and
- (vii) to represent the company in civil litigation activities.

The liquidation group shall, within ten days from the date of its establishment, notify the creditors of the company, and shall, within 60 days, make an announcement in newspapers or through the National Enterprise Credit Information Publicity System. Creditors shall declare their claims to the liquidation group within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if no notice is received. When declaring claims, creditors shall state the relevant particulars of the claims and provide supporting materials. The liquidation group shall register the claims. During the period of declaration of claims, the liquidation group shall not make repayment to creditors.

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After clearing up the company’s property and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan and submit it to the shareholders’ meeting or the people’s court for confirmation.

The remaining property of the company, after paying liquidation expenses, employees’ wages, social insurance expenses and statutory compensation, paying taxes owed, and settling the company’s debts, shall be distributed, in the case of a limited liability company, in proportion to the capital contributions made by the shareholders, and in the case of a joint stock limited company, in proportion to the shares held by the shareholders.

During the liquidation period, the company shall continue to exist, but shall not conduct business activities unrelated to liquidation. Before the company’s property has been settled in accordance with the preceding provision, it shall not be distributed to shareholders.

Where, after clearing up the company’s property and preparing a balance sheet and an inventory of assets, the liquidation group discovers that the company’s property is insufficient to settle its debts, it shall apply to the people’s court for bankruptcy liquidation in accordance with the law. After the people’s court accepts the bankruptcy application, the liquidation group shall hand over liquidation matters to the bankruptcy administrator designated by the people’s court.

Members of the liquidation group shall perform their liquidation duties with the duty of loyalty and diligence. Where members of the liquidation group fail to perform their liquidation duties, causing losses to the company, they shall bear liability for compensation; where losses are caused to creditors due to intent or gross negligence, they shall bear liability for compensation.

Upon completion of the liquidation of the company, the liquidation group shall prepare a liquidation report, submit it to the shareholders’ meeting or the people’s court for confirmation, and submit it to the company registration authority to apply for deregistration of the company.

Where the business license of the company is revoked, or the company is ordered to close down or deregistered, and no application for deregistration of the company has been filed with the company registration authority within three years, the company registration authority may make a public announcement through the National Enterprise Credit Information Publicity System for a period of not less than 60 days. Upon expiry of the announcement period, if no objection has been raised, the company registration authority may deregister the company.

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Overseas Listing

According to the Trial Measures, where an issuer conducts an overseas initial public offering or listing, it shall file with the CSRC within three working days after submitting the application documents for issuance and listing overseas. After the issuer’s overseas issuance and listing, where securities are issued in the same overseas market, the issuer shall file with the CSRC within three working days after completion of the issuance. After the issuer’s overseas issuance and listing, where securities are issued and listed in another overseas market, filing shall be made in accordance with the provisions of the first paragraph of this article.

Loss of Shares

Where shares are stolen, lost or destroyed, shareholders may, in accordance with the public notice procedure prescribed under the Civil Procedure Law of the People’s Republic of China, request the people’s court to declare such shares void. After the people’s court declares such shares void, shareholders may apply to the company for reissuance of the shares.

Suspension and Termination of Listing

The Company Law has deleted the provisions relating to suspension and termination of listing. The Securities Law of the People’s Republic of China (2019 Revision) has also deleted the provisions relating to suspension of listing. Where listed securities fall within the delisting circumstances prescribed by a stock exchange, the stock exchange shall terminate their listing and trading in accordance with its business rules.

According to the Trial Measures, where an issuer voluntarily terminates its listing or is compulsorily delisted after issuing and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of such event.

Securities Laws and Regulations

In October 1992, the State Council established the Securities Commission and the CSRC. The Securities Commission was responsible for coordinating the drafting of securities laws and regulations, formulating policies related to securities, planning the development of the securities market, guiding, coordinating and supervising all securities-related institutions in China, and managing the CSRC. The CSRC was the regulatory body under the Securities Commission, responsible for drafting regulatory rules for the securities market, supervising securities companies, regulating the public issuance of securities by Chinese companies domestically and overseas, standardizing securities trading, preparing securities-related statistical data, and conducting relevant research and analysis. On March 29, 1998, the State Council merged the two departments and restructured the CSRC.

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The Interim Provisions on the Management of the Issuing and Trading of Stocks, promulgated by the State Council and effective on April 22, 1993, set out the application and approval procedures for public issuance of shares, share trading, acquisition of listed companies, custody, clearing and transfer of listed shares, information disclosure by listed companies, investigation and penalties, as well as arbitration of disputes.

The Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), promulgated by the State Council and effective on December 25, 1995, primarily provided for the issuance, subscription, trading, and dividend payment of domestic listed foreign shares, as well as information disclosure by joint stock limited companies holding domestic listed foreign shares.

The Securities Law of the People’s Republic of China (the “**PRC Securities Law**”), as most recently amended by the Standing Committee of the National People’s Congress on December 28, 2019 and effective on March 1, 2020, sets out a series of provisions on, among others, securities issuance and trading in China, acquisition of listed companies, stock exchanges, securities companies, and the duties and responsibilities of the State Council’s securities regulatory authority, and comprehensively regulates securities market activities in China. The PRC Securities Law provides that domestic enterprises issuing securities overseas directly or indirectly, or listing their securities for trading overseas, shall comply with relevant provisions of the State Council. At present, the issuance and trading of shares overseas are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

According to the Arbitration Law of the People’s Republic of China (“**Arbitration Law**”), as amended by the Standing Committee of the National People’s Congress on September 1, 2017 and effective on January 1, 2018, the Arbitration Law shall apply to foreign-related economic disputes where the parties have entered into a written agreement to submit the matters to arbitration before an arbitration commission established in accordance with the Arbitration Law. Before arbitration rules are formulated by the China Arbitration Association, arbitration commissions may, in accordance with the Arbitration Law and the relevant provisions of the Civil Procedure Law of the People’s Republic of China, formulate provisional arbitration rules. Where an arbitration agreement has been concluded between the parties, if one party files a lawsuit with the people’s court, the people’s court shall not accept it, except where the arbitration agreement is invalid.

According to the Arbitration Law, arbitration follows the system of finality of one arbitral award, which is binding on all parties to the arbitration. If one party fails to comply with the award, the other party may apply to the people’s court for compulsory enforcement of the arbitral award in accordance with the Civil Procedure Law of the People’s Republic of China. Where the arbitration procedure is unlawful (including where the composition of the arbitration commission violates statutory procedures, the matters decided fall outside the scope of the arbitration agreement, or the arbitration commission has no jurisdiction to arbitrate), the people’s court may rule not to enforce the arbitral award rendered by the arbitration

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commission. Where an arbitral award made in accordance with law within the territory of the People’s Republic of China has become legally effective, and the party requests enforcement but the person subject to enforcement or its property is not within the territory of the People’s Republic of China, the party may directly apply to a competent foreign court for recognition and enforcement. Likewise, people’s courts may, on the basis of the principle of reciprocity or any international treaty concluded or acceded to by China, recognize and enforce arbitral awards rendered by foreign arbitration institutions.

According to the Arrangements of the Supreme People’s Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region, promulgated by the Supreme People’s Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangements of the Supreme People’s Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region, promulgated by the Supreme People’s Court on November 26, 2020 and effective on November 27, 2020, arbitral awards rendered by arbitration institutions in Mainland China may be enforced in Hong Kong, and Hong Kong arbitral awards may likewise be enforced in Mainland China.

Judicial Judgments and Their Enforcement

Pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region pursuant to Choice of Court Agreements between Parties Concerned, promulgated by the Supreme People’s Court on July 3, 2008 and implemented on August 1, 2008 (which was repealed on January 29, 2024), for final and enforceable judgments requiring payment of money rendered by a court of the Mainland China or a court of Hong Kong in civil and commercial cases where a written jurisdiction agreement exists, the parties may, in accordance with such arrangement, apply to a court of the Mainland China or a court of Hong Kong for recognition and enforcement. “Written jurisdiction agreement” refers to an agreement whereby the parties, for the purpose of resolving disputes that have arisen or may arise in connection with a specific legal relationship, expressly agree in writing that the courts of the Mainland China or the courts of Hong Kong shall have exclusive jurisdiction. Accordingly, final judgments of the Mainland China or Hong Kong that satisfy certain conditions under the aforementioned regulation may, upon application by the parties, be recognized and enforced by the courts of the Mainland China or the courts of the Hong Kong Special Administrative Region.

On January 25, 2024, the Supreme People’s Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”), which came into effect on January 29, 2024, aiming to establish a clearer and more comprehensive mechanism for the recognition and enforcement of a broader scope of judgments in civil and commercial cases between the Hong Kong Special Administrative Region and the Mainland China.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

This Appendix contains the summary of the principal provisions of the Articles of Association. The main purpose of this Appendix is to provide an overview of the Company’s Articles of Association for potential investors, so it may not contain all the information that is important to potential investors.

SHARES

1. Issuance of Shares

The shares of the Company take the form of share certificates, and share certificates include the form of uncertificated securities.

The shares of the Company shall be issued following the principles of openness, fairness and justice, and each share in the same class shall have the same rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by any subscriber, the price per share paid must be the same.

2. Increase, Decrease and Repurchase of Shares

Increase of Registered Capital

The Company may, upon resolution by a shareholders’ meeting, adopt the following methods to increase its capital in accordance with its business and development needs and pursuant to the provisions of laws and regulations and the securities regulatory rules of the place where the Company’s shares are listed:

- (I) issuing shares to unspecified parties;
- (II) issuing shares to specific parties;
- (III) distributing bonus shares to existing shareholders;
- (IV) converting the reserved funds into share capital;
- (V) other ways stipulated by the laws and administrative regulations, and approved by the securities regulatory authorities of the place where the Company’s shares are listed, the Hong Kong Stock Exchange, and the China Securities Regulatory Commission (CSRC).

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Reduction of Registered Capital

The Company may reduce its registered capital. Where the Company reduces its registered capital, it shall be handled in accordance with the procedures prescribed by the Company Law and other relevant provisions, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed, and these Articles of Association.

Increase or decrease of the registered capital of the Company shall be registered with the company registration authorities in accordance with the laws.

Repurchase of Shares

The Company shall not repurchase its own shares, except in one of the following circumstances:

- (I) reduction of its registered capital;
- (II) merging with another company holding shares in the Company;
- (III) the shares are to be used for employee stock ownership plans or equity incentives;
- (IV) any shareholder opposes a resolution on the merger or division of the Company adopted at a shareholders’ meeting and requests the Company to purchase his or her shares;
- (V) the shares are to be used to convert corporate bonds issued by the Company that can be converted to shares;
- (VI) it is necessary for the Company to maintain corporate value and shareholders’ interests;
- (VII) under any other circumstance as provided by any law or regulation.

Except for the aforesaid circumstances, the Company shall not repurchase its own shares.

The Company may repurchase its own shares through public centralized trading or other methods approved by relevant laws and regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed and the CSRC (if necessary).

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If the repurchase of its own shares is made by the Company under any of the circumstances stipulated in item (III), item (V) or item (VI) hereof, centralized trading shall be adopted publicly.

The Company purchasing its own shares under any of the circumstances set forth in items (I) and (II) above shall be subject to a resolution of the shareholders’ meeting.

The Company purchasing its own shares under any of the circumstances set forth in items (III), (V) and (VI) above may, pursuant to these Articles of Association or the authorization of the shareholders’ meeting, be subject to a resolution of a meeting of the Board of Directors at which more than two-thirds of Directors are present.

The shares repurchased by the Company according to the above provisions under the circumstance stipulated in item (I) hereof shall be deregistered within ten days from the date of repurchase of shares; the shares shall be assigned or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (II) or item (IV); and the shares in the Company held in total by the Company after the repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) shall not exceed 10% of the Company’s total outstanding shares, and shall be assigned or deregistered within three years.

The Company making a share repurchase shall perform its obligation of information disclosure according to relevant laws and regulations and the Hong Kong Listing Rules. Where the relevant regulatory rules of the place where the Company’s shares are listed contain any other provisions in respect of the matters related to the share repurchases, such provisions shall prevail.

3. Transfer of Shares

Shares of the Company may be transferred according to the laws.

Matters concerning the restriction on sale, reduction, and other changes of shares held by the shareholders, directors, and senior management of the Company shall comply with the relevant provisions on changes in the Company’s shares as set forth in the Company Law, the Securities Law, the Hong Kong Listing Rules, as well as the relevant regulatory rules of the CSRC and the place where the Company’s shares are listed.

The Company does not accept its own shares as collateral for a pledge.

Shares of the Company issued prior to the public issuance of shares shall not be transferred within one year from the date on which the shares of the Company are listed and traded on the stock exchange.

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The directors and senior management of the Company shall report to the Company their shareholdings in the Company and the changes thereof and shall not transfer annually, during their terms of office as determined at the time of taking office, more than 25% of the total number of shares of the Company which they hold; the shares of the Company held by them shall not be transferred within one year from the date when the shares of the Company are listed and traded. The shares held by the aforesaid persons in the Company shall not be transferred within half a year after they have left office.

Where shares are pledged during the period when their transfer is restricted as prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge right within such restriction period.

Where relevant provisions of the securities regulatory authorities of the place where the Company’s shares are listed have any other provisions in respect of restrictions on transfer of overseas listed shares, such provisions shall prevail.

The Company or its subsidiaries (including the Company’s affiliated enterprises) shall not provide financial assistance for others to acquire shares of the Company or its parent company in the form of donation, capital advance, guarantee, loan, etc., except where the Company implements an employee stock ownership plan.

SHAREHOLDERS AND SHAREHOLDERS’ MEETING

1. General Provisions of Shareholders

Register of shareholders

The Company shall maintain a register of shareholders based on vouchers provided by securities registries. The register of shareholders shall be sufficient evidence of the shareholders’ shareholding in the Company. Shareholders enjoy rights and assume obligations in accordance with the class of shares they hold; shareholders who hold the same class of shares enjoy the same rights and assume the same obligations.

When the Company convenes a shareholders’ meeting, distributes dividends, conducts liquidation and performs other activities that require determining the identity of the shareholders, the Board of Directors or the convener of the shareholders’ meeting shall determine the date of record, and shareholders registered in the register after market closing on the date of record shall be shareholders who enjoy the relevant rights and interests. Where the laws, administrative regulations, departmental rules, regulatory documents and the relevant stock exchanges or regulatory authorities of the place(s) where the Company’s shares are listed specify the period of closure of the register prior to the holding of a shareholders’ meeting or prior to the date of record for the determination of dividend distribution by the Company, such provisions shall prevail.

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Rights and obligations of shareholders

The shareholders of the Company shall be entitled to the following rights:

- (I) to receive dividends and other forms of profit distribution based on the number of shares held by them;
- (II) to lawfully demand, convene, preside over, or attend shareholders' meetings either in person or by proxy, speak at shareholders' meetings and exercise the corresponding voting right (except where a shareholder is required, by the securities regulatory rules of the listing place or applicable laws and regulations, to abstain from voting on individual matters);
- (III) to supervise the Company's business operations, propose recommendations or raise questions;
- (IV) to transfer, bestow or pledge shares held by them in accordance with the laws, administrative regulations and the Articles of Association;
- (V) to review and copy the Articles of Association, register of shareholders, minutes of shareholders' meetings, resolutions of meetings of the Board of Directors, and financial and accounting reports. In addition, eligible shareholders may examine the Company's accounting books and accounting vouchers;
- (VI) to participate in the distribution of the Company's residual assets based on their shareholding upon termination or liquidation of the Company;
- (VII) to request the Company to acquire shares held by shareholders who vote against any resolution proposed in any shareholders' meeting on the merger or division of the Company;
- (VIII) to enjoy other rights conferred by laws, administrative regulations, departmental rules, the Articles of Association or the securities regulatory rules of the place where the Company's shares are listed.

If any shareholder requests to inspect or copy the relevant information of the Company, the said shareholder shall comply with the laws including the Company Law and the Securities Law and administrative regulations and provide the Company with written documents bearing evidence of the class and number of shares held by the said shareholder in the Company, and the Company will provide the said information upon authentication of the identity of the said shareholder. If shareholders request to inspect the Company's accounting books and accounting vouchers, they shall submit a written request to the Company, specifying the purpose. The Company may refuse to provide access if it has reasonable grounds to believe that the shareholder's purpose for inspecting

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the accounting books and accounting vouchers is improper and may prejudice the legitimate interests of the Company, and shall, within 15 days from the date the shareholder submits the written request, provide a written response to the shareholder and state the reasons for the refusal.

Where the contents of a resolution of shareholders’ meeting or the Board of Directors of the Company violate the laws or administrative regulations, shareholders are entitled to petition the people’s court to declare the resolution invalid.

Where the convening procedures or voting methods of a shareholders’ meeting or a Board meeting violate laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, a shareholder shall have the right to apply to the people’s court for revocation within 60 days from passing of such resolution, unless there is only a slight defect in the convening procedures or voting methods of the shareholders’ meetings or Board meetings, which has no substantive impact on the resolution.

In the event of a dispute regarding the validity of the resolution of a shareholders’ meeting among the Board of Directors, shareholders and other relevant parties, legal action shall be promptly initiated with the people’s court. Until the people’s court issues a judgment or ruling, such as rescinding the resolution, the parties involved shall implement the resolution of the shareholders’ meeting, and no subject shall refuse to execute the content of the resolution on the ground that such resolution is invalid. The Company, its directors, and senior management shall diligently discharge their duties to ensure the normal operation of the Company.

Where the people’s court makes a judgment or ruling on the relevant matter, the Company shall, in accordance with the laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the CSRC and the place where the Company’s shares are listed, perform its information disclosure obligations, fully explain the impact, and actively cooperate in the execution of the judgment or ruling after it becomes effective. If the correction of previous matters is involved, the Company shall deal with it in a timely manner and fulfill the corresponding information disclosure obligations.

Where any director or senior management personnel violates the provisions of laws, administrative regulations or these Articles of Association, damaging the interests of shareholders, the shareholders may file a lawsuit with the people’s court.

The shareholders of the Company shall undertake the following obligations:

- (I) complying with laws, administrative regulations and these Articles of Association;

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- (II) making payment for shares subscribed for according to the number of shares subscribed for and the manners of subscription;
- (III) not making divestment unless in the circumstances stipulated by laws and regulations;
- (IV) not abusing shareholder’s rights to harm the interests of the Company or other shareholders; not abusing the independent legal person status of the Company and shareholders’ limited liability to harm the interests of the Company’s creditors;
- (V) any other obligations stipulated by laws, administrative regulations, these Articles of Association, or the securities regulatory rules of the place where the Company’s shares are listed.

Shareholders of the Company who abuse shareholders’ rights and cause damages to the Company and other shareholders shall be liable for compensation pursuant to the law.

Shareholders who abuse the independent legal person status of the Company and shareholders’ limited liability to evade debts and severely infringe upon the interests of the Company’s creditors shall assume joint and several liabilities for the Company’s debts.

Controlling Shareholders and Actual Controllers

The controlling shareholders and actual controllers of the Company shall exercise their rights, perform their obligations and safeguard the interests of the Company in accordance with the laws, administrative regulations, the provisions of the CSRC and the Stock Exchange.

The controlling shareholders and actual controllers of the Company shall comply with the following provisions:

- (I) to exercise shareholders’ rights according to law, and not to abuse control rights or take advantage of connected relations to damage the legal rights and interests of the Company or other shareholders;
- (II) to strictly perform the public statements and commitments made, and not to modify or exempt them without authorization;
- (III) to perform information disclosure obligations in strict accordance with relevant regulations, actively cooperate with the Company in information disclosure, and timely inform the Company of major events that have occurred or are to occur;

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- (IV) not to occupy the Company’s funds in any way;
- (V) not to force, instigate or require the Company and relevant personnel to provide guarantee in violation of laws and regulations;
- (VI) not to take advantage of unpublicized material information of the Company to seek benefits, not to disclose unpublicized material information related to the Company in any way, not to engage in insider trading, short-term trading, market manipulation and other illegal acts;
- (VII) not to damage the legitimate rights and interests of the Company and other shareholders by any means such as unfair connected person transactions, profit distribution, asset reorganization, and foreign investment;
- (VIII) to ensure the integrity of the Company’s assets, personnel independence, financial independence, institutional independence and business independence, and not to affect the independence of the Company in any way;
- (IX) other requirements of the laws and administrative regulations, the provisions of the CSRC, the securities regulatory authorities and the stock exchanges of the place where the Company’s shares are listed, the business rules of the stock exchange, and these Articles of Association.

If the controlling shareholders or de facto controllers of the Company do not serve as directors of the Company but actually execute the affairs of the Company, the provisions of the Articles of Association on the duties of fidelity and diligence of the directors shall apply.

A controlling shareholder or de facto controller of the Company who instructs a director or senior management member to engage in an act detrimental to the interests of the Company or its shareholders shall be jointly and severally liable with such director or senior management member.

2. Shareholders’ Meeting

General Provisions of the Shareholders’ Meeting

The shareholders’ meeting of the Company is composed of all shareholders. The shareholders’ meeting is the organ of authority of the Company, and shall exercise the following functions and powers pursuant to the law:

- (I) to elect and replace the directors who are not representatives of staff and to decide on the matters relating to the remuneration of directors;
- (II) to deliberate and approve reports of the Board of Directors;

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- (III) to deliberate and approve the Company’s profit distribution proposals and loss recovery proposals;
- (IV) to resolve on any increase or reduction of the Company’s registered capital;
- (V) to resolve on the issuance of corporate bonds;
- (VI) to resolve on merger, division, dissolution and liquidation of the Company or change of its corporate form;
- (VII) to amend the Articles of Association;
- (VIII) to resolve on the engagement or dismissal of the accounting firm that undertakes the Company’s auditing business;
- (IX) to deliberate and approve the matters concerning the guarantee as specified in Article 48;
- (X) to deliberate matters regarding the purchase or sale of material assets by the Company within one year that exceeds 30% of the latest audited total assets of the Company;
- (XI) to deliberate and approve matters regarding the changes in the use of proceeds;
- (XII) to deliberate equity incentive plans and employee stock ownership plans;
- (XIII) to deliberate any other matter that should be decided on by the shareholders’ meeting as stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

The shareholders’ meeting may authorize the Board of Directors to resolve on the issuance of corporate bonds.

Except as otherwise provided by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company’s shares are listed, the above powers and functions of the shareholders’ meeting shall not be exercised by the Board or other institutions and individuals on behalf of the Board by way of authorization.

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The following acts of external guarantee of the Company shall be reviewed and approved by the shareholders' meeting:

- (I) any guarantee provided under the situation where the total amount of external guarantees provided by the Company and its controlling subsidiaries exceeds 50% of the latest audited net assets of the Company;
- (II) any guarantee provided under the situation where the total amount of external guarantees provided by the Company exceeds 30% of the latest audited total assets of the Company;
- (III) any guarantee provided under the situation where the amount of guarantee provided by the Company in one year exceeds 30% of the latest audited total assets of the Company;
- (IV) guarantee offered to persons whose gearing ratio has exceeded 70%;
- (V) a single guarantee with an amount exceeding 10% of the latest audited net assets of the Company;
- (VI) guarantees provided to shareholders, de facto controllers and their connected parties;
- (VII) other guarantee situations that require approval by the shareholders' meeting as stipulated by laws, administrative regulations, rules, normative documents, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed, and these Articles of Association.

The Company shall fulfill its obligation to disclose information on external guarantees in strict accordance with relevant regulations. If the Company's directors, senior management or other relevant personnel fail to review the Company's external guarantees in accordance with the prescribed approval authority or review procedures, causing losses to the Company, the Company shall hold such personnel accountable.

The shareholders' meetings shall be divided into annual general meetings and extraordinary shareholders' meetings. The annual general meeting shall be convened once a year, and be held within 6 months after the end of the previous accounting year.

An extraordinary shareholders' meeting shall be convened within two months from the date of occurrence of any of the following events:

- (I) the number of directors is less than the number required by the Company Law or less than two-thirds of the number stipulated in these Articles of Association;

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- (II) the outstanding losses of the Company amount to one-third of the Company’s total paid-in share capital;
- (III) Shareholders who individually or jointly hold more than 10% of the Company’s shares request to do so;
- (IV) the Board deems it necessary to convene the meeting;
- (V) the Audit Committee proposes to convene the meeting;
- (VI) other circumstances as stipulated by the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed or these Articles of Association.

Convening of shareholders’ meeting

The Board of Directors shall convene the shareholders’ meeting on time within the prescribed period.

With the consent of more than half of all independent non-executive directors, independent non-executive directors have the right to propose to the Board of Directors to convene an extraordinary shareholders’ meeting. Where independent non-executive directors propose to convene an extraordinary shareholders’ meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed, and these Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary shareholders’ meeting within 10 days upon the receipt of the proposal.

Where the Board of Directors agrees to convene the extraordinary shareholders’ meeting, a notice on convening of the extraordinary shareholders’ meeting shall be issued within 5 days after the resolution of the Board of Directors is made; where the Board of Directors does not agree to convene the extraordinary shareholders’ meeting, reasons shall be specified and announcements shall be made.

If the securities regulatory authority of the place where the Company’s shares are listed has provisions otherwise, such provisions shall prevail.

The Audit Committee is entitled to propose to the Board of Directors to convene an extraordinary shareholders’ meeting and such proposal shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory

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rules of the place where the Company’s shares are listed, and these Articles of Association, reply in writing on whether or not to agree on the convening of the extraordinary shareholders’ meeting within 10 days upon the receipt of the proposal.

When the Board of Directors agrees to convene the extraordinary shareholders’ meeting, a notice on convening of the extraordinary shareholders’ meeting shall be issued within 5 days after the resolution of the Board of Directors is made, and the changes made to the original proposal in the notice shall be approved by the Audit Committee.

When the Board of Directors disagrees to convene the extraordinary shareholders’ meeting, or fails to reply within 10 days upon the receipt of the proposal, the Board of Directors shall be deemed as being unable to perform or failing to perform its duty to convene a shareholders’ meeting, and the Audit Committee may convene and preside over such meeting on its own.

Shareholders severally or jointly holding more than 10% shares of the Company have the right to request the Board of Directors to convene an extraordinary shareholders’ meeting and such request shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed, and these Articles of Association, reply in writing on whether or not to agree on the convening of the extraordinary shareholders’ meeting within 10 days upon the receipt of the proposal.

Where the Board of Directors gives consent for convening of an extraordinary shareholders’ meeting, a notice on convening of the extraordinary shareholders’ meeting shall be issued within 5 days after the resolution of the Board of Directors is made, and the changes made to the original request in the notice shall be approved by relevant shareholders.

Where the Board of Directors does not give consent for convening of an extraordinary shareholders’ meeting or does not issue feedback within 10 days upon the receipt of the request, the shareholders holding 10% or more of the Company’s shares separately or in aggregate shall have the right to propose to the Audit Committee on convening of an extraordinary shareholders’ meeting and such proposal shall be made to the Audit Committee in writing.

Where the Audit Committee gives consent for convening a shareholders’ meeting, a notice on convening of the shareholders’ meeting shall be issued within 5 days upon the receipt of the request and the changes made to the original proposal in the notice shall be approved by relevant shareholders.

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Where the Audit Committee fails to issue a notice of shareholders’ meeting within the stipulated period, the Audit Committee shall be deemed as refusing to convene and chair the shareholders’ meeting, and shareholders who hold 10% or more of the Company’s shares individually or jointly for more than 90 consecutive days may proceed to convene and chair a shareholders’ meeting on their own.

Proposal and Notification of Shareholders’ Meeting

The content of the proposal shall fall within the scope of the shareholders’ meeting’s powers, include a clear agenda and specific matters for resolution, and comply with the relevant provisions of laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s share are listed and these Articles of Association.

When the Company decides to convene a shareholders’ meeting, the Board of Directors, the Audit Committee and shareholders severally or jointly holding 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders severally or jointly holding 1% or more of the shares of the Company may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders’ meeting. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders’ meeting, announce the contents of the interim proposals, and submit them to the shareholders’ meeting for deliberation. This does not apply to any interim proposal that violates laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed, or the provisions of the Articles of Association, or that falls outside the scope of the powers of the shareholders’ meeting. If, under the securities regulatory rules of the place where the Company’s shares are listed, the shareholders’ meeting must be postponed due to the issuance of a supplementary notice, the convening of the meeting shall be deferred in accordance with the securities regulatory rules of the place where the Company’s shares are listed.

Except as prescribed in the preceding paragraph, the convener, after issuing the notice and announcement of the shareholders’ meeting, shall neither revise the proposals stated in the notice of shareholders’ meetings nor add new proposals.

The shareholders’ meeting shall not vote and adopt a resolution on any proposal that is not listed in the notice of the shareholders’ meeting or that is inconsistent with the Articles of Association.

The convener shall inform each shareholder of the Company by announcement 21 days before the annual shareholders’ meeting, and shall inform each shareholder by announcement 15 days before the extraordinary shareholders’ meeting.

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The start time of the meeting in the notice does not include the date of the meeting.

The notice of the shareholders’ meeting shall include the following contents:

- (I) the time, venue and duration of the meeting;
- (II) the matters and proposals to be discussed at the meeting;
- (III) a prominent statement showing that all shareholders are entitled to attend the shareholders’ meeting and appoint a proxy in writing to attend the meeting and vote on their behalf, and such proxy need not be a shareholder of the Company;
- (IV) the shareholding registration date of shareholders entitled to attend the shareholders’ meeting;
- (V) the name and phone number of the contact person of the meeting;
- (VI) time and procedures for voting through online or other means.

The notice and any supplementary notice of the shareholders’ meeting shall include the contents stipulated in the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, and shall fully and accurately disclose all specific details of all proposals. Where the opinions of an independent non-executive director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of shareholders’ meetings are served.

If the shareholders’ meeting is held online or by other means, the time and procedures for voting through online or other means shall be clearly stated in the notice of the shareholders’ meeting.

Convening of shareholders’ meetings

All shareholders whose names are recorded in the shareholder register on the record date, or their proxies, are entitled to attend the shareholders’ meeting and exercise their voting rights in accordance with relevant laws, regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association (except those shareholders who are required to abstain from voting on specific matters in accordance with the securities regulatory rules of the place where the Company’s shares are listed).

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Where any shareholder is, under applicable laws and regulations and the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Shareholders may attend the shareholders’ meeting in person or appoint a proxy to attend the meeting and exercise their voting rights on their behalf. Each shareholder has the right to appoint one proxy, but the proxy does not need to be a shareholder of the Company. The proxy(ies) so appointed by the shareholder(s) may, pursuant to the authorization of the shareholder(s), exercise the following rights:

- (I) the shareholders’ right to speak at the shareholders’ meeting;
- (II) the right to demand a vote by ballot, either on their own or in conjunction with others;
- (III) voting rights by a show of hands or by ballot, unless otherwise stipulated by laws, administrative regulations and the listing rules of the stock exchange where the Company’s shares are listed, or other securities laws and regulations.

If an individual shareholder attends the meeting in person, he/she shall present his/her identity card or other valid certificates or documents that can prove his/her identity. If a proxy is appointed to attend the meeting on behalf of any shareholder, the proxy shall present his/her valid identity card and the power of attorney from the shareholder.

Corporate shareholders or other institutional shareholders shall be represented at the meeting by their legal representative/managing partner or a proxy authorized by the legal representative/managing partner. The legal representative/managing partner attending the meeting shall present his/her identity card or valid certificate bearing evidence of his/her qualifications as legal representative/managing partner; a proxy attending the meeting shall present his/her identity card and the written power of attorney lawfully issued by the legal representative/managing partner of the corporate shareholder/institutional shareholder.

If the shareholder is a Recognized Clearing House (or its nominee) as defined by the relevant ordinances enacted in Hong Kong from time to time, the said shareholder may authorize one or more persons as it thinks fit to act on its behalf at any shareholders’ meeting; however, where more than one persons are so authorized, the power of attorney shall specify the numbers and classes of shares in respect of which each such person is so authorized, and shall be signed by the persons authorized by the Recognized Clearing House. The person so authorized may represent the Recognized Clearing House (or its

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nominee) to attend the meeting and exercise rights (including the right to speak and vote) (without needing to present a share certificate, notarized power of attorney and/or further evidence of due authorization) as if that person is an individual shareholder of the Company.

The power of attorney issued by a shareholder to appoint other persons to attend the shareholders' meeting shall contain the following information:

- (I) name or title of the principal and the class and number of the Company's shares held by the principal;
- (II) name or title of the proxy;
- (III) specific instructions from the shareholder, including the instructions on whether to vote for or against or abstain from voting on each matter under consideration included in the agenda of the shareholders' meeting;
- (IV) the date of issue and validity period of the power of attorney;
- (V) signature (or seal) of the principal; if the principal is a corporate shareholder, the corporate seal shall be affixed.

Where the attendance of a director or senior management is requested by the shareholders' meeting, such director or senior management shall attend the meeting and answer enquiries of shareholders. Subject to the securities regulatory rules of the place where the Company's shares are listed, the aforementioned persons may attend or participate in the meeting via the Internet, video, telephone or other equivalent means.

The shareholders' meeting shall be presided over by the chairman. If the chairman is unable to perform his/her duties or fails to perform his/her duties, a director nominated by more than half of the directors shall preside over the meeting.

A shareholders' meeting convened by the Audit Committee itself shall be presided over by the convener of the Audit Committee. When the convener of the Audit Committee is unable to perform his/her duties or fails to perform his/her duties, one member of the Audit Committee jointly recommended by more than half of the Audit Committee members shall preside over the meeting.

For a shareholders' meeting convened by shareholders on their own, it shall be presided over by the convener or a representative recommended by the convener.

If, during a shareholders' meeting, the presider violates the rules of procedure, thus preventing the meeting from continuing, the meeting may, with the consent of a majority of the shareholders with voting rights present at the meeting, elect a person to serve as the presider and continue the meeting.

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Voting and Resolutions of Shareholders’ Meeting

Resolutions at the shareholders’ meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the shareholders’ meeting.

Special resolutions shall be passed by votes representing more than two-thirds of voting rights held by shareholders (including proxies thereof) attending the shareholders’ meeting.

The following matters shall be approved by ordinary resolutions at a shareholders’ meeting:

- (I) work reports of the Board of Directors;
- (II) profit distribution plan and plan for covering losses formulated by the Board of Directors;
- (III) appointment and dismissal of members of the Board of Directors, and their remuneration and the method of payment thereof;
- (IV) matters other than those that shall be passed by a special resolution as stipulated by laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

The following matters shall be approved by special resolutions at a shareholders’ meeting:

- (I) increase or decrease of the registered capital of the Company;
- (II) division, spin-off, merger, dissolution and liquidation of the Company;
- (III) amendments to these Articles of Association;
- (IV) the amount of purchase, disposal of major assets or guarantee provided in one year exceeds 30% of the latest audited total assets of the Company;
- (V) equity incentive plans;

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(VI) other matters that should be approved by a special resolution as required by the laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association, or that are considered through an ordinary resolution of the shareholders’ meeting to be of substantial impact on the Company and therefore need to be approved by a special resolution.

Shareholders (including their proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall have one vote, except for class shareholders.

When a shareholders’ meeting deliberates on significant matters that have an impact on the interests of small and medium investors, the votes of small and medium investors shall be counted separately. The separate voting results shall be disclosed publicly in a timely manner.

No voting rights shall attach to the Company’s shares held by the Company itself, and such shares shall not be counted in the total number of voting shares present at a shareholders’ meeting.

If a shareholder purchase voting shares of the Company in violation of the provisions of Paragraphs 1 and 2 of Article 63 of the Securities Act, the shareholder shall not exercise voting rights on the shares exceeding the prescribed proportion within 36 months after the purchase, and the shares shall not be counted in the total number of voting shares present at the shareholders’ meeting.

The Company’s Board of Directors, independent non-executive Directors, shareholders holding 1% or more of the voting shares, or investor protection agencies established in accordance with laws, administrative regulations, or the regulations of the securities regulatory authority where the Company’s shares are listed may publicly solicit shareholder voting rights. In the case of solicitation of voting rights of shareholders, sufficient disclosure of information such as specific voting intent shall be made to the shareholders whose voting rights are solicited. Solicitation of voting rights of shareholders in the form of compensation or disguised compensation is prohibited. Except under statutory conditions, the Company shall not set a minimum shareholding percentage limit on the solicitation of voting rights.

BOARD OF DIRECTORS

1. General Provisions for Directors

The Company’s directors shall be natural persons. A person shall not serve as a director of the Company under the following circumstances:

(I) a person without or with limited capacity for civil conduct;

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- (II) a person who has been convicted for criminal offense for corruption, bribery, encroachment of property, misappropriation of property or disruption of the socialist market economy order, or has been deprived of political rights due to a crime, and less than five years have elapsed since the completion of the execution of the penalty; or who has been declared on probation, and less than two years have elapsed since the expiration of the probation period;
- (III) a director, factory director or manager of a company or enterprise undergoing bankruptcy liquidation and is personally liable for the bankruptcy of such company or enterprise, and less than three years have elapsed since the completion of the bankruptcy liquidation of the company or enterprise;
- (IV) a person who serves as the legal representative of a company or an enterprise whose business license has been revoked or which was ordered to close down due to its violation of law, and who is personally liable for this, and less than three years have elapsed since such revocation of business license or close-down;
- (V) an individual who has a large amount of debts remaining unpaid and who has been listed as a dishonest debtor by the People’s Court;
- (VI) a person who has been banned by the CSRC or the Hong Kong Stock Exchange from the securities market and the ban period has not expired;
- (VII) a person who has been publicly identified by the securities regulatory authority or stock exchange where the Company’s shares are listed as unsuitable to serve as a director or senior manager of a listed company, and the relevant period has not expired;
- (VIII) such other matters as required by laws, administrative regulations or departmental rules, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company’s shares are listed.

Where a director is elected or designated in violation of the foregoing provisions, such election, designation or appointment shall be null and void. Where a director falls under any of the above circumstances during his/her term of office, the Company shall remove him/her from office and require him/her to cease performing his/her duties.

Directors who are not employee representatives shall be elected or replaced by the shareholders’ meeting and may be removed by the shareholders’ meeting before the expiry of their term of office. The Board of Directors shall include employee representatives of the Company. Employee representatives on the Board shall be democratically elected by the Company’s employees through the employees’ representative assembly, the general meeting of employees or other forms, and need not be submitted to the shareholders’ meeting for deliberation. The term of office of each director shall not exceed three years, and upon expiry of the term, a director may be re-elected and re-appointed.

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A director's term shall be calculated from the date he/she assumes office until the expiry of the term of the current Board of Directors. If a director's term expires but re-election is not made in a timely manner, the original director shall continue to perform his/her duties as a director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a newly-elected director assumes office.

Any person appointed by the Board as a director to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment, at which meeting he/she shall be subject to election by the shareholders, and shall then be eligible for re-election.

A director may concurrently serve as a senior management; while the total number of directors who concurrently serve as senior management together with directors who are employee representatives shall not exceed one-half of the total number of directors of the Company.

The Company's Board of Directors shall have employee representative directors.

Directors shall comply with laws, administrative regulations and the Articles of Association, owe a fiduciary duty to the Company, take measures to avoid conflicts between their own interests and the Company's interests, and shall not use their powers to seek improper benefits.

Directors owe the following fiduciary duties to the Company:

- (I) not to misappropriate the Company's property or embezzle the Company's funds;
- (II) not to deposit Company funds into accounts opened in their own names or in the names of other individuals;
- (III) not to make use of official powers to accept bribes or other illegal income;
- (IV) not to enter into a contract or conduct a transaction with the Company directly or indirectly, without reporting to the Board of Directors or the shareholders' meeting and obtaining approval through a resolution of the Board of Directors or the shareholders' meeting in accordance with the provisions of the Articles of Association;
- (V) not to take advantage of official powers to seek business opportunities for themselves or others that should have otherwise been available to the Company, except when reported to the Board of Directors or the shareholders' meeting and approved by a resolution of the shareholders' meeting, or when the Company, according to the laws, administrative regulations, or the provisions of the Articles of Association, cannot utilize such business opportunities;

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- (VI) not to operate for themselves or others any business similar to that of the Company, without reporting to the Board of Directors or the shareholders’ meeting and obtaining approval through a resolution of the shareholders’ meeting;
- (VII) not to pocket commissions on transactions between others and the Company for his/her own benefits;
- (VIII) not to disclose the secrets of the Company without authorization;
- (IX) not to make use of their connected relationship to compromise the interests of the Company;
- (X) any other fiduciary obligations stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

Income derived by a director from violation of the aforesaid provisions shall belong to the Company; where the Company suffers losses thereto, the director shall be liable for compensation.

Immediate family members of directors and senior management, enterprises directly or indirectly controlled by directors, senior management or their immediate family members, and connected parties that are otherwise connected with directors and senior management, when entering into contracts or conducting transactions with the Company, are subject to the provisions of item (IV) above.

The directors shall comply with the laws, administrative regulations and the Articles of Association and shall diligently perform their obligations to the Company. In performing their obligations, they shall exercise the reasonable care that a manager should typically have for the best interests of the Company.

The directors shall diligently perform the following obligations to the Company:

- (I) exercising the rights accorded by the Company prudently, seriously and diligently to ensure that the commercial activities of the Company comply with laws and administrative regulations of the State and the requirements of various economic policies of the State and the commercial activities shall not exceed the scope of business stipulated in the business license;
- (II) treating all shareholders equally;
- (III) getting a timely grasp of the status of the Company’s business operation and management;

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- (IV) signing a written confirmation opinion on the Company’s periodic reports, and ensuring that the information disclosed by the Company is true, accurate and complete;
- (V) providing the relevant information and materials to the Audit Committee truthfully and not hindering the exercise of official powers by the Audit Committee;
- (VI) any other diligent obligations stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

2. Board of Directors

A Board shall be established by the Company. The Board of Directors shall consist of 10 directors, four of whom are independent non-executive directors. One of the independent non-executive directors who is ordinarily resident in Hong Kong shall assume office upon the listing of the Company’s H Shares issued under its initial public offering on the Hong Kong Stock Exchange. The Board of Directors shall have one chairman who shall be elected by the Board of Directors with a majority of votes of all directors. At all times, the Board of Directors shall comprise more than one-third independent non-executive directors, with the total number of independent non-executive directors being no fewer than three. At least one of these independent non-executive directors must possess appropriate professional qualifications consistent with regulatory requirements, or possess appropriate accounting or related financial management expertise as stipulated by relevant regulatory requirements.

The Board shall exercise the following functions and powers:

- (I) to convene the shareholders’ meeting and submit work reports to the shareholders’ meeting;
- (II) to implement resolutions of the shareholders’ meeting;
- (III) to decide on the Company’s business plans and investment proposals;
- (IV) to formulate the Company’s profit distribution plans and plans for making up losses;
- (V) to formulate plans for the Company to increase or decrease its registered capital, issue bonds or other securities, and for listing;
- (VI) to draw up plans for major acquisitions, repurchase of the Company’s shares, or for the merger, division, dissolution, or change of the Company’s form;

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- (VII) within the scope of authority granted by the shareholders’ meeting, to decide on matters such as the Company’s external investments, acquisition and disposal of assets, asset mortgages, external guarantees, entrusted financial management, connected transactions, and external donations;
- (VIII) to decide on the establishment of the Company’s internal management structure;
- (IX) to decide on the appointment or dismissal of the Company’s General Manager, Secretary to the Board, and other senior management personnel, and to decide on their remuneration and matters of reward and penalty; based on the nomination of the General Manager, to decide on the appointment or dismissal of senior management personnel such as Deputy General Managers, Chief Financial Officer, and Deputy Chief Financial Officer, and to decide on their remuneration and matters of reward and penalty;
- (X) to formulate the Company’s basic management system;
- (XI) to formulate proposals for the amendment of these Articles of Association;
- (XII) to manage the Company’s information disclosure matters;
- (XIII) to propose to the shareholders’ meeting the appointment or replacement of the accounting firm engaged for the Company’s audit;
- (XIV) to listen to the work reports of the Company’s General Manager and to review the work of the General Manager;
- (XV) other powers and functions conferred by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed, these Articles of Association, or the shareholders’ meeting.

Matters exceeding the scope of authority granted by the shareholders’ meeting shall be submitted to the shareholders’ meeting for deliberation.

3. Independent Non-executive Directors

Independent non-executive Directors shall, in accordance with laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association, conscientiously perform their duties, play the role of participation in decision-making, supervision and checks and balances, and professional consulting in the Board of Directors, so as to safeguard the overall interests of the Company and protect the legitimate rights and interests of minority shareholders.

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Independent non-executive Directors must remain independent. The following persons shall not serve as independent non-executive Directors:

- (I) persons who hold positions in the Company or its subsidiaries and their spouses, parents, children and major social relations;
- (II) natural person shareholders who directly or indirectly hold more than 1% of the issued shares of the Company or are among the top 10 shareholders of the Company and their spouses, parents and children;
- (III) shareholders who directly or indirectly hold more than 5% of the issued shares of the Company or persons who hold positions in the top 5 shareholders of the Company and their spouses, parents and children;
- (IV) persons who hold positions in subsidiaries of the controlling shareholders or actual controllers of the Company and their spouses, parents and children;
- (V) persons who have major business dealings with the Company and its controlling shareholders or actual controllers or their respective subsidiaries, or persons who hold positions in the entities with major business dealings and their controlling shareholders or actual controllers;
- (VI) persons who provide financial, legal, consulting, sponsorship and other services for the Company and its controlling shareholders, actual controllers or their respective subsidiaries, including but not limited to all the project team members of the intermediary agencies providing services, review persons at all levels, persons signing reports, partners, directors, senior executives and principal persons in charge;
- (VII) persons who have had any of the circumstances listed in items 1 to 6 within the last 12 months;
- (VIII) other persons who are not independent as stipulated by laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

The affiliated enterprises of the Company’s controlling shareholders or actual controllers referred to in items 4 to 6 of the preceding paragraph do not include enterprises that are controlled by the same state-owned assets management agency as the Company and do not constitute a related relationship with the Company in accordance with relevant regulations.

Independent non-executive directors shall conduct annual self-assessments of their independence and submit the results to the Board of Directors. The Board of Directors shall annually assess the independence of incumbent independent non-executive directors and issue a specific opinion, which shall be disclosed together with the annual report.

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An independent non-executive director of the Company shall:

- (I) be qualified as a director of listed companies in accordance with laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the stock exchange where the Company’s shares are listed;
- (II) comply with the independence requirements stipulated in these Articles of Association and the securities regulatory rules of the place where the Company’s shares are listed;
- (III) possess basic knowledge of the operation of listed companies and be familiar with relevant laws, regulations and rules;
- (IV) possess more than five years of working experience in law, accounting or economics, which is necessary for performing the duties of an independent non-executive director;
- (V) have good personal character and no bad record of major dishonesty or other records;
- (VI) comply with any other conditions stipulated by laws, administrative regulations, Hong Kong Listing Rules and other securities regulatory rules of the place where the securities of the Company are listed and the Articles of Association.

4. Special Committees of the Board

The Company’s Board of Directors shall establish the Audit Committee to exercise the functions and powers of the Supervisory Committee as stipulated in the Company Law.

The Audit Committee consists of three members to be elected by the Board of Directors, all of whom shall be directors not holding senior management positions in the Company, including two independent non-executive directors, and the convener is an accounting professional among the independent non-executive directors. Employee representatives among the members of the Board of Directors may serve as members of the Audit Committee.

The Audit Committee is responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating the internal and external audit work and internal controls. The following matters shall be submitted to the Board of Directors for review upon approval by a majority of all Audit Committee members:

- (I) disclosure of financial information in financial and accounting reports and periodic reports, and internal control evaluation reports;
- (II) hiring or dismissing the accounting firm that undertakes the audit for the Company;

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- (III) appointment or dismissal of any financial officer of the Company;
- (IV) making changes to accounting policies, accounting estimates, or correcting significant accounting errors due to reasons other than changes in accounting standards;
- (V) other matters as stipulated by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

The Company’s Board of Directors shall establish the Nomination Committee, the Remuneration and Appraisal Committee, the Strategy Committee, and other special committees. The committees shall perform their duties in accordance with these Articles of Association and the authorizations of the Board of Directors. Proposals of the special committees shall be submitted to the Board of Directors for deliberation and decision. The Board of Directors shall be responsible for formulating the working procedures of the special committees.

SENIOR MANAGEMENT

The Company shall have one manager to be appointed or dismissed by the Board of Directors. The position of “General Manager” is established, with powers equivalent to those of a manager.

The Company shall have certain deputy general managers to be appointed or dismissed by the Board of Directors.

The Company’s General Manager, Deputy General Manager, Chief Financial Officer, Secretary to the Board of Directors, Deputy Chief Financial Officer and other persons expressly appointed by the Board of Directors as senior management of the Company shall be the Company’s senior executives.

The general manager shall be accountable to the Board and exercise the following functions and powers:

- (I) presiding over production and operation management of the Company, organizing implementation of Board resolutions and reporting to the Board of Directors on his/her work;
- (II) organizing the implementation of the Company’s annual business plans and investment plans;
- (III) formulating plans for the establishment of internal management organizations of the Company;

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- (IV) formulating basic management rules of the Company;
- (V) formulating specific rules and regulations of the Company;
- (VI) proposing the appointment or dismissal of the Company’s Vice General Manager(s), Chief Financial Officer and Deputy Chief Financial Officer;
- (VII) deciding to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the Board of Directors);
- (VIII) exercising other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager shall attend meetings of the Board of Directors without voting rights.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

1. Financial Accounting System

The Company shall prepare its annual financial accounting report within four months from the end of each fiscal year and its interim financial accounting report within two months from the end of the first six months of each fiscal year.

The above financial accounting reports shall be prepared and announced in accordance with relevant laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company’s shares are listed.

The Company shall have no accounting books other than the statutory accounting books. The Company’s assets shall not be deposited in any account opened in the name of any individual.

When distributing after-tax profits for the current year, the Company shall withdraw 10% of the profits as its statutory common reserve fund. Such withdrawal may be stopped when the statutory common reserve fund of the Company has accumulated to over 50% of the registered capital of the Company.

When the Company’s statutory common reserve fund is not sufficient to make up for its losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory common reserve fund according to the preceding paragraph.

After allocation of the statutory common reserve fund from after-tax profits, the Company may, upon a resolution passed at the shareholders’ meeting, allocate discretionary common reserve fund from after-tax profits.

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After the Company has made up for its losses and made allocations to its common reserve fund, the remaining after-tax profits could be available for distribution to shareholder in proportion to their shareholding unless otherwise specified in the Articles of Association.

If the shareholders’ meeting distributes profits to shareholders in violation of the Company Law, the profits thus distributed shall be returned to the Company. If losses are caused to the Company, the shareholders as well as the liable directors and senior management members shall bear the liability for compensation.

No profits shall be distributed in respect of the Company’s Shares held by the Company.

The common reserve fund of the Company shall be used to make up for the losses, enhance the operating scale or increase the capital of the Company.

Losses incurred by the Company shall be offset by using discretionary common reserve fund and statutory common reserve fund first. If losses cannot be fully covered, the capital reserve fund may be applied in accordance with prescribed regulations.

Upon conversion of the statutory common reserve fund into registered capital, the balance of the fund shall not be less than 25% of the registered capital of the Company before such conversion.

2. Internal Audit

The Company shall implement an internal audit system that clearly defines the leadership structure, responsibilities and authorities, staffing arrangements, funding support, application of audit results, and accountability mechanisms for internal audit work.

The Company’s internal audit department supervises and inspects the Company’s business activities, risk management, internal controls, financial information and other matters.

3. Appointment of Accounting Firm

The Company shall appoint an accounting firm that complies with the Securities Law, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed to audit its accounting statements, verify its net assets and provide other relevant advisory services. The term of the audit firm appointed by the Company shall be one year, and can be renewed.

The appointment and dismissal of accounting firms by the Company shall be decided by the shareholders’ meeting. The Board of Directors shall not appoint an accounting firm before the decision is made by the shareholders’ meeting.

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The Company shall undertake that the accounting vouchers, accounting books, financial accounting reports and any other accounting materials provided to the accounting firm are true and complete and shall not refuse to provide or conceal such information, or provide false information.

The audit fee payable to an accounting firm shall be decided upon by the shareholders’ meeting.

When the Company dismisses or does not reappoint an accounting firm, it shall notify the accounting firm 20 days in advance and also send the shareholders, at least 10 business days before the shareholders’ meeting, a circular proposing the dismissal or non-reappointment of the accounting firm, along with any written representations the accounting firm may have provided. The accounting firm shall be granted the opportunity to make a statement at the shareholders’ meeting when the shareholders vote on the dismissal of the accounting firm.

If an accounting firm resigns from its position, it shall make representations at a shareholders’ meeting on whether there has been any impropriety on the part of the Company.

NOTICES AND ANNOUNCEMENTS

1. Notices

A notice of the Company shall be sent by the following means:

- (I) by personal delivery;
- (II) by mail;
- (III) by announcement;
- (IV) by fax;
- (V) by email;
- (VI) by telephone;
- (VII) by posting on the websites designated by the Company and the Hong Kong Stock Exchange, subject to laws, administrative regulations and securities regulatory rules of the place where the Company’s shares are listed;
- (VIII) by other means approved by the securities regulatory authority of the place where the Company’s shares are listed or as specified in the Articles of Association.

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With respect to the means by which the Company provides or sends corporate communications to holders of H Shares in accordance with the Hong Kong Listing Rules, and subject to compliance with the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed, and the Articles of Association, the Company may provide or send corporate communications to holders of H Shares via the website designated by the Company and/or the website of Hong Kong Stock Exchange, or by electronic means.

2. Announcement

The Company shall establish an information disclosure system in accordance with laws, regulations, rules, and the relevant provisions of the securities regulatory authority of the place where the Company’s shares are listed, and shall disclose information in a standardized manner in accordance with the principles of truthfulness, accuracy, completeness, comparability and timeliness.

The Company shall issue announcements and disclose information to shareholders through newspapers and websites for information disclosure designated or recognized by laws, administrative regulations, relevant domestic regulatory authorities or the stock exchange where the Company’s shares are listed.

MERGER, DIVISION, INCREASE AND DECREASE OF CAPITAL, DISSOLUTION AND LIQUIDATION

1. Merger, Division, Increase and Decrease of Capital

Merger of the company may take the form of absorption or the establishment of a new company.

Merger by absorption occurs when one company absorbs another company, with the absorbed company being dissolved. Merger by establishment of a new company occurs when two or more companies merge to form a new company, with all merging parties being dissolved.

Where the consideration for the merger does not exceed 10% of the net assets of the company, no resolution of the shareholders’ meeting shall be required, unless otherwise provided in the Articles of Association.

If a merger of the company pursuant to the preceding paragraph is not subject to a resolution of the shareholders’ meeting, it shall be approved by a resolution of the Board of Directors.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify the creditors within 10 days from the date on which it resolves the merger, and shall make a public

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announcement within 30 days in the newspapers designated by the Company and recognized by the China Securities Regulatory Commission and the stock exchange where the Company’s shares are listed, or on the National Enterprise Credit Information Publicity System, as well as on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Creditors shall have the right to require the company to settle its debts or provide corresponding guarantees within 30 days from the date of receiving the notice, or, if no notice has been received, within 45 days from the date of the announcement. Where the securities regulatory rules of the place where the Company’s shares are listed provide otherwise, such provisions shall also be complied with.

In the case of a merger, the claims and debts of all parties to the merger shall be assumed by the company surviving the merger or the newly established company.

Where the Company is divided, its properties shall be apportioned accordingly.

In the case of a division, a balance sheet and an inventory of assets shall be prepared. The company shall notify the creditors within 10 days from the date on which it resolves the division, and shall make a public announcement within 30 days in the newspapers designated by the Company and recognized by the China Securities Regulatory Commission and the stock exchange where the Company’s shares are listed, or on the National Enterprise Credit Information Publicity System, as well as on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Debts incurred prior to the division of the Company shall be borne jointly and severally by the companies after the division, unless otherwise agreed in writing between the company and the creditors before the division regarding the settlement of such debts.

Where the company needs to reduce its registered capital, it shall prepare a balance sheet and an inventory of assets.

The company shall notify the creditors within 10 days from the date the shareholders’ meeting adopts a resolution to reduce the registered capital, and shall make a public announcement within 30 days in the newspapers designated by the Company and recognized by the China Securities Regulatory Commission and the stock exchange where the Company’s shares are listed, or on the National Enterprise Credit Information Publicity System, as well as on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk). Creditors shall have the right to require the company to settle its debts or provide corresponding guarantees within 30 days from the date of receiving the notice, or, if no notice has been received, within 45 days from the date of the announcement.

Where reducing the registered capital, the Company shall reduce the amount of capital contribution or the number of shares proportionately to the shareholdings of the shareholders, unless otherwise provided by laws or the Articles of Association.

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When the company issues new shares to increase its registered capital, the shareholders shall not have a pre-emptive subscription right, unless otherwise provided in the Articles of Association or determined by resolution of the shareholders' meeting that the shareholders shall have a pre-emptive subscription right.

Any increase or decrease in the registered capital of the company shall be subject to modification registration with the company registration authority in accordance with the laws.

2 Dissolution and Liquidation

The Company shall be dissolved in the event that:

- (I) the business term stipulated in the Articles of Association expires, or any other cause for dissolution as specified in the Articles of Association occurs;
- (II) the shareholders' meeting resolves to dissolve the Company;
- (III) dissolution is required due to the merger or division of the Company;
- (IV) the Company's business license is revoked, or the Company is ordered to close down or rescind in accordance with the law;
- (V) adverse difficulties arise in the Company's operation or management and its continued existence would cause significant losses to shareholders, and the issue cannot be resolved through any other means, in which case a shareholder holding more than 10% of the total voting rights of the Company could request the People's Court to dissolve the Company.

Where a dissolution event specified in the preceding paragraph occurs, the Company should publicize such event via the National Enterprise Credit Information Publicity System within 10 days.

If the Company falls under circumstances (I) or (II) above and its assets have not yet been distributed to the shareholders, the Company may continue its existence either by amending these Articles of Association or adopting a resolution at the shareholders' meeting.

The amendment to the Articles of Association as described in the preceding paragraph shall require approval by more than two-thirds of the voting rights held by shareholders present at the shareholders' meeting.

Where the Company is dissolved under circumstances (I), (II), (IV) or (V) above, it shall be liquidated. Directors shall serve as the liquidation obligors who must form a liquidation group within 15 days from the occurrence of the dissolution event.

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The liquidation group shall consist of directors, unless otherwise provided in the Articles of Association or the shareholders’ meeting resolves to appoint other persons.

Liquidation obligors failing to perform obligations timely, thereby causing losses to the Company or the creditors, shall be liable for damages.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

- (I) where provisions of the Articles of Association contravene newly amended Company Law, relevant laws and administrative regulations, Hong Kong Listing Rules or other securities regulatory rules of the place where the Company’s shares are listed.
- (II) the Company’s circumstances have changed so that they are inconsistent with the matters recorded in the Articles of Association;
- (III) where a resolution is passed at the shareholders’ meeting to amend these Articles of Association.

Where any amendment to the Articles of Association adopted by a resolution of the shareholders’ meeting is subject to approval by the competent authority, such approval must be obtained. Amendments involving registered particulars shall undergo change registration in accordance with the law.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was established as a limited liability company in the PRC on November 15, 2001 and was converted into a joint stock limited company on December 20, 2019 under the laws of PRC. As of the latest Practicable Date, the total share capital of the Company was RMB159,114,227 comprising 159,114,227 Shares of nominal value RMB1.00 each.

Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 18, 2025, and has established a place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong. Ms. Vivien Pak Yu TAM (譚栢如) has been appointed as our authorized representative for the acceptance of service of process in Hong Kong.

As our Company is incorporated in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of the Articles of Association of the Company is set out in Appendix V to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV to this document.

2. Changes in Share Capital of our Company

On November 15, 2001, our Company was incorporated with a registered capital of US\$700,000.

On February 19, 2024, the share capital of our Company increased from RMB128,432,472 to RMB159,114,227, comprising 30,681,755 Shares with a nominal value of RMB1.00 each.

Save as disclosed above, there has been no alteration in the share capital of the Company within the two years immediately preceding the date of this document:

For details of changes in our share capital, please see “History, Development and Corporate Structure — Our History — Changes in Shareholding and Corporate Form of our Company — Investment and Equity Transfers During the Track Record Period” of this document.

Upon completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, our total issued share capital will be increased to [REDACTED] Shares (comprising [REDACTED] Unlisted Shares and [REDACTED] H Shares fully paid up or credited as fully paid up, representing approximately [REDACTED] and [REDACTED] of our registered capital, respectively).

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3. Changes in Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants’ Report which is set out in Appendix I to this document.

Details of the changes in the share capital of the Company’s subsidiaries within the two years immediately preceding the date of this document are set out below:

- (a) pursuant to a sale and purchase agreement dated June 26, 2024, OSAI ITA acquired 70.00% equity interests in NGTEC from Mr. Simone Filippini and Mr. Umberto Ferretti, two Independent Third Parties, for a total consideration of EUR663,137.00;
- (b) pursuant to a shareholder’s resolution dated January 27, 2025, the Company, as the sole shareholder of New Energy Italy, resolved to voluntarily reduce the share capital of New Energy Italy. As a result, the total share capital of New Energy Italy decreased from EUR5 million to EUR1 million; and
- (c) pursuant to a shareholders’ resolution dated February 28, 2025, the shareholders of New Energy Ganzhou resolved Pysis New Energy to subscribe for an increased share capital of RMB70 million in New Energy Ganzhou for a consideration of RMB70 million. As a result, the registered share capital of New Energy Ganzhou increased from RMB30 million to RMB100 million.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this document.

4. The Shareholders’ General Meeting of the Company Held on August 27, 2025

Pursuant to the Shareholders’ meeting held on August 27, 2025, the following resolutions, among others, were duly passed:

- (a) the issuance by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares being listed on the Stock Exchange;
- (b) the number of H Shares to be issued shall be no more than [REDACTED] of the total issued share capital of our Company as enlarged by the [REDACTED] (before exercising any [REDACTED]), and the grant of the [REDACTED] in respect of no more than [REDACTED] of the number of H Shares issued pursuant to the [REDACTED];
- (c) subject to the CSRC’s approval, upon completion of the [REDACTED], [REDACTED] Unlisted Shares will be converted into H Shares on a one-for-one basis;

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- (d) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [REDACTED], the issue and the [REDACTED] of H Shares on the Hong Kong Stock Exchange; and
- (e) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED] and the authorization of the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this document which are or may be material:

- (a) the [REDACTED].

2. Intellectual Property Rights

1. Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
1.		PRC	37191719	Company	1	December 6, 2029
2.		PRC	37184675	Company	7	December 6, 2029
3.		PRC	37809920	Company	7	December 20, 2029
4.		PRC	37182010	Company	8	December 6, 2029
5.		PRC	37182035A	Company	9	December 20, 2029

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No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
6.		PRC	37812637A	Company	9	January 13, 2030
7.		PRC	37301645A	Company	9	May 20, 2030
8.		PRC	37301645	Company	9	December 13, 2030
9.		PRC	37199936A	Company	11	December 20, 2029
10.		PRC	37178880	Company	16	December 6, 2029
11.		PRC	37182355	Company	17	December 6, 2029
12.		PRC	37194809	Company	36	December 6, 2029
13.		PRC	37169349	Company	37	December 6, 2029
14.		PRC	37172546	Company	38	December 6, 2029
15.		PRC	37191363	Company	39	December 6, 2029
16.		PRC	37180260	Company	40	December 6, 2029
17.		PRC	37190433A	Company	41	December 20, 2029
18.		PRC	37193319A	Company	43	January 13, 2030
19.		PRC	38053489A	Company	1	February 20, 2030
20.		PRC	38048944	Company	7	February 6, 2030
21.		PRC	38040280	Company	8	February 6, 2030

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No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
22.		PRC	38053014A	Company	9	February 20, 2030
23.		PRC	38048969A	Company	11	February 20, 2030
24.		PRC	38056300	Company	16	February 6, 2030
25.		PRC	38054223A	Company	17	February 20, 2030
26.		PRC	38056908	Company	36	February 6, 2030
27.		PRC	38040328A	Company	37	March 13, 2030
28.		PRC	38048509	Company	38	February 6, 2030
29.		PRC	38035036A	Company	39	February 20, 2030
30.		PRC	38033853	Company	40	February 6, 2030
31.		PRC	38056937A	Company	41	February 20, 2030
32.		PRC	38041681A	Company	43	February 20, 2030
33.		PRC	37175211A	Company	1	December 20, 2029
34.		PRC	37186024	Company	7	December 6, 2029
35.		PRC	37829448	Company	7	December 20, 2029
36.		PRC	37186049	Company	8	December 6, 2029
37.		PRC	37178755A	Company	9	December 20, 2029
38.		PRC	37817480A	Company	9	January 13, 2030
39.		PRC	37301643A	Company	9	May 20, 2030
40.		PRC	37187607A	Company	11	December 20, 2029
41.		PRC	37188115	Company	16	December 6, 2029

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No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
42.		PRC	37199923A	Company	17	February 6, 2030
43.		PRC	37184235	Company	36	December 6, 2029
44.		PRC	37170103A	Company	37	December 20, 2029
45.		PRC	37195300	Company	38	December 20, 2029
46.		PRC	37181871A	Company	39	December 20, 2029
47.		PRC	37177530	Company	40	December 6, 2029
48.		PRC	37172078A	Company	41	January 13, 2030
49.		PRC	37170133A	Company	43	January 13, 2030
50.		PRC	37184639	Company	6	September 6, 2030
51.		PRC	37182035	Company	9	September 6, 2030
52.		PRC	37812637	Company	9	September 6, 2030
53.		PRC	37184941	Company	12	September 6, 2030
54.		PRC	37183746	Company	35	September 6, 2030
55.		PRC	37174186	Company	42	September 6, 2030
56.		PRC	38122766A	Company	9	September 6, 2030
57.		PRC	38122766	Company	9	June 6, 2031

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No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
58.		PRC	38059761	Company	42	September 27, 2030
59.		PRC	38053014	Company	9	September 27, 2030
60.		PRC	38049860	Company	35	September 27, 2030
61.		PRC	38048974	Company	12	September 27, 2030
62.		PRC	38035036	Company	39	September 27, 2030
63.		PRC	38032932	Company	6	September 27, 2030
64.		PRC	78625476	Company	9	December 13, 2034
65.		PRC	78630183	Company	42	December 13, 2034
66.		PRC	78641307	Company	12	December 13, 2034
67.		PRC	78641345	Company	35	December 13, 2034
68.		PRC	78643410	Company	7	December 13, 2034
69.		PRC	78634956	Company	9	December 13, 2034
70.		PRC	78637481	Company	42	December 13, 2034
71.		PRC	78642029	Company	7	December 13, 2034
72.		PRC	78646763	Company	35	December 13, 2034
73.		Italy	302019000029191	Company	6, 7, 9, 12, 17, 35, 37, 39, 40, 41, 42	May 2, 2029
74.		Malaysia	TM2019016307	Company	6	May 6, 2029

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No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
75.		Malaysia	TM2019016308	Company	7	May 6, 2029
76.		Malaysia	TM2019016309	Company	9	May 6, 2029
77.		Malaysia	TM2019016310	Company	12	May 6, 2029
78.		Malaysia	TM2019016311	Company	17	May 6, 2029
79.		Canada	TMA1120082	Company	6, 7, 9, 12, 17	February 13, 2032
80.		Taiwan	02019035	Company	6	October 31, 2029
81.		Taiwan	02019067	Company	7	October 31, 2029
82.		Taiwan	02019248	Company	9	October 31, 2029
83.		Taiwan	02026018	Company	17	November 30, 2029
84.		the Madrid System for the International Registration of Marks (including Australia, Indonesia, India, Japan, Republic of Korea, Singapore, Austria, Benelux, Germany, Spain, Russian Federation and Vietnam)	1521762	Company	6, 7, 9, 12, 17	October 16, 2029
85.		the Madrid System for the International Registration of Marks (including United Kingdom and United States)	1540471	Company	6, 7, 9, 12, 17, 35, 37, 39, 40, 41, 42	December 12, 2029

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No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
86.	A  B  C  D 	Hong Kong	306978593	Company	7, 12, 16 and 35	July 27, 2035

2. Patents

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
1. . . .	Permanent magnet magnetic declination measuring meter and measurement method (永磁體磁偏角測量表及測量方法)	PRC	2008101217693	Company	Invention	October 16, 2028
2. . . .	Method for overcoming magnetic declination of permanent magnet and device thereof (克服永磁體磁偏角的方法及裝置)	PRC	2008101616119	Company	Invention	September 15, 2028
3. . . .	Heating vacuum high-pressure impregnating device and method for servo motor stator units (用於伺服電機定子機組的加溫真空高壓浸化裝置及方法)	PRC	2010102389694	Company	Invention	July 27, 2030

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
4. . . .	A cooling device for a servo motor using air cooling (一種伺服電機的風冷裝置)	PRC	2011102841366	Company	Invention	September 22, 2031
5. . . .	Assembling structure and method inner rotor of permanent magnet motor (永磁電機內轉子組裝方法)	PRC	2012102924344	Company	Invention	August 16, 2032
6. . . .	Assembling structure and method of outer rotor of permanent magnet motor (永磁電機外轉子組裝方法)	PRC	2012102924310	Company	Invention	August 16, 2032
7. . . .	A stator turn-over frock (一種定子翻面工裝)	PRC	2015100267144	Company	Invention	January 19, 2035
8. . . .	A stator hoisting frock (一種定子起吊工裝)	PRC	2015100264150	Company	Invention	January 19, 2035
9. . . .	A control card test board (一種控制卡測試台)	PRC	2015100274311	Company	Invention	January 19, 2035
10. . .	A tooling for hoisting column-shaped part (一種用於吊取柱形零件的工裝)	PRC	2015100274769	Company	Invention	January 19, 2035
11. . .	A general-purpose servo control arithmetic logic unit (一種通用伺服控制算術邏輯單元)	PRC	2016107892352	Company	Invention	August 30, 2036
12. . .	A block stator press fitting casing device (一種分塊定子壓裝殼體裝置)	PRC	2018114710466	Company	Invention	December 3, 2038
13. . .	Production method and process of the fixed plate for linear motor magnet (直線電機磁鋼固定板的製作方法)	PRC	2018109463740	Company	Invention	August 19, 2038

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
14. . .	Wire inserting method suitable for automatic wire inserting of 8-pole 36-slot motor winding (適用於自動嵌線的8極36槽電機繞組的嵌線方法)	PRC	2020106497333	Company	Invention	July 7, 2040
15. . .	Combined motor is to dragging testboard and installation method thereof (組合式電機對拖測試台及其安裝方法)	PRC	2016107963790	Company	Invention	August 30, 2036
16. . .	An oil-immersed motor structure (一種油浸式電機定子結構及其製造方法)	PRC	2017114342864	Company	Invention	December 25, 2037
17. . .	An adelomorphic anti-collision linear motor (一種隱形防撞直線電機)	PRC	2018109463454	Company	Invention	August 19, 2038
18. . .	An air-cooled integrated motor (一種風冷一體式電機)	PRC	2017114344056	Company	Invention	December 25, 2037
19. . .	An Epoxy plastic package structure of linear motor Hall element and manufacturing method thereof (一種直線電機霍爾元件的環氧塑封結構及其製作方法)	PRC	2018109463717	Company	Invention	August 19, 2038
20. . .	The horizontal magnet steel location structure and manufacturing method of linear motor stator electric (直線電機定子的水平磁鋼定位結構及製造方法)	PRC	2018109463914	Company	Invention	August 19, 2038

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
21. . .	Stator assembly structure of primary part of linear motor (一種直線電機初級部件的定子組件結構)	PRC	2018109463736	Company	Invention	August 19, 2038
22. . .	A motor driver high current terminal box (一種電機驅動器用大電流接線盒)	PRC	2019101922521	Company	Invention	March 13, 2039
23. . .	A cooling shell of motor and cooling motor (一種電機冷卻殼體和冷卻電機)	PRC	2019100615210	Company	Invention	January 22, 2039
24. . .	A fluid-cooled electrical machine shell and fluid-cooled electrical machine (一種液冷電機殼體和液冷電機)	PRC	2019100613874	Company	Invention	January 22, 2039
25. . .	A rotor separation motor test fixture (一種定轉子分離式電機測試工裝)	PRC	2018114716674	Company	Invention	December 3, 2038
26. . .	An internal evaporating, cooling and circulating system of motor stator winding (一種適用於蒸發冷卻的電機內定子)	PRC	2020106176351	Company	Invention	June 30, 2040
27. . .	A wind power pitch control all-in-one machine structure (一種風電變槳一體機結構)	PRC	2020104989244	Company	Invention	June 3, 2040
28. . .	Multi-core cable wire testing method and device (多芯電纜線測試方法及裝置)	PRC	2010101064712	Physis Automation	Invention	January 19, 2030
29. . .	A servomotor of locking device (一種帶鎖緊裝置的伺服電機)	PRC	2017103838279	Physis Automation	Invention	May 25, 2037

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
30. . .	An embedded servo motor rotor component of no balance ring (一種無平衡環內嵌式伺服電機轉子組件及製造方法)	PRC	2018114716886	Physis Automation	Invention	December 3, 2038
31. . .	A multi-functional rear flange of motor (一種電機用多功能後法蘭)	PRC	2018114716890	New Energy Ganzhou	Invention	December 3, 2038
32. . .	Epoxy plastic packaging method of motor wound stator and device thereof (電機繞線定子的環氧塑封的方法及其裝置)	PRC	2010103010651	Physis Motion	Invention	February 1, 2030
33. . .	A servo permanent-magnet synchronous motor rotor (一種永磁伺服電機轉子及製造方法)	PRC	2010105517162	Physis Motion	Invention	November 21, 2030
34. . .	A magnetic shoe sleeve hot-pressing tooling (一種磁瓦外套熱壓工裝)	PRC	2012103598323	Physis Motion	Invention	September 24, 2032
35. . .	A rotor core riveting tool of servo motor (一種伺服電機轉子鐵芯鉚壓工裝)	PRC	2013103706534	Physis Motion	Invention	August 21, 2033
36. . .	An automatic cooling system for motor test (一種電機測試自動化冷卻系統)	PRC	2012103231329	Physis Motion	Invention	September 3, 2032
37. . .	A facing attachment of servo motor stator core groove contract (一種伺服電機定子鐵芯槽契的倒角裝置)	PRC	2013104627582	Physis Motion	Invention	September 29, 2033

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
38. . .	A servo motor stator core folded button frock and using method thereof (一種伺服電機定子鐵芯疊扣工裝及其使用方法)	PRC	2013104635131	Physis Motion	Invention	September 29, 2033
39. . .	An epoxy resin encapsulated frock without housing stator (一種無殼體定子的環氧樹脂灌封工裝)	PRC	201310755529X	Physis Motion	Invention	December 30, 2033
40. . .	A silicon steel sheet slot wedge manufacturing and installation method (一種矽鋼片槽楔製造和安裝方法)	PRC	2013104567172	Physis Motion	Invention	September 28, 2033
41. . .	A processing tool for excircle of cylindrical workpiece (一種圓柱工件的外圓加工工裝)	PRC	2013106770829	Physis Motion	Invention	December 11, 2033
42. . .	A hoisting tool of motor stator (一種電機定子的吊取工裝)	PRC	2013107029010	Physis Motion	Invention	December 17, 2033
43. . .	A structure of installing encoders of bent axle lathe servomotor (一種曲軸機床伺服電機的編碼器安裝結構)	PRC	2013107556038	Physis Motion	Invention	December 30, 2033
44. . .	A servo motor stator assembly shaping tool (一種伺服馬達定子組件整形工具)	PRC	2013104627671	Physis Motion	Invention	September 29, 2033
45. . .	An assembly tooling of electric machine rotor (一種電機定轉子的裝配工裝)	PRC	2013107549335	Physis Motion	Invention	December 30, 2033
46. . .	A motor stator coiling tool (一種電機定子繞線工裝)	PRC	2013107555618	Physis Motion	Invention	December 30, 2033
47. . .	A stator slotting equipment (一種定子割槽設備)	PRC	2013103959203	Physis Motion	Invention	September 2, 2033

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
48. . .	A sub-frock of motor compression set (一種電機壓定子工裝)	PRC	201310754878X	Physis Motion	Invention	December 30, 2033
49. . .	A servo motor rotor press-fitting tool (一種伺服電機轉子壓裝工裝)	PRC	2014108429725	Physis Motion	Invention	December 28, 2034
50. . .	An epoxy potting assisting fixture (一種灌環氧的輔助工裝)	PRC	2014108429246	Physis Motion	Invention	December 28, 2034
51. . .	A stator core unloading device (一種定子鐵芯取出機構)	PRC	2014108376412	Physis Motion	Invention	December 28, 2034
52. . .	A using method of the folded mold welding tooling of motor stator core (一種電機定子鐵芯的疊模焊接工裝的使用方法)	PRC	2013104615265	Physis Motion	Invention	September 29, 2033
53. . .	An assembling tool for stator and rotor of servo motor (一種伺服馬達定轉子組裝工裝)	PRC	2014108429481	Physis Motion	Invention	December 28, 2034
54. . .	A drilling indexing device (一種裝有分度裝置的台鑽)	PRC	2016107828074	Physis Motion	Invention	August 30, 2036
55. . .	An expansion core tool for facilitating carbon fiber pipe to process (一種用於方便碳纖維管加工的漲芯工裝)	PRC	2016107854882	Physis Motion	Invention	August 30, 2036
56. . .	An electric motor rotor cooling system of electric drive assembly (一種電驅動總成的電機轉子冷卻系統)	PRC	2019110348714	Physis Motion	Invention	October 28, 2039
57. . .	A high-precision rotor magnetic steel assembly tooling (一種高精度轉子磁鋼裝配工裝)	PRC	2018114710470	Physis Motion	Invention	December 3, 2038

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
58. . .	A self-tapping screw machine mounting tool (一種自攻螺紋套機用安裝工裝)	PRC	2018114716871	Physis Motion	Invention	December 3, 2038
59. . .	Rotor assembly and its manufacture method of magnet steel fixed based on carbon fiber bar (基於碳纖維杆固定磁鋼的轉子組件及其製造方法)	PRC	2017114360152	Physis Motion	Invention	December 25, 2037
60. . .	A permanent magnet synchronous motor rotor and manufacturing process thereof (一種永磁同步電機轉子組件及其製造方法)	PRC	2017114319637	Physis Motion	Invention	December 25, 2037
61. . .	A stator segment stacking fixture (一種定子分瓣疊壓工裝)	PRC	2019100623005	Physis Motion	Invention	January 22, 2039
62. . .	A junction box structure of motor (一種電機接線盒結構)	PRC	2017114344018	Physis Motion	Invention	December 25, 2037
63. . .	A double-sided cooling power semiconductor module (一種雙面冷卻的功率半導體模組)	PRC	201210153042X	New Energy Zhuzhou	Invention	May 15, 2032
64. . .	A water cooling structure of servo motor (一種伺服電機的水冷結構)	PRC	2013107548703	New Energy Zhuzhou	Invention	December 30, 2033
65. . .	A dual-axis synchronous laser cutting machine control system (一種雙軸同步雷射切割機控制系統)	PRC	2016102129622	Physis Wuhan	Invention	April 6, 2036

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
66. . .	A control system and method for a toilet paper packaging machine (一種用於衛生紙包裝機的控制系統及方法)	PRC	2016102136359	Physis Wuhan	Invention	April 6, 2036
67. . .	An iron-printing machine control system (一種印鐵機控制系統)	PRC	2016108729818	Physis Wuhan	Invention	September 29, 2036
68. . .	A game learning control system and game learning control method (一種遊戲學習控制系統及遊戲學習控制方法)	PRC	2016108717473	Physis Wuhan	Invention	September 29, 2036
69. . .	A wave maker motion control method and system (一種造波機運動控制方法和系統)	PRC	2016108731521	Physis Wuhan	Invention	September 29, 2036
70. . .	A dual motor torque synchronization control system for a multi-wire cutting machine for a hard and brittle material (一種硬脆材料多線切方機用雙電機力矩同步控制系統)	PRC	2016102124309	Physis Wuhan	Invention	April 6, 2036
71. . .	A control system and method for automatic processing of mesh cage reinforcing bars (一種網籠鋼筋自動加工控制系統和方法)	PRC	2017112414177	Physis Wuhan	Invention	November 29, 2037
72. . .	A transverse cutting unit control system and method (一種橫切機控制系統及方法)	PRC	2017112764880	Physis Wuhan	Invention	December 5, 2037

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
73. . .	A Delta robot control system with traction visual teaching function (一種具有牽引視教功能的Delta機器人控制系統)	PRC	2016103089285	Physis Wuhan	Invention	May 10, 2036
74. . .	A bending machine control method and system (一種折彎機控制方法及系統)	PRC	2017113412164	Physis Wuhan	Invention	December 13, 2037
75. . .	A rotary cutting control system and method (一種旋切控制系統及方法)	PRC	201910013261X	Physis Wuhan	Invention	January 6, 2039
76. . .	A method and system for controlling vibrating table (一種振動台控制方法及系統)	PRC	2019100360033	Physis Wuhan	Invention	January 14, 2039
77. . .	A full-closed-loop electro-hydraulic servo driving method and system for bending machine (一種折彎機全閉環電液伺服驅動方法及系統)	PRC	2019100359996	Physis Wuhan	Invention	January 14, 2039
78. . .	A dustproof motor (一種防塵電機)	PRC	202110782452X	Physis Wuhan	Invention	July 11, 2041
79. . .	A driving pitch control method for wind turbine pitch adjustment motors (一種風電變漿用電機的驅動變漿控制方法)	PRC	2021107824303	Physis Wuhan	Invention	July 11, 2041
80. . .	A calculation method and system for spindle forming of a spindle spinning machine (一種立錠紡紗機的紗錠成型計算方法及系統)	PRC	2021109125604	Physis Wuhan	Invention	August 9, 2041

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
81. . .	A flexographic printing machine control system and method (一種柔版印刷機控制系統及方法)	PRC	2017112877874	Physis Wuhan	Invention	December 6, 2037
82. . .	An automatic wire bow height adjusting and controlling system of multi-wire cutting machine (一種多線切割機線弓高度自動調節控制系統及方法)	PRC	2020114663566	Physis Wuhan	Invention	December 13, 2040
83. . .	An anti-demagnetization motor rotor structure (一種防退磁的電機轉子結構)	PRC	2013107555815	New Energy Tianjin	Invention	December 30, 2033
84. . .	A fixture for loading and unloading during hot pressing of shells (一種熱壓殼體時的取放工装)	PRC	2015100274345	New Energy Tianjin	Invention	January 19, 2035
85. . .	A current measuring device (一種電流測量裝置)	PRC	2014105258698	Physis New Energy	Invention	October 7, 2034
86. . .	A magnetic steel failure verification method for permanent magnet motor (一種永磁電機磁鋼失效驗證方法)	PRC	2020103049941	Physis New Energy	Invention	April 16, 2040
87. . .	A slanted pole structure of a permanent magnet synchronous motor rotor and its assembly method (一種永磁同步電機轉子斜極結構及組裝方法)	PRC	201811471070X	Physis New Energy	Invention	December 3, 2038
88. . .	Servo motor test bench and test method (一種伺服電機測試台及測試方法)	PRC	2010105987897	Physis New Energy	Invention	December 20, 2030

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
89. . .	Medium frequency shrink-fit device for servo motor stator and its use method (伺服電機定子的中頻熱套裝置及其使用方法)	PRC	2011102956637	Physis New Energy	Invention	October 7, 2031
90. . .	An IGBT drive circuit (一種IGBT驅動電路)	PRC	2012103402727	Physis New Energy	Invention	September 12, 2032
91. . .	A copper-clad ceramic substrate structure for an IGBT module (一種IGBT模組的覆銅陶瓷基板結構)	PRC	2012103015673	Physis New Energy	Invention	August 21, 2032
92. . .	An MTPA method for automatic calibration of permanent magnet synchronous motor (一種永磁同步電機MTPA自動標定方法)	PRC	202110919043X	New Energy Zhuzhou	Invention	August 10, 2041
93. . .	A method for potting the rotor of a permanent magnet synchronous motor (一種永磁同步電機轉子灌膠方法)	PRC	2020101231691	New Energy Ningbo	Invention	February 26, 2040
94. . .	A method for embedding flat copper wire using a split-stator core (一種利用分瓣式定子鐵芯進行扁銅線嵌線的方法)	PRC	2020103056998	New Energy Ningbo	Invention	April 16, 2040
95. . .	A control method for preventing a pure electric vehicle from rolling away (一種純電動汽車防溜車的控制方法)	PRC	2020105178858	New Energy Ningbo	Invention	August 10, 2043

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
96. . .	Control method for hydraulic working system of pure electric loader (純電動裝載機液壓工作系統控制方法)	PRC	2021116755162	New Energy Ningbo	Invention	March 14, 2044
97. . .	A flat wire motor stator winding (一種扁線電機定子繞組)	PRC	2021112416126	New Energy Ningbo	Invention	October 24, 2041
98. . .	A method for selective stall current protection of a vehicle-mounted drive motor (一種車載驅動電機選擇性堵轉電流保護方法)	PRC	202210798788X	New Energy Ningbo	Invention	October 20, 2045
99. . .	A manual flat copper wire forming device (一種手動扁銅線成型裝置)	PRC	2020115765266	New Energy Ganzhou	Invention	July 25, 2044
100. .	Special machine for the installation and disassembly of motor rotor components and its operating method (電機轉子組件的安裝拆卸專用機及其操作方法)	PRC	2017114318901	New Energy Ganzhou	Invention	December 25, 2037
101. .	The knife rail management process of redundant axis machine tools and corresponding IT products and systems. (冗餘軸機床的刀軌管理過程及相應的IT產品和系統)	Italy	102018000009981	OSAI ITA	Invention	October 30, 2038
102. . .	A Motor Shaft Inspection Device and Its Inspection Method (一種電機整機軸檢測裝置及其檢測方法)	PRC	2022110943393	Company	Invention	December 4, 2045

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No.	Patent	Place of Registration	Registration Number	Registered Owner	Type	Expiry Date
103.	Method for Correcting Estimated Motor Torque (電機估算扭矩修正的方法)	PRC	2022107130284	New Energy Ningbo	Invention	June 21, 2042

3. Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1. . .	physis.com.cn	Company	May 6, 2027
2. . .	physis.cn	Company	May 6, 2027

4. Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be material to our business:

No.	Copyright Name	Place of Registration	Registration Number	Registered Owner	Registration Date
1. . .	Physis (菲仕)	PRC	2019-F-00703981	Company	March 22, 2019
2. . .	Physis	PRC	2019-F-00788797	Company	May 28, 2019
3. . .	P series images (P系列圖案)	PRC	2019-F-00788796	Company	May 28, 2019
4. . .	Physis (Physis菲仕)	PRC	2019-F-00826276	Company	July 15, 2019

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which were material in relation to our business.

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors’ Contracts and Appointment Letters

We [have entered] into a service contract or appointment letter with each of the Directors. The principal particulars of these service contracts and appointment letters comprise the term of the service and termination provisions. Save as disclosed above, none of our Directors have entered, or have proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Remuneration of Directors and Supervisors

Save as disclosed in “Directors and Senior Management” and Notes 8 and 9 to the Accountants’ Report set out in Appendix I for the three financial years ended December 31, 2023, 2024 and 2025, no other payments have been made or are payable by any member of our Group to any of our Directors, Supervisors or the five highest paid individuals.

3. Disclosure of Interests

(a) Interests in the Shares of our Company

For information on the persons (other than our Directors and chief executive of our Company) who will, immediately following the completion of the [REDACTED] and conversion of our Unlisted Shares to H Shares (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised are not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see “Substantial Shareholders” in this document.

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(b) *Interests in our Company’s Subsidiaries*

So far as the Directors are aware, the following persons (other than our Directors, the chief executive of our Company, and any member of our Group) will, immediately following the completion of the [REDACTED] and conversion of our Unlisted Shares to H Shares (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised are not exercised), be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the members of our Group (other than our Company):

<u>Our subsidiaries</u>	<u>Parties with 10% or more equity interests</u>	<u>Approximate percentage of shareholding or partnership interest</u>
		(%)
Innovation Center	Future Industry Investment Fund II	18.10%
Innovation Center	Ningbo Industrial Investment Group Co., Ltd. (寧波工業投資集團有限公司)	18.10%
NGTEC	Simone Filippini	15.00%
NGTEC	Umberto Ferrettiis	15.00%

(c) *Disclosure of Interests of Directors and Chief Executive*

Upon completion of the [REDACTED] and conversion of our Unlisted Shares to H Shares (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised are not exercised), so far as our Directors are aware, the interest or short position of our Directors or chief executive in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, will be as follows:

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(i) *Interests in our Company*

Name of Director	Nature of Interest	As of the Latest Practicable Date		Immediately following the [REDACTED] (assuming the [REDACTED] and the options under the [REDACTED] Share Option Scheme are not exercised)		
		Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the total issued share capital of the Company	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the Unlisted Shares/H Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. Wenjie REN ⁽²⁾⁽³⁾ . .	Beneficial owner	35,282,269	22.17%	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
	Interest in controlled corporations	37,218,856	23.39%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of spouse	6,234,740	3.92%	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
	Others	2,999,064	1.88%	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Ms. Yahong DING ⁽⁴⁾ . .	Others	2,999,064	1.88%	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Mr. Yi DONG ⁽⁵⁾	Others	2,999,064	1.88%	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Mr. Dongsheng HE ⁽⁶⁾ . .	Interest in controlled corporations	24,525,179	15.39%	[REDACTED]	[REDACTED]	[REDACTED]
				[REDACTED]	[REDACTED]	[REDACTED]
	Others	30,283	0.02%	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]

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Notes:

- (1) All interests stated are long positions.
- (2) Mr. Wenjie REN is the sole general partner of each of Ningbo Hongrui, Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan. Therefore, Mr. Wenjie REN is deemed to be interested in the aggregate of 9,924,914 Shares held by Ningbo Hongrui, Ningbo Hongjun, Ningbo Hongche and Ningbo Honglan under the SFO.
- (3) Ms. Jin HU is the spouse of Mr. Wenjie REN. Therefore, Mr. Wenjie REN is deemed to be interested in the 6,234,740 Shares held by Ms. Jin HU under the SFO.
- (4) Ms. Yahong DING, as a limited partner, holds 12.12% and 0.34% of the partnership interest in Ningbo Hongrui and Ningbo Hongjun, respectively. Ningbo Hongrui and Ningbo Hongjun hold 24,494,896 Shares and 8,906,772 Shares, respectively. Therefore, Ms. Yahong DING is interested in the aggregate of 2,999,064 Shares, corresponding to her partnership interests in Ningbo Hongrui and Ningbo Hongjun.
- (5) Mr. Yi DONG, as a limited partner, holds 12.12% and 0.34% of the partnership interest in Ningbo Hongrui and Ningbo Hongjun, respectively. Ningbo Hongrui and Ningbo Hongjun hold 24,494,896 Shares and 8,906,772 Shares, respectively. Therefore, Mr. Yi DONG is interested in the aggregate of 2,999,064 Shares, corresponding to his partnership interests in Ningbo Hongrui and Ningbo Hongjun.
- (6) Mr. Dongsheng HE, as a limited partner, holds 45.50% and 0.34% of the partnership interest in Ningbo Hongrui and Ningbo Hongjun, respectively. Ningbo Hongrui and Ningbo Hongjun hold 24,494,896 Shares and 8,906,772 Shares, respectively. As he holds not less than one-third of the partnership interest in Ningbo Hongrui, Mr. Dongsheng HE is deemed to be interested in the Shares held by Ningbo Hongrui. Therefore, Mr. Dongsheng HE is interested or deemed to be interested in the aggregate of approximately 24,525,179 Shares, comprising the Shares held by Ningbo Hongrui and such Shares corresponding to his partnership interest in Ningbo Hongjun.

(ii) Interests in associated corporations

Our Directors and chief executive are not interested in the Shares of any associated corporation of our Company.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or the chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules once the H Shares are listed;

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- (b) none of our Directors or any of the experts referred to under the paragraph headed “— E. Other Information — 4. Qualification and Consent of Experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) so far as is known to our Directors, no person (not being a Director or chief executive of our Company or any member of our Group) will, immediately following the [REDACTED] of H Shares on the Stock Exchange, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) none of our Directors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. [REDACTED] INCENTIVE SCHEMES

1. [REDACTED] Equity Incentive Scheme

Our Company adopted the [REDACTED] Equity Incentive Scheme on June 25, 2017. The following is a summary of the principal terms of the [REDACTED] Equity Incentive Scheme. All awards granted under the [REDACTED] Equity Incentive Scheme had been vested and exercised and no further awards will be granted under the [REDACTED] Equity Incentive Scheme upon [REDACTED]. The terms of the [REDACTED] Equity Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the [REDACTED] Equity Incentive Scheme do not involve the grant of new awards by our Company to subscribe for H Shares after the [REDACTED]. The [REDACTED] Equity Incentive Scheme will not cause any dilution of the shareholding of our Shareholders after the [REDACTED] given all underlying Shares of the awards granted under the [REDACTED]

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Equity Incentive Scheme have been issued to the relevant Employee Incentive Platforms. For details of the Employee Incentive Platforms, see “History, Development and Corporate Structure — Employee Incentive Platforms.”

The following is a summary of the principal terms of the [REDACTED] Equity Incentive Scheme:

Objectives

The [REDACTED] Equity Incentive Scheme is to improve the corporate governance of our Company, promote the establishment and improvement of our incentive constraint mechanism.

Eligibility

Participants of the [REDACTED] Equity Incentive Scheme includes the personnels as determined by the Board.

Grant of Awards

Each participant will indirectly receives economic interest in the number of Shares underlying the awards granted to him/her held by the relevant Employee Incentive Platforms, upon becoming the limited partner of the relevant Employee Incentive Platforms.

Payment of the Price of the Awards

The participants must subscribe the awards with personal funds or self-financed funds.

Administration

The [REDACTED] Equity Incentive Scheme is subject to the approval of the Shareholders’ meeting. The Board is authorized for the implementation of the [REDACTED] Equity Incentive Scheme.

Restriction on Transfer

The transfer by the grantees shall be subject to the relevant laws and regulations and the stock exchange rules and the lock-up requirements under the Articles of Association. The grantees may not transfer any or all of his/her interest in the relevant Employee Incentive Platforms unless with written consent from the general partner of the Employee Incentive Platforms.

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Lapse of Awards

A share award shall be repurchased before the [REDACTED], or the grantee shall repay the economic interest he/she received in cash to the Company after the [REDACTED], in the event of, among others:

- (a) the employment of the grantee is dismissed due to incompetence in job performance, violation of laws and regulations, breach of professional ethics, negligence or dereliction of duty that harms the interests or reputation of the Company;
- (b) the grantee directly or indirectly engages in competing business or activities with the Company during the term of his/her employment;
- (c) the grantee’s illegal or disciplinary behavior or conduct harms the reputation or interest of the Company;
- (d) the grantee is held liable for criminal offense during the term of his/her employment;
- (e) the grantee commits other material violation of the Group’s regulations or significantly harms the Company’s interests.

2. [REDACTED] Share Option Scheme

Our Company adopted the [REDACTED] Share Option Scheme on August 27, 2025. The following is a summary of the principal terms of the [REDACTED] Share Option Scheme:

Objectives

The [REDACTED] Share Option Scheme is to promote the establishment of the Company’s long-term incentive mechanism, motivate our Directors, senior management and core employees, attract and retain talents and employees and enhance employee cohesion and Company’s competitiveness.

Administrations

The [REDACTED] Share Option Scheme’s approval, alteration and termination are subject to Shareholders’ meetings. Our Board is authorized for the implementation of the [REDACTED] Share Option Scheme.

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Eligibility

The eligible participants of the [REDACTED] Share Option Scheme are the Directors and directors of our subsidiaries, senior management, core technical personnel and core business personnel of the Company, as well as other employees (including foreign employees) who contribute directly to the future development and operating performance of the Company which the Group believes should be incentivized.

There should be an employment, labor or service relationship between each eligible participant under the [REDACTED] Share Option Scheme with the Company or any of the subsidiaries of the Company. The Directors and senior management under the [REDACTED] Share Option Scheme should have been elected by the Shareholders’ meeting of the Company or duly appointed by the Board. Each eligible participant shall undertake to serve at least five years in the Group.

Grantees

There are a total of 113 grantees under the [REDACTED] Share Option Scheme, which includes four Directors, three senior management member (other than Directors), six other connected persons and 100 other employees.

Maximum Number of Shares

The maximum number of Shares to be granted under the [REDACTED] Share Option Scheme is 15,000,000 Shares, representing 9.43% of the total issued share capital of the Company at the time when the [REDACTED] Share Option Scheme is considered and approved by the Shareholders’ meeting.

Class of Shares

The underlying Shares under the [REDACTED] Share Option Scheme are the H shares to be issued to the specified participants by the Company upon [REDACTED]. The Company will not grant any share option under the [REDACTED] Share Option Scheme after [REDACTED].

Date of Grant

The date of grant of the [REDACTED] Share Option Scheme is on August 31, 2025.

Validity

The [REDACTED] Share Option Scheme shall be valid and effective for the period 84 months commencing on the date of grant.

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Vesting Schedules

The vesting schedules of the options granted under the [REDACTED] Share Option Scheme are as follows: (i) 20% to be vested from 12 months after the [REDACTED] to 24 months after the [REDACTED], (ii) 40% to be vested from 24 months after the [REDACTED] to 36 months after the [REDACTED] and (iii) 40% to be vested from 36 months after the [REDACTED] to 48 months after the [REDACTED]. The actual amount of options to be vested under the [REDACTED] Share Option Scheme are subject to the achievement of certain performance targets of the relevant grantees as further described below.

Performance Targets and Vesting Conditions

(1) Performance appraisal at the Group level

The financial performance indicators of the Group shall be appraised once in each of the financial years ended December 31, 2026, 2027 and 2028. The two sub-indicators, i.e., revenue and net profit based on the consolidated financial statements will be assessed.

	Revenue		Net Profit	
	Aim Amount	Basis Amount	Aim Amount	Basis Amount
	(RMB)	(RMB)	(RMB)	(RMB)
2026.	1,900,000,000	1,600,000,000	45,000,000	30,000,000
2027.	2,200,000,000	1,800,000,000	75,000,000	50,000,000
2028.	2,600,000,000	2,200,000,000	100,000,000	70,000,000

If both sub-indicators are not less than their respective aim amount, 100% of the options granted and vested can be exercised. If one or more sub-indicator is less than the basis amount, the options cannot be exercised and will be canceled within 30 days after the end of the relevant vesting period. For other cases, the exercise percentage is the lower of $(A-An)/(Am-An)*20\%+80\%$ calculated based on the two sub-indicators.

(2) Performance appraisal at the individual level

The Company will assess the performance indicators of the participants under the [REDACTED] Share Option Schemes each year, and the performance results are of four grades: S, A, B and C. The vesting conditions of the options granted under the [REDACTED] Share Option Scheme are as follows: (a) 85% to 100% of the options granted can be vested if the performance is S; (b) 50% to 85% of the options granted can be vested if the performance result is A or above; (c) 30% to 50% of the options granted can be vested if the performance result is B or above; and (d) 0% to 30% of the options can be vested if the performance result is C. The share options granted to the grantees but not vested will be canceled 30 days after the end of the relevant vesting period.

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Exercise Period

The options granted under the [REDACTED] Share Option Schemes can be exercised after vesting on any trading day when the [REDACTED] Share Option Scheme is valid.

Exercise Price

The exercise price of the options under the [REDACTED] Share Option Scheme is RMB17.5 per Share.

Basis of Determination of the Exercise Price

The exercise price of the options granted under the [REDACTED] Share Option Scheme shall refer to the net asset value per Share of the Company at the time when the [REDACTED] Share Option Scheme is considered and approved by the Shareholders’ meeting. During the period from the approval date of the [REDACTED] Share Option Scheme to the option exercise date, the exercise price of the option will be adjusted accordingly if the Company has capitalization of the capital reserves, distribution of stock dividends, allotment of Shares or dividends.

Lock-up Periods and Restrictions

The participants under the [REDACTED] Share Option Schemes shall comply with the lock-up period and restriction requirements under the relevant laws and regulations.

Outstanding Share Options Granted under the [REDACTED] Share Option Schemes

As of the Latest Practicable Date, the number of underlying Shares pursuant to the outstanding share options granted under the [REDACTED] Share Option Scheme amounted to 15,000,000 Shares, representing approximately [REDACTED] of the issued Shares immediately following the completion of the [REDACTED] (assuming that (1) all options granted under the [REDACTED] Share Option Scheme are not exercised; (2) [REDACTED] is not exercised; and (3) no further Shares are issued under the [REDACTED] Share Option Scheme).

Assuming full vesting and exercise of all outstanding share options granted under the [REDACTED] Share Option Scheme, the shareholding of our Shareholders immediately following completion of the [REDACTED] (assuming that (1) all options granted under the [REDACTED] Share Option Scheme are exercised; (2) the [REDACTED] is not exercised; and (3) no further Shares are issued under the [REDACTED] Share Option Schemes), will be diluted by approximately [REDACTED]. The dilution effect on our earnings per Share would be approximately [REDACTED].

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Below is a list of the grantees under the [REDACTED] Share Option Scheme. No further options are expected to be granted under the [REDACTED] Share Option Scheme.

Name	Address	Date of grant	Expiry date	Vesting period	Exercise period	Exercise price per Share	Number of H Shares underlying the outstanding options	Approximate % of issued Shares immediately after completion of the [REDACTED]
<i>(RMB)⁽¹⁾</i>								
Directors, senior management and connected persons								
Directors								
Mr. Wenjie REN (任文傑)	Flat 2, No. 91, Changdao Garden, Zhuangqiao Street, Jiangbei District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	1,470,000	[REDACTED]
Ms. Yahong DING (丁亞紅)	Flat 201, No. 55, Lane 48, Xiwan Road, Haishu District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	700,000	[REDACTED]
Mr. Yi DONG (董毅)	Flat 201, No. 49, Building No., 18, Xihu Garden, Haishu District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	400,000	[REDACTED]
Mr. Dongsheng HE (賀東升)	Flat 1701, Building No. 15, Donghaimingyuan, Xinqi Street, Beilun District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	100,000	[REDACTED]
Senior management								
Ms. Xiaoying XU (徐小英)	No. 16-106, Chunmali Neighborhood, Jiulong Lake, Zhenhai District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	250,000	[REDACTED]
Mr. Yang LI (李陽)	204, Unit 2, East section No. 12, Qinglinwan, Haishu District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	200,000	[REDACTED]
Ms. Meixiang LIU (劉美香)	No. 378, Liutang Neighborhood, Chongshou town, Cixi City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	200,000	[REDACTED]

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Name	Address	Date of grant	Expiry date	Vesting period	Exercise period	Exercise price per Share	Number of H Shares underlying the outstanding options	Approximate % of issued Shares immediately after completion of the [REDACTED]
(RMB) ⁽¹⁾								
<i>Connected Persons (other than Directors)</i>								
Mr. Xingquan QIN (秦興權)	No. 601, Door No. 12, Floor 6, No. 301, Huajiadi Xili, Chaoyang District, Beijing, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	500,000	[REDACTED]
Mr. Koufu WANG (王扣富)	No. 34, Team 5, Meiman Village, Qinnan Town, Yandu District, Yancheng City, Jiangsu Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	250,000	[REDACTED]
Mr. Heyue YANG (楊合躍)	No. 69-7, Guizhou Road, Shinan District, Qingdao City, Shandong Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	180,000	[REDACTED]
Mr. Qihui WANG (王奇輝)	Flat 804, No. 76, Building No. C6, Chunjianghuacheng Neighborhood, Zhonghe Street, Yinzhou District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	150,000	[REDACTED]
Ms. Wenqi CHEN (陳文綺)	Flat 204, No. 8, Aly 182, Baiyun Street, Haishu District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	60,000	[REDACTED]
Ms. Min WANG (王敏)	Flat 2801, No. 172, Aly 126, Changshou South Road, Zhonghe Street, Yinzhou District, Ningbo City, Zhejiang Province, China	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	50,000	[REDACTED]
Total outstanding share options of the Directors, senior management and connected persons . . .							4,510,000	[REDACTED]

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The table below sets forth the details of options granted to other grantees (excluding the abovementioned Directors, members of senior management or connected persons of our Company) under the [REDACTED] Share Option Scheme, categorized by the number of underlying Shares, which were outstanding as of the Latest Practicable Date:

Category by number of underlying H Shares	Number of grantees	Date of grant	Expiry date	Vesting period	Exercise period	Exercise price per Share (RMB) ⁽¹⁾	Number of H Shares underlying the outstanding options	Approximate % of issued Shares immediately after completion of the [REDACTED]
1 to 100,000 . . .	65	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	3,990,000	[REDACTED]
100,001 to 200,000.	27	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	4,220,000	[REDACTED]
200,001 to 400,000.	8	August 31, 2025	August 30, 2032	12 months to 48 months after the [REDACTED]	12 months to 48 months after the [REDACTED]	RMB17.5	2,280,000	[REDACTED]

Notes:

1. There is no consideration paid for the acceptance of the options under the [REDACTED] Share Option Scheme.
2. The calculation is based on the assumption that the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme are not exercised, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED].

An application has been made to the Stock Exchange for the [REDACTED] of and permission to deal in the H Shares which may be allotted and issued upon the exercise of the outstanding options pursuant to the [REDACTED] Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty would likely to fall upon any member of our Group.

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STATUTORY AND GENERAL INFORMATION

2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group that would have a material adverse effect on our Group’s results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee for [REDACTED] of, and permission to deal in, the H Shares of the Company. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The sponsor fee payable to the Sole Sponsor in connection with the [REDACTED] payable by our Company is US\$1.0 million in aggregate.

4. Qualification and Consent of Experts

This document contains statements made by the following experts:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young.	Certified public accountants, and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
AllBright Law Offices.	Qualified PRC lawyers
China Insights Industry Consultancy Limited	Industry consultant
Hogan Lovells International LLP.	Legal advisor to the Company as to International Sanctions law, export control and U.S. foreign investment laws
Shenzhen RSM Tax Ltd.	Transfer pricing consultant

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, none of the experts named above had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

The experts named above have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case maybe) and references to their names included in the form and context in which they are respectively included.

5. Compliance Advisor

Our Company has appointed Patrons Capital Limited as our Compliance Advisor in compliance with Rules 3A.19 of the Listing Rules.

6. Preliminary Expenses

We have not incurred any material preliminary expense.

7. Promoters

The promoters of our Company comprised all of the 14 then Shareholders as of December 20, 2019 before our conversion into a joint stock limited liability company:

No.	Name
1. . . .	Mr. Wenjie REN
2. . . .	Ningbo Hongrui
3. . . .	Future Industry Investment Fund
4. . . .	Hefeng Venture Capital
5. . . .	Mr. Ye ZUO
6. . . .	Ningbo Hongjun
7. . . .	Guotou Chuangxin (Beijing) Investment Fund Corporation Limited (國投創新(北京)投資基金有限公司)
8. . . .	Shenzhen SAIF
9. . . .	Xingzheng SAIFU
10. . . .	Ningbo Hongche
11. . . .	Huangshan SAIFU
12. . . .	Ningbo Honglan
13. . . .	Xiamen SAIFU
14. . . .	Xingzheng SAIFU I

Within the two years immediately preceding the date of this document, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connection with the [REDACTED] or related transactions in this document.

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STATUTORY AND GENERAL INFORMATION

8. Taxation of Holder of Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of the Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

9. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2025, being the end of the period reported on in the Accountants’ Report set out in Appendix I to this document.

[REDACTED]

12. Related Party Transactions

Our Group entered into related party transactions within the two years immediately preceding the date of this document. See Note 43 to the Accountant’s Report in Appendix I to this document.

13. Miscellaneous

- (a) Save as disclosed in “History, Development and Corporate Structure” and this Appendix and in connection with the [REDACTED],
 - (i) within the two years preceding the date of this document, no share or loan capital of any member of our Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (ii) no Share or loan capital of any member of the Group, if any, is under option or is agreed conditionally or unconditionally to be put under option; and
- (iii) within the two years immediately preceding the date of this document, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of any member of our Group;
- (b) No founder or management or deferred shares of any member of our Group have been issued or agreed to be issued;
- (c) Our Company has no outstanding convertible debt securities or debentures;
- (d) There is no arrangement under which future dividends are waived or agreed to be waived;
- (e) There has been no interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the last 12 months; and
- (f) None of the equity and debt securities of our Company, if any, is listed or dealt within any other stock exchange nor is any listing or permission to deal in other stock exchanges being or proposed to be sought.

14. Agency Fees or Commissions Paid or Payable

Save as disclosed in the “[REDACTED]” section and otherwise in connection with the [REDACTED], no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “Statutory and General Information — E. Other Information — 4. Qualification and Consent of Experts” in Appendix VI; and
- (b) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix VI.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at physis.com.cn during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the audited consolidated financial statements of the Company for the financial year ended December 31, 2023, 2024 and 2025;
- (c) the Accountant’s Report prepared by Ernst & Young, the texts of which are set out in Appendix I to this document;
- (d) the report issued by Ernst & Young in relation to the unaudited [REDACTED] financial information of the Group, the text of which is set forth in Appendix II to this document;
- (e) the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix VI;
- (f) the written consents referred to in “Statutory and General Information — E. Other Information — 4. Qualification and Consent of Experts” in Appendix VI;
- (g) the service contracts and the letters of appointment with the Directors referred to in “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Particulars of Directors Contracts and Appointment Letters” in Appendix VI to this document

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

- (h) the PRC legal opinions issued by AllBright Law Offices, the Company’s PRC Legal Advisor, in respect of in respect of certain general corporate matters and property interests in China of the Group;
- (i) the legal memoranda issued by Hogan Lovells International LLP, our legal advisor as to International Sanctions law, export control and U.S. foreign investment laws;
- (j) the transfer pricing analysis prepared by Shenzhen RSM Tax Ltd., our Transfer Pricing Consultant;
- (k) the terms of the [REDACTED] Share Option Scheme;
- (l) the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in “Industry Overview”; and
- (m) a copy of the following PRC laws, together with unofficial English translations:
 - (i) the PRC Company Law;
 - (ii) the PRC Securities Law; and
 - (iii) the Overseas Listing Trial Measures.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the [REDACTED] Share Option Scheme containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Sullivan & Cromwell (Hong Kong) LLP at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.