

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements and related notes thereto set forth in the Accountants’ Report, as set out in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report and not merely rely on the information contained under this section of the document.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. Please see the sections headed “Risk Factors” and “Forward-looking Statements” in this document for discussions of those risks and uncertainties. In evaluating our business, you should carefully consider all of the information provided in this document, including “Risk Factors” and “Business”.

OVERVIEW

We are an integrated energy solution provider in the PRC focusing on new energy. Founded in 2003 and headquartered in Zhuhai, Guangdong, we have established our core competence in design and engineering management for power projects. We are capable of providing integrated energy solutions, including (1) preparing project proposals and feasibility study reports at the consultancy stage; (2) conducting survey and engineering, procurement and construction (EPC) at the implementation stage; and (3) performing O&M at the operational stage. According to the F&S Report, we are one of the only two private enterprises in Guangdong that possess grade A licences in both design and consultancy for power projects, which allow us to undertake these projects on every scale.

For the FY2023, FY2024 and FY2025, we derived our revenue mainly from our EPC services, which accounted for approximately 86.4%, 81.3% and 84.5% of our revenue, respectively. Please see “Description of Selected Components of Consolidated Statements of Profit or Loss — Revenue” in this section for further details of the breakdown of our revenue by segment. We derived all of our revenue from the PRC during the Track Record Period.

BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with IFRS Accounting Standards issued by the IASB. All applicable new and revised IFRS Accounting Standards have been adopted for the Track Record Period, except for any new standards or interpretations that are not yet effective. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Periods are set out in note 3 to the Accountants’ Report as set out in Appendix I to this document.

Further details of the material accounting policy information are set out in note 4 to the Accountants’ Report as set out in Appendix I to this document. The historical financial information also complies with the relevant disclosure requirements of the Listing Rules. The accounting policies set out in the Accountants’ Report have been applied consistently throughout the years presented. No adjustments have been made in preparing the historical financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial conditions have been and will continue to be affected by a number of factors that will affect our industry, including macroeconomic trends, industry dynamics, technology innovations, competitive landscape and government regulations and policies. Any negative

FINANCIAL INFORMATION

change in these conditions may adversely impact our industry and our results of operations. Besides the above mentioned general factors, our business and results of operations are also affected by factors that are specific to us.

End markets that we serve and fluctuation in customer demand

During the Track Record Period, our downstream end markets are mainly different end users, such as subsidiaries of the major power grid enterprise in our region, namely China Southern Power Grid Co., Ltd. (中國南方電網有限責任公司) which is a CSOE responsible for investment, construction, and operation of power grids in five provinces in South China (i.e. Guangdong, Guangxi, Yunnan, Guizhou and Hainan). During the Track Record Period, other customers of our Group included listed and private enterprises in the PRC that engage in design, construction or operation of power generation and transmission facilities. The demands from the downstream end markets for our survey, design and consultancy services and EPC services were the major drivers for our growth during the Track Record Period and are expected to continue to drive our growth in the future.

Factors such as carbon emission reduction regime, promoting the replacement of fossil fuels by new energy such as solar energy and wind energy, PRC government’s new energy policies supports, development and application of AI technologies in our various business segments are critical to continuous growth of customer demand in our downstream end markets. According to the F&S Report, energy solutions market in the PRC is propelled by aggressive renewable energy expansion; surging electricity consumption underpins robust growth in energy solutions; and market for one-stop energy solutions in the PRC is experiencing sustained growth, driven by the need for comprehensive services that span advisory consulting, survey and design, EPC and O&M. We expect these market drivers and trends to continue in the future, potentially driving demand for our services.

Changes as well as evolving trends in market demands from relevant industries set significant impact on our business results, and is anticipated to continue influencing our performance in the future. A stronger demand for our services could provide us with stronger bargaining power and help us to become profitable. According to the F&S Report, (i) the energy solutions market in the PRC has exhibited rapid growth between 2020 and 2024 which was driven by the dual carbon goals and the promotion of new-type power system; and (ii) the total annual investment completed in electricity projects demonstrated robust momentum between 2020 and 2024, underpinned by, among others, the 14th Five Year Plan. The markets for our services is expected to continue to expand and have great potential for increase in the future. To capture the opportunities brought by such markets, we will continue to advance business workflow and solution offerings with AI, develop and launch AI-powered O&M services for new energy power projects, increase investments in new energy power projects, and further develop EPC business.

Please see “Industry Overview” and “Business — Business Strategies” in this document for further details.

Prudently Manage Costs

Our profitability depends on our proficiency in managing costs and improving operational efficiency. Our cost of sales amounted to RMB279.2 million, RMB229.3 million and RMB299.3 million, for the FY2023, FY2024 and FY2025, respectively, representing 81.8%, 71.2% and 73.5% of our revenue for the same years, respectively. Materials and components costs and sub-contracting costs constitute significant components of our cost of sales.

During the Track Record Period, our materials and components costs and sub-contracting costs were the largest components of our cost of sales. For the FY2023, FY2024 and FY2025, our materials and components costs was approximately RMB154.1 million, RMB75.4 million and RMB174.7 million, respectively. Materials and components principally consist of parts and equipment for our EPC services, including PV components, energy storage equipment, cables and electric equipment and other raw

FINANCIAL INFORMATION

materials. The availability and prices of these parts and equipment fluctuate depending on market conditions. For the FY2023, FY2024 and FY2025, our sub-contracting costs was approximately RMB90.9 million, RMB121.1 million and RMB86.2 million, respectively.

We adjust our selling prices in response to, among other things, fluctuations in parts and equipment prices and sub-contracting costs, which thus affect our revenue. To the extent we cannot manage fluctuations in costs or fail to pass along such fluctuations to customers, our profit margin would be affected.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our material accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set out in detail in notes 4 and 5 to the Accountants’ Report as set out in Appendix I to this document respectively.

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 used in the preparation of our consolidated financial statements.

Material Accounting Policies

Revenue recognition

Survey, design and consultancy services

Revenue from survey, design and consultancy services is recognised at point in time. Our Group entered into power engineering survey, design and consulting contracts with customers, which is divided into different performance stage with different performance obligations. Revenue is recognised in accordance with the consideration for each performance stage in the contract when the corresponding performance stage was completed and upon confirmed by the customers.

EPC services

Our Group provides EPC services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls the asset that is created or enhanced. Revenue is recognised for these EPC services based on the value of EPC services work using output method.

Leases

Our Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Short-term leases and leases of low-value assets

Our Group applies the short-term lease recognition exemption to leases of machinery and equipment, motor vehicles and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the lease term. Our Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

FINANCIAL INFORMATION

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives 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.

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.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Significant Accounting Estimates

Revenue recognition of EPC services

Our Group recognises revenue of EPC services on the basis of direct measurement of the value of EPC services work transferred to the customer to date. Management estimates the contract sum and budgeted costs at the commencement of the EPC service contracts and regularly assesses the progress of EPC services works as well as the financial impact of scope changes, claims, disputes and liquidation damages. Our management’s estimate of the revenue requires significant judgement and has a significant impact on the amount of the revenue recognised.

Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised and measured based on the expected manner of realisation of the carrying amount of the relevant assets, using tax rates enacted or substantively enacted at the end of each reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves several assumptions relating to the operating environment of our Group and require a significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

Estimated impairment of trade receivables and contract assets

Our Group assess expected credit loss (“ECL”) for trade receivables using provision matrix. The provision rates are based on aging for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating). The provision matrix is based on our Group’s historical observed default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Our Group assesses contract assets arising from contracts with customers individually by reference to external credit ratings, taking into consideration of customer type and specific industries of those customers. The above credit loss rates being adjusted to reflect forward-looking information that is reasonable and supportable and available without undue costs or effort. The provision of ECL is sensitive to changes in estimates.

FINANCIAL INFORMATION

SUMMARY OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss from the financial statement during the Track Record Period, details of which are set out in the Accountants’ Report in Appendix I to this document:

	FY2023 <i>RMB’000</i>	FY2024 <i>RMB’000</i>	FY2025 <i>RMB’000</i>
Revenue	341,093	322,218	407,442
Cost of sales	<u>(279,150)</u>	<u>(229,291)</u>	<u>(299,327)</u>
Gross profit	61,943	92,927	108,115
Other income	2,145	1,435	255
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(2,142)	(9,139)	(20,686)
Other gains and losses	(181)	26	189
Research and development expenses	(16,100)	(17,451)	(15,451)
Selling expenses	(8,028)	(7,652)	(5,047)
Administrative expenses	(15,165)	(20,121)	(18,879)
Finance costs	(3,812)	(2,737)	(3,633)
Share of results of a joint venture	—	(15)	(4)
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit before tax	18,660	37,273	40,960
Income tax expense	<u>(1,124)</u>	<u>(3,236)</u>	<u>(4,041)</u>
Profit and total comprehensive income for the year	<u>17,536</u>	<u>34,037</u>	<u>36,919</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company	19,372	34,234	37,229
Non-controlling interests	<u>(1,836)</u>	<u>(197)</u>	<u>(310)</u>
	<u>17,536</u>	<u>34,037</u>	<u>36,919</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We derive our revenue primarily from survey, design and consultancy services and EPC services. Please see “Business — Business Model” in this document for further details. We also generated revenue from other services, which primarily represented revenue from the provision of (i) O&M services for substations, transmission lines and PV power generation facilities; and (ii) investment in and operation of new energy power projects, with elements of power trading, whose revenue sources included sales of power to landlords or power grid companies.

Our mix of survey, design and consultancy services, EPC services and other services rendered may vary from time to time, which in turn affects our financial results due to the different operation model for each business stream.

Revenue by segments

The table below sets forth the breakdown of our revenue by business segments during the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Survey, design and consultancy services	43,390	12.7	45,815	14.2	54,252	13.3
EPC services	294,698	86.4	261,884	81.3	344,374	84.5
Others ^(Note)	3,005	0.9	14,519	4.5	8,816	2.2
Total	341,093	100.0	322,218	100.0	407,442	100.0

Note: Others primarily represented revenue from the provision of (i) O&M services for substations, transmission lines and PV power generation facilities; and (ii) investment in and operation of new energy power projects, with elements of power trading, whose revenue sources included sales of power to landlords or power grid companies.

During the Track Record Period, we generated most of our revenue from EPC services, which accounted for approximately 86.4%, 81.3% and 84.5% of our revenue for each of the FY2023, FY2024 and FY2025, respectively.

We also generate a portion of our revenue from our survey, design and consultancy services, which accounted for approximately 12.7%, 14.2% and 13.3% of our revenue for each of the FY2023, FY2024 and FY2025, respectively.

We derived all of our revenue from the PRC during the Track Record Period.

Cost of sales

Cost of sales by nature

Our cost of sales consisted of materials and components costs, direct labour costs, sub-contracting costs and other indirect costs. Our cost of sales were approximately RMB279.2 million, RMB229.3 million and RMB299.3 million for the FY2023, FY2024 and FY2025, respectively.

FINANCIAL INFORMATION

The table below sets forth the principal components of our cost of sales during the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Materials and components costs	154,086	55.2	75,395	32.9	174,657	58.3
Direct labour costs	14,241	5.1	18,430	8.0	20,265	6.8
Sub-contracting costs	90,855	32.5	121,057	52.8	86,197	28.8
Other indirect costs	19,968	7.2	14,409	6.3	18,208	6.1
Total	279,150	100.0	229,291	100.0	299,327	100.0

Materials and components costs and sub-contracting costs accounted for the largest portion of our cost of sales, represented in aggregate approximately 87.7%, 85.7% and 87.1% of our cost of sales for FY2023, FY2024 and FY2025, respectively. The movement in our materials and components costs and sub-contracting costs during the Track Record Period generally aligned with the corresponding increase or decrease in our revenue.

Cost of sales by business segments

The table below sets forth a breakdown of cost of sales by business segments during the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	Percentage of cost of sales (%)	RMB'000	Percentage of cost of sales (%)	RMB'000	Percentage of cost of sales (%)
Survey, design and consultancy services	15,348	5.5	16,442	7.2	19,253	6.4
EPC services	262,072	93.9	204,606	89.2	274,158	91.6
Others	1,730	0.6	8,243	3.6	5,916	2.0
Total	279,150	100.0	229,291	100.0	299,327	100.0

During the Track Record Period, the movement in the cost of sales for each business segment generally aligned with the corresponding increase or decrease in revenue in that business segment.

Gross profit and gross profit margin

Our overall gross profit was approximately RMB61.9 million, RMB92.9 million and RMB108.1 million for the FY2023, FY2024 and FY2025, respectively. Our overall gross profit margin was approximately 18.2%, 28.8% and 26.5% for the FY2023, FY2024 and FY2025, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments during the Track Record Period:

	FY2023		FY2024		FY2025	
	Gross Profit RMB'000	Gross profit margin %	Gross Profit RMB'000	Gross profit margin %	Gross Profit RMB'000	Gross profit margin %
Survey, design and consultancy services	28,042	64.6	29,373	64.1	34,999	64.5
EPC services	32,626	11.1	57,278	21.9	70,216	20.4
Others	1,275	42.4	6,276	43.2	2,900	32.9
	61,943	18.2	92,927	28.8	108,115	26.5

FINANCIAL INFORMATION

Other income

The following table sets forth a breakdown of our other income during the Track Record Period:

	FY2023 RMB'000	FY2024 RMB'000	FY2025 RMB'000
Bank interest income	163	138	28
Rental income	268	284	71
Management service income	82	92	57
Government grants (<i>Note</i>)	384	921	99
Additional deduction on value-added tax	1,248	—	—
	<u>2,145</u>	<u>1,435</u>	<u>255</u>

Note: These amounts mainly represent subsidies granted by local government authorities to support the operating activities of our Group, in which no future related cost is expected to be incurred. These government grants with no unfulfilled conditions were recognised when payments were received.

During the Track Record Period, our other income mainly represents (i) government grants from local governments to encourage business operation in the PRC; (ii) rental income for the lease of the 3rd floor of the building in which our headquarters are situated to third party lessee. Such lease ceased in April 2025; and (iii) bank interest income.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal represented the expected credit losses or reversal of the expected credit loss on our trade receivables, contract assets and other receivables. Please refer to note 10 to the Accountants' Report as set out in Appendix I to this document for further details. Our impairment losses under ECL model, net of reversal amounted to approximately RMB2.1 million, RMB9.1 million and RMB20.7 million for the FY2023, FY2024 and FY2025, respectively.

Other gains and losses

The following table sets forth a breakdown of our other gains and losses during the Track Record Period:

	FY2023 RMB'000	FY2024 RMB'000	FY2025 RMB'000
Loss on disposal of property, plant and equipment	(1)	(17)	—
Fair value change on financial assets at FVTPL	21	1	—
Others	(201)	42	189
	<u>(181)</u>	<u>26</u>	<u>189</u>

Our other gains and losses mainly comprised of office maintenance fees, insurance compensation for company assets and proceeds from disposal of property, plant and equipment.

FINANCIAL INFORMATION

R&D expenses

The following table sets forth a breakdown of our R&D expenses during the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	10,526	65.4	13,611	78.0	13,298	86.1
Professional service fees	—	—	430	2.5	1,162	7.5
Material costs	4,992	31.0	2,724	15.6	—	—
Depreciation and amortisation	252	1.6	375	2.1	472	3.0
Others	330	2.0	311	1.8	519	3.4
Total:	16,100	100.0	17,451	100.0	15,451	100.0

Our R&D expenses consisted of (i) staff costs, primarily representing salaries and benefits for our R&D employees; (ii) professional service fees, mainly representing costs associated with outsourced software development services; (iii) material costs, mainly representing raw materials and products consumed during the R&D process; (iv) depreciation and amortisation of property, plant and equipment held by our R&D department and intangible assets; and (v) other miscellaneous R&D expenses.

For the FY2023, FY2024 and FY2025, our R&D expenses represented approximately 4.7%, 5.4% and 3.8% of our revenue, respectively.

Selling expenses

The following table sets forth a breakdown of our selling expenses during the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	2,512	31.3	2,915	38.1	2,786	55.2
Entertainment expenses	2,590	32.3	2,173	28.4	669	13.3
Office and utility expenses	151	1.9	163	2.1	462	9.2
Office expenses	1,787	22.3	1,059	13.8	360	7.1
Travelling expenses	759	9.5	696	9.1	569	11.3
Depreciation and amortisation	89	1.1	83	1.1	75	1.5
Others	140	1.6	563	7.4	126	2.4
Total:	8,028	100.0	7,652	100.0	5,047	100.0

Our selling expenses consisted of (i) staff costs, primarily representing salaries and benefits for our sales personnel; (ii) entertainment expenses, primarily representing costs related to activities aimed at growing and expanding our business, including client meetings; (iii) office and utility expenses, primarily representing costs related to utilities, insurance and equipment maintenance; (iv) office expenses primarily representing costs related to our day-to-day operations, including office supplies, costs related to marketing activities such as advertisement placements, membership fees and tender fees; (v) travelling expenses, mainly representing meals, accommodations and other transportation costs incurred by our sales staff; (vi) depreciation and amortisation; and (vii) other miscellaneous selling expenses.

For the FY2023, FY2024 and FY2025, our selling expenses represented approximately 2.4%, 2.4% and 1.2% of our revenue, respectively.

FINANCIAL INFORMATION

Administrative expenses

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	8,457	55.8	10,952	54.4	11,051	58.5
Professional service fees	1,600	10.6	4,791	23.8	2,028	10.7
Rental and utility expenses	166	1.1	444	2.2	498	2.7
Office expenses	1,448	9.5	1,234	6.1	1,330	7.0
Travelling expenses	743	4.9	1,216	6.0	1,272	6.7
Depreciation and amortisation	888	5.9	1,022	5.1	990	5.2
Others	1,863	12.2	462	2.4	1,710	9.2
Total:	15,165	100.0	20,121	100.0	18,879	100.0

Our administrative expenses consisted of (i) staff costs, primarily representing salaries and benefits for our administrative staffs; (ii) professional service fees, mainly representing costs for services provided by external experts, including legal, auditing and advisory services; (iii) rental and utility expenses, incurred in relation to staff quarters rental, utilities, and renovation and maintenance; (iv) office expenses, mainly representing costs associated with our day-to-day operations, including office supplies, communication services and membership fees; (v) travelling expenses, mainly representing costs incurred by our administrative staff, including meals, accommodations, and transportation costs; (vi) depreciation and amortisation; and (vii) other miscellaneous administrative expenses, primarily relating to bank charges and other taxes.

For the FY2023, FY2024 and FY2025, our administrative expenses represented approximately 4.4%, 6.2% and 4.6% of our revenue, respectively.

Finance costs

Finance costs represented interest expenses on bank borrowings. For the FY2023, FY2024 and FY2025, our finance costs amounted to approximately RMB3.8 million, RMB2.7 million and RMB3.6 million, respectively.

Share of results of a joint venture

Share of results of a joint venture represented our proportionate share of the net loss of Shanxi Cellular, which was owned as to 50% by our Group. Share of profit/(loss) of a joint venture amounted to nil, approximately (RMB15,000) and (RMB4,000) for the FY2023, FY2024 and FY2025, respectively.

[REDACTED]

[REDACTED] represented expenses incurred in connection with the [REDACTED]. Our [REDACTED] amounted to [REDACTED], [REDACTED] and approximately [REDACTED] for the FY2023, FY2024 and FY2025, respectively.

Income tax expense

For the FY2023, FY2024 and FY2025, the income tax expenses incurred by us amounted to approximately RMB1.1 million, RMB3.2 million and RMB4.0 million, respectively. This represents an effective tax rate of approximately 6.0%, 8.7% and 9.9%, respectively, for the corresponding years.

We and our subsidiaries established in the PRC are generally subject to statutory income tax at a rate of 25% in accordance with the relevant PRC income tax laws, subject to preferential tax treatments available to certain qualified enterprises. Our Company has obtained high-tech enterprise certification and, accordingly, enjoy a preferential income tax rate of 15% during the Track Record Period. Certain of

FINANCIAL INFORMATION

our subsidiaries in the PRC have been granted enterprise income tax concessions for small and low-profit enterprises by tax authorities in the PRC whereby enterprise income tax for such subsidiaries is paid at the tax rate of 20% during the Track Record Period.

Our effective tax rate is therefore dependent upon the incidence of items affecting assessable profits, including but not limited to, non-deductible expenses, statutory tax preferences and utilisation of tax losses not previously recognised. Please refer to note 11 to the Accountants’ Report as set out in Appendix I to this document for further details.

Our effective tax rate increased from approximately 6.0% for FY2023 to approximately 8.7% for FY2024, and further increased to approximately 9.9% for FY2025. The increase in effective tax rate during the Track Record Period was primarily due to the decrease in the proportion of tax deductible allowance for our R&D expenses associated with our R&D activities as compared against our profit before tax.

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we also use certain non-IFRS measure, namely, adjusted net profit (non-IFRS measure), as an additional financial metric. We define adjusted net profit (non-IFRS measure) as profit and total comprehensive income for the year with elimination of the deductions made on account of [REDACTED]. This non-IFRS measure is not required by or presented in accordance with IFRS. We believe that it facilitates comparison of our operating performance by eliminating potential impacts of [REDACTED], which are non-recurring and non-operating in nature, and presents our management and our Shareholders and [REDACTED] alike with useful information for understanding and evaluating our consolidated results of operations. However, this non-IFRS measure does not have a standardised meaning prescribed under the accounting standards and may therefore not be comparable to similar measures presented by other companies. The use of this non-IFRS measure has inherent limitations as an analytical tool and should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial position as reported under the IFRS.

The following table reconciles our adjusted net profit (non-IFRS measure) for the financial year stated with our profit and total comprehensive income for that financial year as presented in accordance with the IFRS:

	FY2025 <i>RMB’000</i>
Profit and total comprehensive income for the year	36,919
Add: [REDACTED]	<u>[REDACTED]</u>
Adjusted net profit (non-IFRS measure)	<u><u>[REDACTED]</u></u>

DISCUSSION OF RESULTS OF OPERATIONS

Year to year comparison of results of operations

FY2025 compared to FY2024

Revenue

Revenue increased by approximately 26.4% from approximately RMB322.2 million for FY2024 to approximately RMB407.4 million for FY2025, primarily due to an increase in revenue derived from our EPC services.

FINANCIAL INFORMATION

Survey, design and consultancy services

Revenue generated from our survey, design and consultancy services increased by approximately 18.4% from approximately RMB45.8 million for FY2024 to approximately RMB54.3 million for FY2025. The increase was primarily due to increase in revenue recognised from survey, design and consultancy services given completion of projects.

EPC services

Revenue generated from our EPC services increased by approximately 31.5% from approximately RMB261.9 million for FY2024 to approximately RMB344.4 million for FY2025. The increase was primarily due to an increase in revenue recognised from new EPC service projects commenced during FY2025, which outweighed the revenue decline resulting from completion of certain projects during the same year.

Cost of sales

Our cost of sales increased by approximately 30.5% from approximately RMB229.3 million for FY2024 to approximately RMB299.3 million for FY2025. The increase was primarily due to an increase in our materials and components costs, which were in line with the increase of our revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 16.3% from approximately RMB92.9 million for FY2024 to approximately RMB108.1 million for FY2025. Our gross profit margin decreased from approximately 28.8% for FY2024 to 26.5% for FY2025. The decrease in gross profit margin was primarily due to the increase in segment profit from EPC services which yielded a lower gross profit margin.

Gross profit margin of our survey, design and consultancy services remains relatively stable at approximately 64.1% and 64.5% for the FY2024 and FY2025, respectively.

Gross profit margin of our EPC services remains relatively stable at approximately 21.9% and 20.4% for the FY2024 and FY2025, respectively.

Other income

Our other income decreased by 82.2% from approximately RMB1.4 million for FY2024 to RMB0.3 million for FY2025. The decrease was primarily due to (i) a decrease in bank interest income resulting from the decrease in our cash and cash equivalents; (ii) a decrease in rental income, as the lease for the 3rd floor of the building in which our headquarters are situated to third party lessee ceased in April 2025; and (iii) a decrease in government grants.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal increased by 126.3% from approximately RMB9.1 million for FY2024 to approximately RMB20.7 million for FY2025. The increase was primarily driven by an increase in our trade receivables and contract assets. The increase was generally in line with the increase in our average trade and bills receivable and contract assets (excluding retention receivables) turnover days in FY2025.

Other gains and losses

Our other gains and losses increased from RMB26,000 for FY2024 to RMB0.2 million for FY2025. The increase was primarily due to insurance compensation received for company assets.

R&D expenses

Our R&D expenses decreased by approximately 11.5% from approximately RMB17.5 million for FY2024 to approximately RMB15.5 million for FY2025. The decrease was primarily due to a decrease in material cost as we utilised AI technology for our R&D projects in FY2025.

FINANCIAL INFORMATION

Selling expenses

Our selling expenses decreased by approximately 34.0% from approximately RMB7.7 million for FY2024 to approximately RMB5.0 million for FY2025. The decrease was primarily due to (i) a decrease in our staff costs resulting from a decrease in number of sales personnel; (ii) a decrease in our entertainment expenses; (iii) a decrease in our office expenses mainly due to decrease in tender fee, as we did not appoint external agent for preparation of tender documents in FY2025; and (iv) a decrease in our other miscellaneous selling expenses.

Administrative expenses

Our administrative expenses decreased by approximately 6.2% from approximately RMB20.1 million for FY2024 to approximately RMB18.9 million for FY2025. The decrease was primarily due to a decrease in professional service fees in relation to advisory services.

Finance costs

Our finance costs increased by approximately 32.7% from approximately RMB2.7 million for FY2024 to approximately RMB3.6 million for FY2025. The increase was primarily due to an increase in interest expense on bank borrowings associated with our net increase in interest-bearing bank borrowings.

Share of results of a joint venture

Our share of losses of a joint venture decreased from RMB15,000 for FY2024 to RMB4,000 for FY2025 due to the decrease in net loss of Shanxi Cellular, which was owned as to 50% by our Group.

[REDACTED]

We incurred **[REDACTED]** of approximately **[REDACTED]** for FY2025 in connection with the **[REDACTED]**.

Income tax expense

Our income tax expenses increased by approximately 24.9% from approximately RMB3.2 million for FY2024 to approximately RMB4.0 million for FY2025, primarily due to an increase in our profit before tax mainly attributable to the factors discussed in the foregoing, partially offset by the increase in deferred tax. Our effective tax rate increased from approximately 8.7% for FY2024 to approximately 9.9% for FY2025.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year increased by approximately 8.5% from approximately RMB34.0 million for FY2024 to approximately RMB36.9 million for FY2025.

FY2024 compared to FY2023

Revenue

Revenue decreased by approximately 5.5% from approximately RMB341.1 million for FY2023 to approximately RMB322.2 million for FY2024, primarily due to the decrease in revenue derived from our EPC services.

Survey, design and consultancy services

Revenue generated from our survey, design and consultancy services increased by approximately 5.6% from approximately RMB43.4 million for FY2023 to approximately RMB45.8 million for FY2024. The increase was primarily due to an increase in the number of survey, design and consultancy services projects.

FINANCIAL INFORMATION

EPC services

Revenue generated from our EPC services decreased by approximately 11.1% from approximately RMB294.7 million for FY2023 to approximately RMB261.9 million for FY2024. The decrease was primarily due to a decrease in revenue resulting from completion of a significant project during FY2024, which outweighed the increase in revenue recognised from new EPC service projects commenced during the same year.

Cost of sales

Our cost of sales decreased by approximately 17.9% from approximately RMB279.2 million for FY2023 to approximately RMB229.3 million for FY2024. The decrease was primarily due to a decrease in our materials and components costs, which were in line with the decrease of our revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 50.0% from approximately RMB61.9 million for FY2023 to approximately RMB92.9 million for FY2024 which was mainly due to the increase in segment gross profit of our EPC services of approximately RMB24.7 million. Our gross profit margin increased from approximately 18.2% for FY2023 to 28.8% for FY2024. The increase in gross profit margin was primarily due to an increase in our gross profit margin of our EPC services.

Gross profit margin of our survey, design and consultancy services remains relatively stable at 64.6% and 64.1% for the FY2023 and FY2024, respectively.

Gross profit margin of our EPC services increased from 11.1% for FY2023 to 21.9% for FY2024. In FY2023, we devoted substantial time and resources in an EPC project involving construction of PV panels for fish ponds, with a view to developing our experience in this type of EPC project, recording a relatively lower gross profit margin during the year. Our gross profit margin rebounded in FY2024 as we had not undertaken similar EPC projects during the year.

Other income

Our other income decreased by 33.1% from approximately RMB2.1 million for FY2023 to approximately RMB1.4 million for FY2024. The decrease was primarily due to the absence of additional deduction on VAT recorded in the corresponding year in FY2023. Our Company was entitled to a VAT reduction which was announced by the relevant tax authority in FY2023.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal increased by 326.7% from approximately RMB2.1 million for FY2023 to approximately RMB9.1 million for FY2024. The increase was primarily driven by an increase in our trade receivables and contract assets. The increase was generally in line with the increase in our average trade and bills receivable and contract assets (excluding retention receivables) turnover days in FY2024.

Other gains and losses

Our other gains and losses increased from other losses of RMB0.2 million for FY2023 to other gains of RMB26,000 for FY2024. The increase was primarily due to the non-recurrence of one-off office maintenance fees that were recorded in the corresponding year in 2023.

R&D expenses

Our R&D expenses increased by approximately 8.4% from approximately RMB16.1 million for FY2023 to approximately RMB17.5 million for FY2024. The increase was primarily due to an increase in our staff costs resulting from an increase in the number of R&D staff and benefits for our R&D staff during FY2024.

FINANCIAL INFORMATION

Selling expenses

Our selling expenses decreased by approximately 4.7% from approximately RMB8.0 million for FY2023 to approximately RMB7.7 million for FY2024. The decrease was primarily due to a decrease in our office expenses mainly due to decrease in advertisement placements in FY2024.

Administrative expenses

Our administrative expenses increased by approximately 32.7% from approximately RMB15.2 million for FY2023 to approximately RMB20.1 million for FY2024. The increase was primarily due to an increase in our staff costs resulting from an increase in the number of administrative staff and benefits for our administrative staff in FY2024.

Finance costs

Our finance costs decreased by approximately 28.2% from approximately RMB3.8 million for FY2023 to approximately RMB2.7 million for FY2024. The decrease was primarily due to a decrease in interest expense on bank borrowings associated with our decrease in interest-bearing bank borrowings.

Share of results of a joint venture

We did not recognise any share of results of a joint venture for FY2023 as Shanxi Cellular was only established in November 2023 and did not have any operation in FY2023. We recognised a share of losses of a joint venture of approximately RMB15,000 for FY2024 due to the net loss of Shanxi Cellular, which was owned as to 50% by our Group.

[REDACTED]

We did not incur any **[REDACTED]** for each of FY2023 and FY2024.

Income tax expense

Our income tax expenses increased by approximately 187.9% from approximately RMB1.1 million for FY2023 to approximately RMB3.2 million for FY2024, primarily due to an increase in our profit before tax mainly attributable to the factors discussed in the foregoing, partially offset by the increase in deferred tax. Our effective tax rate increased from approximately 6.0% for FY2023 to approximately 8.7% for FY2024.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year increased by approximately 94.1% from approximately RMB17.5 million for FY2023 to approximately RMB34.0 million for FY2024.

FINANCIAL INFORMATION

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

The table below sets forth selected information from our consolidated statements of financial position as at the dates indicated, which has been extracted from the Accountant’s Report included in Appendix I:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	19,678	19,373	17,989
Intangible assets	1,051	1,370	1,032
Right-of-use assets	2,503	2,436	2,369
Investment in a joint venture	—	485	481
Restricted bank balances	195	1,405	1,455
Deferred tax assets	983	2,354	5,457
	<u>24,410</u>	<u>27,423</u>	<u>28,783</u>
CURRENT ASSETS			
Inventories	20,752	—	492
Contract costs	25,572	32,575	35,728
Trade and bills receivables	87,502	73,701	133,375
Other receivables and prepayments	11,419	9,142	29,573
Contract assets	37,269	247,427	384,532
Amount due from a joint venture	—	834	—
Financial assets at fair value through profit or loss (“FVTPL”)	507	402	—
Restricted bank balances	875	464	3,454
Cash and cash equivalents	40,498	21,394	14,585
	<u>224,394</u>	<u>385,939</u>	<u>601,739</u>
CURRENT LIABILITIES			
Trade and other payables	44,658	147,801	255,317
Provisions	—	368	69
Amount due to a joint venture	—	—	1,756
Contract liabilities	7,728	7,650	13,394
Bank borrowings	91,077	80,100	128,894
Tax payable	1,619	4,232	8,452
	<u>145,082</u>	<u>240,151</u>	<u>407,882</u>
NET CURRENT ASSETS	<u>79,312</u>	<u>145,788</u>	<u>193,857</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>103,722</u>	<u>173,211</u>	<u>222,640</u>
NON-CURRENT LIABILITY			
Bank borrowings	—	—	12,510
NET ASSETS	<u>103,722</u>	<u>173,211</u>	<u>210,130</u>

FINANCIAL INFORMATION

Property, plant and equipment

Property, plant and equipment mainly comprised of buildings, electronic and other equipment and motor vehicles.

Our property, plant and equipment slightly decreased by approximately RMB0.3 million, from approximately RMB19.7 million as at 31 December 2023 to approximately RMB19.4 million as at 31 December 2024. The decrease was primarily due to the depreciation of property, plant and equipment during daily operation.

Our property, plant and equipment decreased by approximately RMB1.4 million, from approximately RMB19.4 million as at 31 December 2024 to approximately RMB18.0 million as at 31 December 2025. The decrease was primarily due to the depreciation of property, plant and equipment during daily operation.

Intangible Assets

Our intangible assets consisted of purchased software. Our intangible assets increased by approximately RMB0.3 million, from approximately RMB1.1 million as at 31 December 2023 to approximately RMB1.4 million as at 31 December 2024. The increase was primarily due to our acquisition of various specialised design software to enhance our operational capabilities. Our intangible assets decreased by approximately RMB0.3 million, from RMB1.4 million as at 31 December 2024 to RMB1.0 million as at 31 December 2025. The decrease was primarily due to amortisation.

Right-of-Use Assets

Our right-of-use assets primarily represented our lease contracts for land used in our operations.

Our right-of-use assets remained relatively stable at approximately RMB2.5 million, RMB2.4 million and RMB2.4 million as at 31 December 2023, 2024, 2025, respectively. The slight decrease in right-of-use assets as at 31 December 2023 and 2024 was primarily due to depreciation on a straight-line basis over lease terms at 2% per annum.

Investment in a joint venture

Investment in a joint venture represented our investment in 50% equity interest in Shanxi Cellular, which is the project company for our EPC project, the Wind Power Project under the Rural Revitalization Initiative in Loufan County, Taiyuan City, Shanxi Province. We recorded investment in a joint venture of nil, approximately RMB0.5 million and RMB0.5 million as at 31 December 2023, 2024 and 2025, respectively. Our investment in a joint venture remained relatively stable as at 31 December 2024 and 2025.

Contract Assets

Our contract assets represented our (i) unbilled revenue of EPC contracts, this represents our Group’s right to receive consideration for work completed but not yet billed because the rights are conditioned on the Group’s future performance in achieving specified milestones or the value of EPC work has to be agreed with our customers; and (ii) retention receivables of service contracts, this represents our Group’s right to receive consideration for work performed and our rights to receive consideration for work completed are conditional upon completion of the completion acceptance procedures for the relevant EPC projects, while the rights to receive the retention receivables are conditional on the satisfaction of the quality of the work completed by our customers over a certain period as stipulated in the contracts.

As at 31 December 2023, 2024 and 2025 we recorded contract assets of approximately RMB37.3 million, RMB247.4 million, RMB384.5 million, respectively. The increase in contract assets during the Track Record Period was mainly due to the increase in unbilled revenue of EPC contracts, which was generally in line with the expansion of our business scale.

FINANCIAL INFORMATION

Our unbilled revenue of EPC contracts increased from approximately RMB36.3 million as at 31 December 2023 to approximately RMB229.4 million as at 31 December 2024, mainly attributable to the unbilled revenue for an EPC project with a major customer, a SOE, of approximately RMB126.3 million with construction work completed in FY2024 which was still pending completion of the completion acceptance procedures thereof as at 31 December 2024. SOE typically takes longer time to complete the completion acceptance procedures. As at 31 December 2025, our unbilled revenue of EPC contracts further increased to approximately RMB367.1 million. Such increase was mainly attributable to the unbilled revenue for an EPC project with a major customer of approximately RMB157.4 million with construction work completed in FY2025 pending completion of the completion acceptance procedures thereof, while some of our work completed in the prior year with a few customers was still pending for completion of the completion acceptance procedures thereof as at 31 December 2025.

Our retention receivables of service contracts increased from approximately RMB1.0 million as at 31 December 2023 to approximately RMB18.0 million as at 31 December 2024, mainly attributable to the increase in retention money for an EPC project with a major customer during FY2023. As at 31 December 2025, our retention receivables of service contracts amounted to approximately RMB17.4 million, which remained relatively stable.

The table below sets forth our contract assets as at the dates indicated:

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as current:			
Unbilled revenue of EPC contracts	36,292	229,379	367,108
Retention receivables of service contracts	<u>977</u>	<u>18,048</u>	<u>17,424</u>
	<u><u>37,269</u></u>	<u><u>247,427</u></u>	<u><u>384,532</u></u>

The table below sets forth an ageing analysis of our retention receivables of services contracts based on the expected date of release:

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Retention receivables of service contracts			
Due within one year	592	17,525	197
Due more than one year	<u>385</u>	<u>523</u>	<u>17,227</u>
	<u><u>977</u></u>	<u><u>18,048</u></u>	<u><u>17,424</u></u>

The following table sets forth our average trade and bills receivable and contract assets (excluding retention receivables) turnover days as at the dates as indicated:

	FY2023	FY2024	FY2025
	<i>days</i>	<i>days</i>	<i>days</i>
Average trade and bills receivable and contract assets (excluding retention receivables) turnover days (<i>Note</i>)	118	254	383

Note: Average trade and bills receivable and contract assets (excluding retention receivables) turnover days is calculated as the average of the beginning and ending trade and bills receivable and contract assets (excluding retention receivables) balances for the year, divided by revenue for that year, multiplied by 365 days.

FINANCIAL INFORMATION

Our trade and bills receivable and contract assets (excluding retention receivables) turnover days were approximately 118 days, 254 days and 383 days for FY2023, FY2024 and FY2025, respectively. The increasing trade and bills receivable and contract assets (excluding retention receivables) turnover days for FY2024 and FY2025 was mainly attributable to the relatively higher amount of unbilled revenue as at 31 December 2024 and 31 December 2025 and the longer time to complete the completion acceptance procedures by SOE as explained above, respectively.

As at the Latest Practicable Date, (i) approximately RMB110.8 million (or approximately 28.9%) of our unbilled revenue of EPC contracts as at 31 December 2025 had been billed as trade receivables; and (ii) the respective warranty period to which RMB6,000 (or approximately 0.04%) of our retention receivables of service contracts as at 31 December 2025 relate had expired and such retention receivables had been billed as trade receivables.

Inventories

Our inventories comprised of unutilised construction materials. We generally maintain a low level of inventories as we generally require the delivery of construction materials procured by us to be delivered directly to the construction site for utilisation according to the project needs, but might have a small amount of unused inventories after completion of the EPC project which may be kept for future use. The carrying amount of our inventories as at 31 December 2023, 2024 and 2025 was approximately RMB20.8 million, nil and RMB0.5 million. Our inventories decreased from approximately RMB20.8 million as at 31 December 2023 to nil as at 31 December 2024 primarily because we had unutilised construction materials from prior EPC project as at 31 December 2023. Our inventories as at 31 December 2024 and 31 December 2025 remained low which was consistent with our inventory management and delivery arrangements in general.

Trade and bills receivables

Our trade and bills receivables primarily consisted of (i) trade receivables, representing the amount of money owed by our customers for billed services sold on credit terms; and (ii) bills receivables, representing bank acceptance bills that have been received from our customers.

The following table sets forth a breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables — contracts with customers	93,293	86,362	153,080
Less: allowance for credit losses	<u>(6,356)</u>	<u>(12,661)</u>	<u>(30,157)</u>
	86,937	73,701	122,923
Bills receivables	<u>565</u>	<u>—</u>	<u>10,452</u>
Total trade and bills receivables	<u><u>87,502</u></u>	<u><u>73,701</u></u>	<u><u>133,375</u></u>

Our trade and bills receivables decreased from approximately RMB87.5 million as at 31 December 2023 to approximately RMB73.7 million as at 31 December 2024, then increased to RMB133.4 million as at 31 December 2025. The fluctuation was consistent with the fluctuations in our revenue during the Track Record Period.

FINANCIAL INFORMATION

The following table sets forth an ageing analysis of our trade and bills receivables, net of allowance for credit losses, based on dates of rendering of services recognised as at the dates indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	62,664	52,177	102,443
1 year to 2 years	15,981	10,056	23,373
2 years to 3 years	5,174	8,113	2,619
More than 3 years	<u>3,683</u>	<u>3,355</u>	<u>4,940</u>
	<u>87,502</u>	<u>73,701</u>	<u>133,375</u>

The following table sets forth the past due analysis of the carrying amount of trade and bills receivables as at the dates as indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Not yet past due	43,469	8,362	25,495
Past due less than 30 days	6,758	7,120	14,982
Past due more than 30 days but less than 365 days	13,739	37,739	61,972
Past due more than 365 days	<u>23,536</u>	<u>20,480</u>	<u>30,926</u>
	<u>87,502</u>	<u>73,701</u>	<u>133,375</u>

Trade and bills receivables that were past due more than 30 days accounted for approximately 42.6%, 79.0%, and 69.7% of our trade and bills receivables as at 31 December 2023, 2024 and 2025, respectively. The past due trade and bills receivables are not considered as in default because these trade receivables relate to a number of independent customers for whom there was no recent history of default and they have a good track record with our Group.

The following table sets forth our average trade and bills receivable turnover days as at the dates as indicated:

	FY2023	FY2024	FY2025
	days	days	days
Average trade and bills receivable turnover days (Note)	89	102	112

Note: Average trade and bills receivable turnover days is calculated as the average of the beginning and ending trade and bills receivable balances for the year, divided by revenue for that year, multiplied by 365 days.

We generally grant a credit period of nil to 60 days from the date of invoice to our customers during the Track Record Period. Our average trade and bills receivable turnover days for the FY2023, FY2024 and FY2025 were approximately 89 days, 102 days and 112 days, respectively. Our trade and bills receivables turnover days increased to approximately 102 days for FY2024, and further increased to 112 days for FY2025, which was primarily due to the delay in settlement of our trade receivables by a major customer, a SOE, in both FY2023 and FY2024, as reflected by the increase in our past due trade and bills receivables as at 31 December 2024 and 2025 respectively. During FY2023 and FY2024, a considerable amount of our work done completed the completion acceptance procedures during the year,

FINANCIAL INFORMATION

entitling us to issue our invoices during the year. As SOEs typically involve relatively longer internal approval and settlement processes, the payment period for such receivables is generally longer than our average credit period.

During the Track Record Period, we have not experienced material recoverability issues for our trade and bills receivables. We sought to maintain strict control over our outstanding receivables and have a credit control system to minimise credit risk. Overdue balances were reviewed regularly by senior management and when appropriate, provides for impairment of these trade and bills receivables.

As at the Latest Practicable Date, approximately RMB38.0 million (or approximately 28.6%) of our trade and bills receivables outstanding as at 31 December 2025, had been subsequently settled.

Other receivables and prepayments

Our other receivables and prepayments primarily consisted of (i) deposits, mainly representing tender deposits, rental deposits and utility deposits; (ii) prepayments, mainly representing our prepayment made to our suppliers for purchase orders and consultancy services where payment has been made but the corresponding material or services have not yet been delivered; and (iii) other receivable from a third party.

The following table sets forth our other receivables and prepayments as at the dates as indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposit	913	908	1,351
Prepayments	9,455	6,953	15,375
Deferred issue cost	—	—	1,300
Other receivable from a third party	—	—	10,009
Others	<u>1,091</u>	<u>1,345</u>	<u>1,641</u>
	11,459	9,206	29,676
Less: allowance for credit losses	<u>(40)</u>	<u>(64)</u>	<u>(103)</u>
	<u><u>11,419</u></u>	<u><u>9,142</u></u>	<u><u>29,573</u></u>

Our other receivables and prepayments substantially decreased from approximately RMB11.4 million as at 31 December 2023 to approximately RMB9.1 million as at 31 December 2024. The decrease was primarily due to decrease in our prepayments, as a result of increase in inventories delivered to the construction site of our EPC projects.

Our other receivables and prepayments substantially increased from approximately RMB9.1 million as at 31 December 2024 to approximately RMB29.6 million as at 31 December 2025. The increase was primarily due to (i) increase in our prepayments of, among others, RMB5.0 million for certain work done of a potential EPC project; and (ii) increase in our other receivables from a third party (i.e. Party B as referred to below) which is in relation to a payable to a main contractor of our Group (“**Party A**”) arising from an EPC project (the “**Project**”) that is currently subject to dispute. During the year ended 31 December 2025, our Group was informed by a subcontractor for another project (“**Party B**”) that it acted as representative of a group of sub-contractors of Party A for the Project, requesting payment from us in respect of costs incurred for the Project. We made a payment to Party B of approximately RMB10.0 million during the FY2025. Our Directors consider that the payment to Party B was made on behalf of Party A and should be offset against the amount payable to Party A upon settlement of the dispute. As at 31 December 2025, the payment made to Party B has been recorded as other receivables. Under the Deed of Indemnity provided by Mr. Ren (one of our Controlling Shareholder), Mr. Ren has undertaken to fully indemnify our Group against, among others, any losses arising from this dispute.

FINANCIAL INFORMATION

Cash and cash equivalents

Our cash and cash equivalents, being cash at bank for the purpose of meeting our short term cash commitment, amounted to approximately RMB40.5 million, RMB21.4 million and RMB14.6 million as at 31 December 2023, 2024 and 2025, respectively. Our Directors confirm that our bank and cash balances were maintained at a prudent level for the purpose of satisfying the requirements for our daily business operations.

As at 31 December 2023, 2024 and 2025, cash at banks earned effective interest rate at the range of 0.2%–1.35%, 0.1%–1.35% and 0.05%–1.35%, respectively.

Financial Assets at fair value through profit or loss (“FVTPL”)

Our financial assets at FVTPL during the Track Record Period mainly represented low risk financial products issued by banks in the PRC there were mainly for the purpose of short-term fund management, which can be withdrawn on demand. We had financial assets at FVTPL of approximately RMB0.5 million, RMB0.4 million and nil as at 31 December 2023, 2024 and 2025, respectively.

Trade and other payables

Our trade and other payables primarily consisted of (i) trade payables and accrued construction costs; (ii) salaries and wages payables to our employees; and (iii) other tax payables.

The following table sets forth the breakdown of our trade and other payables as at the dates as indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables and accrued construction costs	38,256	119,842	215,768
Salaries and wages payables	4,227	5,292	5,453
Other tax payables (<i>Note</i>)	1,591	21,893	30,848
Advance receipt of rental payment	—	91	—
[REDACTED] payables	[REDACTED]	[REDACTED]	[REDACTED]
Accrued issue costs	—	—	517
Other payables	584	683	1,181
	<u>44,658</u>	<u>147,801</u>	<u>255,317</u>

Note: Our other tax payables mainly include various government levies and taxes such as real estate tax (房產稅), education surtax (教育附加稅), urban construction tax (城市建設維護稅), tenure tax (土地使用稅) and stamp duty (印花稅).

The increase in trade and other payables during the Track Record Period was generally in line with our business expansion and the corresponding rise in our purchase amounts during the Track Record Period, which mainly consisted of raw material purchases and sub-contracting services, as reflected by the increase in our contract assets during the Track Record Period. The increase in our other tax payables was generally in line with our corresponding rise in our billed revenue during the Track Record Period.

FINANCIAL INFORMATION

The following table sets forth an ageing analysis of our trade payables based on the invoice date as at the dates as indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Less than 1 year	36,296	108,913	117,247
More than 1 year and less than 2 years	1,160	10,483	91,289
More than 2 years and less than 3 years	265	100	6,856
More than 3 years	535	346	376
	<u>38,256</u>	<u>119,842</u>	<u>215,768</u>

The table below sets forth our average trade payable turnover days as at the dates as indicated:

	FY2023	FY2024	FY2025
	days	days	days
Average trade payable turnover days (<i>Note</i>)	31	126	205

Note: Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the cost of sales for that year, multiplied by 365 days.

Our average trade payable turnover days increased from approximately 31 days for FY2023 to approximately 126 days for FY2024, and further increased to 205 days for FY2025. The increase was primarily due to commercial negotiations with our suppliers and sub-contractors to align our payment schedules with the progress of our projects and the timing of our cash inflows from customers.

As at the Latest Practicable Date, approximately RMB33.0 million (or approximately 15.1%) of our trade payables outstanding as at 31 December 2025, had been subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Contract Liabilities

Our contract liabilities primarily represented advance received from customers for our services that had yet to be performed.

Our contract liabilities remained relatively stable at approximately RMB7.7 million and RMB7.7 million as at 31 December 2023 and 2024. Our contract liabilities increased to approximately RMB13.4 million as at 31 December 2025. The increase was primarily due to advance payments received from Customer Group D and another customer.

As at the Latest Practicable Date, approximately RMB6.5 million (or approximately 48.5%) of our contract liabilities outstanding as at 31 December 2025, had been recognised as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal cash requirement is for our working capital needs as well as other recurring expenses. During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash generated from operations and bank borrowings. In the future, we expect to continue relying on cash flows from operation, the [REDACTED] from the [REDACTED] and other debt and equity financing to fund our working capital needs and finance part of our business expansion.

FINANCIAL INFORMATION

Our capital structure represents equity attributable to Shareholders, comprising issued share capital and reserves including retained earnings. Our Directors shall review our capital structure regularly in order to balance our overall capital structure through new share issues and fund raising through new bank borrowings with reference to the capital costs and the associated risks.

Cash flows

The following table sets forth our consolidated statements of cash flows during the Track Record Period:

	FY2023 RMB'000	FY2024 RMB'000	FY2025 RMB'000
NET CASH USED IN OPERATING ACTIVITIES	(31,549)	(37,518)	(60,488)
NET CASH USED IN INVESTING ACTIVITIES	(2,348)	(3,324)	(3,209)
NET CASH FROM FINANCING ACTIVITIES	51,541	21,738	56,888
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,644	(19,104)	(6,809)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22,854	40,498	21,394
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	40,498	21,394	14,585

Net cash used in operating activities

Cash flows from operating activities reflects profit before taxation for the year adjusted for (i) bank interest income, finance costs, fair value change on financial assets at FVTPL, share of results of a joint venture, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, loss on disposal of property, plant and equipment and recognition of impairment losses under ECL model, net of reversal, which lead to the operating cash flow before movements in working capital; (ii) effects of cash flows arising from changes in working capital, includes increase or decrease in inventories, trade and bills receivables, contract assets, amount from/due to a joint venture, other receivables and prepayments, contract costs, trade and other payables, provisions and contract liabilities, which result in cash used in operations.

For FY2023, our net cash used in operating activities was approximately RMB31.5 million, while our profit before tax was approximately RMB18.7 million. The difference primarily represented upward adjustments for (i) finance costs of approximately RMB3.8 million; (ii) non-cash depreciation and amortisation of approximately RMB1.3 million in connection with our property, plant and equipment, right-of-use assets and intangible assets; and (iii) recognition of impairment loss under ECL model, net of reversal of approximately RMB2.1 million.

The amount was further adjusted by changes in itemised balances of working capital that had a negative effect on cashflow, including (i) an increase in inventories of approximately RMB20.8 million; (ii) an increase in trade and bills receivables of approximately RMB21.7 million; (iii) an increase in contract assets of approximately RMB19.1 million; (iv) an increase in contract costs of approximately RMB11.8 million; and (v) a decrease in contract liabilities of approximately RMB10.1 million, as well as changes in itemised balances of working capital that had a positive effect on cashflow, including an increase in trade and other payables of approximately RMB23.6 million.

FINANCIAL INFORMATION

For FY2024, our net cash used in operating activities was approximately RMB37.5 million, while our profit before tax was approximately RMB37.3 million. The difference primarily represented upward adjustments for (i) finance costs of approximately RMB2.7 million; (ii) non-cash depreciation and amortisation of approximately RMB1.7 million in connection with our property, plant and equipment, right-of-use assets and intangible assets; and (iii) recognition of impairment loss under ECL model, net of reversal of approximately RMB9.1 million.

The amount was further adjusted by changes in itemised balances of working capital that had a negative effect on cashflow, including (i) an increase in contract assets of approximately RMB213.0 million; (ii) an increase in amount from a joint venture of approximately RMB0.8 million; and (iii) an increase in contract costs of approximately RMB6.5 million, as well as changes in itemised balances of working capital that had a positive effect on cashflow, including (i) a decrease in inventories of approximately RMB20.8 million; (ii) a decrease in trade and bills receivables of approximately RMB7.5 million; (iii) a decrease in other receivables and prepayments of approximately RMB5.4 million; and (iv) an increase in trade and other payables of approximately RMB100.0 million. Please see “Discussion of Certain Selected Items From the Consolidated Statements of Financial Position” in this section for further details on the changes in these items.

For FY2025, our net cash used in operating activities was approximately RMB60.5 million, while our profit before tax was approximately RMB41.0 million. The difference primarily represented upward adjustments for (i) finance costs of approximately RMB3.6 million; (ii) non-cash depreciation and amortisation of approximately RMB1.8 million in connection with our property, plant and equipment, right-of-use assets and intangible assets; and (iii) recognition of impairment loss under ECL model, net of reversal of approximately RMB20.7 million.

The amount was further adjusted by changes in itemised balances of working capital that had a negative effect on cashflow, including (i) an increase in inventories of approximately RMB0.5 million; (ii) an increase in trade and bills receivables of approximately RMB77.2 million; (iii) an increase in contract assets of approximately RMB140.3 million; (iv) an increase in other receivables and prepayments of approximately RMB19.2 million; and (v) an increase in contract costs of approximately RMB2.6 million, as well as changes in itemised balances of working capital that had a positive effect on cashflow, including (i) an increase in trade and other payables of approximately RMB107.0 million; and (ii) an increase in contract liabilities of approximately RMB5.7 million. Please see “Discussion of Certain Selected Items From the Consolidated Statements of Financial Position” in this section for further details on the changes in these items.

In light of our net operating cash outflows during the Track Record Period, we expect to improve our cash position primarily through (i) continuously increasing revenue through expansion of our survey, design and consultancy services and EPC services by maintaining amicable business relationships with existing customers; (ii) implementing cost control measures aimed at improving cost efficiency; (iii) enhancing our management of trade receivables by implementing a structured collection process with clear timelines and escalation procedures for overdue payments; (iv) implementing stricter control over non-essential operating expenses such as travel and office expenses, and defer non-urgent capital expenditures based on careful evaluation.

Net cash used in investing activities

Cash flows used in investing activities mainly relate to payments for purchase of property, plant and equipment and intangible assets, and placement of restricted bank balances.

For FY2023, our net cash flows used in investing activities was approximately RMB2.3 million, which was mainly due to (i) our purchase of property, plant and equipment and intangible assets of approximately RMB4.3 million; and (ii) our placement of restricted bank balances of approximately RMB1.3 million, partially offset by (i) our proceeds from disposal of property, plant and equipment of approximately RMB0.2 million; and (ii) our withdrawal of restricted bank balances of approximately RMB2.9 million.

FINANCIAL INFORMATION

For FY2024, our net cash flows used in investing activities was approximately RMB3.3 million, which was mainly due to (i) our capital injection into a joint venture, Shanxi Cellular, of approximately RMB0.5 million; (ii) our purchase of property, plant and equipment and intangible assets of approximately RMB2.4 million; (iii) our purchase of financial assets of FVTPL of approximately RMB0.9 million; and (iv) our placement of restricted bank balances of approximately RMB1.7 million, partially offset by (i) our proceeds from maturity of financial assets at FVTPL of approximately RMB1.0 million; (ii) our proceeds from disposal of property, plant and equipment of approximately RMB0.3 million; and (iii) our withdrawal of restricted bank balances of approximately RMB0.9 million.

For FY2025, our net cash flows used in investing activities was approximately RMB3.2 million, which was mainly due to (i) our purchase of property, plant and equipment and intangible assets of approximately RMB0.6 million; and (ii) our placement of restricted bank balances of approximately RMB3.5 million, partially offset by (i) our proceeds from maturity of financial assets at FVTPL of approximately RMB0.4 million; and (ii) our withdrawal of restricted bank balances of approximately RMB0.5 million.

Net cash from financing activities

Cash flows generated from financing activities mainly relate to new bank borrowings raised.

For FY2023, our net cash flows from financing activities was approximately RMB51.5 million, which was mainly due to new bank borrowings of approximately RMB125.8 million, partially offset by (i) interest paid of approximately RMB3.8 million; (ii) repayment of bank borrowings of approximately RMB68.9 million; and (iii) repayment of borrowings from Mr. Ren of approximately RMB1.9 million.

For FY2024, our net cash flows from financing activities was approximately RMB21.7 million, which was mainly due to (i) new bank borrowings of approximately RMB80.0 million; and (ii) funds raised from issue of Shares of approximately RMB35.1 million, partially offset by (i) interest paid of approximately RMB2.8 million; and (ii) repayment of bank borrowings of approximately RMB91.0 million.

For FY2025, our net cash flows from financing activities was approximately RMB56.9 million, which was mainly due to (i) new bank borrowings of approximately RMB160.9 million, partially offset by (i) interest paid of approximately RMB3.5 million; and (ii) repayment of bank borrowings of approximately RMB99.8 million.

WORKING CAPITAL SUFFICIENCY

Taking into account the estimated [REDACTED] from the [REDACTED], cash and cash equivalents on hand, available banking facilities and cash flows from our operations, our Directors believe that our Group has sufficient working capital for our present requirements and for the next 12 months from the date of this document.

Save as disclosed in the section headed “Risk Factors” and note 37 of the Accountants’ Report contained in Appendix I to this document, our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed “Future Plans and Use of [REDACTED]”.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities of our consolidated statements of financial position 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	20,752	—	492	—
Contract costs	25,572	32,575	35,728	120,848
Trade and bills receivables	87,502	73,701	133,375	160,999
Other receivables and prepayments	11,419	9,142	29,573	21,852
Contract assets	37,269	247,427	384,532	221,734
Amount due from a joint venture	—	834	—	—
Financial assets at fair value through profit or loss (“FVTPL”)	507	402	—	—
Restricted bank balances	875	464	3,454	3,623
Cash and cash equivalents	40,498	21,394	14,585	18,284
Total current assets	<u>224,394</u>	<u>385,939</u>	<u>601,739</u>	<u>547,340</u>
CURRENT LIABILITIES				
Trade and other payables	44,658	147,801	255,317	178,985
Provisions	—	368	69	69
Amount due to a joint venture	—	—	1,756	1,756
Contract liabilities	7,728	7,650	13,394	244
Bank borrowings	91,077	80,100	128,894	152,928
Tax payable	1,619	4,232	8,452	26,185
Total current liabilities	<u>145,082</u>	<u>240,151</u>	<u>407,882</u>	<u>360,167</u>
NET CURRENT ASSETS	<u>79,312</u>	<u>145,788</u>	<u>193,857</u>	<u>187,173</u>

Our net current assets increased from approximately RMB79.3 million as at 31 December 2023 to approximately RMB145.8 million as at 31 December 2024, which was primarily due to (i) an increase in our contract assets of approximately RMB210.2 million, as partially offset by (i) a decrease in trade and bills receivables of approximately RMB13.8 million; (ii) a decrease in our cash and cash equivalents of approximately RMB19.1 million; (iii) an increase in our trade and other payables of approximately RMB103.1 million; and (iv) a decrease in bank borrowings of approximately RMB11.0 million.

Our net current assets increased from approximately RMB145.8 million as at 31 December 2024 to approximately RMB193.9 million as at 31 December 2025, which was primarily due to (i) an increase in our trade and bills receivables of approximately RMB59.7 million; (ii) an increase in our contract assets of approximately RMB137.1 million; and (iii) an increase in other receivables and prepayments of approximately RMB20.4 million, as partially offset by (i) an increase in our trade and bills payables of approximately RMB107.5 million; and (ii) an increase in our bank borrowings of approximately RMB48.8 million.

FINANCIAL INFORMATION

Our net current assets decreased from approximately RMB193.9 million as at 31 December 2025 to approximately RMB187.1 million as at 31 March 2026, which was primarily due to (i) an increase in contact costs of approximately RMB85.1 million; (ii) an increase in trade and bills receivables of approximately RMB27.6 million; (iii) an increase in cash and cash equivalents of approximately RMB3.7 million; (iv) a decrease in trade and other payables of approximately RMB76.3 million; and (v) a decrease in contract liabilities of approximately RMB13.2 million, as partially offset by (i) a decrease in contact assets of approximately RMB162.8 million; (ii) an increase in bank borrowings of approximately RMB24.0 million; and (iii) an increase in tax payable of approximately RMB17.7 million.

INDEBTEDNESS

The table below sets forth our total indebtedness as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)
Current				
Bank borrowings	91,077	80,100	128,894	152,928
Non-current				
Bank borrowings	—	—	12,510	3,176
Total	<u>91,077</u>	<u>80,100</u>	<u>141,404</u>	<u>156,104</u>

Note: Our bank borrowings as at the respective year end/period end date were guaranteed by Mr. Ren, Ms. Xu (spouse of Mr. Ren) and/or Mr. Ren Shuning (son of Mr. Ren) and/or secured by parts of our trade receivables and our building (as the case may be).

Bank borrowings

We had bank borrowings with a carrying value of approximately RMB91.1 million, RMB80.1 million, RMB141.4 million and RMB156.1 million, respectively as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively. These bank borrowings were guaranteed by Mr. Ren, Ms. Xu (spouse of Mr. Ren) and/or Mr. Ren Shuning (son of Mr. Ren) and/or secured by parts of our trade receivables and our building (as the case may be). The relevant banks have given their in principle consent to release guarantees given by Mr. Ren, Ms. Xu and Mr. Ren Shuning in respect of such borrowing which were still outstanding as at the Latest Practicable Date, upon [REDACTED].

Our bank borrowings with a carrying value of approximately RMB91.1 million, RMB80.1 million and RMB128.9 million as at 31 December 2023, 2024 and 2025 were repayable within one year. Our bank borrowings with a carrying value of nil, nil and approximately RMB12.5 million were repayable within a period of more than one year but not exceeding two years.

Our bank borrowings as at 31 December 2023, 2024 and 2025 were with fixed interest rate and the effective interest rates in respect of such bank borrowings ranged from 3.3%–5.3%, 3.3%–4.55% and 2.4%–4.2%, respectively.

Loan agreements in respect of our bank borrowings during the Track Record Period contained standard covenants that restricted us on, among others, the use of borrowed funds and we are required to notify and/or obtain prior written consent from the banks upon, among others, changes in controlling shareholders or de facto controller of our Company, occurrence of merger, consolidation, acquisition, split-up, share transfer, material increase in bank borrowings, investment in a joint venture, change of business scope, sale or dispose of material assets, corporate reorganisation, significant external investments, undertaking of additional debt financing, material litigation or winding-up or bankruptcy or change in registered capital.

FINANCIAL INFORMATION

Any breach of, or adverse changes to, these key terms could lead to the acceleration of our repayment obligations or loss of access to financing, which could materially and adversely impact our liquidity, financial condition, and overall financial viability.

Our Directors confirm that we had no material defaults in bank borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining bank borrowings.

We maintain facilities with a number of commercial banks in support of our operations. As at 31 March 2026, being the latest practicable date for the purpose of the indebtedness statement, we had banking facilities of approximately RMB185.0 million, of which approximately RMB72.9 million was unutilised.

Contingent liability

As at 31 December 2023, 2024 and 2025, 31 March 2026 (being the latest practicable date for the purpose of the indebtedness statement) and up to the Latest Practicable Date, we did not have any material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, finance lease or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

COMMITMENTS

As at 31 December 2023, 2024 and 2025, we did not have any capital commitments.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures for the purchases of property, plant and equipment and intangible assets to support our growth of operations. Such capital expenditures were primarily funded by our internal financial resources including cash generated from operations and bank borrowings. For the FY2023, FY2024 and FY2025, we incurred capital expenditure of approximately RMB4.3 million, RMB2.4 million and RMB0.6 million, respectively.

We will continue to make capital expenditures to support the expected growth of our business and expansion plans. We expect to finance our capital expenditures through cash flow from operating activities, unutilised bank borrowing and the estimated [REDACTED] from the [REDACTED]. Please see “Future Plans and Use of [REDACTED]” in this document for further details. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditure according to future cash flows, results of operations, financial conditions, market conditions and various other factors.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

PROPERTY INTERESTS AND VALUATION OF PROPERTY

Vincorn Consulting and Appraisal Limited, an independent property valuer, has valued our property interests as at 28 February 2026. The full text of the letter, summary of valuation and valuation certificate with respect to such property interests are set out in Appendix III to this document.

FINANCIAL INFORMATION

The table below sets forth the reconciliation between the net book value of the relevant property interests as at 31 December 2025 and the valuation as at 28 February 2026 as set out in Appendix III to this document:

	<i>RMB'000</i>
Net book value of our property interests as at 31 December 2025 — Buildings	14,933
Adjustments for the two months ended 28 February 2026	
— Depreciation	(106)
Net book value of our property interests as at 28 February 2026	14,827
Net valuation surplus	23,873
Valuation of our property interests as at 28 February 2026 as set out in the property valuation report in Appendix III to this document	38,700

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years indicated and should be read in conjunction with the Accountants’ Report included as Appendix I to this document:

	FY2023	FY2024	FY2025
Profit Indicators			
Return on equity ⁽¹⁾	16.9%	19.7%	17.6%
Return on total assets ⁽²⁾	7.0%	8.2%	5.9%
Gross profit margin ⁽³⁾	18.2%	28.8%	26.5%
Net profit margin ⁽⁴⁾	5.1%	10.6%	9.1%
Liquidity			
Current ratio (<i>times</i>) ⁽⁵⁾	1.55	1.61	1.48
Quick ratio (<i>times</i>) ⁽⁶⁾	1.40	1.61	1.47
Gearing ratio ⁽⁷⁾	87.8%	46.2%	67.3%

Notes:

1. Return on equity is calculated based on our profit and total comprehensive income for each reporting year divided by the total equity as at the end of each reporting year and multiplied by 100%.
2. Return on total assets is calculated based on our profit and total comprehensive income for each reporting year divided by the total assets as at the end of each reporting year and multiplied by 100%.
3. Gross profit margin is calculated based on the gross profit for each reporting year divided by total revenue for each reporting year and multiplied by 100%.
4. Net profit margin is calculated based on the net profit for each reporting year divided by the total revenue for each reporting year and multiplied by 100%.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting year.
6. Quick ratio is calculated based on our total current assets excluding inventories divided by the total current liabilities as at the end of each reporting year.
7. Gearing ratio is calculated based on our debt (total bank borrowings) divided by our total equity as at the end of each reporting year and multiplied by 100%.

FINANCIAL INFORMATION

Return on equity

Our return on equity increased from 16.9% as at 31 December 2023 to 19.7% as at 31 December 2024, primarily due to the increase in our profit and total comprehensive income for the year as a result of the reasons discussed in the paragraph headed “Discussion of Results of Operations — Year to Year Comparison of Results of Operations” in this section. Our return on equity decreased to 17.6% as at 31 December 2025, which was mainly due to the lower rate of increase in our profit and total comprehensive income for the year at approximately 8.5%, as a result of the reasons discussed in the paragraph headed “Discussion of Results of Operations — Year to Year Comparison of Results of Operations” in this section, versus the approximately 21.3% increase in total equity as at 31 December 2025, mainly driven by the approximately 25.6% growth in our reserves which was mainly attributable to the net profit for FY2025.

Return on total assets

Our return on total assets increased from approximately 7.0% as at 31 December 2023 to approximately 8.2% as at 31 December 2024, which was mainly due to increase in our profit and total comprehensive income for the year as a result of the reasons discussed in the paragraph headed “Discussion of Results of Operations — Year to Year Comparison of Results of Operations” in this section. Our return on total assets decreased to approximately 5.9% as at 31 December 2025, which was mainly due to an increase in our total assets attributable to the expansion of our business.

Gross profit margin

Please see “Discussion of Results of Operations — Year to Year Comparison of Results of Operations” in this section for further details on the changes in our gross profit margin during the Track Record Period.

Net profit margin

Our net profit margin increased from approximately 5.1% as at 31 December 2023 to approximately 10.6% as of 31 December 2024, which was mainly due to increase in our profit and total comprehensive income for the year as a result of the reasons discussed in the paragraph headed “Discussion of Results of Operations — Year to Year Comparison of Results of Operations” in this section. Our net profit margin decreased to approximately 9.1% as at 31 December 2025, which was mainly due to the lower rate of increase in our profit and total comprehensive income for the year as a result of the reasons discussed in the paragraph headed “Discussion of Results of Operations — Year to Year Comparison of Results of Operations” in this section.

Current ratio

Our current ratio remained relatively stable at approximately 1.55 times, 1.61 times and 1.48 times as at 31 December 2023, 2024 and 2025, respectively.

Quick ratio

Our quick ratio remained relatively stable at approximately 1.40 times, 1.61 times and 1.47 times as at 31 December 2023, 2024 and 2025, respectively.

Gearing ratio

Our gearing ratio decreased from approximately 87.8% as at 31 December 2023 to approximately 46.2% as at 31 December 2024 and increased to approximately 67.3% as at 31 December 2025, which was primarily due to the fluctuation in our bank borrowings to support our business operation.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, our related party transactions involved amount due from a joint venture, Shanxi Cellular. Our Directors are of the view that each of the related party transactions set out in note 39 to the Accountant’s Report as set out in Appendix I to this document were conducted at arm’s length and on normal commercial terms or better, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. For details of our related party transactions during the Track Record Period, please refer note 39 to the Accountant’s Report as set out in Appendix I to this document.

DISCLOSURE ABOUT FINANCIAL RISKS

During the Track Record Period, our principal financial instruments comprised, among others, financial assets at FVTPL, cash and cash equivalents, restricted bank balances, trade and bills receivable, other receivables, bank borrowings and trade and other payables.

The risks associated with these financial instruments include market risks (interest rate risk), credit risk and liquidity risk. Our management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The policies on how to mitigate these risks are summarised below:

Interest rate risk

We are exposed to fair value interest rate risk in relation to bank borrowings. We are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and restricted bank balances. Our Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Credit risk

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial losses to us. Our credit risk exposures are primarily attributable to trade and bills receivables, contract assets, certain other receivables, amounts due from subsidiaries, restricted bank balances and cash and cash equivalents. We do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with bills receivables is mitigated because settlement of certain bills receivables are backed by bills issued by reputable banks and financial institutions. Except for financial assets at FVTPL, we performed impairment assessment for financial assets and contract assets under ECL model.

We manages the risk with respect to restricted bank balances and bank balances by placing in or entered into the contract with the banks with high reputation only. We have policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength and credit history. We have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for the management of our Group’s short, medium and long-term funding and liquidity management requirements. Our Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

FINANCIAL INFORMATION

We are satisfied that we will have sufficient financial resources to meet our financial obligations as they fall due in the foreseeable future by taking into account our cash flow projection, and our future capital expenditure in respect of our non-cancellable capital commitments, our management considers that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of each reporting period.

DIVIDEND

According to the PRC law, with respect to distribution of any future net profit of the current year that we make, we will be obliged to allocate 10% of our net profit to our statutory reserve fund until such fund has reached more than 50% of our registered capital. If our statutory reserve is insufficient to cover previous years’ losses, the current year’s profits shall first be used to cover such losses before being set aside. We will therefore only be able to declare dividends after (i) all our historically accumulated losses, if any, have been made up for; and (ii) we have allocated sufficient net profit to our statutory reserve fund as described above.

Our dividend policy is formally set forth in our Articles of Association. As the overarching principle, our profit distribution plan should emphasise providing investors with reasonable returns where account should also be taken of our actual operating condition in the relevant financial year and the sustainable development of our business, and we should seek to maintain continuity and stability of our profit distribution policy, and compliance with the relevant regulatory requirement.

Under our dividend policy, profit distribution may be made by means of payment of cash dividends, issue of scrip shares or a combination of both. We may also pay interim dividends. In deciding the profit distribution method, priority should be given to payment of cash dividends, provided that the following conditions are met: (i) compliance with the relevant regulatory requirements with respect to setting aside the necessary amount to the statutory reserve fund as described above; (ii) we record distributable profit (i.e. profit after tax after making up for losses and appropriations for reserves) for the relevant financial year; (iii) our aggregate distributable profit is positive; (iv) no material investment plan or material cash expenditure event has occurred; and (v) our cash flows are sufficient to meet our needs in connection with our daily operations and sustainable development. Under the premise of a reasonable share capital scale and equity structure, our Company may consider additionally make profit distribution by means of issue of scrip shares or capitalisation of surplus reserves. Any proposed profit distribution plan is subject to the discretion of our Board and approval at a Shareholders’ meeting.

No dividend has been paid or declared by us during the Track Record Period.

DISTRIBUTABLE RESERVES

As at 31 December 2025, we had approximately RMB119.4 million of retained earnings available for distribution to our Shareholders.

[REDACTED]

The [REDACTED] to be borne by us are estimated to be approximately [REDACTED] (based on the [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range stated in this document), representing approximately [REDACTED] of the estimated [REDACTED] from the [REDACTED], assuming the [REDACTED] is not exercised at all. Our [REDACTED] consist of (i) [REDACTED]-related expenses, including [REDACTED] commission, of approximately [REDACTED]; and (ii) non-[REDACTED]-related expenses of [REDACTED], comprising (a) fees and expenses of our legal advisers and reporting accountants of approximately [REDACTED]; and (b) other fees and expenses of approximately [REDACTED].

During the Track Record Period, we incurred approximately [REDACTED] of [REDACTED]. Subsequent to the Track Record Period, approximately [REDACTED] million of our [REDACTED] are expected to be charged to our consolidated statements of profit or loss, and the remaining [REDACTED] of our [REDACTED] are expected to be accounted for as a deduction from equity upon [REDACTED].

FINANCIAL INFORMATION

We do not consider any of the above components of our [REDACTED] to be unusually high for our Group. The [REDACTED] stated above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. The actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. [REDACTED] should note that the financial performance of our Group for the year ending 31 December [REDACTED] may be materially and adversely affected by the [REDACTED] mentioned above.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see “Appendix II — Unaudited [REDACTED] Financial Information” in this document for further details.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, save for the [REDACTED] as disclosed in the paragraph headed “[REDACTED]” in this section, since 31 December 2025, being the end of the Track Record Period, and up to the date of this document, there has been no material adverse change in the financial or trading position of our Group, and that there has been no event since 31 December 2025 that would materially affect the information in the Accountants’ Report presented in Appendix I to this document.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.