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

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

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are one of the leading market players in the global mid-stage lithium-ion battery intelligent equipment industry and have been gradually expanding our technological expertise into other automated lithium-ion battery equipment for the new energy battery industry. We specialise in the R&D, production and sales of stacking machines and other automated lithium-ion battery equipment used in the core mid-stage manufacturing processes, including notching, stacking, winding and filling stages. Founded in 2009, we were among the first PRC enterprises to develop one-station stacking machines and have since evolved into a centralised lithium-ion battery mid-stage equipment provider equipped with leading stacking technologies. Our R&D capabilities are underpinned by continuous technological innovation, deep stacking expertise, and integrated mid-stage automation processes. Our proprietary and differentiated technologies, such as laser notching and stacking integration, high-speed winding machines and advanced filling systems, enable our customers, typically major lithium-ion battery manufacturers, to enhance production efficiency, product quality, and traceability across diverse cell formats. During the Track Record Period, our customers included nine out of the global top 10 lithium-ion battery manufacturers in 2025 (ranked by shipment volume). With multiple manufacturing bases located across key regions in China, our Directors believe that we are well-positioned to participate in growth opportunities arising from the continued expansion and upgrading of the new energy battery industry in both domestic and international markets.

Despite a temporary slowdown in the global lithium-ion battery intelligent equipment industry in FY2024 due to a cyclical inventory destocking across the battery industry and a slowdown in capacity expansion investments during that year, we had maintained solid sales performance during the Track Record Period, with annual revenue of approximately RMB1.2 billion for each of FY2023, FY2024 and FY2025, reflecting our capability and reliability as a crucial industry player. For details of our business operations, please see the section headed "Business" in this document.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the IASB. All IFRS Accounting Standards are effective for the accounting period beginning on 1 January 2025, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. Further details of the material accounting policies adopted are set out in Note 4 to the Accountants' Report included in Appendix I to this document. These policies have been consistently applied to the historical financial information during each year of the Track Record Period, unless otherwise stated. The historical financial information has been prepared on the historical cost basis except for bills receivables at fair value through other comprehensive income ("**FVTOCI**") and financial assets at financial assets at fair value through profit or loss ("**FVTPL**") that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of historical financial information in conformity with IFRS Accounting Standards requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses, 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. Judgments made by our management in the application of IFRS Accounting Standards that have significant effect on the historical financial information and key sources of estimation uncertainty are discussed in Note 5 to the Accountants' Report set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

(i) demand for mid-stage automation equipment for new energy battery manufacturers;

(ii) delivery of technologically advanced and cost-competitive lithium-ion battery manufacturing equipment;

(iii) ability to attract customers, expand market share and capitalise on opportunities domestically and globally;

(iv) ability to control cost of sales and impact of supply chain costs and reliability; and

(v) ability to manage working capital requirements and maintain adequate liquidity and capital flow.

Demand for our mid-stage lithium-ion battery manufacturing equipment from new energy battery manufacturers.

Our business performance and financial results are primarily affected by the development of the lithium-ion battery intelligent equipment industry and the new energy battery industry. Demand for our stacking machines as well as other automation equipment for the core mid-stage lithium-ion battery production is closely tied to the investment cycles and capacity expansion plans of downstream customers in the lithium-ion battery manufacturing, EVs, energy storage systems and 3C industries. For FY2023, FY2024 and FY2025, our revenue generated from sales of notching and stacking machines was approximately RMB684.6 million, RMB448.1 million and RMB716.5 million, respectively, representing 58.8%, 38.8% and 58.7% of our total revenue respectively. According to the F&S Report, the market size in China for lithium-ion battery intelligent equipment is expected to grow from RMB36.9 billion in 2025 to RMB85.2 billion in 2030 with a CAGR of 18.2%; while the global market size is expected to grow from RMB63.2 billion in 2025 to RMB167.7 billion in 2030 with a CAGR of 21.6%, particularly recognising growth from the PRC, European and North American markets primarily driven by localisation initiatives as well as growing demand from new energy vehicles and energy storage applications.

Driven by the continued expansion of the new energy battery industry and supportive national policies, the market size of the lithium-ion battery intelligent equipment market has grown steadily, notwithstanding a decline in 2024 due to a temporary slowdown in the global lithium-ion battery intelligent equipment industry, primarily attributable to cyclical inventory destocking across the battery industry and a slowdown in capacity expansion investments during that year. We believe that we are well-positioned to capture the ongoing expansion and upgrading demand within the new energy battery industry and to expand into overseas markets where our major customers are establishing their growth footprints.

Delivery of technologically advanced and cost-competitive stacking and other lithium-ion battery manufacturing equipment.

Our business performance and results of operations depend on our ability to maintain technological and cost competitiveness, supported by strong R&D capabilities, as well as to continuously design, manufacture and market our stacking machines and other lithium-ion battery manufacturing equipment. Customer specifications for lithium-ion battery manufacturing equipment evolve over time in line with changing cell architectures, chemistries and production-efficiency requirements. Given our strong emphasis on product customisation, our ability to meet these evolving requirements is critical to sustaining customer demand and maintaining our profit margins.

During the Track Record Period, our R&D expenses amounted to approximately RMB98.5 million, RMB99.5 million and RMB86.8 million, accounting for 8.5%, 8.6% and 7.1% respectively, of our total revenue over the corresponding years. We place strong emphasis on innovation and continuous technological and product development. As at 31 December 2025, we have built a professional, multi-disciplinary R&D team of 387 employees, with expertise in automation, mechanical engineering, electrical systems and software. We have also established long-term partnerships with major lithium-ion battery manufacturers. These collaborations with major industry participants have strengthened our R&D capabilities and provided early access to evolving lithium-ion battery technologies and production requirements, enabling us to refine our core technologies (particularly, the stacking technologies) and solidify our position as a strategic R&D-oriented partner in the industrialisation of next-generation centralised lithium-ion battery manufacturing.

We believe that these investments in R&D strengthen our competitive position in the lithium-ion battery manufacturing equipment market and enhance our ability to deliver differentiated, precise, performance-optimised and cost-efficient solutions to our customers. We expect to continue making significant investments in R&D to support the timely introduction of new and enhanced automation solutions, thereby sustaining our ability to meet evolving technological requirements, maintain competitiveness and capture growth opportunities within the new energy battery industry and selected overseas markets.

Ability to maintain relationship with existing customers and attract new customers, expand market share and capitalise on opportunities domestically and globally.

Our results of operations have been and are expected to continue to be affected by our ability to maintain relationship with existing and attract new customers, and capture greater market share in both domestic and overseas markets. A substantial portion of our revenue has historically been derived from PRC customers who are major lithium-ion battery manufacturers. The demand from these customers is closely associated with their capacity expansion schedules, investment cycles and overall market conditions of the downstream industries in which they operate. For FY2023, FY2024 and FY2025, our revenue derived from customers in Chinese Mainland was approximately RMB1,160.5 million, RMB1,146.9 million and RMB1,184.9 million respectively, representing 99.6%, 99.3% and 97.0% of our total revenue in the corresponding years respectively.

Our financial performance is also influenced by our ability to respond to the increasing internationalisation of our major customers, being major lithium-ion battery manufacturers. As these customers expand their overseas operations, our capacity to support their global supply requirements, including through timely delivery and technical responsiveness, is crucial to our future financial performance.

In addition, our customer acquisition and retention capabilities, which are underpinned by our market reputation, product quality and service responsiveness, are key factors affecting our revenue stability and growth. We believe that by leveraging our established market reputation, accumulated industry experience and close communication with customers, we are well-positioned to capture growth opportunities in both existing and new customers, reinforce our competitive position in domestic and international markets and achieve sustainable long-term development.

Ability to control cost of sales and impact of supply chain costs and reliability.

Our results of operations have been, and will continue to be, affected by our ability to control cost of sales. Costs of raw materials was the most significant component of our cost of sales during the Track Record Period, amounted to approximately RMB739.4 million, RMB731.5 million and RMB779.9 million, accounting for 74.7%, 76.9% and 77.0% of our total cost of sales for FY2023, FY2024 and FY2025 respectively. As such, effective supply chain management is critical to our business operations and directly affects our cost structure, production efficiency, and operational stability. Please see the section headed "Business – Raw Materials and Suppliers" in this document for further details.

The following table sets out a sensitivity analysis illustrating the impact of hypothetical fluctuations in costs of raw materials on our net profit for the years indicated:

	Year ended 31 December		
	2023	**2024**	**2025**
	Change in net profit	**Change in net profit**	**Change in net profit**
		(RMB'000)	
+5%	(36,970)	(36,575)	(38,995)
+2%	(14,788)	(14,630)	(15,598)
+1%	(7,394)	(7,315)	(7,799)
-1%	7,394	7,315	7,799
-2%	14,788	14,630	15,598
-5%	(36,970)	36,575	(38,995)

Most of our raw materials and supplies are sourced from domestic suppliers. We are not materially dependent on any single supplier and maintain sufficient flexibility to adjust or diversify our sources of procurement when necessary. We generally procure raw materials and components on a non-exclusive basis under framework agreements, typically with a term of three years. Specific terms such as quantities, specifications, pricing and delivery conditions are set out in individual purchase orders, which become binding upon execution. The pricing of raw materials is generally either fixed for the term of the agreement or determined with reference to prevailing market prices, enabling us to manage procurement costs more effectively and provide customers with more accurate and stable product pricing.

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

Our business operations require significant working capital, particularly due to the timing and pattern of cash inflows and outflows associated with the sale of our equipment. We generally recognise revenue from sales of equipment upon the receipt of acceptance documents from our customers formally acknowledging the equipment meets the specified requirements and is fully operational to the customer's satisfaction. As a result, our ability to manage trade and bills receivables, inventory levels and trade payables has a direct impact on our cash position, liquidity and overall financial condition. We place substantial emphasis on receivables management, and our finance team monitors collections closely and prepares quarterly aging reports for management review. Our sales team also evaluates individual invoices on a case-by-case basis and follows up with customers to accelerate the collection of trade and bills receivables.

In addition, we have strengthened our cash flow management through measures such as tighter control over accounts receivable, improved inventory turnover and more efficient use of capital across our operations. While changes in the timing and collectability of receivables, inventory requirements or payment terms with customers and suppliers may affect our working capital needs, we believe our current working capital management framework positions us to support ongoing operations, business expansion and strategic investments on a sustainable basis.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements. For more details of our significant accounting judgments and estimates in applying our accounting policies, see Note 5 of the Accountants' Report in Appendix I to this document.

Revenue from contracts with customers

Revenue

Revenue is recognised at a point in time when the customer obtains control of the distinct goods or service. Revenue is measured based on the consideration to which our Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

During the Track Record Period, each of the equipment involved a comprehensive process, including design, manufacture, delivery, installation and commissioning of customised products to the customers. Given that customers cannot benefits from part of the process, each of the equipment is accounted for as a single performance obligation. Revenue from sales of equipment is generally recognised upon the receipt of customer acceptance. Such acceptance is formally acknowledged through a signed document verifying that the equipment meets the specified requirements and is fully operational to the customer's satisfaction, which representing the customer has the ability to direct the use of the equipment and obtain substantially all of the remaining benefits of the equipment.

Typically, upon signing of a sales agreement, our customer is obligated to remit a deposit of approximately 30% of the total contract amount. When the equipment is prepared for shipment, the customer is required to settle approximately 30% of the total contract amount. Subsequently, upon the completion of installation and commissioning of the equipment, and upon receipt of the customer's signed acceptance confirmation, the customer is obliged to pay an additional approximately 30% of the total contract amount. Finally, approximately 10% of the contract amount is withheld by the customers and is released upon the fulfillment of one year retention period. The services to be provided during the retention period are considered as an assurance-type warranty in order to ensure the equipment will be operational as needed and is accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

For contracts that contain variable considerations for discounts and rebates, we estimate the amount of consideration to which we will be entitled in exchange for transferring the promised goods or services to a customer. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, we update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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

Government grants

Government grants are not recognised until there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grants will be received. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to our Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When our Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives or the principal annual rates of items of property, plant and equipment are as follows:

	Useful lives
Plant and buildings	28 years
Machinery	10 years
Leasehold improvements	Shorter of their useful lives and the lease term
Office equipment	three to five years
Transportation equipment	four to five years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

The useful lives of intangible assets are as follows:

Software	three years
Patent	three years

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price less the estimated costs of completion and costs necessary to make the sale.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets out a summary of our consolidated statements of profit or loss for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	Amount	*Amount*	*Amount*
	(RMB'000, except for percentages)		
Revenue	1,165,204	1,154,661	1,221,058
Cost of sales	(989,229)	(950,881)	(1,012,633)
Gross profit	**175,975**	**203,780**	**208,425**
Other income, gains and losses, net	(9,677)	(13,118)	(4,865)
Selling and distribution expenses	(9,589)	(10,767)	(9,416)
Administration expenses	(45,510)	(40,019)	(45,426)
R&D expenses	(98,500)	(99,455)	(86,806)
Finance costs	(9,493)	(11,692)	(12,083)
Profit before tax	**3,206**	**28,729**	**49,829**
Income tax expense	(20,050)	(11,157)	(1,594)
(Loss) profit for the year	**(16,844)**	**17,572**	**48,235**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from sales of our lithium-ion battery manufacturing equipment. We maintained a relatively consistent annual revenue of approximately RMB1.2 billion for each of FY2023, FY2024 and FY2025, despite a slight decrease by approximately 0.9% from RMB1,165.2 million in FY2023 to RMB1,154.7 million in FY2024, and rebounced by approximately 5.8% to RMB1,221.1 million in FY2025.

Revenue By Product Category

During the Track Record Period, we derived our revenue primarily from the manufacturing and sale of (i) notching and stacking machines, (ii) filling machines, and (iii) winding machines. Alongside our key products, we also derived revenue from (i) the manufacturing and sale of automated conveyor lines, power modules and product accessories and (ii) other service and rental income, including installation and commissioning fees, fees for our after-sales services and service fees for the provision of our supporting software systems, as well as rental income generated from leasing our equipment. Generally, we offer made-to-order products tailored to diverse customer needs, where production is aligned precisely with individual order specifications. The length of our production cycles generally depends on delivery locations and the customisation specifications designated by our customers, which may require a longer lead time due to more intensive R&D, longer procurement lead time and commissioning requirements, as compared with mature product models which have a relatively shorter production cycle. For details of our product offerings and production procedures, please see the sections headed "Business – Our Products" and "Business – Our Production" in this document.

The following table below sets out a breakdown of revenue by our product categories for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Notching and stacking machines *(Note 1)*	684,621	58.8	448,052	38.8	716,534	58.7
Filling machines	326,211	28.0	408,338	35.4	194,086	15.9
Winding machines	67,038	5.8	217,249	18.8	237,321	19.4
Other products *(Note 2)*	85,431	7.3	78,753	6.8	71,305	5.8
Other income *(Note 3)*	1,903	0.1	2,269	0.2	1,812	0.2
Total revenue	**1,165,204**	**100.0**	**1,154,661**	**100.0**	**1,221,058**	**100.0**

Notes:

1. Including notching machines, stacking machines, notching and stacking integrated machines and pouched stacking machines.

2. Including machines and equipment manufactured for our customers from time to time, which include automated conveyor lines, power modules and product accessories.

3. Including installation and commissioning fees, fees for our after-sales services and service fees for the provision of our supporting software systems, as well as other rental income generated from the lease of our equipment.

Year-to-year comparison and results of operations for FY2024 – By product category

During FY2024, our revenue derived from the manufacturing and sale of notching and stacking machines decreased by approximately 34.6% to RMB448.1 million as compared to that in FY2023, mainly attributable to (i) a cyclical inventory destocking across the lithium-ion battery intelligent equipment industry (which affected certain of our major customers) and a slowdown in capacity expansion investments during that year, resulted in a consequential reduction in the demand for our notching and stacking machines; and (ii) certain customers who received delivery shipment of notching and stacking machines requested a postponement of equipment acceptance, which had direct impact on our revenue recognition during the year.

In respect of filling machines, we recognised an increase in revenue of approximately 25.2% to RMB408.3 million as compared to that in FY2023, mainly due to the recognition of a backlog orders brought forward from 2022 which were delivered and recognised in FY2024.

In respect of winding machines, we recognised an increase in revenue of approximately 224.3% to RMB217.2 million as compared to that in FY2023, which was also attributable to the recognition of a backlog orders brought forward from 2022 which were delivered and recognised during the year.

Year-to-year comparison and results of operations for FY2025 – By product category

During FY2025, our revenue derived from the manufacturing and sale of notching and stacking machines increased by approximately 59.9% to RMB716.5 million as compared to that in FY2024, primarily attributable to (i) the general recovery of the lithium-ion battery intelligent equipment industry which led to increase in demand from our customers in general and hence sales volume of our notching and stacking machines; and (ii) a number of customers who received delivery shipment of notching and stacking machines more than two years ago agreed to resume or proceed with completing acceptance confirmation during the year, thereby enabling us to recognise revenue from such orders brought forward from prior years.

In respect of filling machines, we recognised a decrease in revenue of approximately 52.5% to RMB194.1 million as compared to that in FY2024, as most of our pre-existing filling machines orders have been fulfilled and new orders received in FY2024 for such equipment were yet to be delivered for revenue recognition.

In respect of winding machines, we recognised a slight increase in revenue of approximately 9.2% to RMB237.3 million as compared to that in FY2024, primarily attributable to our completion of acceptance confirmation procedures for certain major customers during the year.

In addition, having regard to the new energy battery development trend and our customers' preference towards stacking technologies for lithium-ion battery manufacturing, our Company has been strategically allocating more resources to the R&D and manufacturing of stacking technologies and equipment. According to the F&S Report, as batteries evolve toward larger formats and elongated, thinner designs, notching and stacking machines are expected to grow faster. The global lithium-ion battery notching and stacking machines market is projected to increase from RMB7.3 billion in 2025 to RMB29.0 billion in 2030, representing a CAGR of approximately 31.8%, outpacing that of filling machines and winding machines. This stacking-oriented strategy was also reflected in the proportion of revenue contribution from stacking, filling and winding machines in FY2025.

Revenue by Geographical Locations of our Customers

During the Track Record Period, we derived revenue primarily from lithium-ion battery manufacturers located in Chinese Mainland. For details of our business model, please see the sections headed "Business – Our Products" and "Business – Sales and Marketing" in this document.

The following table sets out a breakdown of revenue by geographical locations of our customers for the years indicated:

	For the year ended 31 December					
	2023		**2024**		**2025**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Chinese Mainland	1,160,509	99.6	1,146,857	99.3	1,184,902	97.0
Other locations	4,695	0.4	7,804	0.7	36,156	3.0
Total revenue	**1,165,204**	**100.0**	**1,154,661**	**100.0**	**1,221,058**	**100.0**

Year-to-year comparison and results of operations for FY2024 – By geographical location of our customers

During FY2024, the proportion of our revenue from customers located in Chinese Mainland remained relatively consistent as compared to that in FY2023.

On the other hand, in FY2024, our revenue from customers located outside Chinese Mainland increased by approximately 66.2% to RMB7.8 million as compared to that in FY2023, primarily attributable to the fact that we completed equipment acceptance procedures of automated conveyor lines for a customer in Asia during the year.

Year-to-year comparison and results of operations for FY2025 – By geographical location of our customers

During FY2025, the proportion of our revenue from customers located in Chinese Mainland remained relatively consistent as compared to that in FY2024.

We also recognised an increase of more than 3.5 times in revenue to approximately RMB36.2 million from customers located outside Chinese Mainland in FY2025 as compared to that in FY2024, primarily due to the reason that we completed the installation, commissioning and final SATs of filling machines and sale of other product accessories in the year for a customer in Asia with whom we entered into sales agreement in 2022.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of raw materials, manufacturing costs, labour costs, impairment losses on inventories, net of reversal and business tax and surcharges. The fluctuation of cost of sales throughout the Track Record Period was largely in line with revenue.

We operate an asset-light business model. We do not produce our own non-standard parts but procure such parts from third-party suppliers for our production requirements, the procurement cost of which accounted for approximately 40% to 50% of our total purchases for raw materials during the Track Record Period. For details of our raw materials and procurement, please see the section headed "Business – Raw Materials and Suppliers" in this document.

The following table sets out a breakdown of our cost of sales by nature for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Raw materials	739,389	74.7	731,493	76.9	779,851	77.0
Manufacturing costs	138,125	14.0	146,860	15.5	155,213	15.3
Labour costs	67,778	6.9	78,944	8.3	70,902	7.0
Impairment losses on inventories, net of reversal	36,983	3.7	(15,152)	(1.6)	4,639	0.5
Business tax and surcharges	6,954	0.7	8,736	0.9	2,028	0.2
	989,229	**100.0**	**950,881**	**100.0**	**1,012,633**	**100.0**

Year-to-year comparison and results of operations for FY2024 – By nature

Our total cost of sales decreased by approximately 3.9% from RMB989.2 million in FY2023 to RMB950.9 million in FY2024, primarily attributable to (i) the decrease in end-market demand of lithium-ion battery equipment and the consequential decrease in our revenue, resulting in a decrease in recognition of corresponding portion of costs of sales, particularly in respect of costs relating to raw materials; and (ii) the fact that we wrote back our inventories amounted to approximately RMB15.2 million in FY2024 as we subsequently recognised revenue from the corresponding sales orders in FY2024.

Year-to-year comparison and results of operations for FY2025 – By nature

Our total cost of sales subsequently increased by approximately 6.5% to RMB1,012.6 million in FY2025, primarily attributable to the recognition of costs of sales relating to raw materials and manufacturing costs corresponding to the portion of revenue recognised during the year.

The following table sets out a breakdown of our cost of sales by product categories for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Notching and stacking machines *(Note 1)*	613,747	62.0	396,361	41.7	585,951	57.8
Filling machines	254,386	25.7	324,163	34.1	163,941	16.2
Winding machines	60,965	6.2	175,382	18.4	209,112	20.7
Other products *(Note 2)*	60,001	6.1	54,613	5.7	53,191	5.3
Other income *(Note 3)*	130	–	362	0.1	438	–
Total cost of sales	**989,229**	**100.0**	**950,881**	**100.0**	**1,012,633**	**100.0**

Notes:

1. Including notching machines, stacking machines, notching and stacking integrated machines and pouched stacking machines.

2. Including machines and equipment manufactured for our customers from time to time, which include automated conveyor lines, power modules and product accessories.

3. Including installation and commissioning fee, fees for our after-sales services and service fees for the provision of our supporting software systems, as well as other rental income generated from the lease of our equipment.

Year-to-year comparison and results of operations for FY2024 – By product category

During FY2024, the fluctuations in the cost of sales incurred for our notching and stacking machines, filling machines and winding machines generally in line with the fluctuations in our revenue during the year.

Year-to-year comparison and results of operations for FY2025 – By product category

During FY2025, the fluctuations in the cost of sales incurred for our notching and stacking machines, filling machines and winding machines generally in line with the fluctuations in our revenue during the year.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. In FY2023, FY2024 and FY2025, gross profit amounted to approximately RMB176.0 million, RMB203.8 million and RMB208.4 million respectively. Gross profit margin represents our gross profit as a percentage of our revenue. In FY2023, FY2024 and FY2025, our overall gross profit margin was approximately 15.1%, 17.6% and 17.1% respectively.

We do not set a standard selling price for our customised products. As part of our pricing policy, we typically take into consideration various factors, such as customisation requirements, technical and manufacturing complexity, our relationship with the customer and opportunities for subsequent business cooperation, market competition and a reasonable profit margin for each project. For details of our pricing policy, please see the section headed "Business – Our Customers – Pricing Policy" in this document. In this regard, our overall gross profit margin during the Track Record Period was affected by the gross profit margin for each project, which may fluctuate from year to year depending on the complexity of the projects we undertook, our cost management capability and the overall market conditions during the relevant year.

The following table sets out a breakdown of gross profit and gross profit margin by our product categories for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Notching and stacking machines *(Note 1)*	70,874	10.4	51,691	11.5	130,583	18.2
Filling machines	71,825	22.0	84,175	20.6	30,145	15.5
Winding machines	6,074	9.1	41,867	19.3	28,210	11.9
Other products *(Note 2)*	25,429	29.8	24,143	30.7	18,113	25.4
Other income *(Note 3)*	1,773	93.2	1,904	84.0	1,374	75.8
Total gross profit/ overall gross profit margin	**175,975**	**15.1**	**203,780**	**17.6**	**208,425**	**17.1**

Notes:

1. Including notching machines, stacking machines, notching and stacking integrated machines and pouched stacking machines.

2. Including machines and equipment manufactured for our customers from time to time, which include automated conveyor lines, power modules and product accessories.

3. Including installation and commissioning fee, fees for our after-sales services and service fees for the provision of our supporting software systems, as well as other rental income generated from the lease of our equipment.

Year-to-year comparison and results of operations for FY2024 – By product category

Our overall gross profit increased by approximately 15.8% from RMB176.0 million in FY2023 to RMB203.8 million in FY2024, and our overall gross profit margin increased from 15.1% to 17.6%, primarily due to the recognition of revenue upon completion of equipment acceptance procedures for certain filling machine and winding machine projects, which aggregately accounted for approximately 54.2% of our revenue in FY2024 and generated relatively higher gross profit margins of 20.6% and 19.3%, respectively; while we generated approximately 58.8% of our revenue from the sale of notching and stacking machines in FY2023, which carried a lower gross profit margin of approximately 10.4% and therefore led to an overall lower gross profit margin of 15.1% for the year.

Year-to-year comparison and results of operations for FY2025 – By product category

Our overall gross profit further increased by approximately 2.3% to RMB208.4 million in FY2025, and our overall gross profit margin remained relatively stable at 17.1% in FY2025 as compared with that in FY2024. Such fluctuation was primarily attributable to the increase in recognition of revenue upon completion of equipment acceptance procedures for notching and stacking machine projects, which accounted for the majority of our revenue during the year with an improved gross profit margin of 18.2% as compared to the gross profit margin of 11.5%; which was partially offset by the decrease in gross profit derived from certain of our filling and winding machine projects during the year, which had lower gross profit margins as compared to the previous year.

Other Income, Gains and Losses, Net

Our other income and gains primarily consist of (i) government grants, representing incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward our Group's support and contribution to the development of local economies; (ii) income from value-added tax refunds and deductions benefiting from certain tax treatment policies favourable to software enterprises and advanced manufacturing enterprises, pursuant to which such enterprises are entitled to certain VAT refunds or tax deductions; (iii) interest income from our bank deposits and wealth management products; (iv) fair value gains on financial assets at FVTPL, reflecting investment gains from our wealth management products; and (v) impairment losses reversal on contract assets.

Our other losses primarily consist of (i) losses from disposal of property, plant and equipment and other assets, representing losses on disposal of certain fixed assets such as machinery, transportation equipment and office equipment; (ii) impairment losses on trade and bills receivables; and (iii) impairment losses on contract assets.

Our impairment losses/ reversal on trade and bills receivables and contract assets are provisions for, or reversal of, losses arising from potential bad debts and unrecoverable sums in respect of our trade and bills receivables and uncertified work done in relation to our contract assets, respectively, in our ordinary course of business. We assess impairment losses on trade and bills receivables and contract assets based on a number of factors, including historical credit risk experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The following is a breakdown of our other income, gains and losses for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	(RMB'000, except for percentages)		
Other income and expenses			
Interest income	11,788	8,896	3,845
Government grants	19,074	3,468	7,899
VAT refund	21,514	18,665	3,982
Extra deduction of VAT	6,662	4,915	76
Others*(Note)*	85	171	144
Sub-total	59,123	36,115	15,946
Other gains and losses			
Exchange (loss) gain, net	–	(7)	492
Gain on disposal of financial assets at FVTPL	3,939	168	1,207
Loss on disposal of property, plant and equipment and other assets	(76)	(775)	(365)
Gain on lease modification	–	114	–
Others*(Note)*	(104)	(30)	90
Sub-total	3,759	(530)	1,424
Impairment losses under expected credit loss model, net of reversal			
Impairment losses on trade and bills receivables, net	(60,986)	(46,897)	(32,047)
Impairment losses on other receivables	(533)	(8)	(247)
(Impairment losses) reversal of impairment losses on contract assets	(11,040)	(1,798)	10,059
Sub-total	(72,559)	(48,703)	(22,235)
Total other income, gains and losses, net	**(9,677)**	**(13,118)**	**(4,865)**

Notes: Including administration fees arising from tax refund applications.

Year-to-year comparison and results of operations for FY2024

Other Income and Expenses. Our other income and expenses decreased by approximately 38.9% from RMB59.1 million in FY2023 to RMB36.1 million in FY2024, primarily due to decreases in (i) interest income from our bank deposits, (ii) government grants, and (iii) VAT tax refunds and deductions.

Other Gains and Losses. We accounted for other gains of approximately RMB3.8 million in FY2023 and other losses of RMB0.5 million in FY2024, primarily due to (i) the fact that we realised approximately RMB3.9 million in fair value gains in financial assets at FVTPL as compared to RMB0.2 million in FY2024; and (ii) the recognition of approximately RMB0.8 million in losses on disposal of property, plant and equipment and other assets mainly arising from the disposal of depleted machinery during the year.

Impairment Losses under Expected Credit Loss Model, Net of Reversal. Our impairment losses under expected credit loss model, net of reversal decreased by approximately 32.9% from RMB72.6 million in FY2023 to RMB48.7 million in FY2024, primarily due to decrease in impairment losses recognised on trade and bills receivables, corresponding to the decrease in our size of trade and bills receivables recorded on the respective dates.

Year-to-year comparison and results of operations for FY2025

Other Income and Expenses. Our other income and expenses further decreased by approximately 56.0% to RMB15.9 million in FY2025, primarily due to further decreases in (i) interest income from our bank deposits, and (ii) VAT tax refunds and deductions. Notwithstanding the aforesaid, we began to receive the first payment of government grants from local governments arising from our accolades "Little Giant" (小巨人) and "First-time Recognition Award for Headquarters Economy" (總部經濟首次認定獎勵) in FY2025.

Other Gains and Losses. We recognised other gains of approximately RMB1.4 million in FY2025 as compared to other losses of RMB0.5 million in FY2024, primarily due to the fact that (i) we realised approximately RMB1.2 million fair value changes in financial assets at FVTPL as compared to RMB0.2 million in FY2024; (ii) we recorded a reduction of approximately RMB0.4 million as compared to that in FY2024 in the losses on disposal of property, plant and equipment and other assets; and (iii) an exchange gain of approximately RMB0.5 million as compared to an exchange loss of RMB7,000 in FY2024.

Impairment Losses under Expected Credit Loss Model, Net of Reversal. Our impairment losses under the expected credit loss model, net of reversal further decreased by approximately 54.4% to RMB22.2 million in FY2025, primarily due to (i) decrease in impairment losses recognised on trade and bills receivables, and (ii) a reversal of impairment losses on contract assets amounted to RMB10.1 million, as our customers resumed payment and/or equipment acceptance procedures in FY2025.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee compensation and share-based compensation for sales and marketing personnel, and (ii) business entertainment expenses, advertising and business promotion expenses incurred by our sales and marketing personnel for front-end sales activities such as customer expansion, maintaining business partnerships, negotiations and various promotion activities. We incurred selling and distribution expenses of approximately RMB9.6 million, RMB10.8 million, and RMB9.4 million in FY2023, FY2024 and FY2025, respectively, representing 0.8%, 0.9% and 0.8% of our total revenue for the corresponding years.

The following table sets out a breakdown of our selling and distribution expenses by nature for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, save for percentage)					
Employee compensation	5,109	53.3	3,665	34.0	3,823	40.6
Business entertainment expenses	2,249	23.5	3,638	33.8	2,797	29.7
Advertisement and business promotion expenses and consulting service fees	382	4.0	1,153	10.7	958	10.2
Share-based compensation	618	6.4	603	5.6	460	4.9
Others*(Note)*	1,231	12.8	1,708	15.9	1,378	14.6
Total selling and distribution expenses	**9,589**	**100.0**	**10,767**	**100.0**	**9,416**	**100.0**

Note: Including rents, utilities and property management fees, depreciation and amortisation, office and travel expenses, maintenance fees and other miscellaneous fees.

Year-to-year comparison and results of operations for FY2024

In FY2024, despite a drop in our total revenue, our selling and distribution expenses increased by approximately 12.5% (or RMB1.2 million) from RMB9.6 million FY2023 to RMB10.8 million in FY2024, as we incurred more expenses for business development activities in light of the dampened market condition during the year, and fees arising from increased project tendering during the year, which were partially offset by the decrease in employee compensation.

Year-to-year comparison and results of operations for FY2025

In FY2025, despite increase in our total revenue, our selling and distribution expenses decreased by approximately 13.0% (or RMB1.4 million) to RMB9.4 million in FY2025, primarily due to the decrease in business entertainment expenses as we tightened our cost management for business development activities. Nonetheless, we participated in numerous industry exhibition(s) during the year in promoting our products as reflected in the increase in advertisement and business promotion expenses.

Administrative Expenses

Our administrative expenses are costs incurred during the course of management of company operations, and costs allocated to our general management and administrative personnel. These costs primarily consist of (i) employee compensation and share-based compensation for our personnel attributable to general corporate affairs, (ii) general office expenses, rental and utilities, (iii) consulting service fees primarily relating to the Previous **[REDACTED]** Attempt, and (iv) business entertainment expenses generally incurred by the headquarters administration, senior management, and functional management departments for business dealings with industry associations, visits to Shareholders and business partners, and general business receptions, as well as other back-office and overall corporate affairs. We incurred administrative expenses of approximately RMB45.5 million, RMB40.0 million and RMB45.4 million in FY2023, FY2024 and FY2025, respectively, representing 3.9%, 3.5% and 3.7% of our total revenue for the corresponding years.

The following table sets out a breakdown of administrative expenses by nature for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentage)					
Employee compensation	26,186	57.5	19,246	48.1	22,995	50.6
Office expenses	2,439	5.4	1,536	3.8	1,371	3.0
Rent and utilities (including water and electricity)	3,817	8.4	4,180	10.4	4,357	9.6
Depreciation and amortisation	1,159	2.5	1,164	2.9	4,568	10.1
Travel expenses	820	1.8	662	1.7	1,013	2.2
Consulting service fees	5,585	12.3	5,481	13.7	7,313	16.1
Business entertainment, advertisement and promotion expenses	1,907	4.2	961	2.4	1,230	2.7
Share-based compensation	2,033	4.5	2,467	6.2	589	1.3
Others*(Note)*	1,564	3.4	4,322	10.8	1,990	4.4
Total administrative expenses	**45,510**	**100.0**	**40,019**	**100.0**	**45,426**	**100.0**

Note: Including various miscellaneous expenses such as disability employment security fund, repair and maintenance fees and bank charges.

Year-to-year comparison and results of operations for FY2024

Our administrative expenses decreased by approximately 12.1% (or RMB6.8 million) from RMB45.5 million in FY2023 to RMB40.0 million in FY2024, primarily due to the decrease in business entertainment expenses of RMB0.9 million and employee compensation paid of RMB6.9 million as a result of reduction in headcount implemented as part of our cost-cutting measures in FY2024, in light of the dampened market conditions in the lithium-ion battery intelligent equipment industry and the general business environment during the year.

Year-to-year comparison and results of operations for FY2025

Our administrative expenses increased by approximately 13.5% (or RMB5.4 million) to RMB45.4 million in FY2025, which was closely comparable to that in FY2024, primarily due to the increase in (i) employee compensation of RMB3.7 million as we recruited more staff to support our revived business operations in FY2025, following market recovery and revived business activities from our customers; (ii) depreciation and amortisation of RMB3.4 million due to addition of plant, machinery and equipment; and (iii) consulting service fees of RMB1.8 million primarily for the Previous **[REDACTED]** Attempt, which were partially offset by a decrease in share-based compensation of RMB1.9 million and other expenses of RMB2.3 million in FY2025.

R&D Expenses

Our R&D expenses primarily consist of (i) staff costs and share-based payment expenses for our R&D personnel, (ii) materials consumed during our R&D processes, (iii) technical service fees paid to external parties during our R&D processes, (iv) depreciation and amortisation expenses relating to our intangible assets, and (v) rental expenses relating to the leased areas for our R&D department. We incurred R&D expenses of approximately RMB98.5 million, RMB99.5 million, and RMB86.8 million in FY2023, FY2024 and FY2025, respectively, representing 8.5%, 8.6% and 7.1% of our total revenue for the corresponding years. For details of our R&D capabilities, please see the section headed "Business – R&D and Technologies" in this document.

The following table sets out is a breakdown of our R&D costs for the years indicated:

	For the year ended 31 December					
	2023		**2024**		**2025**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, save for percentage)					
Staff costs	69,894	71.0	59,788	60.1	63,798	73.5
Materials consumed	14,221	14.4	19,814	19.9	4,847	5.5
Technical service fee	1,482	1.5	8,795	8.9	9,163	10.6
Depreciation and amortisation	4,074	4.1	3,994	4.0	2,194	2.5
Rental expenses	3,578	3.6	3,306	3.3	2,052	2.4
Share-based payment expenses	1,726	1.8	1,299	1.3	1,361	1.6
Others*(Note)*	3,525	3.6	2,459	2.5	3,391	3.9
Total R&D expenses	**98,500**	**100.0**	**99,455**	**100.0**	**86,806**	**100.0**

Note: Including various miscellaneous expenses such as office expenses, business entertainment and travel expenses and maintenance and loading/unloading service fess arising from our R&D activities.

Year-to-year comparison and results of operations for FY2024

Our R&D expenses remained relatively steady at approximately RMB98.5 million in FY2023 and RMB99.5 million in FY2024, despite a drop in our total revenue in FY2024 as compared to that in FY2023, of which, there was a decrease in staff costs of RMB10.1 million due to the dampened market condition in 2024, but offset by increases in materials consumed of RMB5.6 million and technical service fee of RMB7.3 million for more projects that required commissioning and prototype production. Recognition of revenue for such projects may not be in the same financial year in which the R&D expenses are incurred, and usually be deferred to later financial years. This reflects our dedication to maintain continuous R&D improvements in our operations.

Year-to-year comparison and results of operations for FY2025

In FY2025, despite an increase in our total revenue, our R&D expenses decreased by approximately 12.7% (or RMB12.7 million) to RMB86.8 million as compared to that in FY2024, primarily due to maturation of our various R&D projects which were prepared for mass production and required a significantly fewer materials for commissioning and prototype production, as reflected in the decrease of materials consumed by approximately 75.5%, or RMB15.0 million, in FY2025 as compared to that in the previous year, which was partially offset by increase in staff costs of RMB4.0 million as we recruited more R&D staff in 2025.

Finance Costs

Our finance costs include interest payments for bank borrowings and discounted bills receivables, as well as payments arising from our property leases. We incurred approximately RMB9.5 million, RMB11.7 million, and RMB12.1 million in finance costs in FY2023, FY2024 and FY2025, respectively, representing 0.8%, 1.0% and 1.0% of our total revenue for the corresponding years.

The following table sets out a breakdown of our finance costs for the years indicated:

	For the year ended 31 December					
	2023		**2024**		**2025**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, save for percentages)					
Interest on:						
– Bank borrowings	2,177	22.9	7,618	65.2	8,016	66.3
– Discounted bills receivables	4,522	47.7	1,675	14.3	2,852	23.6
– Lease liabilities	2,794	29.4	2,399	20.5	1,215	10.1
Total finance costs	**9,493**	**100.0**	**11,692**	**100.0**	**12,083**	**100.0**

Year-to-year comparison and results of operations for FY2024

Our finance costs increased by approximately 23.2% (or RMB2.2 million) from RMB9.5 million in FY2023 to RMB11.7 million in FY2024, primarily due to our increased interest on bank borrowings by RMB5.4 million as we drew down a significant amount of banking facilities for the construction of the Jingmi Property acquired and for our working capital replenishment due to temporary slowdown in business activities during FY2024, which was partially offset by the decrease in interest for discounted bills receivables by RMB2.8 million.

Year-to-year comparison and results of operations for FY2025

Our finance costs increased by approximately 3.4% (or RMB0.4 million) from RMB11.7 million in FY2024 to RMB12.1 million in FY2025, primarily due to our increased interest on bank borrowings drew down in previous year, which was partially offset by the decrease in interest for lease liabilities of RMB1.2 million.

Income Tax Expense

During the Track Record Period, we were subject to enterprise income tax ("**EIT**") at a statutory tax rate of 25%, except for certain of our subsidiaries which were entitled to preferential tax treatments, including: (i) preferential income tax rate of 15% due to their accreditation as high and new technology enterprises in China; and (ii) preferential tax rate of 20% on taxable income due to tax benefits available to qualified small- and medium-enterprises in the PRC.

Our income tax expenses consist of current income tax and deferred income tax assets. We incurred income tax expense of approximately RMB20.1 million, RMB11.2 million and RMB1.6 million for the FY2023, FY2024 and FY2025.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with the PRC tax authority.

The following table sets out is a breakdown of our income tax expense recognised for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	Amount	*Amount*	*Amount*
		(RMB'000)	
Current income tax –			
PRC Enterprise Income Tax "EIT"	17,893	15,350	1,512
Under (over) provision in prior years	2,540	(3,989)	–
Deferred income tax (credits) expense	(383)	(204)	82
Total income tax expense	**20,050**	**11,157**	**1,594**

Year-to-year comparison and results of operations for FY2024

In FY2023, our Group's consolidated profit before tax amounted to RMB3.2 million, which was the resultant net effect of profits from certain profitable operating subsidiaries within our Group being set-off against the loss-making results of our holding Company and subsidiaries. Our income tax expense of RMB20.1 million was much greater than the consolidated profit before tax of RMB3.2 million, because income tax expense was calculated on individual entity basis on those profitable operating subsidiaries whilst the same was not provided for the loss-making holding Company and subsidiaries.

Our income tax expense decreased from RMB20.1 million in FY2023 to RMB11.2 million in FY2024. The decrease was primarily attributable to a reduction in current income tax- PRC Enterprise Income Tax from RMB17.9 million in FY2023 to RMB15.4 million in FY2024, reflecting changes in the distribution of tax assessable profits amongst our PRC subsidiaries. In addition, we recognised additional tax deductions for qualifying R&D activities of RMB21.5 million for our Company and certain subsidiaries qualified as High and New Technology Enterprises. As certain subsidiaries returned be profitable, we were also able to utilise tax losses previously not recognised of RMB20.3 million and deductible temporary differences of RMB13.6 million. These factors collectively contributed to the overall reduction in our income tax expense for FY2024.

Year-to-year comparison and results of operations for FY2025

We recorded an income tax expense of RMB1.6 million in FY2025, representing a significant decrease from RMB11.2 million in FY2024. The reduction was mainly driven by a substantial decrease in current income tax- PRC Enterprise Income Tax, which decreased from RMB15.4 million in FY2024 to RMB1.5 million in FY2025. This was primarily due to the increase in tax assessable profits in certain subsidiaries subject to High and New Technology Enterprises or micro and small enterprises. We continued to benefit from additional R&D tax deductions for RMB18.1 million and further utilised deductible temporary differences of RMB9.9 million and previously unrecognised tax losses of RMB1.8 million during the year. These combined effects resulted in a minimal income tax charge for FY2025 despite of the increase in profit before tax.

For details of our income tax expense, please see Note 9 to the Accountants' Report set out in Appendix I to this document.

Profit (loss) for the year

Notwithstanding the fact that we recorded a loss for the year of approximately RMB16.8 million in FY2023, we were able to turn around our net loss position to a net profit position of approximately RMB17.6 million and RMB48.2 million in FY2024 and FY2025 respectively.

Year-to-year comparison and results of operations for FY2024

As a result of the foregoing discussions, in particular, our efforts in improving our gross profit margin and various cost control measures adopted during the year, we were able to turn around our net loss position of approximately RMB16.8 million in FY2023 to a net profit position of RMB17.6 million in FY2024.

Year-to-year comparison and results of operations for FY2025

As a result of the foregoing discussions, our net profit for FY2025 increased by approximately 1.7 times from RMB17.6 million in FY2024 to RMB48.2 million in FY2025.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out selected information from our consolidated statements of financial position as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Non-current assets:			
Property, plant and equipment	25,264	116,458	119,404
Right-of-use assets	58,950	40,247	29,144
Intangible assets	2,344	528	136
Prepayment and other receivables	15,057	393	1,390
Deferred tax assets	307	511	429
Term deposits	207,093	–	130,039
Total non-current assets	**309,015**	**158,137**	**280,542**
Current assets:			
Inventories	1,688,406	1,186,966	948,774
Trade and bills receivables	436,315	601,974	529,588
Bills receivables at FVTOCI	11,635	39,436	26,261
Contract assets	121,048	135,229	128,523
Other receivables, deposits and prepayments	92,292	137,080	116,903
Tax recoverable	24	–	227
Financial assets at FVTPL	56,000	–	61,000
Restricted cash	230,031	18,770	29,427
Term deposits	–	135,156	42,958
Cash and cash equivalents	67,731	45,834	70,756
Total current assets	**2,703,482**	**2,300,445**	**1,954,417**

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Current liabilities:			
Trade, bills and other payables	1,070,624	570,660	654,165
Contract liabilities	1,203,822	876,531	700,520
Tax liabilities	15,177	11,314	4,260
Bank borrowings	175,487	291,860	132,500
Lease liabilities	22,052	16,408	13,667
Provision	16,633	18,338	25,514
Total current liabilities	**2,503,795**	**1,785,111**	**1,530,626**
Net current assets	**199,687**	**515,334**	**423,791**
Total assets less current liabilities	**508,702**	**673,471**	**704,333**
Non-current liabilities:			
Bank borrowings	–	76,500	68,000
Lease liabilities	41,601	26,541	14,668
Total non-current liabilities	**41,601**	**103,041**	**82,668**
Net assets	**467,101**	**570,430**	**621,665**
Capital and Reserves:			
Share capital	50,940	52,320	52,320
Reserves	461,161	518,110	569,345
Total equity	**467,101**	**570,430**	**621,665**

DESCRIPTION OF KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment primarily consisted of owned properties and buildings, production machinery such as welding machines, transportation equipment such as goods vehicles, office equipment, and leasehold improvements. The following table sets out a breakdown of the net carrying amount of our property, plant and equipment as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Properties and buildings	–	101,190	105,919
Machinery	12,985	6,459	5,557
Transportation equipment	876	1,095	605
Office equipment	5,988	3,778	4,457
Leasehold improvements	5,415	3,936	2,866
Total property, plant and equipment	**25,264**	**116,458**	**119,404**

Our property, plant and equipment had seen significant increase in net book value from approximately RMB25.3 million as at 31 December 2023 to RMB116.5 million as at 31 December 2024, and further to RMB119.4 million as at 31 December 2025, primarily due to the acquisition of new properties at Building No. 1, Jingmi Zhizao Building, Jianyou Road No. 8, Kukeng Community, Guanlan Street, Longhua District, Shenzhen, Guangdong Province, China (the "**Jingmi Property**") for manufacturing and dormitories, amounted to RMB99.3 million, and the subsequent construction and renovation costs incurred. The said increase was partially offset by (i) a decrease in machinery, office and other equipment as a result of the reduced demand for our products which led to temporary shrinkage in our production and internal demand for such machinery and office equipment during FY2024; and (ii) a decrease in leasehold improvements due to the fact that certain of our lease contracts were coming to their expiration and we incurred less renovation/ improvement costs for these lease properties as such.

Right-of-use Assets

During the Track Record Period, our right-of-use assets represented our lease contracts for (i) office premises, factories and warehouses; and (ii) leasehold land used in our operations. Leased terms of our leased properties are fixed with various periods ranging from two to five years.

As at 31 December 2023, 2024 and 2025, the carrying amounts of our right-of-use assets decreased from RMB59.0 million as at 31 December 2023 to RMB40.2 million as at 31 December 2024, and further to RMB29.1 as at 31 December 2025, primarily due to the fact that most of our lease contracts were coming to their expiration and we recognised limited residual value corresponding to the amortisation schedule in respect of our leasehold lands and leased properties.

Intangible Assets

During the Track Record Period, our intangible assets consisted of computer software and patents in connection with our business operations. The following table sets out a breakdown of our intangible assets as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Computer Software	914	419	136
Patents	1,430	109	–
Total intangible assets	**2,344**	**528**	**136**

Our intangible assets decreased significantly from approximately RMB2.3 million as at 31 December 2023 to RMB0.5 million as at 31 December 2024, and further to RMB0.1 million as at 31 December 2025. Such decrease primarily attributable to the batch of patents we acquired in 2022 amounted to approximately RMB4.0 million, which were amortised over three years according to the relevant accounting policies. By January 2025, the said patents were completely amortised.

Inventories

During the Track Record Period, our inventories consisted of (i) raw materials and consumables; (ii) work in progress in respect of our lithium-ion battery manufacturing equipment; (iii) finished goods which are yet to be delivered to our customers; and (iv) goods-in-transit, representing equipment which are delivered but yet to complete acceptance confirmations by our customers. During the Track Record Period, goods-in-transit amounted to approximately RMB1,398.9 million, RMB1,016.6 million and RMB722.5 million, which accounted for approximately 82.9%, 85.6% and 76.1% of our inventories as at 31 December 2023, 2024 and 2025. This was a result of our revenue recognition policy, pursuant to which we would recognise revenue upon receipt of customer acceptance of the SATs. Goods that have already been delivered to our customers remain recorded as inventory of goods-in-transit until customer acceptance of the SAT is confirmed, resulting in a significant amount of inventory of goods-in-transit being held on the balance sheet dates, thereby extending the inventory turnover period. This accounting treatment is consistent with the movements in our inventory composition and the industry practice, where goods-in-transit constituted a significant portion of total inventories throughout the Track Record Period.

The following table sets out a breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Raw materials and consumables	145,345	68,340	71,534
Work in progress	117,384	72,480	131,965
Finished goods	26,739	29,551	22,794
Goods-in-transit	1,398,938	1,016,595	722,481
Total inventories	**1,688,406**	**1,186,966**	**948,774**

Our total inventories decreased from approximately RMB1,688.4 million as at 31 December 2023 to RMB1,187.0 million as at 31 December 2024, primarily attributed to (i) decrease in both (a) raw materials and consumables by RMB77.0 million (or 53.0%), and (b) work in progress by RMB44.9 million (or 38.3%) as a result of reduced sales orders received amid dampened market environment in FY2024; and (ii) decrease in goods-in-transit by RMB382.3 million (or 27.3%), reflecting our effort in negotiating and advancing completion and equipment acceptance procedures with our customers despite the generally negative market conditions of the lithium-ion battery manufacturing industry during the year.

Our total inventories further decreased to approximately RMB948.8 million as at 31 December 2025, primarily attributed to a further decrease in our goods-in-transit by RMB294.1 million (or 28.9%) as our major customers resumed completion and equipment acceptance procedures during the year as the lithium-ion battery manufacturing industry began to revive. Such decrease was partially offset by increases in our raw materials and consumables as well as work in progress as we received increased number of sales orders in FY2025.

The following table sets out an aging analysis of our inventories as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Within one year	1,228,404	488,187	729,208
One to two years	378,567	432,515	159,091
Over two years	81,435	266,264	60,475
Total inventories	**1,688,406**	**1,186,966**	**948,774**

The following table sets out a breakdown of our inventory turnover days for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
		(Days)	
Inventory turnover days*(Note)*	573	552	385

Note: Inventory turnover days for a year represents the average of opening and ending inventories balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our inventory turnover days were primarily affected by the status of the completion and equipment acceptance procedures for our products by customers which in turn affected the amount of goods-in-transit, and other related factors that we take into consideration in ensuring timely supply during our production processes. Our inventory turnover days decreased from 573 days in FY2023 to 552 in FY2024, and further decreased to 385 days in FY2025, generally reflecting our improved timeliness of invoicing resulting from enhanced inventory management efforts which in turn increased the inventory turnover frequency, and efforts in negotiating and advancing completion and equipment acceptance procedures with our customers despite the temporary dip of the lithium-ion battery manufacturing industry in FY2024.

The relatively long inventory turnover days during the Track Record Period was a reflection of our revenue recognition policy, details of which are discussed above and in Note 4 to the Accountants' Report set out in Appendix I to this document. We implemented inventory management measures to maximise production-to-sales balance and effective warehouse management to minimise inventory backlog, which include procedures such as recycling and disposal management of obsolete materials, centralised procurement and warehouse management, regular reconciliation of inventories and warehouse finances.

During the Track Record Period, we had experienced a relatively long acceptance period, being the time gap between product delivery to customers and revenue recognition upon receipt of customer acceptance of the SATs. In FY2025, a number of customers who received delivery shipment more than two years ago had agreed to proceed to completing acceptance confirmation during the year, thereby reducing the amount of goods-in-transit as at 31 December 2025. Such fluctuations in our acceptance period correspond to the movements in our inventories during the Track Record Period as discussed above.

As at the Latest Practicable Date, approximately RMB147.5 million, or 20.4%, of our goods-in-transit as at 31 December 2025, had been sold to our customers or recognised as revenue upon receiving customers' acceptance confirmation for product delivery.

Trade and Bills Receivables

During the Track Record Period, our trade and bills receivables consisted of (i) trade receivables, representing the amount of money owed by customers for products sold on credit terms; and (ii) bills receivables, representing bank acceptance bills that have been received from our customers. We also made allowance for credit losses arising from increased customers' credit risks under the expected credit risk model during the Track Record Period.

Our trading terms with our customers are mainly on credit. We generally grant a credit period ranging from 30 to 180 days from the invoice date, but variations may occur on a case-by-case basis depending on the customer's (i) background, reputation and credibility; (ii) payment history in the industry; and (iii) the length of business relationship with us, and subject to the approval by our management. In general, we allow customers to settle their purchases using acceptance notes guaranteed by certain banks in the PRC. Once these bank acceptance notes are received by us, they may be held until their maturity dates to receive their full value. Our bank acceptance notes generally have a maturity of no more than six months from the date of issue. We closely monitor the credit quality and the collectability of these bills receivables from our customers.

The following table sets out our trade and bills receivables as at the date indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Trade receivables	586,413	794,199	741,981
Less: Allowance for credit losses	(150,351)	(192,790)	(221,076)
Trade receivables, net	**436,062**	**601,409**	**520,905**
Bills receivables	283	635	11,644
Less: Allowance for credit losses	(30)	(70)	(2,961)
Bills receivables, net	**253**	**565**	**8,683**
Total trade and bills receivables	**436,315**	**601,974**	**529,588**

Our trade and bills receivables increased from approximately RMB436.3 million as at 31 December 2023 to RMB602.0 million as at 31 December 2024, primary due to the fact that we recognised an increase in trade and bills receivables closer to the end of FY2024 as we issued invoice upon completion of equipment acceptance procedures for several large projects during the year, whilst the payment credit term granted to our customers had not expired at year-end. Our trade and bills receivables decreased to approximately RMB529.6 million as at 31 December 2025, primarily due to the decrease in trade receivables as we enhanced efforts and measures to collect our outstanding receivables. We also recognised an increase in approximately RMB11.0 million bills receivables as at 31 December 2025 as we increased in our billing during the last quarter of 2025, which was in line with the growth of our business performance during that year.

The following table sets out an aging analysis of our trade receivables, net of allowance for credit losses, based on the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
– Within one year	261,857	352,501	246,427
– One to two years	136,081	203,055	198,012
– Two to three years	38,124	45,853	76,466
Total trade receivables	**436,062**	**601,409**	**520,905**

During the Track Record Period, most of our trade receivables were aged within two years, aligning with the credit period generally granted to our customers. Among the trade receivables aged two to three years, the majority were due and payable from one of our top five customers in the Track Record Period. We generated revenue from this customer of approximately RMB300.6 million, RMB120.3 million and RMB431.5 million in FY2023, FY2024 and FY2025, respectively, each accounting for 25.8%, 10.4% and 35.3% of our total revenue for the respective years. In FY2023, FY2024 and FY2025, we received payments of approximately RMB124.1 million, RMB59.5 million and RMB74.3 million, respectively, from this customer. As at 31 December 2025, we recorded approximately RMB215.7 million trade receivables from this customer (with RMB136.5 million, RMB44.8 million, RMB34.2 million and RMB0.3 million aged less than one year, one to two years, two to three years, and three years above), of which we were able to recover approximately RMB16.9 million or 7.9% as at the Latest Practicable Date. We have been actively engaging with this customer to negotiate payment arrangements to recover the remaining outstanding amounts and have implemented measures to strengthen receivable management and mitigate similar risks in the future. Having considered that (i) this customer has been cooperative in repaying the outstanding trade receivables; (ii) it has been settling the outstanding amounts from time to time as reflected from its payment record during the Track Record Period; (iii) to the best knowledge, information and belief of the Directors, it continues to operating its business as usual and had not encountered any material disruption to its business operations as at the Latest Practicable Date; and (iv) as confirmed by the independent internal control consultant, our Group has adequate internal control measures in place to ensure our staff will regularly and timely follow-up with the relevant customers, our Directors are of the view that this incident was an isolated case and believe our Group's financial exposure was adequately managed.

In order to enhance the collection of trade receivables, our finance department monitors trade receivables closely and prepares a monthly aging report showing the customers' due amounts for our management's review. Our sales department also evaluates such invoices on a case-by-case basis and follows up with the customers to collect outstanding trade receivables. We generally endeavor to collect our trade receivables through negotiation with a view to maintain a long-term and amicable business relationship with our customers. However, if the outstanding trade receivables are not settled despite rounds of communications, our management may consider initiating legal actions to recover such balances if deemed necessary.

Our Directors believe that we have made sufficient provisions for trade receivables based on the provision matrix approach and the individual assessment approach. We evaluate the related accounting policies and historical judgments adopted in the assessment of expected credit loss. We examine recoverability based on the financial and non-financial status of our customers and other external factors and considerations. For customers with no significant risk of default, we adopt the provision matrix approach, which considers the macro-economic conditions in China and the global market, the long-term industry growth rate and the credit risk of the customer portfolio. For customers with significant default risk or indication, we assess the respective collectability individually.

As part of our cash flow management, we allow customers to settle their purchases using bank acceptance notes guaranteed by certain banks in the PRC. During the Track Record Period, once these bank acceptance notes had been received by us, they may be held until their maturity dates to receive their full value, or endorsed by us to settle part of our payables to suppliers or discounting such bills to banks before the bills are due for payment, and derecognises the bills endorsed or discounted on the basis that our Group has transferred substantially all risks and rewards to the relevant counterparties. To the best knowledge of our Directors, we complied with applicable laws and regulations related to our endorsement of notes receivables to suppliers in material aspects during the Track Record Period.

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

	For the year ended 31 December		
	2023	**2024**	**2025**
		(Days)	
Trade and bills receivables turnover days*(Note)*	116	164	169

Note: The trade and bills receivable turnover days are derived by dividing the average of the beginning and ending trade and bills receivable balances by revenue for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

The trade and bills receivable turnover days indicate the average time required for us to collect payments. Our trade and bills receivables turnover days increased from 116 days in FY2023 to 164 days in FY2024, primarily attributable to the fact that we recognised an increase in trade and bills receivables closer to the end of FY2024 as we issued invoices upon completion of equipment acceptance procedures for several large projects during the year, whilst the payment credit term granted to our customers had not expired at year-end. Our trade and bills receivables turnover days in FY2025 remained relatively stable at 169 days.

As at the Latest Practicable Date, approximately RMB150.1 million, or 28.3%, of our trade and bills receivables as at 31 December 2025 had been settled.

We seek to maintain strict control over our outstanding receivables and minimise our exposure to credit risks. Overdue balances are reviewed regularly by our management. We do not hold any collateral or other credit enhancements over our trade and bills receivables balances.

Financial assets at Fair Value through Profit or Loss (FVTPL) and Bills Receivables at Fair Value through Other Comprehensive Income (FVTOCI)

During the Track Record Period, our financial assets at FVTPL primarily consisted of structured deposits issued by banks and financial institutions. Our financial assets at FVTPL amounted to RMB56.0 million, nil and RMB61.0 million as at 31 December 2023, 2024 and 2025 respectively. Our financial assets at FVTPL dropped to nil as at 31 December 2024 was because all of our structured deposits matured on or before the year-end date, and we did not renew such deposits in light of our liquidity needs during the year. We subsequently subscribed for new structured deposits in FY2025 when our business operations revived with more operating cash inflow and liquidity resources as compared to that in FY2024.

During the Track Record Period, our bills receivables at FVTOCI represented the bank acceptance bills we received from our customers as a form of payment. Our bills receivables at FVTOCI increased from approximately RMB11.6 million as at 31 December 2023 to RMB39.4 million as at 31 December 2024, and subsequently decreased to RMB26.3 million as at 31 December 2025, primarily due to the fact that we received a bank acceptance bill of RMB15.0 million from one of our customers in FY2024, leading to the increment in that year's balance. All bills receivables were within a maturity period of 12 months. We consider the credit risk attributable to bills receivables to be limited, because counterparties were banks with good credit standing and were highly likely to pay upon their maturity.

Details of the fair value measurement of financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in Note 34(c) to the Accountants' Report in Appendix I to this document.

Contract Assets and Liabilities

Our contract assets represent the retention receivables retained by our customers at the end of each year before we are entitled to recover them after the expiry of a 12-month warranty period or such other longer period as stipulated in our sales agreements. Our contract assets are assessed for expected credit losses in accordance with the policy as set out in Note 4 to the Accountants' Report in Appendix I to this document. Our contract assets are transferred to trade and bills receivables when our right to recover the retention receivables becomes unconditional, which usually occurs when we bill our customers after the expiry of a 12-month warranty period or other longer period as stipulated in our sales agreements.

Our retention receivables (before taking into account allowance for credit losses) increased from approximately RMB139.1 million as at 31 December 2023 to RMB155.1 million as at 31 December 2024, primarily due to the fact that certain of our customers postponed the equipment acceptance procedures which delayed our ability to convert such contract assets to trade and bills receivables in accordance with the contractual terms. Our retention receivables (before taking into account allowance for credit losses) subsequently decreased to approximately RMB138.3 million as at 31 December 2025 as the warranty period of certain projects expired during the year which allowed us to certify and recognise revenue from these retention receivables.

Our contract liabilities represent advance payments for equipment made by customers while the underlying products have been delivered but are yet to pass the relevant equipment acceptance procedures. Our contract liabilities decreased from approximately RMB1,203.8 million as at 31 December 2023 to RMB876.5 million as at 31 December 2024, primarily due the fact that we completed equipment acceptance procedures for a larger number of projects in FY2024 as compared to that in FY2023, which allowed us to recognise the corresponding revenue during the year. Our contract liabilities further decreased to approximately RMB700.5 million as at 31 December 2025, primarily due to (i) our continuous efforts in completing equipment acceptance procedures and recognising the corresponding revenue during the year, and (ii) most of the contracts in FY2025 were signed closer to year-end and we had yet to receive such advance payment from our customers by year-end, resulting in our contract liabilities not being replenished as at 31 December 2025.

Other receivables, deposits and prepayments

During the Track Record Period, our other receivables, deposits and prepayments consisted of (i) prepayments for construction projects, being the construction of the Jingmi Property; (ii) prepayments, mainly representing advanced payments to suppliers; (iii) deposits, mainly representing rental deposits; (iv) staff advances; (v) VAT credit refund, mainly derived from the significant time difference between obtaining VAT credits from purchases and issuing output VAT invoices; (vi) interest receivables; and (vii) other receivables such as prepaid taxes.

With regard to the VAT credit refund, on the purchase side, input VAT credits are deducted immediately upon receipt of invoices after purchases in the current period; whereas on the sales side, output VAT is declared based on customer payment progress and acceptance status, typically resulting in a difference of more than six months.

The following table sets out the details of our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Prepayments on acquisition of property, plant and equipment	3,000	393	–
Prepayments	5,771	7,425	37,038
Deposits	11,742	10,064	9,461
Staff advances	1,885	997	581
VAT credit refund	73,375	106,422	68,570
Interest receivables	12,057	11,965	2,181
Other receivables	52	748	1,233
Less: Allowance for credit losses	(533)	(541)	(771)
Total other receivables, deposits and prepayments	**107,349**	**137,473**	**118,293**

Our other receivables, deposits and prepayments increased from approximately RMB107.3 million as at 31 December 2023 to RMB137.5 million as at 31 December 2024, mainly attributable to an increase of VAT credit refunds as a result of the increase in VAT credit balance deriving from the acquisition of Jingmi Property in FY2024. The increase was partially offset by (i) the fact that we only incurred a significantly smaller amount of prepayment for the Jingmi Property construction project with respect to the installation of elevators in FY2024 as compared to that in FY2023, and (ii) a decrease in deposits. Our other receivables, deposits and prepayments subsequently decreased to approximately RMB118.3 million as at 31 December 2025, mainly attributable to a decrease in VAT credit refunds as the benefit thereof with respect to the acquisition of Jingmi Property was a one-off incident and did not recur in FY2025. The decrease was partially offset by an increase in prepayments as our business revived in FY2025 and we procured a larger number of testing materials from our suppliers for commissioning as compared to that in FY2024 to accommodate our increased business activities during the year.

As at the Latest Practicable Date, approximately RMB44.1 million, or 37.7%, of our other receivables, deposits and prepayments as at 31 December 2025 had been settled or utilised.

Trade, bills and other payables

During the Track Record Period, our trade, bills and other payables consisted of (i) trade payables; (ii) bills payables; (iii) other tax payables; (iv) payroll and welfare payables; and (v) other payables. The following table sets out a breakdown of our trade, bills and other payables as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Trade payables	551,105	379,576	517,632
Bills payables	467,846	150,086	102,114
Other tax payables	2,096	10,734	9,084
Payroll and welfare payables	42,588	27,356	22,735
Other payables	6,989	2,908	2,600
Total trade, bills and other payables	**1,070,624**	**570,660**	**654,165**

Bills payables represent trade payables in which our Group issued bills to the relevant suppliers for settlement of trade payables. Generally, our suppliers can obtain the invoice amounts from the bank on the maturity date of such bills. Our Group continues to recognise these trade payables as we are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. For details, please see Note 25 to the Accountants' Report in Appendix I to this document.

Our trade, bills and other payables decreased from approximately RMB1,070.6 million as at 31 December 2023 to RMB570.7 million as at 31 December 2024, primarily due to the decrease of trade and bills payables as a result of decrease in raw material procurement corresponding to our scale of business operations in FY2024. Our trade, bills and other payables increased to approximately RMB654.2 million as at 31 December 2025, primarily due to an increase in raw material procurement to accommodate the reviving business operations in FY2025.

The following table sets out an aging analysis of our trade and bills payables based on the date of the goods and services received as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Within one year	959,602	502,577	602,837
One to two years	45,942	22,003	10,379
Two to three years	6,042	2,086	2,633
Over three years	7,365	2,996	3,897
Total trade and bills payables	**1,018,951**	**529,662**	**619,746**

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

	For the year ended 31 December		
	2023	**2024**	**2025**
		(Days)	
Trade and bills payables turnover days*(Note)*	351	297	207

Note: The trade payables turnover days are derived by dividing the average of the beginning and ending trade payables balances by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our trade and bills payable turnover days decreased from 351 days in FY2023 to 297 days in FY2024, mainly due to the decrease of trade and bills payables as a result of decrease in raw material procurement corresponding to our scale of business operations in FY2024. Our trade and bills payable turnover days decreased to 207 days in FY2025 despite a higher balance as at 31 December 2025 because the average trade and bills payable for FY2025 decreased by approximately 25.8% from that in FY2024 given the relatively higher beginning balance as at 31 December 2023.

As at the Latest Practicable Date, approximately RMB396.6 million, or 64.0% of our trade and bills payables as at 31 December 2025 had been settled.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal use of cash during the Track Record Period was for working capital purposes, R&D and production of our products and other recurring expenses. During the Track Record Period, we financed our capital expenditures and working capital requirements principally with cash generated from our operating activities and bank borrowings. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank borrowings and net **[REDACTED]** from the **[REDACTED]** and other funds that may be raised from capital markets from time to time. As at 31 December 2023, 2024 and 2025, we had cash and cash equivalents (excluding restricted cash and term deposits) of approximately RMB67.7 million, RMB45.8 million and RMB70.8 million, respectively.

Working Capital Sufficiency

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

Taking into account (i) future projection of our profit and cash inflows from operations, (ii) bank borrowings and financing, and (iii) the net **[REDACTED]** from the **[REDACTED]**, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade payables and borrowings, and no material breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

Cash Flows

The following table sets out our consolidated statements of cash flows for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	(RMB'000)		
Net cash from (used in) operating activities	26,364	(517,718)	322,183
Net cash (used in) from investment activities	(178,281)	252,725	(109,834)
Net cash from (used in) financing activities	101,181	243,096	(187,427)
Net (decrease) increase in cash and cash equivalents	(50,736)	(21,897)	24,922
Opening balance of cash and cash equivalents	118,467	67,731	45,834
Closing balance of cash and cash equivalents	67,731	45,834	70,756

Net Cash from (Used in) Operating Activities

During the Track Record Period, our net cash from operating activities reflect our (loss) profit before tax, adjusted for (i) cash flow effects of certain non-cash/non-operating income statement items, including, among other things, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, share-based payment expense, finance costs, loss on disposal of property, plant and equipment, realised and unrealised fair value changes in financial assets at FVTPL, impairment losses under ECL model, net of reversal, government grants, write-down of inventories and interest income; (ii) the effects on change in our working capital, including changes in inventories, contract assets, trade and bills receivables, bills receivables at FVTOCI, other receivables, deposits and prepayments, trade bills and other payables, contract liabilities and provisions, and taking into account (iii) income tax paid and refunded.

In FY2023, our net cash from operating activities was approximately RMB26.4 million, while we recorded profit before tax of RMB3.2 million. The difference primarily arose from upward adjustments for (i) non-cash depreciation and amortisation of RMB30.9 million in connection with our property, plant and equipment, right-of-use assets and intangible assets; (ii) finance costs of RMB9.5 million; (iii) impairment losses under ECL model, net of reversal of RMB72.6 million; and (iv) impairment losses on inventories, net of reversal of RMB37.0 million.

The amount was further adjusted by changes in itemised balances of working capital that have an effect on cashflow, including increases in (i) inventories of approximately RMB305.7 million; (ii) contract assets of RMB43.6 million; (iii) trade and bills receivables of RMB184.2 million; (iv) trade, bills and other payables of approximately RMB135.9 million; (v) contract liabilities of RMB129.4 million; and (vi) provision of RMB5.8 million; which were offset by the decreases in (a) bills receivables at FVTOCI of approximately RMB44.3 million; and (b) other receivables, deposits and prepayments of RMB139.7 million. The said changes are further adjusted by the net effect of income taxes paid of approximately RMB18.1 million.

In FY2024, our net cash used in operating activities was approximately RMB517.7 million, while we recorded profit before tax of RMB28.7 million. The difference primarily represents upward adjustments for (i) non-cash depreciation and amortisation of RMB29.2 million in connection with our property, plant and equipment, right-of-use assets and intangible assets; (ii) finance costs of RMB11.7 million; and (iii) impairment losses under ECL model, net of reversal of RMB48.7 million.

The amount was further adjusted by changes in itemised balances of working capital that have an effect on cashflow, including increases in (i) contract assets of approximately RMB16.0 million; (ii) trade and bills receivables of RMB210.6 million; (iii) bills receivables at FVTOCI of RMB27.8 million; (iv) other receivables, deposits and prepayments of RMB32.8 million; and (v) provision of RMB1.7 million; which were offset by the decreases in (a) inventories of approximately RMB518.9 million; (b) trade, bills and other payables of RMB502.1 million; and (c) contract liabilities of RMB327.3 million. The said changes are further adjusted by the net effect of income taxes paid of approximately RMB15.2 million.

In FY2025, our net cash from operating activities was approximately RMB322.2 million, while we recorded profit before tax of RMB49.8 million. The difference primarily represents upward adjustments for (i) non-cash depreciation and amortisation of RMB24.5 million in connection with our property, plant and equipment, right-of-use assets and intangible assets; (ii) finance costs of RMB12.1 million; and (iii) impairment losses under ECL model, net of reversal of RMB22.2 million.

The amount was further adjusted by changes in itemised balances of working capital that have an effect on cashflow, including increases in (i) trade, bills and other payables of approximately RMB75.1 million; and (ii) provision of RMB7.2 million; which were offset by decreases in (a) inventories of approximately RMB233.6 million; (b) contract assets of approximately RMB16.8 million; (c) trade and bills receivables of RMB48.8 million; (d) bills receivables at FVTOCI of RMB13.2 million; (e) other receivables, deposits and prepayments of RMB8.8 million; and (f) contract liabilities of approximately RMB176.0 million. The said changes are further adjusted by the net effect of income taxes paid of approximately RMB8.8 million.

Net Cash (Used in) from Investing Activities

In FY2023, our net cash used in investing activities was approximately RMB178.3 million, mainly due to (i) our purchase of and prepayment for property, plant and equipment amounted to RMB17.0 million; (ii) our purchase of financial assets at FVTPL of RMB771.9 million; and (iii) increase in restricted bank deposit of RMB346.8 million; partially offset by (a) decrease in restricted bank deposits of approximately RMB210.4 million; and (b) withdrawal of term deposits of RMB10.0 million.

In FY2024, our net cash from investing activities was approximately RMB252.7 million, mainly due to (i) proceeds from disposal of property, plant and equipment and financial assets at FVTPL amounted to approximately RMB106.0 million; (ii) decrease in restricted bank deposits of RMB298.9 million; (iii) withdrawal of term deposits of RMB71.9 million; and (iv) interest received of RMB9.0 million; partially offset by (a) our purchase of and prepayment for property, plant and equipment amounted to RMB100.1 million; and (b) increase in restricted bank deposits of approximately RMB87.7 million.

In FY2025, our net cash used in investing activities was approximately RMB109.8 million, mainly due to (i) our purchase of property, plant and equipment amounted to RMB11.8 million; (ii) our purchase of financial assets at FVTPL of RMB574.5 million; (iii) increase in restricted bank deposit of RMB291.5 million; and (iv) placement of term deposits of RMB173.0 million; partially offset by (a) decrease in restricted bank deposits of approximately RMB280.9 million; (b) withdrawal of term deposits of RMB135.2 million; and (c) interest received of approximately RMB13.6 million.

Net Cash from (Used in) Financing Activities

In FY2023, our net cash from financing activities was approximately RMB101.2 million, due to (i) proceeds received from advances on discounted bills of RMB228.8 million; (ii) proceeds from bank borrowings of RMB50.0 million; and (iii) government grants received of RMB19.1 million; which were partially offset by (a) dividend paid amounted to RMB10.0 million; (b) repayment of bank borrowings of RMB159.6 million; (c) interest payment of RMB5.5 million; and (d) lease payments in aggregate of RMB21.7 million.

In FY2024, our net cash from financing activities was approximately RMB243.1 million, due to (i) proceeds received from advances on discounted bills of RMB145.1 million; (ii) proceeds from bank borrowings of RMB304.0 million; (iii) government grants received of RMB3.5 million; and (iv) proceeds from Share issue of RMB81.3 million; which were partially offset by (a) repayment of bank borrowings of RMB256.3 million; (b) interest payment of RMB9.1 million; and (c) lease payments in aggregate of RMB25.4 million.

In FY2025, our net cash used in financing activities was approximately RMB187.4 million, due to (i) repayment of bank borrowings of RMB379.5 million; (ii) interest payment of RMB12.1 million; and (iii) lease payments in aggregate of RMB16.5 million; which were partially offset by (a) proceeds from bank borrowings of RMB133.5 million; (b) government grants received of RMB7.9 million; and (c) proceeds received from advances on discounted bills of RMB79.3 million.

Net Current Assets

Our net current assets represent the differences between our current assets and our current liabilities. The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2023	**2024**	**2025**	**2026**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current assets				
Inventories	1,688,406	1,186,966	948,774	1,058,548
Trade and bills receivables	436,315	601,974	529,588	473,057
Bills receivables at FVTOCI	11,635	39,436	26,261	45,212
Contract assets	121,048	135,229	128,523	116,389
Other receivables, deposits and prepayments	92,292	137,080	116,903	227,644
Tax recoverable	24	–	227	6,508
Financial assets at FVTPL	56,000	–	61,000	104,000
Restricted cash	230,031	18,770	29,427	65,498
Term deposits	–	135,156	42,958	–
Cash and cash equivalents	67,731	45,834	70,756	60,377
Total current assets	**2,703,482**	**2,300,445**	**1,954,417**	**2,157,233**
Current liabilities				
Trade, bills and other payables	1,070,624	570,660	654,165	772,784
Contract liabilities	1,203,822	876,531	700,520	831,902
Tax liabilities	15,177	11,314	4,260	3,820
Bank borrowings	175,487	291,860	132,500	112,827
Lease liabilities	22,052	16,408	13,667	13,343
Provision	16,633	18,338	25,514	23,909
Total current liabilities	**2,503,795**	**1,785,111**	**1,530,626**	**1,758,585**
Net current assets	**199,687**	**515,334**	**423,791**	**398,648**

Our net current assets increased from approximately RMB199.7 million as at 31 December 2023 to RMB515.3 million as at 31 December 2024, mainly attributable to (i) the decrease in trade, bills and other payables of approximately RMB500.0 million as a result of decrease in raw material procurement, and (ii) decrease in contract liabilities of approximately RMB327.3 million given the progress of equipment acceptance procedures; and was partially offset by the decrease in inventories of approximately RMB501.4 million because of (a) the decrease in raw materials and consumables as well as work in progress as a result of reduced sales orders amid dampened market environment in FY2024; and (b) the decrease in goods-in-transit given the progress of equipment acceptance procedures with our customers.

Our net current assets decreased to approximately RMB423.8 million as at 31 December 2025, mainly attributable to the decrease in inventories of approximately RMB238.2 million due to the decrease in goods-in-transit as our customers resumed completion and equipment acceptance amid the revival of the lithium-ion battery intelligent equipment industry. At the same time, the contract liabilities decreased by approximately RMB176.0 million for the same reason, which partially offset the effect of the decrease in inventories.

Our net current assets decreased to approximately RMB398.6 million as at 31 March 2026, mainly attributable to the increase in (i) trade, bills and other payables of approximately RMB118.6 million; and (ii) contract liabilities of approximately RMB131.4 million. At the same time, the increase in (i) inventories of approximately RMB109.8 million; and (ii) other receivables, deposits and prepayments of approximately RMB110.7 million, which partially offset the effect of the increase in current liabilities.

INDEBTEDNESS

Our indebtedness mainly comprised interest-bearing bank and other borrowings and lease liabilities during the Track Record Period. As at 31 March 2026, we had unutilised banking facilities of approximately RMB307.9 million, which can be utilised to address our liquidity needs. Except as disclosed in this section below, 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 as at 31 March 2026. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since 31 March 2026 and up to the Latest Practicable Date.

The following table sets out a breakdown of our indebtedness as at the dates indicated:

	As at 31 December			**As at 31 March**
	2023	**2024**	**2025**	**2026**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Bank borrowings	50,000	285,000	190,500	163,250
Secured bank borrowings related to discount of bills receivables	125,487	83,360	10,000	14,227
Lease liabilities	63,653	42,949	28,335	23,927
Total	**239,140**	**411,309**	**228,835**	**201,404**

Bank Borrowings

Our bank borrowings and secured bank borrowings related to discount of bills receivables during the Track Record Period were primarily used for our business operations. Our bank and other borrowings bore effective interest rates ranging from approximately 1.10% to 3.00% per annum. All our borrowings are denominated in RMB at fixed or floating interest rates depending on the terms of our facility agreement with the relevant bank(s). The fluctuations in our bank and other borrowings during the Track Record Period were primarily due to the changes in our financial needs arising from our operating activities and cash flow planning. In particular, our bank borrowings and secured bank borrowings related to discount of bills receivables increased from RMB175.5 million as at 31 December 2023 to RMB368.4 million as at 31 December 2024 as we drew down a significant amount of banking facilities for (i) the acquisition and construction of the Jingmi Property acquired and (ii) our working capital replenishment due to temporary slowdown in business activities during FY2024. Our bank borrowings and secured bank borrowings related to discount of bills receivables subsequently reduced to RMB200.5 million as at 31 December 2025 as we repaid certain of our interest-bearing bank borrowings in FY2025 having considered the resumed business activities during the year and we were able to generate sufficient working capital from our operating activities to meet our liquidity needs. For more details of our interest-bearing bank and other borrowings, please see Note 27 to the Accountants' Report in Appendix I to this document.

The following is a breakdown of current and non-current bank borrowings and discount of bills receivables as at the dates indicated:

	As at 31 December			As at 31 March
	2023	**2024**	**2025**	**2026**
		(RMB'000)		
Current				
Secured bank borrowings related to discounted bills receivables	125,487	83,360	10,000	14,227
Bank loans-guaranteed	50,000	200,000	104,000	90,000
Bank loans-secured and guaranteed	–	8,500	8,500	8,500
Bank loans-unsecured	–	–	10,000	100
Total current	**175,487**	**291,860**	**132,500**	**112,827**
Non-current				
Bank loans-secured and guaranteed	–	76,500	68,000	64,650
Total non-current	**–**	**76,500**	**68,000**	**64,650**
Total	**175,487**	**368,360**	**200,500**	**177,477**

Our Directors confirm that we had not defaulted in the repayment of the bank and other borrowings during the Track Record Period. Our Directors have confirmed that, as at the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not experienced any difficulty in obtaining bank borrowings.

Lease Liabilities

During the Track Record Period, our lease liabilities represented our obligations under the lease contracts for (i) office premises, factories and warehouses; and (ii) leasehold land used in our operations. Lease liabilities are measured at net present value of the lease payments during the lease terms that are not yet paid.

Our lease liabilities decreased from approximately RMB63.7 million as at 31 December 2023 to RMB42.9 million as at 31 December 2024, and further to RMB28.3 million as at 31 December 2025, primarily because most of our lease contracts were coming to their expiration in FY2024 and FY2025 and our lease liabilities residual value decreased correspondingly. As at 31 March 2026, our lease liabilities amounted to approximately RMB23.9 million.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for the purchases of items of property, plant and equipment and purchase of other intangible assets, with an aim to increase our production capacity. Such capital expenditures were primarily funded by our internal financial resources including cash generated from operations and bank and other borrowings. For each of FY2023, FY2024 and FY2025, we incurred capital expenditures of approximately RMB14.7 million, RMB100.1 million and RMB15.5 million, respectively.

The following table sets out our capital expenditures for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
		(RMB'000)	
Purchase of items of property, plant and equipment	14,022	100,055	11,816
Purchase of other intangible assets	721	–	3,661
Total capital expenditures	**14,743**	**100,055**	**15,477**

We expect to fund our future capital expenditures, including but not limited to those disclosed in the section headed "Future Plans and Use of **[REDACTED]**" in this document, with our operating cash flows as well as with our own funds, **[REDACTED]** from the **[REDACTED]** and/or other funds to be raised. We may adjust our capital expenditures for any given period according to our ongoing business needs and in light of market conditions or other factors we believe appropriate.

CAPITAL COMMITMENT

Capital commitments represent capital expenditure contracted for as at a particular date but not yet incurred. As at 31 December 2023, 2024 and 2025, our capital commitments amounted to approximately RMB3.0 million, RMB1.9 million and RMB10.3 million, respectively, which represented our committed expenditure on renovation works for our factories.

CONTINGENT LIABILITIES

As at 31 December 2023, 2024 and 2025, we did not have any material contingent liabilities. We confirm that as at the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative agreements that are indexed to our equity interests and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any material off-balance sheet arrangements, nor do we have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions mainly included (i) provision of guarantees by Mr. Lu to our Company; and (ii) remuneration of key management personnel during the Track Record Period. For details, please see Note 39 to the Accountants' Report in Appendix I to this document.

In respect of the related-party transactions set forth in Note 39 to the Accountants' Report contained in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms, and that their terms were fair and reasonable and in the interests of our Company and the Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios relating to our Group as at the dates or for the years indicated:

	As at/Year ended 31 December		
	2023	**2024**	**2025**
Gross profit margin *(Note 1)*	15.1%	17.6%	17.1%
Net profit margin *(Note 2)*	N/A	1.5%	4.0%
Debt-to-assets ratio *(times)* *(Note 3)*	0.8	0.8	0.7
Current ratio (*times*) *(Note 4)*	1.1	1.3	1.3
Quick ratio (*times*) *(Note 5)*	0.4	0.6	0.7

Notes:

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

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

(3) Debt-to-Assets ratio equals total liabilities divided by total assets as at the relevant year end and multiplied by 100%.

(4) Current ratio is calculated as current assets divided by current liabilities as at the relevant year end.

(5) Quick ratio is calculated as current assets less inventories divided by current liabilities as at the relevant year end.

Gross Profit Margin

Please see the paragraph headed "Description of Key Components of Our Results of Operations – Gross profit and gross profit margin" in this section for further discussion.

Net Profit Margin

Please see the paragraph headed "Description of Key Components of Our Results of Operations – profit (loss) for the year" in this section for further discussion. We recorded a net loss of approximately RMB16.8 million in FY2023 and therefore no net profit margin is available for the year.

Debt-to-Assets ratio

Our debt-to-assets ratio remained relatively stable at 0.8 times and 0.8 times as at 31 December 2023 and 2024 respectively. Our debt-to-assets ratio decreased slightly to 0.7 times as at 31 December 2025 which was mainly due to our repayment of bank and other borrowings and the increase in our Group's total equity as a result of the increase in net profit in FY2025.

Current ratio

Our current ratio increased from 1.1 times as at 31 December 2023 to 1.3 times as at 31 December 2024 which was mainly due to decrease in trade, bills and other payables and contract liabilities during FY2024. Our current ratio remained relatively stable at 1.3 times as at 31 December 2025.

Quick ratio

Our quick ratio increased from 0.4 times as at 31 December 2023 to 0.6 times as at 31 December 2024 which was mainly due to decrease in trade, bills and other payables and contract liabilities during the year. Our quick ratio remained relatively stable at 0.7 times as at 31 December 2025.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

We have designed a risk management and control system to measure, monitor and manage financial risks arising in the ordinary and usual course of business. Please see Note 34(b) of the Accountants' Report in Appendix I to this document for an overview of the risk management processes related to financial instruments. The main financial risks that we face in the ordinary and usual course of business include (i) market risk (including interest rate risk); (ii) credit risk; and (iii) liquidity risk. As we expand our business by offering new products and services from time to time, doing business with individuals and entities that are not within our traditional clients and counterparty base, and entering new geographical markets, we are exposed to new regulatory and business challenges and risks, and the complexity of the risks we face increases. The following discussion of the main financial risks and the estimated amounts of the risk exposure generated by our risk measurement models involve forward-looking statements. These analyses and the results of our risk measurement models are not, however, predictions of future events, and the actual results may be significantly different from the analyses and results due to events in the global economy or the markets where we operate, as well as other factors described below.

Market Risk

Interest Rate Risk

We are primarily exposed to both cash flow interest rate risk related primarily to its variable-rate bank borrowings, restricted cash and cash and cash equivalents. We currently do not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Credit Risk

In order to minimise the credit risk of trade and bills receivables and contract assets, our management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of these balances individually and/or collectively at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The impairment assessment of financial assets is performed by our management. Please see Note 34(b) to the Accountants' Report in Appendix I of this document for details.

Liquidity Risk

Our Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. We closely monitor the liquidity position and our compliance with lending covenants and expect to have adequate sources of funding to finance our operations. The maturity analysis for financial liabilities is performed by our management. Please see Note 34(b) to the Accountants' Report in Appendix I of this document for details.

DIVIDENDS

Save and except that our Company declared a dividend of RMB10.0 million in FY2023, no dividend had been paid or declared by us during the Track Record Period. After completion of the **[REDACTED]**, our Shareholders will be entitled to receive dividends declared by us. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends.

As at the Latest Practicable Date, we had not adopted any formal dividend policy, nor had we set any dividend payout ratio after the **[REDACTED]**. After the **[REDACTED]**, the determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, capital requirements and other factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders at the Shareholders' meeting and the compliance with our Articles of Association and relevant regulatory requirements. Our past dividend distribution record may not be used as a reference or basis to determine the level of dividends, or if any at all, that may be declared or paid by our Company in the future. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

DISTRIBUTABLE RESERVES

As at 31 December 2025, we did not have distributable reserves available for distribution to our shareholders.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]**, and other fees incurred in connection with the **[REDACTED]**. We estimate that our **[REDACTED]** expenses will be approximately HK$**[REDACTED]** million (assuming the **[REDACTED]** is not exercised and based on the maximum **[REDACTED]** of HK$**[REDACTED]**), which accounts for approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**. We estimate the **[REDACTED]** expenses to consist of approximately HK$**[REDACTED]** million in **[REDACTED]** related fees and approximately HK$**[REDACTED]** million in non-**[REDACTED]** fees (which consist of fees and expenses of the Sole Sponsor, legal advisers and our Reporting Accountants of approximately HK$**[REDACTED]** million and other fees and expenses of approximately HK$**[REDACTED]** million). Among the total **[REDACTED]** expenses, approximately HK$**[REDACTED]** million will be directly attributable to the **[REDACTED]** of our H Shares, which will be deducted from equity upon the completion of the **[REDACTED]**, and approximately HK$**[REDACTED]** million will be expensed in our consolidated statements of profit or loss. During the Track Record Period, we had not incurred any **[REDACTED]** expense. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see "**[REDACTED]** Financial Information" in Appendix II to this document for the **[REDACTED]** statement of adjusted net tangible assets of our Group for details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since 31 December 2025, being the end date of the periods reported on in the Accountants' Report set out in Appendix I to this document, and there had been no event since 31 December 2025, that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

NO SIGNIFICANT INTERRUPTIONS

Our Directors have confirmed that there had been no significant interruptions in our business that may have a material adverse effect on our financial position and results of operations in the 12 months period prior to the Latest Practicable Date.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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