*You should read the following discussion and analysis in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report" and "Appendix II — Unaudited **[REDACTED]** Financial Information" to this Document, together with the accompanying notes. Our consolidated financial information has 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 in this section.*

The following discussion and analysis, and other parts of this Document contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider the information provided into "Forward-looking Statements", "Risk Factors" and elsewhere in this Document.

OVERVIEW

We are a national high-tech enterprise were designated as a Key 'Little Giant' Enterprise in 2024 by the Ministry of Industry and Information Technology (工業和信息化部), operating within the variable frequency motor manufacturing industry. We are principally engaged in the design, development, manufacture and sale of small and medium-sized high-efficiency industrial motors and related control systems in the PRC. Driven by tightening energy-efficiency requirements and increasing adoption of Industry 4.0 and intelligent manufacturing, we focus on high-efficiency, variable frequency and precision-performance industrial motors, principally permanent magnet synchronous motors (PMSM) and three-phase asynchronous motors (3-PH IM).

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS, which comprise individual IFRS; International Accounting Standard; and Interpretations approved by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, except for certain financial assets and liabilities which are stated at fair value.

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the "Appendix I — Accountants' Report" in this document.

We continually evaluate the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Nevertheless, actual results may differ from these estimates. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates.

A summary of the other accounting policies information has also been set out in Note 3.2 to the "Appendix I — Accountants' Report" in this document.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, some of which are outside of our control, including the following:

General Factors

Our business and results of operations are affected by the general factors that impact our total addressable market, including, among others, overall economic growth in China and globally, technological advancement and competitive landscape in the industry in which we operate, geopolitical relations, regulatory oversight and government policies. Changes in any of these general factors could affect the demand for our products and our results of operations.

Demand for industrial motors, product mix and sales mix

We are a national high-tech enterprise, operating within the variable frequency motor manufacturing industry. We are principally engaged in the design, development, manufacture and sale of small and medium-sized high-efficiency industrial motors and related control systems in the PRC. During the Track Record Period, our customers primarily comprise manufactures of rotating equipment and industrial machine, manufacturers in China, and suppliers and integrators of industrial motors and drive systems in overseas markets. Our core products are broadly categorised into (i) PMSM; and (ii) 3-PH IM, encompassing a full range of general-purpose and application-specific motors with advanced process capabilities, enabling us to meet the varied demands of these industries.

Our revenue and operating results are substantially influenced by consumer demand for our motors and related products. In addition, our financial performance is positively correlated with the growth of downstream sectors, as these industries drive demand for industrial motors through their expanding investments and purchasing activities. Through our ongoing investment in core technologies and our extensive product portfolio designed to address a broad range of application scenarios, we can effectively serve a wide spectrum of industries and rapidly adapt to the diverse needs of customers across various sectors. This flexibility strengthens our business resilience against economic cycles and mitigates risks associated with fluctuations in specific downstream industries.

Several factors impact the demand for our products, including customer preferences, perceptions of product safety and quality, government policies, economic conditions and downstream demand of motors. Many of these factors are beyond our control. The customer demand in each country or region we supply affects our sales. Such uncontrollable impacts may result in economic recessions or a slowdown of economic growth in certain countries or regions, leading to volatility in customer access to our products, reduced demand for motors, and potential negative impacts on net sales, net earnings, and cash flows.

Our operational results also depend on factors such as the economic and political conditions of foreign regions where our customers are located. Some of our business customers attributable to our products are based in foreign countries, and changes in these regions' economic conditions can significantly influence market demand for our products, impacting our financial performance and operational results.

During the Track Record Period, our operational results and profitability vary among the main product categories particularly, PMSM and IE3 (3-PH IM) products generally offered lower gross profit margins compared to IE5 and IE4 (3-PH IM) products. The sales or product mix significantly affects overall profitability. Therefore, changes in product mix have historically impacted, and are expected to continue influencing, revenue and gross profit margin.

Costs of our critical raw materials and our ability to maintain and improve cost and operating efficiency

During the Track Record Period, we purchased various raw materials for our production, including iron cores, magnets, enamelled copper wires, shafts, castings, and electronic components, which are primarily made of copper, iron, and aluminium. each a critical component in manufacturing our products. Direct materials and consumables costs represent the largest portion of our cost of sales, accounting for approximately 82.8%, 83.4% and 84.6% of our cost of sales during the Track Record Period, respectively. Consequently, raw material costs significantly affect our operating results.

For the Track Record Period, the average purchase cost per tonne of copper increased by approximately 4.4%, 8.8% and 24.3%, respectively. Meanwhile, the average purchase cost per tonne of aluminium fluctuated by approximately 2.2%, 5.2% and 9.5% for the same periods. However, any changes in raw material prices from current levels could still positively or negatively impact our gross profit margin.

The table below presents a sensitivity analysis illustrating the impact of changes in the costs of two key raw materials, copper and aluminium on our profit before tax during the Track Record Period. This analysis aligns with historical fluctuations in our profit before tax attributable to variations in the direct material cost of key raw materials throughout the Track Record Period.

Hypothetical fluctuations

	Impact on profit before tax		
	FY2023	**FY2024**	**FY2025**
	RMB'000 (approx.)	**RMB'000 (approx.)**	**RMB'000 (approx.)**
Copper, costs of			
–/+ 5%	8,220	10,177	11,235
–/+ 10%	16,440	20,355	22,469
–/+ 15%	24,659	30,532	33,704
Aluminum, costs of			
–/+ 5%	945	1,141	1,184
–/+ 10%	1,890	2,283	2,368
–/+ 15%	2,834	3,424	3,551

In addition, the availability of key raw materials significantly impacts our business, financial condition, and operational results. We source our raw materials from independent third-party suppliers. To maintain strong relationships with our key suppliers, some of whom are dominant players in the market, we typically place orders on a regular basis, regardless of periodic fluctuations in our operations. Our procurement process involves annual supply agreements with our suppliers, with purchases made on a purchase order basis. Each purchase order details the product type and specifications, unit price, quantity, and delivery terms. During the Track Record Period, we did not experience any material shortages in our raw material supply, thanks in part to our strategic decision to expand our production capabilities for key raw materials.

Our ability to achieve and maintain profitability also depends on our capability to manage costs and expenses effectively while enhancing operating efficiency. In particular, improving our operating leverage and optimizing cost structures are critical to our financial performance. During the Track Record Period, our cost of sales amounted to approximately RMB582.9 million, RMB614.4 million and RMB636.8 million, respectively. In particular, our costs of raw materials and components amounted to approximately RMB482.5 million, RMB512.4 million and RMB538.5 million, respectively, during the Track Record Period, accounting for approximately 82.8%, 83.4% and 84.6% of our total cost of sales during corresponding years. Key raw materials and components used in the manufacturing of our products include copper and aluminium as well as tooling and fixture equipment.

Effectively controlling the costs of raw materials and components, particularly as we scale up production volumes, has had and will continue to have a significant impact on our financial results. We expect that, in the future, the absolute value of cost of sales will increase in line with the revenue growth. However, we aim to increase our gross profit margin by continuously optimizing the design of our solutions and products to improve cost efficiency. In addition, we intend to implement a range of cost optimisation and efficiency enhancement initiatives, including strategic adjustments to pricing, supply chain optimisation, increased localisation of components, and the adoption of lean manufacturing practices. These initiatives aim to strengthen our operational resilience and improve financial performance.

In addition to cost control, our ability to streamline operations across our business will play a key role in enhancing overall operating efficiency. Effective management of operating expenses is critical to achieving optimal efficiency and sustaining our profitability. As our business continues to grow and scale, we expect to benefit from significant operating leverage, enabling us to realise structural cost savings. Moreover, the ongoing growth of our business and the expansion of our market share are expected to further enhance our economies of scale, contributing to long-term financial sustainability and improved operational efficiency.

Our ability to enhance and develop our products and core technologies

Our products are subject to diversified use cases and rapidly evolving customer demands, and the industrial motor manufacturing industry we operate in is characterised by constant advancements in product innovations and technology advancements, including technological evolution, frequent introductions of new products, continual shifts in customer demands and constant emergence of new industry standards and practices. To maintain our position in the industrial motor manufacturing industry and achieve sustainable growth, we must continuously iterate our products and services to keep pace with these changes in a timely and effective manner. To that end, our ability to efficiently develop and launch new products and services which incorporate and integrate the latest technological advancements and enhance our existing products is critical to our growth prospects. We have a proven track record in this regard, as demonstrated by our comprehensive and integrated products and services catering to a wide array of use cases. We aspire to continue to leverage our existing advantages in this regard and strengthen our products offerings to drive our growth.

Our R&D capabilities are the backbone of our ability to enhance and develop our products and services. We have invested and expect to continue to invest significant resources in our R&D activities. During the Track Record Period, our research and development expenses were approximately RMB28.5 million, RMB29.4 million and RMB30.0 million during the Track Record Period, respectively, representing approximately 4.2%, 4.1% and 4.1% of our total revenue during the corresponding years, respectively. In particular, in light of the nature of the industrial motor manufacturing industry and the demands for talents in the related disciplines, we believe that the ability to attract and retain a strong R&D team with the relevant knowledge, expertise and acumen is fundamental to our long-term competitiveness. Therefore, we expect to remain committed to our investment in talents. In addition, while we strive to achieve efficiency with our R&D efforts, as similar initiatives in the industrial motor manufacturing industry are usually associated with uncertainties in the process and outcome, we may experience fluctuations in research and development expenses and we may not predict the results of and return on such investment, which, in turn, may affect our results of operations.

Our production capacity and operating efficiency

Our production capacity and operating efficiency are crucial to the growth of our revenue, market share, and diversifying our product mix. As at 31 December 2025, our production facilities in Taizhou, Zhejiang has production lines with an aggregate designed production capacity of approximately 6.1 million kW per annum for our PMSM and 3-PH IM products. During the Track Record Period, the utilisation rate of our production facilities for our PMSM was approximately 76.4%, 86.3% and 96.0%, respectively; the utilisation rate of our production facilities for our 3-PH IM was approximately 88.8%, 98.7% and 87.7%, respectively, during the corresponding periods.

To support growth, we aim to expand our production capacity by setting up more production lines through acquiring more machineries. With this expansion, we expect to meet rising product demand and increase sales volume.

Our financial performance also hinges on our operating efficiency. We maintain full control over key stages of the industry value chain, including design, R&D, raw material procurement, production, quality control, and product marketing and sales. This control facilitates optimal inventory management, flexible production, and enhanced operating efficiency. For more details about our production capacity, please refer to section headed "Business — Our Production — Production facilities" in this document. Moving forward, we plan to further improve our production efficiency to lower production costs.

Foreign currency fluctuations

Due to the sale of our products in foreign markets, primarily Europe, our results of operations are affected by foreign exchange rate movements, primarily on a transactional basis. Transactional effects of exchange rate fluctuations arise when one of our subsidiaries enters into a sale or purchase transaction in a currency other than its functional currency. We have professional staff within the finance department to manage risks arising from transactional effects of exchange rate fluctuations, utilizing the natural hedge for settling currencies and forward foreign exchange hedging contracts, while controlling the scale of foreign currency assets and liabilities. See Note 45(i) of the Accountant's Report in Appendix I to this document for more details of our currency risk.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policy information that are significant to the preparation of our consolidated financial statements. A summary of our material accounting policy information (including the subjective assumptions and estimates involved) is set forth in Notes 3 and 4 to the Accountants' Report in Appendix I to this document. A summary of our revenue recognition policy information is set forth in Note 3.2 and 5 to the Accountants' Report in Appendix I to this document.

We continually evaluate the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Nevertheless, actual results may differ from these estimates. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Revenue	684,797	717,027	733,620
Cost of sales	(582,877)	(614,396)	(636,798)
Gross profit	101,920	102,631	96,822
Other income	13,189	13,427	12,151
Other gains and losses	8,513	(976)	8,932
Distribution and selling expenses	(10,457)	(10,612)	(9,784)
Administrative expenses	(31,995)	(30,366)	(27,756)
Research and development expenses	(28,532)	(29,352)	(29,999)
Other operating expenses	(722)	(34)	(1,102)
Impairment losses on financial assets and contract assets, net	(152)	(2,925)	(2,936)
Operating profit	51,764	41,793	46,328
Finance income	616	1,730	2,788
Finance costs	(13,631)	(10,135)	(8,717)
Finance costs, net	(13,015)	(8,405)	(5,929)
Share of results of associates	345	106	(5)
Profit before tax	39,094	33,494	40,394
Income tax expense	(1,599)	(2,832)	(1,788)
Profit for the year attributable to owners of the Company	37,495	30,662	38,606
Other comprehensive (expenses)/income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations	(446)	(262)	197
Other comprehensive (expenses)/income for the year	(446)	(262)	197
Total comprehensive income for the year attributable to owners of the Company	37,049	30,400	38,803

Revenue

During the Track Record Period, we generated our revenue primarily from the sale of our PMSM and 3-PH IM. During FY2023, FY2024 and FY2025, our revenue was approximately RMB684.8 million, RMB717.0 million and RMB733.6 million, respectively.

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

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
PMSM	136,654	20.0	156,296	21.8	163,766	22.3
3-PH IM						
— Ultra- and super- premium efficiency (IE5 & IE4)	54,460	8.0	53,354	7.4	63,446	8.7
— Premium efficiency (IE3)	301,498	44.0	305,085	42.6	310,568	42.3
— Intermittent duty motors	143,424	20.9	155,459	21.7	140,171	19.1
— VFD motors and others	38,645	5.6	28,240	3.9	23,264	3.2
Sub-total	538,027	78.5	542,138	75.6	537,449	73.3
Others	10,116	1.5	18,593	2.6	32,405	4.4
Total	684,797	100.0	717,027	100.0	733,620	100.0

The following table sets forth the sales volume and average selling price of our main product lines for the years indicated:

	FY2023		FY2024		FY2025	
	Sales volume (unit) (approx.)	Average selling price (RMB/unit) (approx.)	Sales volume (unit) (approx.)	Average selling price (RMB/unit) (approx.)	Sales volume (unit) (approx.)	Average selling price (RMB/unit) (approx.)
PMSM	115,170	1,187	136,011	1,149	153,367	1,068
3-PH IM						
Ultra- and super- premium efficiency (IE5 & IE4)	20,211	2,695	24,357	2,190	31,240	2,031
Premium efficiency (IE3)	228,327	1,321	268,544	1,136	328,101	947
Intermittent duty motors	192,085	747	201,520	771	225,519	622
VFD motors and others	20,575	1,878	19,135	1,476	26,469	879

The pricing of industrial motors is subject to a range of technical and commercial factors and is not uniform across products. In general, selling prices vary depending on product type, efficiency class, technical specifications and end use applications. Motors supplied on a made to order basis typically involve customised engineering to meet specific customer requirements and therefore may command higher selling prices, whereas standard or catalogue products are generally more readily available and priced more competitively. While we seek to optimise pricing, our ability to do so is subject to market competition and customer procurement considerations. A higher degree of customisation and integration, including application specific configurations or products incorporating additional components such as embedded drives or control systems, tends to be associated with higher selling prices due to increased engineering and production complexity. In contrast, products with more uniform or commoditised specifications, typically produced at scale for general applications, generally carry lower selling prices. However, there can be no assurance that any incremental costs arising from customisation or enhanced specifications can be fully passed on to customers. Accordingly, our overall average selling price is materially influenced by our product mix. A higher proportion of sales of customised or higher specification products may support higher average selling prices, whereas a greater proportion of sales derived from more standardised or commoditised products may result in comparatively lower average selling prices.

PMSM

Revenue generated from sales of our PMSM amounted to approximately RMB136.7 million, RMB156.3 million and RMB163.8 million, respectively representing approximately 20.0%, 21.8% and 22.3% of our total revenue for each of the Track Record Period.

The average selling price per unit were relatively stable at approximately RMB1,187 in FY2023 and approximately RMB1,149 in FY2024, and decreased to approximately RMB1,068 in FY2025. The decrease was primarily attributable to a higher proportion of sales orders secured with more uniform or commoditised product specifications, which generally carry lower average selling prices.

3-PH IM

3-PH IM remained the principal technology for general industrial applications during the Track Record Period and continued to account for a significant portion of our revenue. Revenue from sales of our 3-PH IM amounted to at approximately RMB538.0 million, RMB542.1 million and RMB537.4 million, respectively approximately 78.5%, 75.6% and 73.3% of our total revenue for each of the Track Record Period.

Within our 3-PH IM product line, premium efficiency motors constituted our core product series, generating revenue of approximately RMB301.5 million, RMB305.1 million and RMB310.6 million for each of the years in the Track Record Period, representing approximately 44.0%, 42.6% and 42.3% of our total revenue, respectively.

Intermittent duty motors represented the second largest product series under our 3-PH IM product line, with revenue of approximately RMB143.4 million, RMB155.5 million and RMB140.2 million for each of the years in the Track Record Period, accounting for approximately 20.9%, 21.7% and 19.1% of our total revenue, respectively.

In response to evolving customer requirements for higher energy efficiency, we introduced ultra- and super-premium efficiency motors during the Track Record Period. Revenue derived from these products amounted to approximately RMB54.5 million and RMB53.5 million in FY2023 and FY2024, respectively, and increased to approximately RMB63.4 million in FY2025.

Cost of Sales

The following table sets forth a breakdown of our cost of sales, in absolute amount and as a percentage of our total cost of sales, for the years indicated.

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used	482,461	512,417	538,462
Staff costs	62,042	63,754	67,612
Depreciation and amortisation	8,053	8,210	8,500
Freight charges	9,932	6,444	6,566
Provision/(reversal of provision) for impairment of inventories	5,288	5,029	(6,753)
Others	15,101	18,542	22,351
Total	582,877	614,396	636,798

Raw materials and consumables primarily represent the direct material, including silicon steel, enamelled copper wire, aluminium, permanent magnetic material and casting frames. Staff costs represent salaries and shares-based payments paid to our employees involved in production activities. Depreciation and amortisation comprise depreciation charge on our property, plant and equipment, as well as amotisation of our right-of-use assets. Freight charges mainly represent transportation costs incurred in delivering our products to customers. Provision of and reversal for impairment of inventories represent impairment losses recognised or reversed in the financial statements.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product or service type for the years indicated.

	FY2023		FY2024		FY2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
PMSM	20,613	15.1	29,385	18.8	26,480	16.2
3-PH IM						
— Ultra- and super- premium efficiency (IE5 & IE4)	12,047	22.1	17,259	32.3	17,324	27.3
— Premium efficiency (IE3)	42,287	14.0	33,048	10.8	27,159	8.7
— Intermittent duty motor	28,600	19.9	24,217	15.6	13,057	9.3
— VFD motors and others	6,911	17.9	6,186	21.9	3,482	15.0
Sub-total	89,845	16.7	80,710	14.9	61,022	11.4
Others	2,586	25.6	2,943	15.8	8,135	25.1
Sub-total	113,044		113,038		95,637	
Less:						
(Provision)/reversal of provision for inventories	(5,288)		(5,029)		6,753	
Sales tax and other levies	(5,836)		(5,378)		(5,568)	
	101,920		102,631		96,822	

Other Income

During the Track Record Period, our other income primarily consisted of (i) government grants; (ii) additional deduction for value-added tax; and (iii) rental income. For each of the Track Record Period, our other income remained relatively stable at approximately RMB13.2 million, RMB13.4 million and RMB12.2 million, respectively.

Other Gains/(Losses)

During the Track Record Period, our other gains and losses, net primarily consisted of (i) gain/(losses) on fair value change of financial assets and financial liabilities at FVTPL; (ii) net foreign exchange gains/(loss); and (iii) loss on disposal of property, plant and equipment; and (iv) gain on disposal of investments in subsidiary and associate.

Distribution and Selling Expenses

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

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Staff costs	4,352	4,517	4,342
Promotion expenses	3,180	2,755	1,914
Insurance for overseas sales	825	1,276	1,229
Installation Service fee	549	491	830
Depreciation and amortisation	27	29	431
Travelling and entertainment expenses	1,023	911	495
Others	501	633	543
Total	10,457	10,612	9,784

Administrative Expenses

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

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Staff costs	12,118	11,938	11,122
Depreciation and amortisation	9,270	8,811	8,726
Consultation fee	3,401	4,754	3,143
Travelling and entertainment expenses	2,836	2,493	1,294
Office expenses	500	750	457
Others	3,870	1,620	3,014
Total	31,995	30,366	27,756

Research and Development Expenses

The following table sets out a breakdown of our research and development expenses during the Track Record Period:

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Staff costs	8,879	11,559	13,727
Materials used	1,540	1,704	1,749
Depreciation and amortisation	17,622	16,065	14,069
Others	491	24	454
Total	28,532	29,352	29,999

Impairment Losses on Financial Assets and Contract Assets, Net

Our net impairment losses on financial assets and contract assets mainly represent impairment and provision of (i) trade and bills receivables; (ii) deposits and other receivables; and (iii) contract assets, which are mainly related to expected credit loss. We recorded impairment losses on financial assets of approximately RMB0.2 million, RMB2.9 million and RMB2.9 million for each of the Track Record Period respectively.

Finance Costs, Net

During the Track Record Period, our finance income and costs mainly consist of interest income, interest expenses on bank borrowings and on lease liabilities and the increase in the discounted amount of provision for major overhauls.

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

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Finance income			
Interest income on bank deposits	616	1,730	2,788
Finance costs			
Interest expense on bank and other borrowings	(13,396)	(9,698)	(8,554)
Interest expense on lease liabilities	(17)	—	(63)
Interest on loans related to bills discounted with recourse	(218)	(437)	(100)
	(13,631)	(10,135)	(8,717)
Total	(13,015)	(8,405)	(5,929)

Income Tax Expenses

During the Track Record Period, our income tax expenses were approximately RMB1.6 million, RMB2.8 million and RMB1.9 million, respectively.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our subsidiaries are domiciled and operate. Under the EIT Law and the respective regulations, the income tax rate of our PRC subsidiaries is 25% during the Track Record Period. Our Company and certain subsidiaries were qualified as High and New Technology Enterprises (高新技術企業) and enjoyed a preferential income tax rate of 15% during the Track Record Period. During the Track Record Period, we qualify for research and development expenses incurred as tax deductible expenses when determining our assessable profits for that year ("**R&D super-deduction**").and have consistently applied it to reduce its tax liabilities.

Income tax for a subsidiary operating in the US has been provided based on the US federal tax rate of 21%.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

FY2025 Compared to FY2024

Revenue

Our revenue slightly increased by approximately RMB16.6 million or 2.3% from approximately RMB717.0 million in FY2024 to approximately RMB733.6 million in FY2025, is a combined effect of the following factors:

- increase in revenue from other sales of other asynchronous motors, frequency converters and other components by approximately RMB13.8 million from approximately RMB18.6 million in FY2024 to approximately RMB32.4 million in FY2025, was primarily attributable to increased sales orders received in FY2025.

- increase in our revenue from PMSM by approximately RMB7.5 million from approximately RMB156.3 million in FY2024 to RMB163.8 million in FY2025 primarily attributable to an increase in sales volume from 136,011 units in FY2024 to 153,367 units in FY2025 with more uniform or commoditised product specifications which generally carry lower average selling price.

- which was partially set off by decrease in revenue from 3-PH IM by approximately RMB4.6 million from approximately RMB542.1 million in FY2024 to RMB537.5 million in FY2025, primarily attributable to the increase in sales revenue of our ultra- and super- premium efficiency motors as well as premium efficiency motors (IE3).

Cost of sales

Our cost of sales significantly increased by approximately 3.6% from approximately RMB614.4 million in FY2024 to approximately RMB636.8 million in FY2025, such increase was primarily attributable to the increase of cost in our major raw materials, namely copper and aluminium, which was partly off set by the reversal of the inventory impairment of approximately RMB6.8 million following changes to inventory requisition system which reduced the amount of aged inventories.

Gross Profit and Margin

Our gross profit decreased by approximately 5.7% from approximately RMB102.6 million in FY2024 to RMB96.8 million in FY2025, primarily due to increase in cost of our major raw materials, mentioned above. Accordingly, our gross profit margin decreased from approximately 14.3% in FY2024 to approximately 13.2% in FY2025 as a result of the combination of the following factors.

PMSM

Our gross profit from PMSM sales decreased by approximately RMB2.9 million, from approximately RMB29.4 million in FY2024 to approximately RMB26.5 million in FY2025, primarily because of the approximately RMB10.4 million increase in cost of sales exceeded the approximately RMB7.5 million increase in revenue from PMSM sales. Accordingly, gross profit margin decreased from approximately 18.8% in FY2024 to approximately 16.2% in FY2025.

3-PH IM

Our gross profit from sales of 3-PH IM and related products was affected by the movements in gross profit of the following product categories:

- *Ultra- and super- premium efficiency (IE5 & IE4) motors* — our gross profit from sales of ultra- and super- premium efficiency motors remained relatively stable at approximately at RMB17.3 million and RMB17.3 million in FY2024 and FY2025, respectively, while gross profit margin decreased to approximately 27.3%, primarily due to the increase in cost of sales from approximately RMB36.1 million in FY2024 to approximately RMB46.1 million in FY2025, which was mainly attributable to the increase in copper prices in FY2025.

- *Premium efficiency (IE3) motors* — our gross profit from sales of premium efficiency motors decreased by approximately RMB5.8 million from approximately RMB33.0 million in FY2024 to approximately RMB27.2 million in FY2025, primarily due to the continued increase in cost of sales of approximately RMB11.4 million, which was mainly attributable to the increase in copper prices in FY2025. Accordingly, gross profit margin decreased to approximately 8.7% in FY2025.

- *Intermittent duty motors* — our gross profit from sales of intermittent duty motors decreased by approximately RMB11.1 million from approximately RMB24.2 million in FY2024 to approximately RMB13.1 million in FY2025, which was generally in line with the decrease in revenue for the year. Gross profit margin decreased to approximately 9.3%, primarily attributable to the approximately 19.4% decrease in average selling price.

- *VFD motors and others* — our gross profit from sales of VFD motors and others further decreased by approximately RMB2.7 million from approximately RMB6.2 million in FY2024 to approximately RMB3.5 million in FY2025, which was generally in line with the decrease in revenue for the year. Gross profit margin decreased to approximately 15.0%, primarily attributable to the approximately 40.4% decrease in average selling price.

Net Gains and Losses

We recorded a turnaround of our net gains and losses from a loss of approximately RMB1.0 million in FY2024 to RMB8.9 million in FY2025, primarily attributable to the turnaround of our net foreign exchange loss of approximately RMB2.0 million in FY2024 to a net foreign exchange gain of RMB9.3 million which was generally in line with the appreciation of Euro against RMB in FY2025.

Distribution and Selling and Expenses

Our distribution and selling expenses slightly decreased from approximately RMB10.6 million in FY2024 to approximately RMB9.8 million in FY2025, primarily due to lower staff costs for our sales and marketing.

Administrative Expenses

Our administrative expenses slightly decreased from approximately RMB30.4 million in FY2024 to approximately RMB27.8 million in FY2025, primarily due to (i) lower consultation fee incurred in FY2025 than in FY2024; and (ii) lower travelling and entertainment expenses.

Research and Development Expenses

Our overall research and development expenses remained relatively stable at approximately RMB29.4 million in FY2024 to approximately RMB30.0 million in FY2025. Our staff costs incurred for research and development increased by RMB2.1 million from RMB11.6 million in FY2024 to RMB13.7 million in FY2025 primarily due to more costs incurred for staff participated in R&D projects.

Net Impairment Losses on Financial Assets at Amortised Costs and Contract assets

Our net impairment losses on financial assets at amortised costs and contract assets remained relatively stable at RMB2.9 million and RMB2.9 million in FY2024 and FY2025, respectively.

Finance Income

Our finance income increased from approximately RMB1.7 million in FY2024 to approximately RMB2.8 million in FY2025, primarily because of the increase in our cash and cash equivalents and time deposits from approximately RMB82.2 million as at 31 December 2024 to RMB135.3 million as at 31 December 2025.

Finance Costs

Our finance costs decreased from RMB10.1 million in FY2024 to RMB8.7 million in FY2025, mainly because of the decrease in effective interest rates on our variable-rate bank borrowings from approximately 3.00%–3.13% in FY2024 to approximately 2.3%–2.5% in FY2025.

Income Tax Expense

Our income tax expense decreased from approximately RMB2.8 million in FY2024 to RMB1.8 million in FY2025. Our effective tax rate also decreased from 8.5% in FY2024 to 4.4% in FY2025. The decreases were primarily a result of the increase in R&D super-deduction granted to us in respect of research and development expenses.

Profit for the Year

As a result of the foregoing, our profit for the year increase from approximately RMB30.7 million in FY2024 to RMB38.6 million in FY2025, representing a 25.7% increase.

FY2024 Compared to FY2023

Revenue

Our revenue slightly increased by approximately RMB32.2 million or 4.7% from approximately RMB684.8 million in FY2023 to approximately RMB717.0 million in FY2024, primarily attributable to increased sales of our core product lines as follows:

- increase in our revenue from PMSM sales by approximately RMB19.6 million from approximately RMB136.7 million in FY2023 to approximately RMB156.3 million in FY2024, was primarily attributable to an increase in sales volume from 115,170 units in FY2023 to 136,011 units in FY2024. It was generally in line with increased demand.
- increase in our revenue from 3-PH IM increased by approximately RMB4.1 million from approximately RMB538.0 million in FY2023 to approximately RMB542.1 million in FY2024, respectively was mainly attributable to the growth in sales of intermittent duty motor by approximately RMB12.0 million, which was partially offset by the decrease in sale of VFD motors and others by approximately RMB10.4 million.
- increase in revenue from other sales of other asynchronous motors, frequency converters and other components by approximately RMB8.5 million from approximately RMB10.1 million in FY2023 to approximately RMB18.6 million in FY2024, was primarily due to the increase in sale orders in FY2024.

Cost of sales

Our cost of sales increased by approximately 5.4% from approximately RMB582.9 million in FY2023 to approximately RMB614.4 million in FY2024, such increase was primarily attributable to higher cost of our major raw materials, namely copper and aluminium.

Gross Profit and Margin

Our gross profit remained relatively stable at approximately RMB101.9 million and RMB102.6 million in FY2023 and FY2024, respectively. Our gross profit margin were also stable at approximately 14.9% in FY2023 and approximately 14.3% in FY2024, as result of the combination of the following:

PMSM

Our gross profit from PMSM sales increased by approximately RMB8.8 million, from approximately RMB20.6 million in FY2023 to approximately RMB29.4 million in FY2024, primarily attributable to the approximately 14.4% increase in revenue and the approximately 7.4% decrease in average cost of sales. Accordingly, gross profit margin increased from approximately 15.1% in FY2023 to approximately 18.8% in FY2024.

3-PH IM

Our gross profit from sales of 3-PH IM and related products was affected by the movements in gross profit of the following product categories:

- *Ultra- and super- premium efficiency (IE5 & IE4) motors* — our gross profit from sales of ultra- and super- premium efficiency motors increased by approximately RMB5.3 million, from approximately RMB12.0 million in FY2023 to approximately RMB17.3 million in FY2024, primarily due to the decrease in cost of sales of approximately RMB6.3 million. Accordingly, gross profit margin increased from approximately 22.1% in FY2023 to approximately 32.3% in FY2024.

- *Premium efficiency (IE3) motors* — our gross profit from sales of premium efficiency motors decreased by approximately RMB9.3 million, from approximately RMB42.3 million in FY2023 to approximately RMB33.0 million in FY2024, primarily due to the increase in cost of sales of approximately RMB12.8 million. Accordingly, gross profit margin decreased from approximately 14.0% in FY2023 to approximately 10.8% in FY2024.

- *Intermittent duty motors* — our gross profit from sales of intermittent duty motors decreased by approximately RMB4.4 million, from approximately RMB28.6 million in FY2023 to approximately RMB24.2 million in FY2024, primarily because the increase in cost of sales of approximately RMB16.4 million exceeded the increase in revenue of approximately RMB12.0 million. Gross profit margin also decreased from approximately 19.9% in FY2023 to approximately 15.6% in FY2024, primarily because the approximately 8.9% increase in average unit cost of sales exceeded the approximately 3.3% increase in average selling price.

- *VFD motors and others* — our gross profit from sales of VFD motors and others remained relatively stable at approximately RMB6.9 million in FY2023 and RMB6.2 million in FY2024. Gross profit margin was approximately 17.9% in FY2023 and 21.9% in FY2024.

Other Income

Our other income remained relatively stable at RMB13.2 million and RMB13.4 million as at 31 December 2023 and 2024.

Net Gains and Losses

We recorded a decrease in our net gains and losses from a gain of approximately RMB8.5 million in FY2023 to a net loss of approximately RMB1.0 million in FY2024. The decrease was primarily a result of the decrease in our net foreign exchange gains or losses from a net foreign exchange gain of approximately RMB7.8 million in FY2023 to a net foreign exchange loss of approximately RMB2.0 million which was generally in line with depreciation of EUR against RMB.

Distribution and Selling and Expenses

Our distribution and selling remained relatively stable at approximately RMB10.5 million and RMB10.6 million in FY2023 and FY2024, respectively.

Administrative Expenses

Our administrative expenses remained relatively stable at approximately RMB32.0 million and RMB30.4 million in FY2023 and FY2024, respectively.

Research and Development Expenses

Our overall research and development expenses remained relatively stable at approximately RMB28.5 million in FY2023 to RMB29.4 million in FY2024.

Net Impairment Losses on Financial Assets and Contract assets

Our net impairment losses on financial assets and contract assets increased from approximately RMB0.2 million in FY2023 to approximately RMB2.9 million in FY2024 primarily because of the increase in our accounts and bills receivables from 31 December 2023 to 31 December 2024.

Finance Income

Our finance income increased from approximately RMB0.6 million in FY2023 to approximately RMB1.7 million in FY2024, primarily because of the increase in our cash and cash equivalents and time deposits from approximately RMB67.1 million as at 31 December 2023 to RMB82.2 million as at 31 December 2024.

Finance Costs

Our finance costs decreased from RMB13.6 million in FY2023 to RMB10.1 million in FY2024, mainly because of the decrease in effective interest rates on our variable-rate bank borrowings from approximately 3.60%–4.01% in FY2024 to approximately 3.00%–3.13% in FY2025.

Income Tax Expense

Our income tax expense increased from approximately RMB1.6 million in FY2023 to RMB2.8 million in FY2024. Our effective tax rate also decreased from 4.1% in FY2023 to 8.5% in FY2024. The relatively low income tax expenses and effective tax rates in FY2023 were primarily combined effects of the relatively high R&D super-deduction granted to us and the tax loss utilised in FY2023.

Profit for the Year

As a result of the foregoing, our profit for the year decreased from approximately RMB37.5 million in FY2023 to RMB30.7 million in FY2024, representing a 18.1% decrease.

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

Inventory

Our inventories primarily consist of (i) raw materials; (ii) work-in-progress ; (iii) goods in transit; and (iv) finished goods.

The following table sets forth our inventories as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Raw materials	37,768	36,434	48,358
Work in progress	43,894	59,931	88,018
Finished Goods	50,312	46,326	35,760
Goods in transit	8,085	8,404	9,658
Total	140,059	151,095	181,794

Our inventory increased by approximately 7.9% from approximately RMB140.1 million as at 31 December 2023 to approximately RMB151.1 million as at 31 December 2024, primarily due to the increase in our work-in-progress progress in respect of orders received around the end of FY2024.

Our inventory further increased by approximately 20.3% from approximately RMB151.1 million as at 31 December 2024 to approximately RMB181.8 million as at 31 December 2025, mainly attributable to (i) the increase in our work-in-progress; and (ii) the increase in raw materials held for orders received around the end of FY2025.

The table below sets forth an ageing analysis for our inventories, net of loss allowances as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Less than 1 year	106,850	119,455	155,223
Between 1 and 2 years	8,481	11,710	11,176
Between 2 and 3 years	11,242	3,340	3,449
Over 3 years	13,486	16,590	11,946
Total	140,059	151,095	181,794

The significant increase in our inventories less than 1 year as at 31 December 2025 was primarily a result of the increase in our raw materials and work-in-progress for the reasons above mentioned.

The following table sets forth our inventory turnover days for the years indicated.

	FY2023	**FY2024**	**FY2025**
Inventory turnover days[1]	98	86	95

Note:

(1) Inventory turnover days are equal to the average balance of inventory at the beginning and the end of the relevant year divided by cost of sales for such year and multiplied by 365 days.

Our inventory turnover days decreased from 98 days in FY2023 to 86 days in FY2024, primarily due to the relatively higher opening balance of our inventory of RMB172.8 million as at 1 January 2023.

Our inventory turnover days increased from 86 days in FY2024 to 95 days in FY2025, primarily due to the increase in raw materials and work-in-progress for the orders received around the year end of FY2025.

As at 31 March 2026, approximately RMB74.2 million, or 40.8% of our inventory balance as at 31 December 2025, had been consumed.

Trade and Bills Receivables

Our trade and bills receivables primarily represent receivables in relation to our products or solutions. The following table sets forth our trade and bills receivables as at the dates indicated.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	190,849	227,328	263,571
Less: credit loss allowance	(21,776)	(25,122)	(25,742)
	169,073	202,206	237,829
Bills receivables	109,806	92,303	112,324
Total	278,879	294,509	350,153

Our trade and bills receivables increased from approximately RMB278.9 million as at 31 December 2023 to approximately RMB294.5 million as at 31 December 2024, primarily due to the increase in our sales to our overseas customers who generally have longer credit period. Our trade and bills receivables further increased to approximately RMB350.2 million as at 31 December 2025, primarily attributable to orders receved around the year end of FY2025.

The table below sets out a summary of the ageing analysis of our trade receivables (after provision/reversal) as at the dates indicated based on the invoice date and net of loss allowance:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	137,293	156,414	186,310
91–180 days	21,160	34,256	36,380
181–365 days	5,812	4,310	8,032
1–3 years	4,451	6,702	5,135
Over 3 years	351	254	1,972
Total	169,073	202,206	237,829

Our trade and bills receivables within approximately 90 days increased from approximately RMB156.4 million as at 31 December 2024 to approximately RMB186.3 million as at 31 December 2025 primarily attributable to orders received around the year end of FY2025. The age distribution of our trade receivables was relatively stable.

The following table sets forth our trade receivables turnover days for the years indicated.

	FY2023	FY2024	FY2025
Trade receivable turnover days[(1)]	101	94	109

Note:

(1) Trade receivables turnover days are equal to the average balance of trade receivables at the beginning and the end of the relevant year divided by revenue for such year and multiplied by 365 days.

We typically grant customer credit term between 30 days to 180 days, our trade receivables turnover days were approximately at 101 days, 94 days, and 109 days in FY2022, FY2023 and FY2024, respectively, which was generally within our credit terms granted.

We seek to maintain a strict control over any outstanding receivables with its customers. We will review such balances regularly and actively follow up with our customers accordingly. We do not hold any collateral or other credit enhancements over our trade receivable balances, and they are non-interest-bearing.

As at 31 March 2026, approximately RMB160.8 million, or 61.0% of our trade receivables outstanding as at 31 December 2025, had been settled.

Trade and Bills Payables

The following table sets forth a breakdown of the trade payables as at the dates indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	167,848	182,495	195,626
Bills payables	66,551	19,550	19,974
Total	234,399	202,045	215,600

During the Track Record Period, our trade and bills payables decreased from approximately RMB234.4 million as at 31 December 2023 to RMB202.0 million as at 31 December 2024, primarily because of the change of our policy to reduce the use of bills payables in settling our trade payables. The decrease in bills payables as at 31 December 2024 was partly offset by the slight increase in trade payables.

Our trade and bills payables remained relatively stable at approximately RMB202.0 million and RMB215.6 million as at 31 December 2024 and 2025 respectively.

The table below sets out a summary of the ageing analysis of our trade payables as at the dates indicated:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 90 days	84,038	98,731	115,486
91–180 days	36,745	30,185	34,369
181–365 days	23,547	34,923	24,644
1–3 years	20,287	15,104	17,836
Over 3 years	3,231	3,552	3,291
Total	167,848	182,495	195,626

During the Track Record Period, most of our trade payables were aged within 90 days. Our trade payables within approximately 90 days increased from approximately RMB84.0 million as at 31 December 2023 to approximately RMB98.7 million as at 31 December 2024, and further increased to RMB115.5 million as at 31 December 2025, which was generally in line with the increase in our sales.

The following table sets forth our trade payables turnover days for the periods indicated.

	FY2023	FY2024	FY2025
Trade payables turnover days[(1)]	111	104	108

Note:

(1) Trade payable turnover days are calculated by dividing the average trade payables by costs of sales multiplied by the number of days in that year. Average trade payables is calculated by dividing by the sum of trade payables at the beginning of the year and trade payables at the end of the year.

During the Track Record Period, we are generally given a credit term of approximately 15 days to 90 days by our suppliers. Some of our suppliers may require us to settle the trade payables upon delivery. Our trade payables turnover days were at approximately 111 days, 104 days, and 108 days in FY2023, FY2024 and FY2025, respectively.

As at 31 March 2026, approximately RMB125.2 million, or 64.0% of our trade payables outstanding as at 31 December 2025 had been subsequently settled.

Prepayments, deposit and Other Receivables

Our prepayments and other receivables under current portion mainly consisted of (i) prepaid expenses; (ii) prepayment to suppliers; and (iii) value-added tax recoverable; and (iv) deferred **[REDACTED]**. During the Track Record Period, our prepayments, deposits and other receivables under current assets amounted to approximately RMB3.5 million, RMB5.2 million and RMB11.2 million as at 31 December 2023, 2024 and 2025, respectively.

Prepayments for property, plant and equipment primarily represents our prepayments for purchase of machineries. Our prepayments for property, plant and equipment increased from RMB1.8 million as at 31 December 2023 to RMB5.1 million as at 31 December 2024 mainly because of our purchase of machineries. The prepayments for property, plant and equipment decreased to RMB2.1 million as at 31 December 2025 because such machineries have been delivered to us during FY2025 and classified as construction in progress as at 31 December 2025.

Prepaid expenses mainly represent interest expenses prepaid for certain borrowings that require prepayments of interest and prepaid membership fee for certain trade associations that require prepayments of membership for a period over one year.

Deferred **[REDACTED]** represents our prepayment to professional parties for the current **[REDACTED]** application.

VAT recoverable represents the input value added tax that we can claim back from tax authorities by offsetting it against the value added we collected from sales. The increase in our value-added tax recoverable from HK$0.4 million as at 31 December 2024 to RMB6.0 million as at 31 December 2025 was basically in line with the increase in purchase of our raw materials shortly before the year end in FY2025. Other tax recoverable represents custom export duty refund receivable.

Other Payables and Accruals

Our accruals and other payables primarily consisted of (i) employee benefits payable; (ii) underrecognised amounts of endorsed undue bills; (iii) other tax payables; and (iv) other payables and accruals.

During the Track Record Period, our other payables and accruals in current liabilities amounted to RMB61.3 million, RMB73.3 million and RMB85.4 million as at 31 December 2023, 2024 and 2025, respectively. The increase of other payables and accruals from approximately RMB61.3 million as at 31 December 2023 to RMB73.3 million as at 31 December 2024, and further increased to RMB85.4 million as at 31 December 2025, was primarily due to the increase in underecognised amounts of endorsed undue bills.

Receipts in advance

Our receipts in advance are primarily related to our rental income receipt in advance from our tenants during the Track Record Period. Our receipt in advance remained relatively stable at approximately RMB4.7 million, RMB4.3 million and RMB4.9 million as at 31 December 2023, 2024 and 2025, respectively.

Contract liabilities

Our contract liabilities mainly represent advances received from our customers for our products to be delivered. During the Track Record Period, our contract liabilities remained relatively stable at approximately RMB4.5 million and RMB4.9 million as at 31 December 2023 and 2024, respectively. It increased to approximately RMB6.7 million as at 31 December 2025 because we received advance payments for sale of motor products from customers.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

During the Track Record Period and up to the Latest Practicable Date, we did not experience any undue difficulty in obtaining banking facilities or withdrawal of banking facilities from banks or any default in payment of bank and other borrowings or breach of any covenants.

Taking into consideration our internal financial resources, the estimated amount of **[REDACTED]** from the **[REDACTED]**, the available banking facilities, cash inflows generated from our operating activities, our Directors are of the opinion that we have sufficient working capital for our present requirement and for the next 12 months from the date of this document.

Current Assets and Liabilities

The table below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	140,059	151,095	181,794	218,450
Trade and bills receivables	278,879	294,509	350,153	360,570
Contract assets	8,628	9,312	9,652	9,652
Financial assets at FVTOCI	13,585	33,680	34,210	25,040
Prepayment, deposit and other receivables	3,528	5,185	11,176	25,674
Restricted deposits	33,025	425	494	—
Time deposits	—	6,773	—	—
Cash and cash equivalents	67,059	75,383	135,257	128,940
	544,763	576,362	722,736	768,326
Current liabilities				
Trade payables and bills payables	234,399	202,045	215,600	205,450
Other payables and accruals	61,253	73,289	85,352	83,602
Receipt in advance	4,731	4,256	4,945	3,178
Contract liabilities	4,533	4,861	6,711	5,207
Deferred income	—	—	1,121	1,121
Derivative financial instruments	5	392	1,861	984
Lease liabilities	81	—	733	731
Bank and other borrowings	235,839	309,823	390,084	435,578
Dividend payables	—	10,803	—	—
Tax payables	874	1,967	385	864
	541,715	607,436	706,792	745,715
Net current assets/(liabilities)	3,048	(31,074)	15,944	26,611

Our net current assets turn from approximately RMB3.0 million as at 31 December 2023 into net current liabilities of approximately RMB31.1 million as at 31 December 2024, primarily due to (i) the decrease in restricted deposits by RMB33.0 million because of the reduction of use of bills receivables for settlement of our trade payables; (ii) the increase in dividend payables of RMB10.8 million pending payment as at 31 December 2024; and (iii) the increase in bank borrowing of RMB74.0 million as the general working capital of our Company.

Our net current assets improved from net current liabilities of approximately RMB31.1 million as at 31 December 2024 to net current assets of approximately RMB15.9 million as at 31 December 2025, primarily due to (i) the increase in cash and cash equivalents from RMB75.4 million as at 31 December 2024 to RMB135.3 million as at 31 December 2025 primarily a result of the increase in bank borrowing; (ii) the reduction in dividend payables from RMB10.8 million as at 31 December 2024 to nil as at 31 December 2025; (iii) the increase in trade and bills receivables from approximately RMB294.5 million as at 31 December 2024 to approximately RMB350.2 million as at 31 December 2025 because of the orders received around the year end of FY2025.

Our net current assets remained relatively stable at approximately RMB15.9 million as at 31 December 2025 and approximately RMB26.6 million as at 31 March 2026, respectively.

Cash Flows

The following table sets out selected cash flow data from the consolidated statements of cash flows. This information should be read together with the consolidated financial information contained in the Accountants' Report in Appendix I to this Document.

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Cash generated from operations	187,659	54,363	78,392
Income tax paid	(2,927)	(2,569)	(3,154)
Net cash from operating activities	184,732	51,794	75,238
Net cash from/(used in) investing activities	6,052	(21,352)	(2,184)
Net cash used in financing activities	(126,473)	(23,560)	(9,559)
Net increase in cash and cash equivalents	64,311	6,882	63,495
Cash and cash equivalents at beginning of the year	7,503	67,059	75,383
Exchange effect	(4,755)	1,442	(3,621)
Cash and cash equivalents at the end of the year	67,059	75,383	135,257

Net Cash Flows from Operating Activities

Net cash generated from operating activities reflects the profit or loss for the year adjusted for non-cash items such as depreciation and amortisation and adjusted for change in working capital.

In FY2025, our net cash flow from operating activities was approximately RMB75.2 million, primarily consisting of our profit before income tax of approximately RMB78.4 million, adjusted for items (i) mainly including non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment, finance costs, exchange differences, reversal of allowance for inventories; and (ii) changes in working capital, primarily comprising (a) an increase in trade and bills receivables of approximately RMB54.7 million, which was a combined effect of the increase in our revenue and orders received around the year end of FY2025; (b) an increase in inventories of approximately RMB24.1 million, primarily due to the increase in our raw materials and work in progress by approximately RMB12.0 million and approximately RMB28.1 million, respectively primarily because of the orders received around the year end of FY2025, which was partly offset by (i) the increase in our trade and bills payables of approximately RMB83.5 million; and (ii) the increase in our other payables and accruals of approximately RMB12.1 million because of the increase in underecognised amounts of undue endorsed bills.

In FY2024, our net cash flow from operating activities was RMB51.8 million, primarily consisting of our profit before income tax of RMB54.4 million, adjusted for items (i) mainly including non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment, finance costs, equity-settled share-based payment and allowance for inventories; and (ii) changes in working capital, primarily comprising (a) a decrease in trade and bills payables of RMB3.6 million, which was generally in line with the increase in our sales; (b) an increase in financial assets at FVTOCI of approximately RMB20.1 million, which was due to growing trend of our customers in China to use bills and letters of credit; (c) an increase in trade and bills receivables of approximately RMB20.2 million, which was due to increase in our revenue; and (d) an increase in inventories of RMB16.1 million, primarily due to the increase in our raw materials and work in progress, which was partly offset by (i) an decrease in our restricted deposits of approximately RMB32.6 million because of acceptance of bills by banks to issue bills for us; and (ii) an increase in our other payables and accruals of approximately RMB12.1 million because of the underecognised amounts of endorsed undue bill increased.

In FY2023, our net cash flow from operating activities was RMB184.7 million, primarily consisting of our profit before income tax of RMB187.7 million, adjusted for items (i) mainly including non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment, finance costs, allowance for inventories and equity-settled share-based payment; and (ii) changes in working capital, primarily comprising (a) an decrease in our restricted deposits of approximately RMB81.2 million mainly because of the reduction of use of bills payables for settlement of our trade payables; (b) a decrease in trade and bills receivables of approximately RMB37.0 million; (c) a decrease in inventories of approximately RMB27.7 million, which was partly offset by (i) a decrease in other payables and accruals of approximately RMB42.8 million; and (b) a decrease in trade and bills payables of approximately RMB5.2 million.

Net Cash Flows (Used in)/From Investing Activities

In FY2025, our net cash used in investing activities was RMB2.2 million, primarily consisting of payments for purchase of property, plant and equipment of approximately RMB17.7 million for the purchase of machineries for production and the purchase of investment properties of approximately RMB3.8 million, which was partly offset by the receipt of government grants of approximately RMB8.2 million and the withdrawal of time deposits of approximately RMB6.8 million.

In FY2024, our net cash used in investing activities was RMB21.4 million, primarily consisting of payments for purchase of property, plant and equipment of approximately RMB17.4 million for the purchase of machineries for production and the placement of time deposits of approximately RMB6.8 million, which was partly offset by the proceeds from disposal/maturity of financial instruments at FVTPL of approximately RMB1.5 million.

In FY2023, our net cash flows from investing activities was RMB6.1 million, primarily consisting of proceeds from disposal of interest in an associate of approximately RMB26.0 million in relation to the equity interest in a company, which was partly offset by the purchases of property, plant and equipment of approximately RMB21.4 million.

Net Cash Flows Used in Financing Activities

In FY2025, our net cash used in financing activities was RMB10.0 million, primarily consisting of proceeds from new bank and other borrowings raised of RMB593.0 million, which was partly offset by repayment of bank and other borrowings of approximately RMB582.7 million.

In FY2024, our net cash used in financing activities was RMB23.6 million, primarily consisting of proceeds from new bank and other borrowings raised of RMB344.6 million, which was partly offset by repayment of bank and other borrowings of approximately RMB358.0 million.

In FY2023, our net cash used in financing activities was RMB126.5 million, primarily consisting of repayment of bank and other borrowings of approximately RMB426.5 million, which was partly offset by proceeds from new bank and other borrowings raised of approximately RMB302.0 million.

INDEBTEDNESS

As at 31 March 2026, being the latest practicable date for the purpose of the indebtedness statement below, we had approximately RMB438.9 million in indebtedness, which comprised of interest-bearing bank and other borrowings and lease liabilities. As at 31 March 2026, we had banking facilities of an aggregate amount of approximately RMB48.4 million, of which RMB5.9 million was unutilised.

The following table sets forth the components of our indebtedness as at the dates indicated:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank and other borrowings	235,907	309,823	390,084	435,578
Lease liabilities	81	—	733	731
Sub-total	235,988	309,823	390,817	436,309
Non-current				
Bank and other borrowings	58,483	—	—	—
Lease liabilities	—	—	2,772	2,557
Sub-total	58,483	—	2,772	2,557
Total	294,471	309,823	393,589	438,866

Borrowings

Our borrowings comprised both secured and unsecured bank loans, with effective interest rates ranging from 1.10% to 5.92%, 0.31% to 5.92%, and 0.62% to 2.31% per annum as at 31 December 2023, 2024 and 2025 respectively. The aggregate balance of our borrowings gradually increased from approximately RMB294.4 million as at 31 December 2023 to RMB309.8 million as at 31 December 2024, and further decreased to RMB393.6 million as at 31 December 2025.

During the Track Record Period, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye and Mr. Wang Xiaoyue had been providing guarantees (the "**Connected Guarantees**") as security for certain of our Group's banks loans (collectively, the "**Guaranteed Loans**"). As at 31 March 2026, the total Guaranteed Loans amounted to approximately RMB405.8 million and all Connected Guarantees are expected to be released upon **[REDACTED]**.

Lease Liabilities

Our lease liabilities represent financial obligations for leased assets. The aggregate balance of our lease liabilities were RMB0.1 million, nil and RMB3.5 million as at 31 December 2023, 2024 and 2025, respectively.

Our Directors confirm that there have been no material defaults in our payment of trade or non-trade payables and bank borrowings, or breaches of covenants of our indebtedness during the Track Record Period and up to the date of this Document.

Except as otherwise disclosed in this Document, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at 31 December 2025.

Since 31 December 2025 and up to the Latest Practicable Date, there had not been any material adverse change to our indebtedness.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Our capital expenditures during the Tack Record Period were primarily related to the purchases of property, plant and equipment and intangible assets, which amounted to approximately RMB21.1 million, RMB14.1 million and RMB20.6 million during the Track Record Period, respectively. We have financed our capital expenditure through cash flow generated from operating activities and current account with the Controlling Shareholder.

Save for the planned capital expenditure as disclosed in the section headed "Future Plans and **[REDACTED]**" in this document and the additions of furniture, fixtures and office equipment and production equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditure as at the Latest Practicable Date.

As at 31 December 2023, 2024 and 2025, our Group did not have material capital commitments.

Contingent Liabilities

As at the Latest Practicable Date, we did not have significant contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratio as at the dates indicated:

	For the year ended/As at 31 December		
	2023	**2024**	**2025**
Profitability			
Gross profit margin (%)(1)	14.9%	14.3%	13.2%
Net profit margin (%)(2)	5.5%	4.3%	5.3%
Return on equity (%)(3)	19.7%	14.3%	15.0%
Return on total assets (%)(4)	4.7%	3.7%	4.0%
Liquidity			
Current ratio(5)	1.01	0.95	1.02
Quick ratio(6)	0.75	0.70	0.77
Capital sufficiency			
Gearing ratio(7)	1.55	1.45	1.53
Net debt to equity ratio(8)	1.20	1.09	1.00
Interest coverage ratio(9)	4.00	4.99	7.81

Notes:

(1) Gross profit margin is calculated based on the gross profit for the year divided by total revenue and multiplied by 100%.

(2) Net profit margin is calculated based on the profit for the year divided by total revenue and multiplied by 100%.

(3) Return on equity is calculated based on the profit for the year divided by the shareholders' equity as at the end of the year.

(4) Return on total assets is calculated based on the profit for the year divided by total assets at the end of the 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 the year.

(6) Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the year.

(7) Gearing ratio is calculated based on the sum of our bank and other borrowings and lease liabilities divided by total equity at the end of the year.

(8) Net debt to equity ratio is calculated based on the sum of our bank and other borrowings and lease liabilities, minus our cash and bank balances divided by total equity at the end of the year.

(9) Interest coverage ratio is calculated by profit before interest and tax divided by net interest expense for the year.

Gross Profit Margin

For details, please refer to the subsections headed "Description of Selected Components of Statements of Profit or Loss and Other Comprehensive Income — Gross profit and Gross Profit Margin" in this section above.

Net Profit Margin

Our net profit margin decreased from approximately 5.5% in FY2023 to approximately 4.3% in FY2024. The decrease was primarily in line with the decrease in our gross profit margin from 14.9% in FY2023 to 14.3% in FY2024. For further details, please refer to paragraphs headed "Year-to-year Comparisons of Results of Operations — FY2024 Compared to FY2023" in this section.

Our net profit margin increased from approximately 4.3% in FY2024 to approximately 5.3% in FY2025. The increase was basically in line with the increase in gross profit margin from approximately 14.3% in FY2024 to approximately 13.2% in FY2025. For further details, please refer to paragraphs headed "Year-to-year Comparisons of Results of Operations — FY2025 Compared to FY2024" in this section.

Return on equity

Our return on equity decreased from approximately 19.7% in FY2023 to approximately 14.3% in FY2024, primarily attributable to the dividend declared of approximately RMB10.8 million in FY2024.

Our return on equity increased from approximately 14.3% in FY2024 to 15.0% in FY2025, generally in line with the increase in our net profit in FY2025.

Return on total assets

Our return on total assets decreased from approximately 4.7% for FY2023 to approximately 3.7% for FY2024, mainly attributable to the decrease in our net profit from approximately RMB37.5 million for FY2023 to approximately RMB30.7 million for FY2024. Our return on total assets increased from approximately 3.7% in FY2024 to approximately 4.0% primarily attributable to the increase of our net profit to approximately RMB38.6 million for FY2025.

Current Ratio

Our current ratio decreased from approximately 1.01 times as at 31 December 2023 to approximately 0.95 times as at 31 December 2024, mainly due to the increase in bank borrowings and dividend payables as at 31 December 2024.

Our current ratio increased from approximately 0.95 times as at 31 December 2024 to approximately 1.02 times as at 31 December 2025. Such increase was mainly due to the increase in cash and cash equivalent as a result of the increase in bank borrowings.

Quick Ratio

Our quick ratio increased from approximately 0.75 times as at 31 December 2023 to approximately 0.70 times as at 31 December 2024, mainly due to increase in our financial assets at fair value through other comprehensive income.

Our current ratio remained relatively stable at approximately 0.77 times as at 31 December 2025.

Gearing Ratio

As at 31 December 2023, 2024 and 2025, our gearing ratio was relatively stable at 1.55, 1.45 and 1.53 times as at 31 December 2023, 2024 and 2025, respectively.

Net debt to equity ratio

As at 31 December 2023, 2024 and 2025, our net debt to equity ratio was relatively stable at approximately 1.20, 1.09 and 1.00 times, respectively.

Interest coverage

Our interest coverage ratio was approximately 4.0 times in FY2024, and approximately 4.99 times in FY2024 and then increased to approximately 7.81 times, such increase was primarily due to the decrease in interest rate and the increase in our net profit in FY2025.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with certain of our related parties. These transactions were conducted on normal commercial terms in the ordinary course of our business, with pricing policies consistent with those transactions conducted with independent third parties. These transactions mainly included the sales of our products to a related party, and provision of our services to our related parties. For details about our related party transactions during the Track Record Period, please refer to note 47 to the "Appendix I — Accountants' Report" in this document.

RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details, please refer to note 45(i) to the "Appendix I — Accountants' Report" in this document.

Foreign Currency Risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We exposed to currency risks primarily through sales and purchases which give rise to receivables, payables and cash and bank balances that are denominated in a foreign currency. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's subsidiaries. To ensure the currency risk exposure of our Group is kept to an acceptable level, we seek to minimise the gap between assets and liabilities in the same currency.

Interest Rate Risk

Our interest rates relates primarily to the Group's borrowings with a floating interest rate. Our Group currently does not have a specified policy to manage our interest rate risk but will closely monitor our interest rate risk exposure in the future.

Credit Risk

Our credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to our Group. Our Group's exposure to credit risk mainly arises from the risk of default by counterparties of our financial assets, which include cash and bank balances and restricted cash, trade and bills receivables and contract assets, prepayments, other receivables and other assets. Our maximum exposure to credit risk is equal to the carrying amounts of these instruments.

Liquidity Risk

We monitor our exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings. Our policy is that all the borrowings should be approved by the management of our Group.

Capital management

Our primary objective in capital management is to ensure that we maintain a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants.

DIVIDEND

On 27 December 2024, we declared a cash dividend of RMB3.0 (including tax) per 10 Shares, payable to all Shareholders. A total of approximately RMB10.8 million have been declared and subsequently paid in January 2025. Except for the above, no dividends were paid or declared to the then equity owners of the entities now comprising our Group during the Track Record Period. As at the Latest Practicable Date, we did not have any specific dividend policy nor any pre-determined dividend payout ratio. In principle, we prioritise cash dividends as the profit distribution method if the conditions for cash dividends are met. When we have major investment plans or significant cash expenditures, we may distribute dividends in the form of share equity. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory and regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. As advised by our PRC legal advisers, a PRC company can pay dividends after covering all accumulated losses from prior years with its current profits after tax and statutory reserve allocations. Our Shareholders may approve any declaration of dividends.

DISTRIBUTABLE RESERVES

Our Company was established as a joint stock limited company in the PRC on 22 May 1995. Pursuant to the Articles, profit after taxation of our Company, after (i) offsetting losses carried forward from previous years, (ii) transferring 10% of its profit after taxation as contribution to its statutory reserve fund under the relevant PRC rules and regulations, and (iii) deducting other contributions to the reserve fund as determined by our Company, shall be distributable to our Shareholders as dividends. As at 31 December 2025, our Company had retained earnings of RMB167.2 million under IFRS.

[REDACTED]

The total **[REDACTED]** payable by our Company are estimated to be approximately RMB**[REDACTED]** million (or approximately HK$**[REDACTED]** million) assuming the **[REDACTED]** are not exercised and based on an **[REDACTED]** of HK$**[REDACTED]** (being the mid-point of our **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), accounting for approximately **[REDACTED]**% of gross **[REDACTED]** **[REDACTED]**. Among such estimated total **[REDACTED]**, (i) **[REDACTED]**-related expenses, including **[REDACTED]**, are expected to be approximately RMB**[REDACTED]** million, and (ii) non-**[REDACTED]**-related expenses of approximately RMB**[REDACTED]** million, comprising (a) fees and expenses of legal advisors and Reporting Accountant of approximately RMB**[REDACTED]** million, representing **[REDACTED]**% of the **[REDACTED]** **[REDACTED]**[**REDACTED]** **[REDACTED]**; and (b) other fees and expenses of approximately RMB**[REDACTED]** million, representing **[REDACTED]**% of the **[REDACTED]** **[REDACTED]**.

Among the total **[REDACTED]** of RMB**[REDACTED]** million, (i) approximately RMB**[REDACTED]** million is expected to be expensed through the statement of profit or loss after the Track Record Period, and (ii) the remaining amount of RMB**[REDACTED]** million is directly attributable to the issue of shares and would be deducted from equity upon the **[REDACTED]**.

The professional fees and/or other expenses related to the preparation of the **[REDACTED]** are currently in estimates for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document for the unaudited **[REDACTED]** statement of adjusted net tangible assets of our Group, and is set out therein to illustrate the effect of the **[REDACTED]** on the net tangible assets of our Group attributable to the equity holders of our Company as at 31 December 2025 as if the **[REDACTED]** had taken place on 31 December 2025.

PROPERTY VALUATION

Valtech Valuation Advisory Limited, an independent property valuer, has valued certain of our property interests as of 31 March 2026 and is of the opinion that the total market value in existing state as of such date was RMB105.4 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this document. A reconciliation of the net book value of our properties as of 31 December 2025 as set out in the "Accountants' Report" in Appendix I to this document to their fair value as of 31 March 2026 as stated in the property valuation report as set out in Appendix IV to this document is set out below:

An industrial complex in Taizhou City, Zhejiang, the PRC

	RMB'000
Net book value as of 31 December 2025	33,890
Movement for the period from 31 December 2025 to 31 March 2026 (unaudited)	(897)
Net book value as of 31 March 2026 (unaudited)	32,993
Net valuation surplus	72,407
Valuation of the property owned by our Group as of 31 March 2026 as set out in property valuation report in Appendix IV to this document	105,400

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this Document, other than as disclosed under "Recent Developments Subsequent to the Track Record Period" in the "Summary" section in this document, there had been no material adverse change in our business, financial condition and results of operations since 31 December 2025, being the latest balance sheet date of our consolidated financial statements in the Accountants' Report set out in Appendix I to this Document, and up to the date of this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Document, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.