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Application Proof of

Zhejiang Jinlong Electrical Machinery Stock Co., Ltd.

浙江金龍電機股份有限公司

(the “Company”)

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

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Zhejiang Jinlong Electrical Machinery Stock Co., Ltd.

浙江金龍電機股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	: [REDACTED] H Shares (subject to the [REDACTED])
Number of [REDACTED]	: [REDACTED] H Shares (subject to reallocation)
Number of [REDACTED]	: [REDACTED] H Shares (subject to reallocation and the [REDACTED])
Maximum [REDACTED]	: Not more than HK\$[REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB[1.00] per H Share
[REDACTED]	: [●]

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



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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for and on behalf of the [REDACTED]), and our Company on the [REDACTED]. The [REDACTED] is expected to be at or before 12:00 noon on [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED]. Applicants for the [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK\$[13.5] for each [REDACTED] together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] is lower than HK\$[REDACTED].

The Sole [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time prior to the morning of the last day for lodging applications under the Hong Kong [REDACTED]. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED] on [REDACTED], notices of the reduction in the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] will be published on our Company's website at [REDACTED] and the website of the Stock Exchange at [REDACTED]. Further details are set out in the sections headed “Structure and Conditions of the [REDACTED]” and “How to Apply for the [REDACTED]” of this document. If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company by 12:00 noon on [REDACTED], the [REDACTED] (including the [REDACTED]) will not proceed and will lapse.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors” in this document.

The [REDACTED] have not been and will not be registered under the [REDACTED] or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the [REDACTED] and in accordance with any applicable [REDACTED]. The [REDACTED] are being [REDACTED] and [REDACTED] outside the United States in offshore transactions in reliance on [REDACTED].

The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the [REDACTED] for, the [REDACTED], are subject to termination by the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such grounds are set out in the section headed “[REDACTED] — [REDACTED] Arrangements and Expenses — [REDACTED] — Grounds for Termination” of this document. It is important that you refer to that section for further details.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to [REDACTED] in our [REDACTED]. We may not pay any dividends in the foreseeable future. Your [REDACTED] decision should be made in light of these considerations.

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED]. Various expressions used in this section are defined or explained in the sections headed “Definitions” and “Glossary of Technical Terms” in this document.

OVERVIEW

We are a national high-tech enterprise and 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 and our Shares are quoted on the NEEQ in September 2022 (stock code: 873936). 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. We have nearly 40 years of experience in motor manufacturing, tracing back to our predecessor, Huangyan City Motor Factory* (黃岩市電機廠) that commenced business since the 1980’s. 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). Our products are used in a wide range of applications, including pumps, ventilation systems, compressors, HVAC systems and machine tools, and are key components in industrial and manufacturing operations. Our PMSM products were recognised by the Ministry of Industry and Information Technology as “Energy Star” (能效之星) for their energy efficiency in November 2017 and are designed for use in variable-speed drive systems to enhance operating efficiency and maintain stable performance in intelligent and robotic manufacturing applications.

We are positioned to benefit from major megatrends, including electrification, more stringent energy-efficiency requirements and the decarbonisation of heavy industry. According to the CIC Report, global electricity demand is projected to be more than double by 2050, with electrification playing a key role in cutting emissions, especially in the industrial sector, which contribute around 25% of global greenhouse gases. China’s dual-carbon goals have prompted stricter energy-efficiency policies and industrial upgrades, resulting in higher-efficiency motors replacing older models. It is also estimated that global industrial robot installations reached approximately 550,000 units in 2025, with China contributing over half. Because each robot uses multiple precision motors, rising deployments will multiply demand for high performance motor solutions. We strive to help customers achieve operational and sustainability goals with high-efficiency motors, drive and related solutions.

We primarily sell our products to rotating equipment manufacturers in the PRC. In May 2026, we also commenced business development efforts in the robotic machinery sector by entering into two strategic cooperation agreements with a pump manufacturer in Zhejiang Province, China and an electric vehicle manufacturer in Anhui Province, China for the supply of industrial dual-arm robots and joint modules for the period from August 2026 to July 2028. We also export products on an OEM basis to overseas motor component vendors in over 30 overseas countries and regions, primarily in European countries such as Germany, Italy and Turkey, as well as in Africa.

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Our flagship motor brand, “JinLong”, was recognised as the “China Top Brand Product” (中國名牌產品) by the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (國家質量監督檢驗檢疫總局), and as the “Zhejiang Export Premium Brand” (浙江出口名牌) by the Department of Commerce of Zhejiang Province in September 2006 and January 2024 respectively. During the period from 2022 to 2026, we were designated as a “High-Tech Enterprise” (高新技術企業), a “Key ‘Little Giant’ Enterprise” (重點小巨人) and one of the “2022 Top 100 Fastest Growing Enterprises in Zhejiang Province” (浙江省成長性最快百強企業). We also serve as the Vice Chairman unit of the Small and Medium-Sized Motor Branch of the China Electrical Equipment Industry Association and as a member unit of the National Rotating Motor Standardisation Technical Committee.

OUR BUSINESS MODEL

Motors convert electrical energy into mechanical motion and are widely used in industrial applications, where motor-driven systems account for a significant share of electricity consumption. In China, demand has grown with industrial upgrading, intelligent manufacturing and energy-efficiency initiatives. According to the CIC Report, China’s industrial AC motor market is expected to increase from approximately RMB258.2 billion in 2025 to approximately RMB457.3 billion in 2030 at a CAGR of approximately 12.1% during the period. 3-PH IM remains the prevailing technology for general industrial use due to its mature technology, cost efficiency and compatibility with installed equipment, and is expected to remain dominant due to switching and operational constraints. PMSM products are projected to outpace the China’s industrial AC motor market, and increase from approximately RMB71.1 billion in 2025 to approximately RMB147.0 billion in 2030, growing at a CAGR of approximately 15.6% over the same period, driven by demand for higher efficiency and torque-density as intelligent manufacturing and robot adoption rises. China is also the world’s largest exporter of motors, with the export value of industrial AC motors having increased from approximately RMB56.1 billion in 2025 to approximately RMB86.4 billion by 2030 at a CAGR of approximately 9.0%, according to the CIC Report.

Our Directors believe that we differentiate ourselves from our peers through our manufacturing capabilities, engineering expertise, and technical know-how in high-efficiency industrial motors and control systems, together with our established customer relationships, which position us to capture growth opportunities. We typically collaborate closely with customers throughout their product development cycles to achieve design alignment and production according to customised specifications, and to develop new products and optimise existing offerings.

To meet customers’ customisation needs, we primarily adopt a “Make-to-Order” (MTO) model, under which we manufacture products based on confirmed purchase orders and agreed specifications. Our Directors considers this model enables us to deliver tailored solutions, enhances customer stickiness and maintains disciplined inventory and capacity management. For our major PRC customers, we generally enter into sales framework agreements setting out key commercial terms, complimented by purchase orders specifying price, quantity and delivery schedules, with indicative forecasts subject to periodic adjustments. For overseas customers, we typically enter into order-based sales contracts.

We generally set pricing on a cost-plus basis after considering various factors, among other things, production costs, technology specifications, customer demand, order volume, supply chain considerations, prevailing market conditions and target margins. Given the significant proportion of raw materials in our cost of sales, our pricing is subject to fluctuations. To mitigate such exposure, we may incorporate price adjustment mechanisms in our sales arrangements to reflect changes in raw material costs such as copper, aluminium, silicon steel and other metals.

OUR PRODUCTS

We offer a comprehensive portfolio of high-efficiency industrial motors and control systems, comprising approximately 3,000 models across various voltages, speed control options, efficiency ratings and other specifications. Our motors cover a power range from 0.12 kW to 1400 kW and our

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variable frequency drives range from 0.1 kW to 500 kW, serving a wide range of industrial applications. We principally offer two main product lines, namely PMSM and 3-PH IM, as set out below.

- (i) **PMSM:** this product line comprises direct-drive and high-speed configurations, together with servo drives and encoders, forming integrated motor-drive systems for intelligent manufacturing and motor control applications. These products are designed to deliver high power density, a wide speed-regulation range and inverter-based control, enabling precise and stable control of speed and torque. Our drive products support multiple control modes, including closed-loop servo control, vector control and V/F control, to facilitate high-precision motion control and stable operation. Compared with conventional 3-PH IM and standalone drive configurations, our integrated solutions generally offer higher energy efficiency, enhanced torque density over a wide speed range and improved system reliability, which may reduce energy consumption and support more compact system designs. Such products are primarily used in rotating equipment, such as pumps, HVAC systems, compressors, machine tools and forklifts, and may, depending on customer requirements, be adaptable to certain robotic intelligent manufacturing scenarios.
- (ii) **3-PH IM:** this product line comprises standard and customised industrial motors across multiple energy efficiency classes, including IE5, IE4 and IE3 motors, as well as intermittent duty motors and variable frequency drive (“VFD”) motors, designed to address varying operating requirements in intelligent manufacturing. Our high-efficiency motors are engineered to optimise energy performance and reduce power consumption, with IE5 and IE4 motors meeting stringent energy-saving standards, while VFD motors enable wide speed regulation and enhanced control efficiency under variable load conditions, and intermittent duty motors are designed for cyclical operations requiring high torque and durability. These products are primarily applied in rotating equipment and industrial systems, including compressors, pumps, fans and other electromechanical equipment. In addition, we offer specialised motor products, including explosion-proof motors for use in hazardous environments, and have obtained approved supplier certification from a major PRC oil and gas producer in respect of such products, enabling us to participate in its procurement framework.

Set forth below is a breakdown of our revenue by types of our product categories for the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
PMSM and drives	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
	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

Set forth below is a breakdown of our revenue by major applications for the Track Record Period:

	FY2023		FY2024		FY2025	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
HVAC	266,869	39.0	260,076	36.3	310,609	42.3
Compressors	138,364	20.2	174,389	24.3	183,239	25.0
Pumps	183,253	26.8	178,577	24.9	150,637	20.5
Machine tools and others	67,946	9.9	73,539	10.3	56,136	7.7
Forklifts	28,365	4.1	30,446	4.2	32,999	4.5
	684,797	100.0	717,027	100.0	733,620	100.0

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OUR RESEARCH AND DEVELOPMENT

We regard technological innovation and R&D as fundamental to our long-term development. We operate a provincial-level enterprise research institute and a provincial high-tech research and development centre, supported by approximately 200 personnel handling R&D duties, with expertise in electrical and electromagnetic theory, mechanical design, materials science, power electronics, drive control, thermal management, simulation and testing, and application integration for intelligent manufacturing and industrial robotics-related applications. We have consistently invested in R&D, with research and development expenses of approximately RMB28.5 million, RMB29.4 million and RMB30.0 million for each of the Track Record Period. As a national high-tech enterprise, we held 66 registered patents (including 15 inventions) and 15 software copyrights in China as at the Latest Practicable Date.

We also collaborate closely with academic and research institutions to support our technology development. In May 2026, we entered into entrusted technology development agreements with a leading research university in Zhejiang and a national technology university in Beijing to advance our R&D in industrial robotic-related and motor control technologies. These collaborations cover, among others, the co-development of industrial robot joint modules based on PMSM technology, as well as single-arm, dual-arm and multi-degree-of-freedom robotic systems, with milestone-based deliverables including system prototypes and related technical outputs over the term of the agreements.

OUR PRODUCTION FACILITIES

Our technologically advanced and highly automated production facilities in Taizhou, Zhejiang Province, occupy a total site area of 150,000 sqm, and is recognised as a key hub for motor and supporting industries in eastern China. As of 31 December 2025, we operated production lines with a total annual designed capacity of approximately 6,200,000 kW, which includes 3-PH IM production lines with an annual designed capacity of approximately 3,400,000 kW and PMSM production lines with an annual designed capacity of approximately 2,800,000 kW. Average utilisation rates of our 3-PH IM production lines were approximately 88.8%, 98.7% and 87.7% for the Track Record Period, respectively, while utilisation rates of our PMSM production lines reached approximately 76.4%, 86.3% and 96.0% over the same periods.

To enhance production efficiency and precision, we deploy CNC high-speed lathes, fully automatic CNC machining centres, and high-speed presses, and have established laboratories with industry-leading motor performance testing and quality inspection capabilities. Our production processes are certified under ISO 9001, ISO 14001, and GB/T45001, ensuring compliance in quality, environmental, and occupational health and safety management.

OUR CUSTOMERS

Our customers primarily comprise rotating equipment manufacturers, motor solution providers, motor resellers and motor brand companies mainly based in China, and overseas markets, including European countries such as Germany, Italy and Turkey, as well as Africa and other regions. For the Track Record Period, the aggregate revenue from our five largest customers accounted for approximately 51.5%, 46.4% and 39.3% of our total revenue, respectively, and the revenue from our largest customers accounted for approximately 19.9%, 16.3% and 10.5% of our total revenue for the same periods. Up to the Latest Practicable Date, we had established business relationships ranging from approximately 8 to 24 years with our five largest customers, all of which are Independent Third Parties.

Set forth below is a breakdown of our revenue by major types of our customers for the Track Record Period:

	FY2023		FY2024		FY2025	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Rotating equipment manufacturers	449,348	65.5	468,506	65.4	459,686	62.7
Overseas motor solution providers	198,976	29.1	209,655	29.2	234,112	31.9
Motors resellers	19,600	2.9	20,760	2.9	18,005	2.5
Motor brand companies and Others	16,873	2.5	18,106	2.5	21,817	3.0
	684,797	100.0	717,027	100.0	733,620	100.0

SUMMARY

Set forth below is a breakdown of our revenue by major principal location of our customers for the Track Record Period:

	FY2023		FY2024		FY2025	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
China	448,371	65.5	465,337	64.9	451,547	61.6
Overseas						
— European countries	207,184	30.3	211,316	29.5	244,523	33.3
— Others	29,242	4.3	40,374	5.6	37,550	5.1
	684,797	100.0	717,027	100.0	733,620	100.0

OUR RAW MATERIALS AND SUPPLIERS

Our raw materials and components primarily include silicon steel, enamelled copper wire, aluminium, permanent magnetic material and casting frames. We have established a network of more than approximately 300 suppliers in China primarily comprising manufacturers. Up to the Latest Practicable Date, we had established business relationships ranging from approximately 2 to 9 years with our five largest suppliers, all of which are Independent Third Parties. Our Directors believe our stable relationships with our suppliers will continue to ensure a sufficient and reliable supply of raw materials and components, while also helping to mitigate fluctuations in raw materials going forward. For each of the Track Record Period, the aggregate purchases from our five largest suppliers accounted for approximately 48.6%, 48.7% and 50.1% of our total purchases, respectively, and the purchases from our largest supplier accounted for approximately 23.7%, 30.8% and 30.9% of our total purchases for the same periods.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths have contributed to our success, differentiated us from our competitors, and will continue to be the key drivers of our growth: (i) established market position in high-efficiency industrial motor solutions in China; (ii) advanced manufacturing facilities with scalable, flexible and quality-driven capabilities; (iii) comprehensive product offering anchored by robust R&D capabilities; (iv) diversified and quality customer base with long-term collaborative relationships; and (v) experienced and execution-driven management with deep industry expertise. For further details, please refer to the section headed “Business — Our Competitive Strengths” in this document.

OUR BUSINESS STRATEGIES

Our mission is to become a leading PRC-based provider of intelligent industrial motor solutions, advancing intelligent manufacturing and industrial robotic applications globally. To achieve this, we plan to pursue the following strategies: (i) reinforce the strength and scale of our PMSM production; (ii) expanding PMSM application coverage in high-growth industrial robotic and intelligent manufacturing applications; (iii) digitalisation and intelligent manufacturing upgrade; and (iv) sustained investment in technology and innovation. For further details, please refer to the section headed “Business — Our Business Strategies” in this document.

COMPETITION

The competitive landscape of China’s industrial AC motor industry is characterised by the coexistence of international and domestic manufacturers, with competition driven by factors such as technological capabilities, product performance, manufacturing efficiency and service responsiveness. International manufacturers generally maintain advantages in high-end industrial applications through long-term technological accumulation, established brand recognition and extensive industry experience. Domestic manufacturers have continuously improved their capabilities in research and development, manufacturing processes and operational efficiency in recent years, and have gradually enhanced their

SUMMARY

competitiveness through ongoing technological upgrades, cost advantages and localised service capabilities. As industrial customers increasingly demand higher energy efficiency, reliability and customised solutions, competition within the industry has gradually evolved from product-based competition towards comprehensive capability competition. Our Directors believe that we are positioned to compete with domestic manufacturers by leveraging our diversified product portfolio, technological capabilities in high-efficiency motors and integrated drive solutions, and established application coverage, which support our ability to capitalise on continuing demand for energy-efficient and intelligent industrial motor systems in China.

BUSINESS ACTIVITIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, based on the information provided by us, our International Sanctions Legal Advisers has advised us that we made certain sales and deliveries of motors to customers in non-material transactions that were identified as potentially involving goods, services or payments to, or for the benefit of, an entity on the Specially Designated Nationals and Blocked Persons List (“**SDN List**”) maintained by the Office of Foreign Assets Control (“**OFAC**”) with secondary sanctions risk indicators (“**SDN Sales**”). In addition, based on the information provided by us, our International Sanctions Legal Advisers has advised us that certain Russia-related transactions involved receipt of non-material funds through a financial institution on the SDN List (“**SDN Payments**”). We have ceased the SDN Sales since May 2025.

As advised by our International Sanctions Legal Advisers, during the Track Record Period, no activity that would constitute a direct violation of U.S. primary sanctions laws and regulations was identified during the Track Record Period. However, as advised by our International Sanctions Legal Advisers, the SDN Sales were denominated in U.S. dollars and processed through U.S. financial institutions, such transactions may implicate U.S. primary sanctions restrictions applicable to U.S. persons and U.S. financial institutions, and could give rise to direct U.S. sanctions exposure if we were found to have caused a U.S. person to process a prohibited transaction or otherwise to have evaded U.S. sanctions. Should such transactions implicate U.S. primary sanctions, we may face administrative penalties and reputational harm.

Furthermore, our International Sanctions Legal Advisers has advised that, in light of the nature of the SDN Sales and SDN Payments and the fact that SDN Sales and SDN Payments were of relatively small amount, it is less likely that we would be viewed as providing material assistance to the said counterparties and hence the possibility that SDN Sales and SDN Payments will result in the exercise of discretionary authority under secondary U.S. sanctions is relatively low.

Please refer to the section headed “Risk Factors — Risks relating to our Business and Industry — Sanctions and regulatory compliance risks may materially and adversely affect our business, financial condition and results of operations” and “Business — Business Activities with Customers in Countries Subject to International Sanctions” in this document for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Set forth below is the selected financial data derived from our combined financial statements for the period indicated, the details of which are set forth in the Accountants’ Report in Appendix I to this document.

Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income

	FY2023	FY2024	FY2025
	RMB’000	RMB’000	RMB’000
Revenue	684,797	717,027	733,620
Gross profit	101,920	102,631	96,882
Profit for the year	37,495	30,662	38,606

SUMMARY

Our revenue increased by approximately 4.7% from approximately RMB684.8 million in FY2023 to approximately RMB717.0 million in FY2024, and further increased by approximately 2.3% to approximately RMB733.6 million in FY2025. The increase was primarily attributable to increased sales of our PMSM. Our revenue from PMSM increased from approximately RMB136.7 million in FY2023 to RMB156.3 million in FY2024, and further increased to RMB163.8 million in FY2025, were primarily attributable to an increase in sales volume of our PMSM.

Our gross profit remained relatively stable at approximately RMB101.9 million and RMB102.6 million in FY2023 and FY2024, respectively. 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, namely, copper and aluminium.

Selected Items of Combined Statements of Financial Position

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current assets	245,393	245,449	251,084
Current Assets	544,763	576,362	722,736
Non-current liabilities	58,551	—	8,962
Current liabilities	541,715	607,436	706,792
Net current assets/(liabilities)	3,048	(31,074)	15,944
Net assets	189,890	214,375	258,066

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 RMB294.5 million as at 31 December 2024 to RMB350.2 million as at 31 December 2025 because of the increase in sales and the extension of credit periods to certain major customers.

Selected Items of Combined Statements of Cash Flows

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
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

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.

SUMMARY

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 RMB17.6 million for the purchase of machineries for production, which is partly offset by the receipt of government grants of RMB8.2 million and the withdrawal of time deposit of RMB6.8 million.

During the Track Record Period, our net cash used in investing activities were primarily a result of the repayments of bank and other borrowings, which is partly offset by the bank and other borrowings raised.

SUMMARY OF KEY FINANCIAL RATIOS

Set forth below are the key financial ratios for the years and as at the dates indicated:

	For the year ended/As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profitability			
Gross profit margin (%)	14.9%	14.3%	13.2%
Net profit margin (%)	5.5%	4.3%	5.3%
Return on equity (%)	19.7%	14.3%	15.0%
Return on total assets (%)	4.7%	3.7%	4.0%
Liquidity			
Current ratio	1.01	0.95	1.02
Quick ratio	0.75	0.70	0.77
Capital sufficiency			
Gearing ratio	1.55	1.45	1.51
Net debt to equity ratio	1.20	1.09	1.00
Interest coverage	4.00	4.99	7.81

For details, please refer to section headed “Financial Information — Year-to-year Comparison of Results of Operations” in this document.

CONTROLLING SHAREHOLDERS

As at the date of this document, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue, Ms. Ye Huiqing, Jinlong Zhichuang LP and Ms. Ye Weilei, the general partner of Jinlong Zhichuang LP, constitute a group of our Controlling Shareholders. For details of our Controlling Shareholders, please see the section headed “History, Development and Corporate Structure — The Controlling Shareholder Group”.

Immediately following completion of the [REDACTED], the group of our Controlling Shareholders will be, in aggregate, entitled to control the exercise of approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is not exercised) or approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is exercised in full) and thus remain as a group of Controlling Shareholders.

QUOTATION OF OUR SHARES ON THE NEEQ AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since 2022, our Shares have been quoted on the NEEQ. Since the quotation of our Shares on the NEEQ and as of the Latest Practicable Date, we had no instances of material non-compliance with the rules of the NEEQ and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED]’ attention in relation to our compliance record on the NEEQ. Our PRC Legal Advisers are of the view that the confirmation of our Directors above with regard to our compliance records is accurate and reasonable. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with the Directors’ confirmation with regard to the compliance records of the Company on the NEEQ.

SUMMARY

Our Company seeks to [REDACTED] on the Stock Exchange in order to further advance our global strategic layout, establish an international capital operation platform, and enhance our comprehensive competitiveness. We believe that the Stock Exchange would provide us with access to the international equity market, enhance our brand awareness in both domestic and overseas markets, and improve our corporate governance in line with global standards.

RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Based on the unaudited management account of the Group for the three months ended 31 March 2026, we have delivered sales order of motors of more than approximately 200,000 units. Subsequent to 31 March 2026 and up to the Latest Practicable Date, we have received additional sales orders of more than approximately 300,000 units.

Save for the above, subsequent to the Track Record Period and up to the date of this document, our business and operation have remained stable. Our Directors confirm that as at the date of this document, there has been no material adverse change in our financial, trading position or prospects since 31 December 2025 being the end of the year reported on as set out in “Appendix I — Accountants’ Report” to this document.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumption that the [REDACTED] is not exercised.

	Based on an [REDACTED] of HK\$[REDACTED] per H Share	Based on an [REDACTED] of HK\$[REDACTED] per H Share
[REDACTED] of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted net tangible asset per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on [REDACTED] Shares, comprising [REDACTED] Unlisted Shares and [REDACTED] H Shares, expected to be in issue and conversion following completion of the [REDACTED].
- (2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in “Appendix II — Unaudited [REDACTED] Financial Information” in this document.
- (3) No adjustment has been made to the unaudited [REDACTED] adjusted net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2025.

DIVIDENDS

We declared a cash dividend of approximately RMB10.8 million in FY2024. 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. For details, please refer to section headed “Financial Information — Dividend” in this document.

SUMMARY

[REDACTED]

The total [REDACTED] payable by our Company are estimated to be approximately RMB[REDACTED] million (or approximately HK\$[REDACTED]) 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]. 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]; and (b) other fees and expenses of approximately RMB[REDACTED] million, representing [REDACTED]% of the [REDACTED].

Among the total [REDACTED] of RMB[REDACTED], (i) approximately RMB[REDACTED] 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] 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.

[REDACTED]

We estimate the aggregate [REDACTED] from the [REDACTED], after deducting [REDACTED] fees and other estimated expenses in connection with the [REDACTED], assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED]), will be approximately HK\$[REDACTED].

We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- (i) approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for constructing a new production facility and establishing new PMSM production lines;
- (ii) approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for expanding our PMSM application into industrial robotic and intelligent manufacturing applications;
- (iii) approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for accelerating the digitalisation of our manufacturing operations; and
- (iv) approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for our general working capital.

For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

RISK FACTORS

Our operations involve certain risks and uncertainties. The more significant risks relating to our business and industry include: (i) our business is dependent on the performance of downstream industries, and any slowdown may materially and adversely affect our business; (ii) we operate in a competitive industry, and our inability to compete effectively may adversely affect our business; (iii) we may face challenges managing our expansion into new products, services and business activities and in maintaining and expanding our customer base; (iv) increases in prices or instability in the supply of the raw materials used in production may adversely affect our business; and (v) we derive a significant portion of our revenue from the domestic market, and our performance may be influenced by changes in the macroeconomic, social and regulatory environment within the market. For details, please refer to the section headed “Risk Factors” in this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

“Accountants’ Report”	the Report of the Reporting Accountants set out in Appendix I to this document
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 29 April 2026 with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in Appendix VI to this document
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of directors of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
“CAGR”	compounded annual growth rate
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Chairman” or “Mr. Ye”	the chairman of our Board, Mr. Ye Jinwu (葉錦武)
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this document, and for geographical reference only, references in this document to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan region
“CIC”	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
“CIC Report”	a market research report commissioned by us and prepared by CIC on the overview of the industry in which our Group operates
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

DEFINITIONS

“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法) as amended, supplemented or otherwise modified from time to time, which was last amended on 29 December 2023 to take effect on 1 July 2024
“Company” or “our Company”	Zhejiang Jinlong Electrical Machinery Stock Co., Ltd. (浙江金龍電機股份有限公司), a joint stock company with limited liability established in the PRC on 22 May 1995, the shares of which are quoted on the NEEQ Market (stock code 873936)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Ms. Ye Huiqin, Jinlong Zhichuang LP and Ms. Ye Weilei
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Company Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated [●] given by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the paragraph headed “D. Other information — 1. Tax and other indemnities” in Appendix VII to this document
“Deed of Non-Competition”	the deed of non-competition dated [●] given by our Controlling Shareholders in favour of our Company regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Non-competition undertaking” in this document
“Director(s)”	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Euro”	Euro, the lawful currency of the Eurozone of the European Union
“European countries”	nations that are geographically located wholly or partially within the continent of Europe
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“[REDACTED]”	[REDACTED]
“FY2023”	the financial year ended 31 December 2023
“FY2024”	the financial year ended 31 December 2024
“FY2025”	the financial year ended 31 December 2025
“[REDACTED]”	[REDACTED] published by the Stock Exchange and as amended from time to time
“[REDACTED]”	the [REDACTED] and the [REDACTED]
“Group”, “we”, “us” or “our Group”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guide for New [REDACTED] Applicants” or “Guide”	the Guide for New [REDACTED] Applicants issued by the Hong Kong Stock Exchange effective from 4 August 2025 (as amended, supplemented or otherwise modified from time to time)
“[REDACTED]”	[REDACTED]
“H Share(s)”	overseas [REDACTED] ordinary share(s) in the share capital of our Company with a nominal value of RMB[1.00] each, which are to be [REDACTED] and [REDACTED] in Hong Kong dollars and to be [REDACTED] on the Hong Kong Stock Exchange
“[REDACTED]”	[REDACTED]

DEFINITIONS

“HKD”, “Hong Kong dollars”, “HK\$” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED] Operational Procedures”	the operational procedures of [REDACTED], containing the practices, procedures and administrative or other requirements relating to [REDACTED]’s services and the operation and functions of the Systems, as from time to time in force
“[REDACTED]”	[REDACTED]
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“[REDACTED](s)”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“[REDACTED]”	the [REDACTED] of the [REDACTED] listed in the paragraph headed “[REDACTED] — [REDACTED]” in this document

DEFINITIONS

“[REDACTED]”

[REDACTED]

“IFRS”

International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Board

“Independent Third Party(ies)”

an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all due and careful enquiries, is/are not a connected person(s) of our Company under the Listing Rules

“[REDACTED]”

[REDACTED]

“[REDACTED]”

[REDACTED]

“International Sanctions Legal Advisers”

Katten Muchin Roseman LLP, our legal advisers as to U.S. export control and sanction law

“[REDACTED]”

[REDACTED]

“[REDACTED]”

[REDACTED]

DEFINITIONS

“Jinlong Zhichuang LP”	Hangzhou Jinlong Zhichuang Enterprise Management Partnership (Limited Partnership)* (杭州錦龍智創企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 7 December 2022, an employee shareholding platform and one of our Controlling Shareholders
“[REDACTED]”	[REDACTED]
“Latest Practicable Date”	18 May 2026, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“NDRC”	the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“NEEQ”	the National Equities Exchange And Quotations
“Nomination Committee”	the nomination committee of our Board
“NPC”	the National People’s Congress of the People’s Republic of China (中華人民共和國全國人民代表大會)
“[REDACTED]”	[REDACTED]

DEFINITIONS

“[REDACTED](s)”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Overseas Listing Trial Measures”	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on 17 February 2023 and became effective on 31 March 2023
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles of the PRC
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	AllBright Law Offices, our legal advisers as to PRC law
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of our Board
“Reporting Accountants”	HLB Hodgson Impey Cheng Limited
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the People’s Republic of China (中華人民共和國外匯管理局)

DEFINITIONS

“SAT”	the State Taxation Administration of the People’s Republic of China (中華人民共和國國家稅務總局, formerly known as the State Administration of Tax)
“Securities Law”	the Securities Law of the People’s Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“[REDACTED]”	[REDACTED]
“sq.ft.”	square foot
“sq.m.”	square metre
“[REDACTED]”	[●]
“State Council”	the State Council of the People’s Republic of China (中華人民共和國國務院)
“Strategy and Investment Committee”	the strategy and investment committee of our Board
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising FY2023, FY2024 and FY2025
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“United States” or “U.S.”	the United States of America

DEFINITIONS

“Unlisted Share(s)” existing ordinary shares(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are not listed or traded on any stock exchange

“[REDACTED]” [REDACTED]

“US\$”, “USD” or “U.S. dollars” United States dollars, the lawful currency of the United States

“%” per cent

Unless expressly stated or the context otherwise requires:

- *all times refer to Hong Kong time and references to years in this document are to calendar years;*
- *the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “core connected person(s)”, “connected transaction(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings ascribed to such terms in the Listing Rules;*
- *all data in this document is as at the Latest Practicable Date;*
- *certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding; and*
- *all relevant information in this document assumes no exercise of any of the [REDACTED].*

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this document, including those marked with “”, are translations from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain technical terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“ABS ”	Anti-skid Braking System, a safety system which operates by preventing the wheels from locking up during braking, thereby maintaining tractive contact with the road surface and allowing the driver to maintain more control over the vehicle.
“AC motor”	a type of motor that converts electrical energy into mechanical motion, featuring a stator, and rotor, and has versatile applications due to its simplicity, reliability, and efficiency.
“automotive”	branch of vehicle engineering that focuses on the application, design and manufacturing of various types of automobiles.
“CNC”	Computer Numerical Control, the automated control of machine tools by a computer.
“controller”	component responsible for controlling the motor and its electronic circuits to achieve functions such as starting, braking, speed regulation and protection of the motor. It is usually composed of power semiconductor devices.
“CRM”	Customer Relationship Management, an integrated software platform designed to manage a company’s interactions with its current and potential customers.
“CSA ”	Standards developed by the Canadian Standards Association relating to the safety, energy efficiency and performance requirements for electrical equipment used in North America.
“dies”	specialised machine tool used in manufacturing industries to cut and/or form material to a desired shape or profile.
“die-casting”	process in which objects of a particular shape are produced by forcing a molten material into a mould under pressure.
“driver(s)”	an electronic device used to drive and regulate the operation of a motor by amplifying input signals and supplying power to the motor.
“electric drive solution”	the combination of motor, driver, controller, software and related services.
“Electrical discharge machining”	a metal fabrication process in which a desired shape is produced by using electrical spark discharges to remove material from a workpiece. It is widely used to machine hard materials such as carbide.

GLOSSARY OF TECHNICAL TERMS

“electrification”	the transition toward the use of electricity as the primary power source for industrial equipment, machinery and other applications traditionally powered by non-electric energy sources.
“ERP”	Enterprise Resource Planning, an integrated software platform used to manage and automate core business processes across an organisation. ERP systems consolidate data from various departments, such as finance and supply chain to enhance efficiency and provide a unified view of business operations.
“explosion-proof motor”	a type of motor engineered to contain an internal explosion without allowing flame or hot gases to escape and ignite the surrounding atmosphere. It is widely used in explosive atmospheres.
“forklift(s)”	vehicle(s) with two metal bars fixed on the front, used for lifting and carrying piles of goods.
“GFA”	gross floor area.
“grinding”	abrasive machining process that uses a grinding wheel or grinder as the cutting tool. Grinding is a subset of cutting, as grinding is a true metal-cutting process.
“grinding machines”	power tool (or machine tool) used for grinding. It is a type of machining using an abrasive wheel as the cutting tool.
“HVAC”	Heating, Ventilation and Air Conditioning (HVAC) system, integrated components used to regulate indoor environment. They are designed to provide thermal comfort and acceptable indoor air quality by controlling temperature, humidity and air flow.
“HVAC motors”	the motors used to power the moving parts within HVAC systems, such as fan blades, compressor rotors, and pump impellers
“industrial motors”	motor to convert electricity into mechanical energy.
“Industry 4.0”	the fourth industrial revolution, which is an on-going evolution of the value chain of a product and driven by continuous sensor, computing and memory capacity improvement, digitalisation of analogue technologies, real-time data analysis and inter-connectivity throughout the entire product cycle; according to the Hong Kong Productivity Council, certification to Industry 4.0 is divided into five levels from Level 0 to Level 4.

GLOSSARY OF TECHNICAL TERMS

“IoT”	Internet of Things, the network of physical objects embedded with sensors, software and other technologies to connect and exchange data with other devices and systems over the internet. These objects range from everyday household items to sophisticated industrial tools. The primary aim of IoT is to enable seamless communication and interaction between devices, enhancing efficiency, automation and data-driven decision-making.
“intelligent manufacturing”	manufacturing approach integrating advanced digital and automation technologies to enable real-time optimisation and automation of production processes across the value chain.
“lamination”	process of manufacturing a material in multiple layers, achieving improved strength, stability, sound insulation, appearance or other properties.
“loose lamination”	lamination not firmly held or fastened.
“machine tool(s)”	a machine for handling or machining metal or other rigid materials, usually by cutting, boring, grinding, shearing, or other forms of deformations.
“machining”	process used to remove material, typically metal, to create parts for machines, tools, transportation, and more.
“motor”	the core unit of the electric drive solution. It uses the principle of electromagnetic induction to generate rotational torque through the interaction between the stator and the rotor.
“mould”	hollow container with a particular shape into which soft or liquid substances are poured, producing a component with a desired shape after solidification or curing.
“moulding”	process of manufacturing by shaping liquid or pliable raw material using a rigid frame called a mould or matrix.
“NEMA”	standards developed by the National Electrical Manufacturers Association for various grades of electrical enclosures typically used in industrial applications.
“OEM”	Original Equipment Manufacturer, which refers to a company that produces components, parts, or complete products based on the specific designs, specifications, or brand requirements of another company.
“PMSM(s)” or “permanent magnet synchronous motor(s)”	permanent magnet synchronous motor(s), a type of motor that uses permanent magnets in the rotor to create a steady magnetic field, together with servo drives and encoders. It is widely used in applications such as electric vehicles and industrial machinery.

GLOSSARY OF TECHNICAL TERMS

“press”	machine tool that changes the shape of a work-piece by the application of pressure.
“rotating equipment”	mechanical equipment that uses rotational motion to perform industrial functions, including energy conversion and the movement of fluids and gases, typically comprising pumps, compressors, turbines, generators, etc.
“rotor”	the rotating part inside the stator that converts electrical energy into mechanical energy.
“stator”	the stationary part of a motor that generates a rotating magnetic field when electric current is applied.
“Three-phase asynchronous motors” or “3-PH IM”	a motor powered by a three-phase AC supply, in which the rotor rotates by electromagnetic induction at a speed lower than the synchronous speed of the rotating magnetic field.
“VFDs” or “variable frequency drives”	a type of motor drive used in electromechanical drive systems to adjust AC motor speed and torque by varying motor input frequency. It is used in many different manufacturing and industrial settings, but particularly valuable for controlling pumps.
“V/F control”	volts-per-hertz control, a motor control method that regulates motor speed by maintaining a constant voltage-to-frequency ratio, thereby enabling speed adjustment and stable operation of AC induction motors.

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change.

These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- The market opportunities of our products;
- Our ability to attract and retain senior management and key employees;
- Our operations and business prospects;
- Our business strategies and plans to achieve these strategies;
- industry trends and competition;
- general economic, political and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- our ability to maintain good relationships with business partners;
- our ability to control costs and expenses;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;
- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and markets in which we operate;

FORWARD-LOOKING STATEMENTS

- all other risks and uncertainties described in the section headed “Risk Factors” in this document; and
- other statements in this document that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section. In this document, statements of or references to our intentions or those of the Directors are made as at the date of this document. Any such information may change in light of future developments.

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You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. The [REDACTED] of our H Shares could decline due to any of these risks, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition, and results of operations. You should seek professional advice from relevant advisors regarding your prospective [REDACTED] in the context of your particular circumstances.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as at the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is dependent on the performance of downstream industries, and any slowdown may materially and adversely affect our business.

Demand for our products is closely linked to the growth and performance of downstream industries such as industrial, agricultural, manufacturing, energy and chemicals, construction and mining, automation, robotics, new energy, transportation, environmental protection as well as related equipment sectors. With the ongoing implementation of the “Action Plan for Promoting Large-Scale Equipment Upgrades and Replacement of Consumer Goods” (《推動大規模設備更新與消費品以舊換新行動方案》) issued by the State Council of the PRC in March 2024, downstream industrial demand remains robustly supported. For details, please see the section headed “Regulatory Overview” in this document.

The performance of these industries, are subject to factors beyond our control, such as macroeconomic conditions, regulatory developments technological changes and supply chain dynamics. We cannot guarantee that the market conditions during the Track Record Period will continue, and any deterioration in downstream demand may adversely affect our revenue, capacity utilisation and profitability, materially and adversely affect our business, financial performance and position. Any slowdown, disruption or structural change in these industries may reduce customer procurement, order volumes and pricing levels. In particular, sectors such as new energy and robotics are subject to demand volatility, policy changes and potential overcapacity risks, which may lead to fluctuations in demand.

We operate in a competitive industry, and our inability to compete effectively may adversely affect our business.

The domestic industrial motor industry in the PRC is predominantly composed of small- and medium-sized privately owned enterprises. Production capacity is concentrated in the low- to mid-end segments, where products are generally homogenous. As a result, the industry is characterised by intense price-based competition, which has led to sustained cost pressures and relatively low gross profit margins among domestic manufacturers. For each of the Track Record Period, our total revenue amounted to approximately RMB684.8 million, RMB717.0 million and RMB733.6 million, respectively, while our gross profits for the same periods were approximately RMB101.9 million, RMB102.6 million and RMB96.8 million, respectively, reflecting such competitive pressures. We compete with domestic and international manufacturers that may possess greater financial resources, wider marketing and

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distribution networks, technological capabilities, and stronger brand recognition. We cannot assure that our current or potential competitors will not offer products at lower prices or adapt more swiftly to industry trends and market changes. Failure to compete effectively may have a material adverse effect on our business, financial condition and results of operations.

We may face challenges managing our expansion into new products, services and business activities and in maintaining and expanding our customer base.

We have expanded, and intend to continue expanding, our business operations, increasing the scale, diversity and complexity of our activities. In particular, we plan to provide intelligent industrial motor solutions to support global intelligent manufacturing. Such expansion exposes us to various risks and challenges, including failure of new products to achieve market acceptance or meet performance expectations; limited experience in new product segments, technologies or customer bases; difficulties in realising operational synergies; inability to achieve expected investment returns; misjudgement of market conditions; challenges in resource allocation; inadequate logistics or sales network management leading to delays or reduced profitability; failure to enhance risk management, internal controls and information systems in line with growth; tighter regulatory requirements and increased credit, market or operational risks; greater exposure to domestic and overseas regulatory regimes; delays in, or failure to obtain, necessary approvals; inability to secure financing on acceptable terms; failure to protect intellectual property rights; imitation by competitors; and increased difficulty in preventing fraud and safeguarding assets. Our expansion plans are based on assessments that may prove inaccurate. If our products fail to gain acceptance in new markets, or if our expansion is unsuccessful, our business, financial condition and results of operations may be materially and adversely affected.

Our success depends on our ability to retain existing customers, attract new customers and encourage continued use of our offerings. We intend to enter new sectors by engaging with customers in applications such as industrial robots and joint modules to drive revenue growth. However, we may not accurately anticipate demand, identify market trends or achieve expected returns on such investments. Failure to retain key customers or attract new customers in emerging verticals may hinder cost recovery and achievement of sales targets, adversely affecting our performance. There is no assurance that our efforts will result in sales growth, and any failure to engage customers effectively may slow our expansion.

Our ability to attract new customers also depends on our reputation and referrals, which are linked to our ability to provide effective customer maintenance and support. To support our expanding operations and growing customer base, we must deliver scalable and efficient services. We may be unable to recruit or retain sufficient qualified personnel, respond promptly to increased demand, or adapt our services to evolving requirements or competitive offerings. We may also incur increased costs as demand for support grows. Any failure, or perceived failure, to maintain high-quality maintenance and support services could adversely affect our business, reputation, results of operations, financial condition and prospects.

Increases in prices or instability in the supply of the raw materials used in production may adversely affect our business.

The principal raw materials used by us include silicon steel, enamelled copper wire, aluminium, permanent magnetic material and casting frames. Our raw material costs accounted for approximately 82.8%, 83.4% and 84.6% of our total cost of sales for each of the Track Record Period. The prices of our raw materials are influenced by global economic conditions, market supply and demand, and the volatility of such prices. We may not be able to pass any increases in raw material costs on to our customers in a timely manner, which could materially and adversely affect our financial results. Fluctuations in the prices of these materials may materially affect our results of operations. In particular,

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any significant short-term increase in upstream raw material prices that cannot be promptly passed on to downstream sectors could adversely affect motor manufacturers’ profitability. Our financial performance therefore considerably depends on our ability to secure reliable sources of quality raw materials at competitive prices.

Copper has been the main contributor to increases in our average raw material costs, accounting for approximately 33.1%, 36.6% and 37.2% of our total annual raw material procurement expenditure for each of the Track Record Period, respectively. The average price of copper increased from approximately RMB68,118 per tonne in FY2023 to approximately RMB74,883 per tonne in FY2024 and approximately RMB80,881 per tonne in FY2025. This upward trend in prices during the Track Record Period increased our procurement costs and adversely affected our gross profit margin. Our procurement costs for enamelled copper wire were approximately RMB160.7 million, approximately RMB205.4 million and approximately RMB220.6 million for each of the Track Record Period, while our gross profit margins decreased from approximately 14.9% to 14.3% and to 13.2% over the same period.

Our dependence on external suppliers for raw materials may expose us to the risk of delays in fulfilling our production and commercialisation schedules. There is no assurance that we will be able to meet these schedules without experiencing material delays and cost overruns. In addition, defects or quality issues in the raw materials and components sourced from our suppliers could materially affect the mechanical structure and functionality of our products. Although our Directors consider that our Group has not previously encountered any material shortages in the supply of raw material, any future shortage could disrupt our production and adversely impact our business operations and financial performance.

We derive a significant portion of our revenue from China, and our performance may be influenced by changes in the macroeconomic, social and regulatory environment within the market.

For each of the Track Record Period, our domestic revenue in China amounted to approximately RMB448.4 million, approximately RMB465.3 million and approximately RMB451.5 million, representing approximately 65.5%, 64.9% and 61.6% of our total revenue. The domestic market represents the core of our business operations. While we continue to broaden our customer base and enhance geographic diversification, our domestic revenue may be influenced by general economic, social or political developments in the PRC. These may include changes in economic conditions; adjustments in government policies, laws or regulations; labour market developments; and competitive dynamics within the industry. In addition, our domestic operations may from time to time be affected by natural disasters, public health events or other unforeseen circumstances. The occurrence of any of the foregoing may have an impact on our business, financial performance and condition.

We also derive revenue from export sales, which are subject to foreign exchange fluctuations, overseas market conditions, export controls, and geopolitical and trade-related risks.

For each of the Track Record Period, our export revenue amounted to approximately RMB236.4 million, approximately RMB251.7 million and approximately RMB282.1 million, representing approximately 34.5%, 35.1% and 38.4% of our total revenue. Our export transactions are mainly settled in euros and U.S. dollars. Fluctuations in exchange rates between Renminbi and these currencies may affect our pricing competitiveness and profitability.

Our export sales are also subject to overseas market conditions, including changes in economic environments, regulatory requirements, trade policies, tariffs and competitive dynamics in our destination markets. In addition, our export activities may be affected by logistical disruptions, geopolitical developments and other external events, which may impact our ability to deliver products in a timely and cost-effective manner.

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We are required to comply with applicable laws and regulations governing export activities. While our customers are generally responsible for import compliance in their respective jurisdictions, any non-compliance within the supply chain could result in shipment delays, additional costs or commercial disputes.

Our business may also be affected by evolving trade policies and tariff regimes. As at the Latest Practicable Date, we possess all necessary qualifications for conducting our export business, and during the Track Record Period, we were not subject to any penalties or investigations in connection with our export business. Any imposition, expansion or tightening of tariffs, anti-dumping duties or other trade restrictions by jurisdictions to which we export our products, including European countries, could adversely affect our export sales, profitability and overall business operations. Heightened geopolitical tensions or escalation of trade restrictions in our key export markets may also adversely affect financial market conditions and macroeconomic stability in those regions, thereby negatively impacting our business performance, cash flows and long-term prospects.

Sanctions and regulatory compliance risks may materially and adversely affect our business, financial condition and results of operations.

The increasing complexity and volatility of the global geopolitical landscape, including the ongoing Russia-Ukraine conflict and other regional tensions, continue to reshape international political and economic orders. Our export activities, which accounted for approximately 34.5%, 35.1% and 38.4% of our total revenue for each of the Track Record Period, subject us to a complex and evolving framework of economic sanctions and export control laws across multiple jurisdictions, including the United States and the European Union, restricting dealings with certain countries, governments and designated persons. These regimes are subject to frequent change and uncertain interpretation and enforcement, often influenced by political and national security considerations beyond our control. Any actual or alleged non-compliance may expose us to investigations, penalties and significant costs, materially and adversely affecting our business and results of operations.

With respect to our customer locations, shipment destinations, end users and end uses, payment routing and U.S. nexus, as advised by our International Sanctions Legal Adviser, no activity that would constitute a direct violation of U.S. primary sanctions laws and regulations was identified during the Track Record Period. In relation to transactions with one of our business partners, given that such counterparty is an OFAC-listed Specially Designated National (“SDN”) and that certain payments were denominated in U.S. dollars and processed through U.S. financial institutions, such transactions may implicate U.S. primary sanctions restrictions applicable to U.S. persons and U.S. financial institutions, and could give rise to direct U.S. sanctions exposure if we were found to have caused a U.S. person to process a prohibited transaction or otherwise to have evaded U.S. sanctions. Should such transactions implicate U.S. primary sanctions, we may face civil monetary penalties, administrative enforcement actions, and reputational harm.

In light of our Russia-related dealings during the Track Record Period, our International Sanctions Legal Adviser have advised that potential exposure to U.S. secondary sanctions cannot be ruled out. Secondary sanctions risks may arise in particular in respect of (i) transactions involving the aforementioned OFAC listed SDN and (ii) Russia-related transactions involving receipt of funds through another OFAC-listed branch. Whether such transactions would result in sanctions being imposed on us or other relevant persons is subject to the discretion of OFAC and other competent authorities and is highly dependent on the specific facts and circumstances.

As advised by our International Sanctions Legal Adviser, none of our entities has been designated as a SDN or otherwise blocked by OFAC. Furthermore, none of our entities is located, incorporated, organised or resident in a country or region subject to comprehensive U.S. territorial sanctions.

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OFAC and other regulatory or judicial authorities have broad discretion in determining whether to investigate particular transactions or relationships or to pursue enforcement or other actions. If the relevant authorities were to determine that we had engaged in sanctionable conduct, we could be subject to enforcement action, designation, asset blocking or other restrictive measures, loss of access to U.S. dollar clearing or certain banking channels, disruption to our commercial and financing arrangements, and reputational damage, any of which could materially and adversely affect our business, financial condition and prospects. However, our International Sanctions Legal Advisers has advised that, in light of the nature of the SDN Sales and SDN Payments and the fact that SDN Sales and SDN Payments were of relatively small amount, it is less likely that we would be viewed as providing material assistance to the said counterparties and hence the possibility that SDN Sales and SDN Payments will result in the exercise of discretionary authority under secondary U.S. sanctions is relatively low.

As advised by our International Sanctions Legal Adviser, none of our entities has been designated as a SDN or otherwise blocked by OFAC. Furthermore, none of our entities is located, incorporated, organised or resident in a country or region subject to comprehensive U.S. territorial sanctions. Failure to comply with applicable anti-bribery or anti-money laundering laws and regulations could also expose us to civil or criminal penalties, including fines, sanctions, restrictions on our operations or debarment from certain markets, as well as reputational damage. Our international operations and dealings with customers and suppliers across multiple jurisdictions may increase our exposure to such regulatory risks, including under the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other applicable laws. We may also be subject to public criticism or activist pressure in relation to our dealings in certain markets. Any such developments could have a material adverse effect on our business, financial condition and results of operations.

We have invested, and intend to continue investing, significantly in R&D. Our R&D efforts may not yield the expected results, which may adversely affect our profitability and our operating cash flow and may not yield the anticipated results.

Our R&D capabilities are critical to our long-term success and competitiveness. The design and manufacturing of industrial motors are inherently complex processes that demand extensive multidisciplinary expertise. The development of new industrial motors typically involves knowledge across electronics, electromagnetism, materials science, automation, computer software, and electrical control systems. This requires engineers, designers, and technical specialists to possess both advanced theoretical knowledge and substantial practical experience. In addition, the manufacturing process relies on large-scale, specialised, and sophisticated production equipment, which imposes high technical requirements and further increases reliance on skilled personnel. We consider the domestic talent pool in these fields remains limited, which may constrain the pace of product development and technological innovation.

The industrial motor market is characterised by rapid technological change and continual advancements. Our ability to introduce new products that meet evolving market demands depends largely on the strength of our R&D capabilities. As at 31 December 2025, we had approximately 200 personnel handling R&D duties, representing about approximately 21.6% of our total workforce, focusing on the research, development, design and maintenance of permanent magnet synchronous motors and three-phase asynchronous motors. For details, please refer to the section headed “Business — Research and Development” in this document.

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Our R&D expenses amounted to approximately RMB28.5 million, approximately RMB29.4 million and approximately RMB30.0 million for each of the Track Record Period, respectively, representing approximately 4.2%, 4.1% and 4.1% of our revenue for the corresponding periods. We intend to continue investing substantially in R&D to maintain technological relevance. Nevertheless, even if we keep pace with technological change and successfully launch new models, our existing products may become obsolete sooner than anticipated, which could reduce our returns on investment. Given the inherent uncertainty of R&D activities, there is no assurance that our efforts will consistently result in technological breakthroughs or commercially viable products. As such, despite significant R&D expenditure, we may not achieve commensurate returns, which could adversely affect our market position. Delays, failures, or setbacks in our R&D programmes could also materially and adversely impact our business, reputation, results of operations, and future prospects.

We may not be able to increase our production capacity or implement our expansion plans as intended.

We intend to maintain our competitive advantages by, among other things, expanding our production capacity and exploring new business opportunities both domestically and internationally. Such expansion plans, as well as any future expansion initiatives, will require significant capital investment in new production facilities and the recruitment of additional qualified personnel. To capture these opportunities, we have contemplated expansion plans of our existing production facilities and the establishment of new production facilities globally. For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

We expect to incur substantial additional costs in connection with the above expansion plans, including depreciation charges, raw material costs, financing costs and labour costs. In addition, the success of our existing and future expansion plans depends on factors beyond our control, including the progress of construction carried out by third-party contractors, applicable local laws and regulations, government support (including the granting of relevant operating licences for the expanded production capacity), and customer demand for such expanded capacity.

Our business requires significant capital expenditure for maintenance, upgrades and the expansion of production capacity, and there can be no assurance that we will have sufficient cash to successfully implement our capital expenditure plans.

Our operations depend on the ongoing maintenance, upgrading and expansion of our production capacity in order to meet evolving customer demands and market trends. As a provider of industrial motors, we incur substantial capital expenditure to maintain the quality, efficiency and competitiveness of our products. For each of the Track Record Period, our capital expenditures amounted to approximately RMB21.1 million, approximately RMB14.2 million and approximately RMB21.0 million. There can be no assurance that we will be able to generate sufficient cash from operations, or otherwise, to fund our planned capital expenditures. Any delay in, or failure to secure, the necessary funding, as well as any unforeseen increases in costs or delays in the implementation of our capital expenditure plans, could adversely affect our operations and financial performance. In addition, developments in the industries in which we operate may require us to make additional, unanticipated investments in order to remain competitive. If we fail to allocate sufficient resources to address such technological developments, or if such investments do not deliver the anticipated benefits, our market position and profitability may be materially and adversely affected.

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We are exposed to fluctuations in foreign currency exchange rates, which could adversely affect our business operations, results of operations, and financial condition.

As we expand our business footprint into other jurisdictions, including Europe, Africa and other regions, alongside our customers, we are increasingly exposed to the effects of foreign currency exchange rates. Our revenues dominated in currencies other than Renminbi for each of the financial periods in the Track Record Period were approximately RMB213.7 million, RMB235.7 million and RMB267.6 million, respectively, representing approximately 31.2%, 32.9% and 36.5% of our total revenues for the corresponding periods. The value of the Renminbi against the euro, U.S. dollar and other currencies has and may continue to experience significant fluctuations due to various factors, including changes in political and economic conditions and the foreign exchange policies of the PRC government. We recorded net foreign exchange gains of approximately RMB7.8 million and RMB9.3 million in FY2023 and FY2025, and net foreign exchange losses of approximately RMB2.0 million in FY2024 as a result of such fluctuations. For details, please refer to Note 8 to the Accountants’ Report set out in Appendix I to this document.

While we generate revenue in multiple currencies and do not rely on any single currency, fluctuations in exchange rates among the currencies in which we operate may nevertheless result in volatility in our financial and operating results. In particular, our expenses may increase and our revenues and operating metrics may decrease when translated into our reporting currency. A portion of our revenue and operating metrics is denominated in local currencies that have historically exhibited significant volatility. As movements in these currencies are not necessarily correlated, our results of operations for any given period may be adversely affected by such exchange rate volatility. We may from time to time enter into derivative transactions to manage our exposure to foreign exchange risk and incur costs in connection with such arrangements. These derivative instruments are intended to be used for hedging purposes and not for speculation; however, they may only mitigate, and not eliminate, our exposure to exchange rate movements. For example, if we enter into hedging arrangements to guard against a depreciation of a particular currency and that currency instead appreciates, we may incur losses, which could materially and adversely affect our financial condition and results of operations.

Our products are intricate in nature and undetected defects, errors or bugs of our products could adversely affect our business, financial condition and results of operations.

Our products are intricate in nature and may contain latent errors, defects or bugs that are difficult to detect, particularly upon initial introduction or following upgrades or enhancements. Certain issues may only emerge after commercial deployment by customers. In such cases, we may incur additional costs to recall, repair, replace or redesign affected products. Any failure to maintain effective quality control systems may result in defective products reaching customers, increasing the risk of recalls, warranty claims and customer dissatisfaction. In addition, we may be subject to warranty and indemnity obligations under our customer contracts, exposing us to claims for losses arising from product defects. Defending such claims may be time-consuming and costly and could divert management resources, adversely affecting our business, financial condition and results of operations.

Our products may fail to meet customers’ performance expectations or may contain defects. If defects are identified in our products, or if any end-products incorporating them malfunction, our reputation and operating results could be adversely affected through lost sales, recall-related costs, legal proceedings, or diversion of management attention.

Our products may not meet customers’ performance expectations, and we cannot guarantee that they will be free from defects or operate without interruption throughout their service life. Customers may have specific expectations regarding key performance characteristics of our three-phase asynchronous motors, including power output, torque, energy efficiency, vibration levels, noise emissions and thermal performance. If these performance indicators fall short of expectations, this may

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result in customer dissatisfaction, particularly where such shortcomings affect operational uptime, reliability or overall efficiency. The performance, stability and durability of our products may also be influenced by factors beyond our control, including the manner of operation, operator skill, maintenance practices, duration and intensity of use, and environmental conditions such as temperature, humidity or other harsh operating environments. If our products experience higher-than-expected failure rates or performance degradation as a result of these or other factors, our customers may become dissatisfied, which could adversely affect demand of our products.

The design and manufacturing processes for our products are inherently complex and may give rise to latent defects or errors that only become apparent over time. The quality and consistency of raw materials and components sourced from our suppliers may also affect the structural integrity, performance and reliability of our products. Despite our internal testing and quality control procedures prior to delivery, our ability to fully assess long-term product performance and durability remains inherently limited. There can be no assurance that we will be able to detect or remedy defects in a timely manner, or at all. In addition, at stages where manual intervention is required, there is a risk of human error, negligence or non-compliance with established procedures by our employees. Such errors may result in our products failing to perform as intended, and we cannot assure that such risks can be entirely eliminated.

In addition, our products are typically incorporated into end-products used across downstream sectors, many of which are subject to stringent safety, quality and regulatory standards. Any defect, malfunction or breakdown in our products, or in end-products incorporating them, may result in property damage, personal injury or, in severe cases, loss of life. If such incidents are caused by, or alleged to be caused by, defects in our products, we may be subject to product liability claims, regulatory investigations, product recalls or other legal proceedings. Any such events could result in reputational damage, adverse publicity, loss of customers, reduced sales, delays in delivery, and the incurrence of significant costs, including warranty expenses, recall costs and legal fees. In addition, management time and resources may be diverted to address such issues, which could disrupt our operations. Where insurance coverage is unavailable or insufficient, we may also be exposed to substantial financial liabilities, including civil, administrative and/or criminal sanctions. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

Our business depends significantly on the expertise, experience and continued service of our management team and highly skilled personnel worldwide. We may encounter difficulties in attracting and retaining such individuals, which could adversely affect our technological development and business growth.

We have been, and expect to remain, substantially dependent on the continued services of our management team and highly skilled personnel. The retention of talent in a global business environment presents a number of challenges, including cultural differences that may influence employee engagement and satisfaction, as well as intense competition for qualified professionals. In addition, differing legal and regulatory requirements across jurisdictions complicate employment arrangements, including contracts and employee benefits. We seek to promote effective communication and integration across our global teams through tailored retention strategies that balance consistency at the group level with appropriate local adaptation. However, we cannot assure you that we will be successful in retaining our management team and skilled personnel. If we lose the services of any key individual, we may be unable to identify suitable replacements in a timely manner, on acceptable terms, or at all, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

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A shortage of skilled professionals may result in delays in product development, limit our ability to respond effectively to market demands, and impair our capacity to manage and integrate our international operations. Furthermore, the loss of key personnel, or any failure to attract new talent, may lead to a loss of institutional knowledge and expertise, which could adversely affect our operations and future prospects. Failure to address these challenges may have a negative impact on our business performance, financial condition and ability to achieve our strategic objectives in a rapidly evolving technological landscape.

As our business continues to expand globally, demand for skilled research and development personnel and experienced international management has increased significantly. Our ability to innovate and maintain a competitive position depends heavily on our success in attracting and retaining highly qualified professionals in our areas of operation. However, competition for such talent is intense, and there is a risk that we may be unable to recruit or retain the personnel necessary to support our growth and international expansion strategies.

If we fail to maintain an effective quality management system, our business, reputation, financial condition and results of operations may be materially and adversely affected.

Our success depends on the quality of our products. Our quality management system may not detect latent defects, which could result in failures during installation or use and create safety hazards or operational issues for customers. Its effectiveness depends on factors including system design, machinery, the quality and training of personnel, and consistent adherence to internal policies and procedures.

If end-products incorporating our products give rise to unsafe conditions or personal injury, we may face product liability or warranty claims arising from, among other things, component failures, manufacturing defects, design deficiencies or inadequate disclosure of product-related risks. We may be named as a defendant, and our insurance coverage may be insufficient or may not cover all circumstances. Customers may also face claims and seek indemnity or contribution from us. Any failure of our products or solutions to perform as expected, including failures resulting in product recalls, could damage our reputation and impair our ability to market and sell to existing and prospective customers, materially and adversely affecting our business, financial condition and results of operations.

We are required to comply with applicable laws, regulations, guidelines and standards relating to product safety and the use of restricted and hazardous materials in jurisdictions where our customers sell their products, and our inspection standards are based on relevant national and industry standards. There can be no assurance that our quality management system will remain effective or compliant at all times. Any material failure or deterioration in its effectiveness could result in the loss of accreditations, certifications or other required qualifications, which may materially and adversely affect our reputation, business and results of operations.

Our operations depend on the stable, timely and sufficient supply of utilities at commercially reasonable prices.

We rely on a consistent supply of utilities, principally electricity, water and steam, to sustain our manufacturing processes. Our production capacity and cost structure are directly affected by the availability and pricing of such utilities. Utility prices are subject to a range of factors beyond our control, including inflationary pressures, capacity constraints of suppliers, macroeconomic conditions, fluctuations in underlying commodity prices, competing demand from other industries and applicable regulatory requirements at both local and national levels. There can be no assurance that material disruptions or shortages in utility supply will not occur, or that we will be able to pass on any increases in utility costs to our customers in a timely manner or at all. In particular, changes in energy

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consumption policies or regulatory measures that result in higher utility tariffs could adversely affect our cost base. Significant increases or volatility in utility costs, without a corresponding adjustment in our product pricing, may compress our profit margins and weaken our competitive position.

In addition, utility supply may be disrupted by factors such as natural disasters, adverse weather conditions, equipment failures or interruptions in transportation or distribution networks. In such circumstances, we may be unable to secure alternative sources of supply on commercially acceptable terms, or at all, or maintain the level of utility supply required for normal operations. Any prolonged disruption or insufficiency in utility supply could lead to reduced production output or temporary suspension of operations. Any of the foregoing factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may face challenges in constructing, managing and operating new production facilities required to meet increased production demand.

In order to support our business growth, we will need to expand our production capacity. During the Track Record Period, the utilisation rates of our production machinery and equipment were generally in the range of approximately 80% to 90%. Our ability to design, construct, equip and manage additional manufacturing facilities and production lines (or to expand existing facilities), is subject to significant risks and uncertainties, including but not limited to: (i) delays and cost overruns due to factors like regulatory approvals, permitting, and equipment delivery or installation issues; (ii) potential underperformance, higher costs, or longer timelines in designing and commissioning equipment; (iii) reliance on third parties who may fail to meet contractual obligations; and (iv) operational difficulties. If we are unable to expand our manufacturing capacity in a timely and cost-effective manner, our ability to meet customer demand and further grow our business may be adversely affected, which could in turn have a material adverse effect on our results of operations and financial condition.

Our profitability could be adversely impacted if we are unable to sustain high utilisation rate of our production machinery and equipment for our key products.

Our profitability depends on maintaining a high utilisation rate of our production machinery and equipment. During the Track Record Period, the utilisation rates of our core products ranged from 80% to 90%, and we plan to continue enhancing our production capacity. There is a risk that market demand for our products may not increase or be maintained as expected, resulting in suboptimal utilisation of our existing and new machinery. Lower capacity utilisation would reduce our ability to spread fixed costs, leading to a decrease in gross profit margin and adversely affecting our profitability and operating results.

We are exposed to credit risks arising from our business arrangements with customers. Our financial condition and results of operations may be materially and adversely affected by any significant delay in payment of default by our customers.

Our profitability and cash flow depend on the timely settlement of payments by our customers for the products we supply. The majority of our customers settle payments by bank drafts or telegraphic transfers, and we generally grant credit terms of not more than 60 days to customers in the PRC and not more than 180 days to overseas customers. Our trade receivables turnover days were approximately 101 days, 94 days and 109 days for each of the Track Record Period. As at the same dates, our trade receivables were approximately RMB190.8 million, RMB227.3 million and RMB263.6 million, representing approximately 24.2%, 27.7% and 27.1% of total assets, respectively.

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The level of our trade receivables and contract assets is affected by factors such as fluctuations in operating revenue and customers’ payment patterns. The combined balances of trade receivables and contract assets were approximately RMB177.7 million, RMB211.5 million and RMB247.5 million for each of the Track Record Period. We cannot guarantee that all trade receivables will be settled within the agreed credit periods. If any customer experiences financial difficulties or other adverse circumstances, we may be unable to recover the outstanding amounts in full and may need to make provisions for doubtful debts, which could materially and adversely affect our financial position, cash flow and results of operations.

We recorded net current liabilities in FY2024 and relatively high net debt-to-equity ratios^(Note) during the Track Record Period.

Our net debt-to-equity ratio increased from approximately 1.20 in FY2023 to approximately 1.09 in FY2024, before declining to approximately 1.00 in FY2025. While we remained profitable throughout FY2023 to FY2025, with total equity increasing year-on-year, borrowings also rose to support our business expansion. Following a dividend payment in 2024, equity growth did not keep pace with the increase in borrowings, resulting in a higher net debt-to-equity ratio. In FY2025, improved profitability and higher foreign currency deposit balances at year end, driven by exchange rate movements, contributed to a reduction in the net debt-to-equity ratio.

As at 31 December 2024, we had recorded net current liabilities of approximately RMB31.1 million, primarily due to the increase in borrowings to support business expansion, coupled with the dividend payment in 2024 which constrained equity growth. Through active working capital management, we seek to optimise our debt position and debt servicing indicators to support our operations. However, as we continue to expand and increase production capacity, our funding needs are expected to grow, which may result in higher levels of borrowings. If we fail to effectively manage our debt maturity profile or if a concentration of debt maturities arises, we may experience significant cash flow pressure, increasing our short-term debt servicing risks.

In addition, if we are unable to maintain adequate working capital or obtain sufficient financing, we may not have sufficient cash flows to fund our operations, capital expenditure and expansion plans. Any inability to secure additional external financing on a timely basis, on acceptable terms or at all may require us to scale back or abandon our development and expansion plans, which could materially and adversely affect our business, financial condition and results of operations.

Our historical results may not be indicative of our future performance, and we may not be able to manage future growth effectively.

The historical financial information in this document does not predict future performance or results, and does not represent or forecast our results of operations for any future period. Our growth depends partly on market outlooks, the assessment of which are not assured to be accurate, and there can be no assurance that we will be able to grow our business as planned, and may be affected by factors beyond our control, including economic conditions, competition, regulations, and market demand.

Managing growth will require significant capital and resources while maintaining profitability amid rising costs. This includes expanding and managing our workforce, supplier and customer relationships, and continuing investment in production and R&D. These efforts involve risks and demand substantial management attention and financial resources, potentially straining our systems. Failure to maintain operational efficiency could materially and adversely affect our business and financial condition.

Note: For illustrative purposes only, net debt to equity ratio is calculated based on the sum of our interest-bearing borrowings, minus our cash and bank balances divided by total equity at the end of the year.

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Our performance is subject to risks arising from economic and industry volatility.

The industrial motor industry is closely correlated with macroeconomic conditions. In recent years, adjustments to national economic policies and a general slowdown in economic growth have reduced the growth rate of downstream customers moderating the overall development of the industry. If the domestic economy fails to maintain robust growth in the future, our operations may be adversely affected.

Internationally, economic recovery in developed markets such as the United States and the European Union has remained slow, while growth in emerging markets, including the BRICS nations, has been subdued. This has resulted in weak external demand, which continues to weigh on exports of domestic motor products. Global economies remain susceptible to sharp downturns triggered by deteriorations in credit markets, financial crises, or other factors such as extreme market volatility, reduced liquidity and credit availability, investment rating downgrades, and declining asset valuations. Adverse economic conditions may materially affect our ability to raise capital, if required, on a timely basis and on acceptable terms or at all.

Our manufacturing processes are susceptible to disruption, which may increase our production costs. We may experience operational interruptions arising from manufacturing difficulties or unforeseen incidents.

Our manufacturing processes are complex and require equipment that is periodically modified and upgraded to enhance production yields and product performance, as well as to reduce unit manufacturing costs. From time to time, production difficulties may arise, which could result in delays in delivery or reduced output. Any such issues may constrain our production capacity and adversely affect our results of operations.

In addition, our manufacturing processes involve inherent risks, including industrial accidents, which could result in significant property damage or personal injury. Any such incident, irrespective of where it occurs, could lead to substantial interruptions to production and delays, or give rise to claims for significant damages arising from personal injury or property damage. This, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to inventory management risks. Failure to maintain optimal inventory levels may increase our inventory holding costs or adversely affect our results of operations.

Our inventories primarily comprise (i) raw materials; (ii) work in progress; (iii) finished goods; (iv) outsourced processing materials; and (v) goods in transit. For each of the Track Record Period, our inventories amounted to approximately RMB140.1 million, RMB151.1 million and RMB181.8 million, representing approximately 25.7%, 26.2% and 25.2% of our current assets for the period respectively. Our inventory turnover days were approximately 98, 86 and 95 respectively.

We may not be able to effectively manage our inventory levels or promptly identify any excessive accumulation or shortage in our operations, and we may misjudge market demand. Excess inventory beyond customer demand may result in increased storage costs, heightened risk of obsolescence, inventory write-downs or write-offs, and potential sales at discounted prices, which could adversely affect our brand image and gross profit margin. In addition, we cannot assure that all of our inventory can be sold within a reasonable period of time or at expected prices, which may lead to a decline in inventory value and adversely affect our results of operations and financial condition. Conversely, if we underestimate demand for our products and solutions, or if our suppliers fail to deliver in a timely manner, we may experience inventory shortages, delayed deliveries and lost sales opportunities, which could harm our reputation, customer relationships and revenue. Any failure to maintain optimal inventory levels may therefore increase our inventory holding costs and adversely affect our business, financial condition and results of operations.

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Although legal title of our goods may pass to our motor resellers upon delivery, we retain significant risks associated with ownership. Such sales to motor resellers are on conducted on a buyout basis. Upon receiving their orders, we manufacture and sell the products to the motor resellers, who then sell them to end customers. Should there be any changes to these arrangements, this may result in delays in revenue recognition, and our profitability and results of operations could be adversely affected. In addition, our inventory may be subject to damage or deterioration due to factors beyond our control, including catastrophic events such as fire or explosion. Such losses may not be compensated in a timely or adequate manner, which could adversely affect our business performance and financial position.

The industrial motor industry is inherently exposed to significant risks, and we may experience accidents or disruptions in our manufacturing process, which could harm our reputation, expose us to liability claims, and result in substantial costs.

The industrial motor industry in which we operate is inherently exposed to a high level of risk. It involves various risks and hazards, including industrial accidents, labour disputes, fires, explosions, equipment failures, delays in the supply of materials, and the loss of key inputs such as electricity and water, as well as changes in the regulatory environment and coastal hazards and other natural phenomena, such as storm surges, floods and landslides. Such events could result in significant damage to or the destruction of properties or production facilities, human exposure to pollutants, personal injury or loss of life, environmental and natural resource damage, manufacturing delays, monetary losses, and potential legal liabilities. If any of these inherent risks materialise, our operations may be disrupted, and our business and results of operations could be materially and adversely affected.

We may be subject to inventory obsolescence risk.

Our inventories amounted to approximately RMB140.1 million, RMB151.1 million and RMB181.8 million for each of the Track Record Period, respectively. The corresponding inventory turnover days were approximately 98 days, 86 days and 95 days. As our business expands, higher inventory levels and longer turnover periods may increase our exposure to inventory obsolescence and other related risks. We may not always be able to maintain optimal inventory levels, and any overestimation of demand could result in excess or obsolete stock. Furthermore, our inventories may be subject to damage, loss or deterioration due to inadequate storage of mishandling. Any failure to effectively manage and safeguard our inventories could materially and adversely affect our business, financial position and operating results.

We engage motor resellers during our Track Record Period and are subject to certain risks associated with their inventory management and operations.

Our motor resellers maintain their own inventories of our products and sell to their end customers. While we assess their inventory levels by reviewing their sales records through our management systems, we may not be able to accurately track their actual inventory positions or identify excessive stock build-up. If our motor resellers are unable to sell their inventories within a reasonable period, they may reduce or delay future orders until their stock levels align with market demand. Any significant inventory accumulation by these customers could therefore lead to lower future orders and adversely affect our sales, business performance, financial condition and prospects.

We engage motor resellers to expand our market reach to downstream sectors, particularly where customer demand is fragmented. For each of the Track Record Period, revenue derived from these customers accounted for approximately 2.9%, 2.9% and 2.5% of our total revenue for the respective periods. We have limited control over the operations and conduct of our motor resellers, and there can be no assurance as to their performance. These customers may make business decisions that are not aligned with our interests or are inconsistent with our management policies. Any misconduct on their part, including corruption, bribery or other illegal acts, may be perceived as detrimental to our brand and could expose us to reputational risks.

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We are exposed to operational risks and hazards beyond our control, which could lead to business interruptions, personal injuries, or damage to property or the environment. Any disruption or machinery failure at our production facilities could adversely affect our inventory levels and production schedule.

We are exposed to a range of operational risks and hazards beyond our control that may lead to business interruptions, personal injury, or damage to property and the environment. These include industrial accidents (such as vehicle collisions, explosions, fires or mechanical failures), unexpected maintenance issues, and occupational hazards. Such incidents may disrupt our operations and harm our personnel or assets. If we fail to implement prompt and effective response measures, our operations may be interrupted or suspended, resulting in higher labour costs, reputational damage, and financial loss. Mismanagement, inadequate handling procedures, or breaches of safety protocols could also lead serious accidents. Failure to maintain robust safety standards may materially and adversely affect our operations and financial condition.

Our success and reputation depend on our ability to deliver quality products on time and in required quantities, which relies on the stable and reliable performance of our production facilities, particularly key machinery and equipment. Any operational disruption or equipment breakdown may delay production and affect our ability to meet customer demand, potentially impacting customer satisfaction. Operational disruptions or equipment failures may arise from unforeseen events, such as natural disasters, mechanical breakdowns, labour disputes, or regulatory developments. Instability or shortages in power supply could also halt production and delay order fulfilment. Finding alternative facilities or equipment promptly and cost-effectively may not always be possible. Extended production delays or suspensions could impair delivery schedules and product quality, adversely affecting customer relationships and our reputation. Any prolonged disruption could have a material adverse effect on our business and financial performance.

Investment in our business could disrupt our ongoing business and present risks not originally contemplated, and we may be unable to realise the anticipated benefits, synergies, cost savings or efficiencies from acquisitions.

We may invest in our business, and incur significant administrative and integrated costs, including unanticipated expenses such as asset impairment charges, legal and regulatory costs, and expenses associated with streamlining overlapping operations. Such investments may require substantial resources and involves risks beyond our control. There is no assurance that we will realise the anticipated synergies, cost savings or efficiencies, or that such investments will deliver expected benefits.

Such investments may expose us to potential risks, including: (i) integration of new operations, systems and personnel; (ii) cultural and operational alignment challenges; (iii) compliance with local laws, regulations and business practices; (iv) failure to achieve expected synergies, revenues or profitability; (v) inadequate control or supervision of newly acquired operations; (vi) loss of or damage to relationships with customers, suppliers and other stakeholders; and (vii) unforeseen or undisclosed liabilities. There is no assurance that we will be able to identify or complete investments on commercially reasonable terms, or at all. Competition for attractive opportunities may intensify, and regulatory approvals relating to antitrust, foreign investment or other requirements could delay or prevent completion. Failure to successfully identify, execute or integrate investments may adversely affect our business, financial condition and results of operations.

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Unfavourable results of legal and regulatory proceedings could materially adversely affect our business, financial condition and performance.

We are, or may in future become, subject to various litigation and compliance risks. Unfavourable outcomes could have a material adverse effect on our financial position and results of operations in any reporting period. For details, please refer to the section headed “Financial Information — Contingent Liabilities” in this document.

Legal and regulatory proceedings are inherently uncertain. Insurance coverage for certain matters, including class actions, may not be available or cost-effective. Such proceedings, whether with or without merit, can be time-consuming, divert management attention, disrupt operations, and cause adverse publicity or reputational harm.

We recognise loss contingencies and make provisions in accordance with applicable accounting standards when liabilities are considered probable and reasonably estimable. Changes in circumstances, developments in proceedings or foreign exchange volatility may affect our estimates and could adversely impact our financial results or cash flows. Actual outcomes may differ materially from our provisions.

Our insurance coverage may not be sufficient to cover all losses or potential claims, which could adversely affect our business, financial condition and results of operations.

During the Track Record Period, we purchased and maintained enterprise property, vehicle, unemployment insurance, work-related injury insurance and commercial medical insurance. For details, please refer to “Business — Insurance” in this document. However, there is no assurance that our existing insurance policies are adequate to cover all potential risks or losses.

Certain risks, including those relating to customer concentration, our ability to secure new contracts, retain and attract personnel, availability and performance of subcontractors, cost management, credit risk and liquidity risk, are generally uninsured as they are uninsurable or not cost-effective to insure. Insurance coverage for losses arising from acts of war or terrorism is also generally unavailable or cost prohibitive. Consequently, we may have to bear uninsured losses, damages, liabilities, litigation costs or business disruptions, which could materially and adversely affect our business, financial condition and results of operations.

Failure to comply with our obligations under our bank and other borrowings may materially and adversely affect our business, results of operations and financial condition.

We have utilised, and may continue to utilise, bank and other borrowings to finance our working capital requirements. During the Track Record Period, such borrowings amounted to approximately RMB294.4 million, RMB309.8 million and RMB390.1 million for the respective financial periods. We may also, from time to time, seek additional debt financing to refinance our existing borrowings or to support our business expansion.

In connection with our bank and other borrowings, we may grant security interests over our assets. For details, please refer to Note 34 to the Accountants’ Report set out in Appendix I to this document. We may also grant additional security interests in the future. Any failure to comply with our obligations under such borrowings may result in the enforcement of security over the mortgaged assets, disruption to our business operations, and damage to our reputation and relationships with customers, any of which could materially and adversely affect our business, results of operations and financial condition.

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Our bank and other borrowings are also subject to certain restrictive covenants, which are customary in loan arrangements with financial institutions in the PRC and may limit or otherwise adversely affect our operations. Such covenants may restrict our ability to sell, transfer, lease, remortgage, dispose of, or otherwise deal with the assets pledged as collateral for the relevant borrowings.

We are exposed to risks associated with fair value change in financial assets measured at fair value through profit or loss and valuation uncertainties arising from the use of observable inputs.

We had financial assets at fair value through other comprehensive income (“FVTOCI”) of approximately RMB13.6 million, RMB33.7 million and RMB34.2 million for each of the Track Record Period. Fluctuations in the fair value of our financial assets at FVTOCI may continue to affect our results of operations in the future. We cannot assure you that favourable market conditions or regulatory developments will result in fair value gains on such financial assets, or that we will not incur fair value losses in the future. Any such losses may adversely affect our results of operations, financial condition and prospects. For details, please refer to Note 24 to the Accountants’ Report set out in Appendix I to this document.

In addition, we may invest in wealth management products, which are subject to various risks beyond our control, including risks relating to the macroeconomic environment, general market conditions, and the risk management practices and creditworthiness of the issuing banks. We cannot assure you that such investments will generate fair value gains or that we will not incur fair value losses in the future. Any such losses may adversely affect our results of operations, financial condition and prospects. There can also be no assurance that our internal financial management policies and guidelines will be effective at all times. If we fail to properly manage the risks associated with our investments in wealth management products, we may incur losses, which could adversely affect our financial condition.

We are required to comply with the Minimum Allowable Values of Energy Efficiency and Values of Efficiency Grades for Motors (電動機能效限定值及能效等級) (GB 18613-2020). Failure of doing so may adversely affect our business operations.

Industrial motors are classified into energy efficiency classes ranging from IE1 to IE5, in accordance with standards established by the International Electrotechnical Commission (IEC). For details, please refer to the section headed “Industry Overview — Overview of the global industrial motor industry — Energy efficiency analysis of industrial motors” in this document.

In the PRC, the national standard entitled Minimum Allowable Values of Energy Efficiency and Values of Efficiency Grades for Motors (電動機能效限定值及能效等級) (GB 18613-2020) came into effect on 1 June 2021. This standard sets out the applicable energy efficiency grades, minimum energy performance requirements and testing methods for, among others, three-phase asynchronous motors. It applies to general-purpose motors and explosion-proof motors, and also extends to certain smaller motors, including capacitor-start and capacitor-run motors, as well as motors used in air-conditioning fan applications and brushless DC motors within specified power ranges.

Under this standard, if the relevant specific motors do not meet at least the IE3 energy efficiency class, their manufacture and sale within the country will be prohibited. Non-compliance may result in administrative actions or penalties imposed by the relevant PRC authorities. In addition, if energy efficiency requirements become more stringent in the future, we may be required to incur additional costs in R&D, product redesign, testing, and certification, which could adversely affect our results of operations.

As advised by our PRC Legal Advisers, during the Track Record Period, neither we nor our PRC subsidiaries included in our consolidated financial statements were subject to any administrative penalties for non-compliance with laws and regulations relating to product quality and technical

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supervision. However, there can be no assurance that we will be able to maintain full compliance in the future. Any non-compliance, or any tightening of applicable standards, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Global or regional economic, political, trade or other factors may materially affect our business.

Our operations are influenced by global and regional economic and market conditions, as well as by the volume of international and regional trade. Political and trade tensions and rising protectionism may lead to the imposition of trade barriers or restrictions, sanctions, boycotts or embargoes, new or increased tariffs, or other adverse developments such as acts of war, hostilities, epidemics or terrorism.

Any such events could reduce international and regional trade volumes and, in turn, have a material adverse effect on our business, financial condition and results of operations, and could also constrain our future expansion strategies. For instance, if the trade tensions between China and the United States persist and the global economic environment continues to deteriorate, the demand for our products may decline, adversely affecting our business, financial condition and results of operations.

The utilisation rate of our machinery and equipment is dependent on market demand and supply for our products, which are linked to global economic conditions. Should the global economy fail to recover or enter into recession, demand for our products would likely decrease accordingly, resulting in lower utilisation of our production capacity and a material adverse impact on our results of operations and financial performance.

Environmental risks may materially and adversely affect our business, financial condition and operational results.

We are exposed to environmental risks due to the nature of our business operations. Breaches of environmental laws or regulations may occur, for instance, if discharged wastewater exceeds prescribed standards, if damage to third-party pipelines leads to leakage, or if our employees fail to follow required procedures.

We may be held liable for environmental damage caused by our wastewater treatment activities, which could adversely impact nearby properties or residents. Any significant liability for such damage could materially and adversely affect our operating results and financial condition. In the ordinary course of business, we may also be involved in legal or administrative proceedings relating to environmental matters.

As at the Latest Practicable Date, we had not received any material administrative penalties or fines relating to excessive discharge of pollutants. Any adverse outcome in such proceedings could have a negative impact on our business, financial performance and results of operations.

Work stoppages, strikes, increases in labour costs and other labour-related matters may adversely affect our business.

Our continued success depends on our ability to recruit, train, retain and motivate our employees. During the Track Record Period, we have maintained good working relationships with our employees and did not experience any material work stoppages, strikes or other significant labour disputes. However, there can be no assurance that such events, including strikes or other work stoppages, will not occur in the future. Any such labour disruptions could materially disrupt our operations, reduce productivity and result in increased labour costs, which may in turn have a material adverse effect on our business, financial condition and results of operations.

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In addition, employees of certain of our suppliers or customers may become unionised or experience labour instability in the future, and we may be unable to predict the outcome of any labour negotiations. Any disputes between us and our employees, or between our suppliers or customers and their respective labour unions (if any), could adversely affect our operations and financial performance.

For each of the Track Record Period, our direct labour costs amounted to approximately RMB62.0 million, RMB63.8 million and RMB67.6 million, representing approximately 10.6%, 10.4% and 10.6% of our total cost of sales for the respective periods. Labour costs in the regions in which we operate have generally increased in recent years and may continue to rise. Such increases may be driven by, among other factors, inflationary pressures, the implementation or tightening of minimum wage regulations (including global minimum wage initiatives), and intensifying competition for skilled labour. The competition for experienced and skilled workers in our industry is particularly intense, and we may be required to offer more competitive remuneration packages and employee benefits in order to attract and retain qualified personnel.

Changes in labour laws and regulations, including statutory increases in minimum wages or enhanced employee benefit requirements, may further increase our labour costs. If labour costs continue to rise, our production and operating costs will increase. We may not be able to pass on such increased costs to our customers by raising the selling prices of our products due to competitive pressures in the markets in which we operate. In such circumstances, our profit margins may be reduced, which could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on our ability to protect, enforce and defend our intellectual property rights in court or before any related intellectual property agency in any jurisdiction. If we fail to do so, or if third parties infringe our rights or assert claims against us, our business, financial condition and results of operations could be materially and adversely affected.

Our key intellectual property includes proprietary technologies, product designs, technical know-how, patents, trademarks, copyrights and domain names. We regard these as critical to our operations and seek to protect them through applicable intellectual property laws, contractual arrangements and internal measures. We cannot rule out the possibility that such rights may be challenged, invalidated, circumvented or misappropriated, which could fail to deliver our expected competitive advantages.

To prevent or address any actual or threatened infringement or unauthorised use, we may need to initiate or participate in litigation or other proceedings before courts or intellectual property authorities in any jurisdiction, which may be costly, time-consuming and divert the attention of our management and other resources. Any claims that we assert may also give rise to counterclaims. In addition, our competitors may devote substantially greater resources than we do to such disputes, and any adverse outcome may result in our patents, including those that are pending, being invalidated, held unenforceable or construed more narrowly than we anticipate. Proceedings before the China National Intellectual Property Administration (國家知識產權局) (“CNIPA”) or other administrative authorities in mainland China or other jurisdictions may likewise result in the revocation, amendment or limitation of our patents, thereby reducing the scope of their protection. If any of our patents were held to be invalid or unenforceable, we would lose some, or potentially all, of the patent protection for the relevant products or product candidates.

Our competitors, particularly those with substantial patent portfolios, may allege that our products infringe their intellectual property rights. Whether a product infringes a patent involves complex legal and factual analyses, and the outcome is often uncertain. Moreover, competitors may have filed patent applications that have not yet been published, or may assert trademark rights that are not disclosed by public record searches. Although we intend to identify and avoid infringement of third-party intellectual property rights, such efforts may not always be successful. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or

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administrative proceedings in relation to intellectual property rights violations that we consider would have a material adverse effect on our business, results of operations, financial condition, reputation or compliance. Nevertheless, any such claims, whether meritorious or not, could be costly, divert management attention and result in significant legal or other expenses. If successful, such claims could require us to suspend the sale of relevant products, redesign or rebrand products, pay substantial damages or enter into unfavourable royalty or licence arrangements.

In addition, although we enter into employment agreements with our employees containing confidentiality, non-compete and intellectual property ownership clauses, we cannot assure you that such agreements will not be breached, that we will obtain timely remedies or that our proprietary information will not become known to third parties.

An inability to protect our intellectual property rights, or actual or alleged infringement of a third-party intellectual property rights, could adversely affect our business.

The success of our business depends in part on our ability to obtain, maintain and enforce patents and other intellectual property rights, and to secure adequate legal protection for our products in the jurisdictions in which we operate. We rely on a combination of patent, trademark, copyright and trade secret laws, together with contractual and other legal protections, in the PRC and other jurisdictions to safeguard our proprietary rights; however, these protections may be limited or difficult to enforce in practice. We cannot assure you that any pending patent applications will result in patents that provide us with sufficient defensive protection or competitive advantage, if at all, or that any patents granted to us will not be challenged, invalidated, narrowed in scope or circumvented. Our existing patents, and any patents or other intellectual property rights that may be granted or registered in the future, may not provide comprehensive protection, may be insufficient to prevent competitors from developing similar technologies and may not be enforceable in proceedings against alleged infringers. We also cannot assure you that the measures we have taken, or may in future take, will prevent unauthorised use of our technology or reverse engineering of our products and solutions. In particular, our confidentiality procedures, technical safeguards and contractual restrictions may be breached, may not operate as intended or may otherwise prove insufficient to protect our trade secrets and know-how.

Our brand, products and solutions may be counterfeit, imitated or otherwise misused by third parties. We cannot assure you that such counterfeiting, imitation or misuse will not occur in the future or that, if it does, we will be able to identify, prevent or remedy it in a timely or effective manner. Any such infringement could damage our reputation, dilute our brand and adversely affect customer confidence and demand.

We may also be subject to claims, disputes or litigation alleging that our products or solutions infringe the intellectual property rights of third parties. Regardless of merit, such claims may be time-consuming and costly to defend, may divert management attention and other resources from our business and may require us to alter, suspend or cease sales of affected products or solutions. In addition, any such proceedings could result in a court or other authority invalidating, narrowing or rendering unenforceable some or all of our intellectual property rights.

If any of our products are found to infringe valid and enforceable third-party intellectual property rights, we may be required to obtain licences on unfavourable terms, pay damages, enter into settlement arrangements or cease offering the relevant products or solutions altogether. We may also face claims from customers, business partners or other third parties seeking indemnification or other remedies in connection with any such infringement allegations.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTION WE OPERATE

Changes in economic, political or social conditions, or in government policies, laws, regulations, or industry practices in the jurisdictions where we operate, may adversely affect our business, financial condition and results of operations.

Our business, financial position and results of operations are subject to the economic, regulatory, political and social conditions of the jurisdictions in which we operate. Governments worldwide have implemented, and may continue to adopt, policies affecting economic growth and resource allocation. The industrial motor industry is also influenced by broader macroeconomic factors, such as global and domestic economic conditions, trade relationships, employment levels, customer demand and discretionary spending. Adverse changes in any of these factors could materially and negatively impact our business, financial position and results of operations.

We are exposed to risks arising from the international sale of our products, including political tensions, export controls and trade or economic restrictions. Failure to effectively manage these risks could materially and adversely affect our business, financial position and results of operations.

While we expect the PRC will remain our principal market, we anticipate that the marketing and sale of our products in international markets will expand over time. Our international expansion may expose us to various risks, including: (i) fluctuations in foreign exchange rates; (ii) increased costs associated with understanding local markets and establishing effective marketing and distribution networks; (iii) challenges in providing customer service and support; (iv) difficulties in staffing and managing overseas operations; (v) intense competition from established industrial motor players; (vi) exposure to regions where improper business practices may occur; (vii) challenges in developing and maintaining relationships with local business partners; (viii) failure to establish adequate risk management and internal control systems for overseas operations; (ix) costs and challenges associated with complying with diverse commercial and legal requirements, including those relating to charging and other electric infrastructure; (x) failure to obtain or maintain permits and authorisations; (xi) differing safety requirements and accident-related risks across jurisdictions; (xii) difficulties in securing, maintaining or enforcing intellectual property rights; (xiii) adverse changes in economic conditions or regulatory regimes; and (xiv) trade barriers, such as export controls, tariffs, taxes or other restrictions.

Operating internationally will require timely and effective responses to rapidly changing market conditions in each jurisdiction. Our ability to succeed overseas depends partly on managing diverse legal, regulatory, economic, environmental, social and political environments, over which we have limited control. We may be unable to adapt policies and strategies that are effective in each market, and any of the above factors could materially and adversely affect our business, financial condition and results of operations.

As our international footprint grows, we are increasingly exposed to changing global economic, regulatory, social and political conditions, as well as local market risks in each country or region of operation. These may include legal compliance challenges, potential disputes or litigation, geopolitical tensions, trade restrictions, foreign exchange volatility, cultural and language differences, competitive pressures and evolving tax regimes. International political developments may in turn affect our cost structure, demand for our products and relationships with business partners, any of which could adversely impact our business, financial performance and prospects.

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As a PRC company whose shares are quoted on the NEEQ, we and our Directors, senior management, employees and Shareholders are subject to securities laws and the applicable quotation rules in the PRC.

As a PRC company whose shares are quoted on the NEEQ, we together with our Directors, senior management, employees and Shareholders, are subject to securities laws and regulations promulgated by the CSRC and the NEEQ listing rules. While we endeavour to ensure full compliance with all applicable requirements, new regulations, or changes in the interpretation or enforcement of existing ones, may be introduced from time to time. Maintaining compliance may require us to allocate additional resources and incur higher compliance costs. The CSRC and the NEEQ may also conduct periodic or ad hoc inspections, reviews or inquiries regarding our regulatory compliance. During the Track Record Period and up to the Latest Practicable Date, neither we nor our Directors, senior management, employees or Shareholders were subject to any administrative penalties imposed by the CSRC.

Loss or reduction of tax incentives and government grants in the regions in which we operate may adversely affect our financial results.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) and its implementation regulations, enterprises which operate in China are generally subject to enterprise income tax at a statutory rate of 25% on the taxable profit, while enterprises recognised as a “high and new technology enterprise” (高新技術企業) (“**HNTE**”) are entitled to a preferential tax rate of 15%. During the Track Record Period, we enjoyed a preferential income tax rate of 15% as an HNTE. Our existing HNTE qualification is valid until December 2026, and we intend to apply for renewal upon expiry. However, the qualification is subject to reassessment by the relevant authorities every three years, and there is no assurance that we will continue to meet the evolving assessment criteria or that our renewal application will be successful. Should we fail to renew or should this preferential treatment be discontinued, we would be subject to the standard PRC enterprise income tax rate of 25%, which would increase our tax expenses and could materially reduce our profitability.

In addition, we recognised government grants of approximately RMB3.4 million, RMB4.6 million and RMB3.1 million for each of the Track Record Period, as support for R&D, employment stabilisation and contribution to local economy. The amount and terms of these grants are determined at the discretion of the relevant PRC authorities. Government grants may be unconditional and recognised as immediate financial support, with no associated future costs or asset-related obligations, or conditional, in which case the relevant conditions have been satisfied during the relevant year or period. Our eligibility for such grants depends on a number of factors, including compliance with applicable conditions, prevailing government policies and the availability of funding from the relevant authorities. There can be no assurance that we will continue to receive government grants in the future, that the amounts will remain at similar levels, or that the terms will remain as favourable. Any reduction, delay in receipt or discontinuation of such grants, or any material decrease in the amounts received, could adversely affect our business, financial condition and results of operations.

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We are subject to various laws, regulations and regulatory standards and any inability to comply with such requirements and standards may subject us to liabilities.

In mainland China, enterprises are required to establish housing provident fund accounts and make full and timely contributions for employees pursuant to the Regulation on the Administration of Housing Provident Funds (《中華人民共和國住房公積金管理條例》). Pursuant to the PRC Social Insurance Law (《中華人民共和國社會保險法》), enterprises must also complete social insurance registration for their employees and pay relevant contributions in full and on time.

During the Track Record Period and as at the Latest Practicable Date, we did not make full social insurance contributions and housing provident fund contributions for employees. We estimated that the provisions to be made for the shortfall of our social insurance contributions and housing provident funds for each of the Track Record Period were approximately RMB0.9 million, RMB0.9 million and RMB0.5 million, respectively.

As advised by our PRC Legal Advisers, pursuant to Law on Social Insurance of the PRC (《中華人民共和國社會保險法》) employers who fail to pay social insurance contributions in full and on time may be ordered to pay the outstanding amounts within a prescribed time limit by the relevant social insurance authorities, with an additional late fee being 0.05% of the outstanding amounts calculated on a daily basis from the date on which such amounts are payable. Failure to make such payment within the stipulated period may result in a fine of one to three times the overdue amount. In addition, pursuant to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), employers who fail to make full and timely contributions may be ordered by the relevant housing provident fund management centre to settle the outstanding amounts within a prescribed period, failing which the authority may apply to the PRC courts for compulsory enforcement.

Our PRC Legal Advisers have further advised that the relevant authorities will not ordinarily initiate any focused recovery or settlement actions in respect of arrears owed by us and our domestic subsidiaries, unless a material complaint or report is filed by a relevant party and is substantiated upon preliminary investigation. During also the Track Record Period and up to the Latest Practicable Date (i) neither our Company nor our subsidiaries were subject to any enforcement actions or pending actions by the relevant social insurance authorities or housing provident fund authorities, and (ii), no record of administrative penalties or rectification order was found against us upon public inquiry. In addition, no administrative penalties had been imposed on us in connection with the above shortfalls, and we had not been subject to any material complaints or labour disputes relating to social insurance or housing provident fund contributions.

Given that (a) no administrative penalties had been imposed on us in connection with the shortfalls for the social insurance and housing provident funds; and (b) we will pay any shortfall within a prescribed time period if demanded so by relevant competent authorities, our PRC Legal Advisers are of the view that, in the absence of material changes to current laws, regulations or enforcement practices, and in the absence of employee complaints, the risk of us being required to make additional payments or being subject to administrative penalties is remote.

Based on the above, and provided that (i) the above undertakings can be duly fulfilled, (ii) there are no material changes in applicable laws, regulations or enforcement practices, and (iii) there are no material employee complaints, reports, or related litigation or arbitration proceedings, our PRC Legal Advisers are of the view that the risk of our Group being required to make retrospective contributions, settle arrears or incur late payment surcharges or fines, or being subject to material administrative penalties in connection with the aforesaid non-compliance, is low.

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Non-compliance with other labour laws and regulations in the PRC could also lead to penalties or compensation liabilities. Given the scope, complexity and frequent changes to such laws, maintaining full compliance requires financial and management resources. These efforts may increase our operating costs, place additional burden on our management and, in certain cases, disrupt our business operations. Persistent or material non-compliance could result in administrative penalties, fines, rectification orders or enforcement actions, any of which may materially and adversely affect our business, financial condition and results of operations.

Failure to comply with PRC property-related laws and regulation regarding certain of our leased properties could adversely affect our business operations.

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), the parties to a lease are required to register and file such lease with the relevant government authorities. As at the Latest Practicable Date, 50 of our leased properties had not been registered or filed. While the lack of registration will not affect the validity of the leases under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your [REDACTED].

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. We cannot guarantee that, at a particular exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange (“SAFE”). We are, however, required to provide supporting documentation for such transactions and to conduct them through banks authorised to engage in foreign exchange business.

Foreign exchange transactions under the capital account conducted by us must be registered in advance with SAFE or its designated banks. Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies, or any shortage of foreign exchange, may restrict our ability to obtain adequate foreign exchange for the payment of dividends to shareholders, to satisfy other foreign exchange needs, or to fund our capital expenditure plans. Consequently, our business, finance position and results of operations could be adversely affected.

You should consider the legal protections available to you under the laws and legal systems of the jurisdictions in which we operate.

We are subject to the laws and regulations of the jurisdictions in which we operate. In the PRC, our business is governed primarily by written laws, with prior judicial decisions carrying limited precedential authority. We cannot assure you that we will be able to anticipate or adapt to future legal developments, including new legislation or amendments to existing laws, in any of these jurisdictions. Legal proceedings may also involve substantial costs, divert management attention, and disrupt our operations, which could materially and adversely impact our efficiency and business performance.

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You may experience difficulties in effecting service of legal process and enforcing judgements against us, our Directors and senior management.

We are a company incorporated under the laws of the PRC, and the majority of our assets and subsidiaries are located in mainland China. Most of our Directors and senior management also reside in mainland China, and their assets may likewise be situated there. Consequently, it may be difficult to effect service of process upon us or to enforce judgments against us, or our Directors and senior management, outside mainland China.

Our operations are subject to the Chinese Mainland tax laws and regulations as well as those of other jurisdictions in which we operate.

As a company incorporated in mainland China, we are subject to the PRC tax laws and regulations. We also conduct business in other jurisdictions, and are therefore subject to the applicable tax laws and regulations of those jurisdictions. We cannot assure you that we will be able to fully comply with all such laws and regulations. Any failure to do so may result in fines, penalties, or other legal or administrative actions, which could adversely affect our business, financial condition, and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been [REDACTED] for our H Shares and an [REDACTED] of our H Shares may not develop. [REDACTED] of our Shares on the NEEQ may not be indicative of our H Shares.

Prior to this [REDACTED], there has been [REDACTED] for our H Shares. There is no assurance that an [REDACTED] for our H Shares will develop or be sustained following the completion of the [REDACTED]. The [REDACTED] of our H Shares to the [REDACTED] has been determined through negotiations between us and the [REDACTED] (on behalf of itself and the [REDACTED]), and may differ materially from the market price of our H Shares subsequent to the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and [REDACTED] in, the H Shares. However, the granting of such [REDACTED] and [REDACTED] does not guarantee that an [REDACTED] for our H Shares will develop, or if it does, that it will be sustained following the [REDACTED], nor that the [REDACTED] of our H Shares will increase following the [REDACTED].

Our Shares are currently [REDACTED] on the NEEQ. The [REDACTED] of our Shares on the NEEQ may not be indicative of the [REDACTED] of our H Shares after the [REDACTED], due to differences between the characteristics of the [REDACTED] and those of the [REDACTED]. Accordingly, you should not place undue reliance on our [REDACTED] on the NEEQ when assessing an [REDACTED] in our Shares.

We have been, and are expected to continue to be, substantially influenced by our Controlling Shareholders, whose interests may not align from those of other Shareholders.

Immediately following completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), our Controlling Shareholders will, in aggregate, hold approximately [REDACTED] of our issued share capital will remain our Controlling Shareholders.

Accordingly, our Controlling Shareholders will, for the foreseeable future, be able to exert significant influence over our operations and business strategies through their voting power at Shareholders’ meetings and their ability to appoint members to our Board. Such influence may extend to matters concerning the composition of our Board, the selection of our senior management, the declaration, timing and amount of dividends and other distributions, the formulation and implementation

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of business expansion plans, as well as key strategic, investment and financing decisions. It may also affect the [REDACTED] of [REDACTED], adjustments to our [REDACTED], amendments to our Articles of Association, and other corporate actions requiring Shareholders’ approval, including mergers, consolidations, disposals of assets, or other transactions that could result in a change of control, regardless of whether these are aligned with the interests of our other Shareholders generally.

The interests of our Controlling Shareholders may differ from, or conflict with, those of our public Shareholders. For details, please refer to the section headed “Relationship with Our Controlling Shareholders” in this document. We cannot assure you that our Controlling Shareholders will not, in the future, acquire interests in companies or businesses that compete, directly or indirectly, with us. Our Controlling Shareholders may also take actions, or cause us to take actions, including exercising their influence as our Controlling Shareholders, in a manner that favours themselves or their associates to the detriment of our interests and those of our [REDACTED]. Any such circumstances could have an adverse impact on the value of your [REDACTED] and/or the interests of our [REDACTED].

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in the [REDACTED] consolidated net tangible asset value. There can be no assurance that if we were to liquidate immediately after the [REDACTED]. In addition, purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price lower than the net tangible asset value per Share at that time.

The [REDACTED] and [REDACTED] of our H Shares may be volatile, which may result in substantial losses for [REDACTED] subscribing for or purchasing our H Shares pursuant to the [REDACTED].

The [REDACTED] and [REDACTED] of our H Shares may be volatile. The [REDACTED] of our Shares may fluctuate materially and rapidly as a result of the following factors, some of which are beyond our control: (i) variations in our financial condition and/or results of operations; (ii) unexpected business disruptions arising from natural disasters or power outages; (iii) our failure to compete effectively with our competitors; (iv) major changes in our key personnel or senior management; (v) fluctuations in market prices of our products or raw materials; (vi) our inability to maintain regulatory approvals for our operations; (vii) fluctuations in stock market price and volume; and (viii) general economic, political, financial or social developments in Hong Kong, mainland China and elsewhere in the world.

The Stock Exchange and other securities markets have, from time to time, experienced significant [REDACTED] fluctuations unrelated to the performance of any particular company. These developments include a general global economic downturn, significant volatility in [REDACTED] markets, and volatility in, and tightening of, liquidity in credit markets. While it is difficult to predict the duration of such conditions, they may persist for an extended period and could result in increased interest expenses on our bank borrowings or a reduction in the number or availability of banking facilities currently accessible to us. If we experience such fluctuations, our results of operations and financial condition may be materially and adversely affected. In addition, market fluctuations may materially and adversely affect the [REDACTED] of our H Shares.

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[REDACTED] of a substantial number of our H Shares on the [REDACTED] could adversely affect the [REDACTED] of our H Shares.

Following the completion of the [REDACTED], any [REDACTED] of a substantial number of our H Shares or other securities relating to our H Shares in the public market, the [REDACTED] of new Shares or other related securities, or the market perception that such [REDACTED] or [REDACTED] may occur, could adversely affect the [REDACTED] of our H Shares and our ability to raise additional capital on favourable terms and at an opportune time. We are unable to predict the potential impact of any such [REDACTED] or [REDACTED] of a significant number of our H Shares in the [REDACTED] on the [REDACTED] of our H Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources contained in this document.

This document, in particular the section headed “Industry Overview”, contains information and statistics relating to our industry. Such information and statistics have been derived from the CIC Report, which was commissioned by us, as well as from various official government publications and other publicly available materials. We believe that these sources are appropriate for the information contained herein and have exercised reasonable care in extracting and reproducing such information. However, the information and statistics obtained from official government sources have not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], and the [REDACTED], the [REDACTED], any of the [REDACTED], or any of our or their respective directors, officers, representatives or any other person involved in the [REDACTED]. Accordingly, no representation or warranty is given as to the accuracy or completeness of such information. The methods by which such information has been collected may be flawed or ineffective, and discrepancies may exist between published information and market practice, which could render the statistics inaccurate or not comparable with those published for other economies. Furthermore, we cannot assure you that such information has been stated or compiled on a basis or with a degree of accuracy consistent with similar statistics elsewhere. You should therefore consider carefully the reliance you place on such information and statistics.

We cannot assure you as to whether, or when, we will declare or pay any dividends in the future.

Our ability to pay dividends will depend on our capacity to generate sufficient earnings. The declaration and distribution of dividends are at the discretion of our Board of Directors and will be subject to approval by the shareholders in general meeting. Any decision to declare or pay dividends, and the amount thereof, will be determined by reference to various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined in accordance with the generally accepted accounting principles of the PRC or IFRSs (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and other applicable PRC laws and regulations, prevailing market conditions, our business strategy and outlook, contractual restrictions and obligations, taxation considerations, regulatory requirements, and any other factors that the Board of Directors may from time to time consider relevant to the declaration or suspension of dividends. Accordingly, there is no assurance as to whether, when or in what form we will pay dividends in the future.

An [REDACTED] in the H Shares is subject to risks relating to taxation.

The tax rules and their interpretation applicable to an [REDACTED] in us may change during our lifetime. The rates of taxation and the availability of tax reliefs may also vary from time to time. The tax reliefs referred to in this document are those currently available, and their value depends on the individual circumstances of each [REDACTED]. Any change in our tax status, the taxation applying to

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the holding of H Shares, or in the relevant taxation legislation or its interpretation, could affect the value of our [REDACTED], our ability to provide [REDACTED], and/or the post-tax [REDACTED] received by [REDACTED]. The statements in this document regarding the taxation of us and our [REDACTED] are based on current law and practice, both of which are subject to change.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations in respect of dividends paid to them by us, and any gains realised upon the sale or other disposition of our H Shares. Non-PRC resident individuals are required to pay PRC individual income tax at a rate of 20% on dividends or gains from share transfers derived from China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations. Accordingly, we are required to withhold such tax from dividend payments, unless an applicable tax treaty between the PRC and the jurisdiction in which the relevant individual or enterprise resides provides for a reduction or exemption of such tax obligations.

Pursuant to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region (“HKSAR”) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including both natural and legal persons), but such tax shall not exceed 10% of the total amount of dividends payable by the PRC company. Where an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable. The Fifth Protocol to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), issued by the State Administration of Taxation (“SAT”) and effective from 6 December 2019, provides that any arrangements or transactions primarily aimed at obtaining the above-mentioned tax benefits are not entitled to such preferential treatment.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not effectively connected with such establishments or premises, dividends paid by us and gains realised upon the sale or other disposal of our H Shares are generally subject to PRC enterprise income tax at a rate of 10%, pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations. According to the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, the withholding tax rate applicable to dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to reduction under a special arrangement or an applicable tax treaty between the PRC and the relevant jurisdiction of residence.

Notwithstanding the foregoing, the interpretation and application of PRC tax laws and regulations are subject to change and may be affected by a variety of factors, including whether the relevant preferential tax treatments may be withdrawn in the future, in which case all non-PRC resident individual holders could become subject to PRC individual income tax at a flat rate of 20%. Any change in, or differing interpretation or application of, the relevant PRC tax laws, regulations or policies may materially and adversely affect the value of your [REDACTED] in our H Shares.

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

This document contains certain statements and information that are forward-looking in nature and uses terminologies such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will”, and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties, and that any or all of the underlying assumptions may prove to be inaccurate. As a consequence, the forward-looking statements based on those assumptions may also be incorrect.

In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representation or warranty by us that our plans and objectives will be achieved. Such forward-looking statements should be considered in conjunction with various important factors, including those set out in this section. Subject to the requirements of the Listing Rules, we do not intend update or revise publicly any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire [REDACTED] carefully and are strongly cautioned not to place any reliance on any information contained in press articles or other media regarding us, our business, our industry and/or the [REDACTED].

Prior to the publication of this document, and between the date of this document and the completion of the [REDACTED], there may have been, or may be, press or media coverage concerning us and the [REDACTED]. Such coverage may include financial information, industry comparisons, profit forecasts or other details regarding us that are not contained in this document.

You should rely solely on the information contained in this document and on any formal announcements made by us in Hong Kong when making an [REDACTED] decision in relation to the [REDACTED]. We accept no responsibility for the accuracy or completeness of any information reported by the press or other media, nor for the fairness or appropriateness of any forecasts, views or opinions expressed therein regarding us or the [REDACTED].

We make no representation as to the accuracy, completeness, reliability or suitability of any such information, reports or publications. Accordingly, prospective [REDACTED] should not place any reliance on such materials in making their [REDACTED] decisions concerning the [REDACTED].

In deciding whether to [REDACTED] our H Shares, prospective [REDACTED] should rely exclusively on the financial, operational and other information set out in this document. By applying to [REDACTED] or [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the Listing Rules:

APPOINTMENT OF JOINT COMPANY SECRETARIES

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

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

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

We have appointed Mr. Luo Yibo (羅毅博) (“**Mr. Luo**”) as our joint company secretary with effect from the [REDACTED]. Our Group’s key operations and principal business activities are conducted outside of Hong Kong. It would be in the best interests of our Company and our corporate governance to have as its company secretary a person such as Mr. Luo who has been with our Group since February 2014. As the deputy general manager of operations and Board secretary, Mr. Luo is deeply familiar with our operations and is able to cultivate strong relationships with both the Board and the management. Our Directors believe that Mr. Luo’s intimate knowledge of our Company and operations is essential for the performance of company secretary duties in the most effective and efficient manner. For biographical details of Mr. Luo, see “Directors and Senior Management.”

Since Mr. Luo does not possess the qualifications stipulated in Rule 3.28 of the Listing Rules, he is not able to fulfil the requirements to act as a company secretary of a [REDACTED] stipulated under the Listing Rules. To support Mr. Luo in performing the duties of company secretary, we have appointed Ms. Siow Grace Yuet Chew (蕭月秋) (“**Ms. Siow**”), who is a member of The Hong Kong Chartered Governance Institute and meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to provide assistance for a three-year period from the [REDACTED] so as to enable Mr. Luo to acquire the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules to duly discharge his duties.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Accordingly, our Company has applied for[, and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Luo as our joint company secretary for a period of three years from the [REDACTED]. Such waiver [has been granted] on the conditions that: (i) Mr. Luo is assisted by Ms. Siow, who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as our joint company secretary throughout the three-year waiver period, to discharge her functions as a company secretary and gain the relevant experience under Rule 3.28 of the Listing Rules; and (ii) this waiver will be revoked in the event of any material breaches of the Listing Rules by our Company.

In addition, Mr. Luo will comply with the annual professional training requirements under Rule 3.29 of the Listing Rules and enhance his understanding of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure that Mr. Luo has access to the relevant training and support to familiarise himself with the Listing Rules and the duties of a company secretary of an [REDACTED] on the Stock Exchange. Prior to the expiration of the three-year period, our Company will further evaluate the qualifications and experience of Mr. Luo to determine whether he has satisfied the requirements as stipulated under the Listing Rules and whether he needs further assistance. We will liaise with and seek the Stock Exchange’s confirmation on whether Mr. Luo, having benefited from the assistance of Ms. Siow for three-year period, has acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary alone so that a further waiver will not be necessary.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, which normally means that at least two executive Directors must be ordinarily resident in Hong Kong. Pursuant to Rule 19A.15 of the Listing Rules, the requirement under Rule 8.12 may be waived at the discretion of the Stock Exchange having regard to, among other considerations, the arrangements for maintaining regular communication with the Stock Exchange.

Our Company does not have two executive Directors who are ordinarily resident in Hong Kong for the purposes of Rule 8.12 of the Listing Rules. Since most of the business operations of our Group are conducted outside of Hong Kong, our Company considers that it would be difficult and unnecessary to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors, which is not in the best interest of our Company and our Shareholders as a whole. Therefore, our Company does not, and does not contemplate in the foreseeable future that we will, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules, on the basis that our Company implements the following arrangements to ensure there is an effective channel of communication between our Company and the Stock Exchange:

- (a) **Authorised representatives:** The Chairman of our Board, executive Director, Mr. Ye Jinwu, and our joint company secretary, Ms. Siow Grace Yuet Chew, have been appointed to act as the authorised representatives of our Company (the “**Authorised Representatives**”) for the purpose of Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Hong Kong Stock Exchange. The Authorised Representatives possess valid travel documents and are able to

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

renew such travel documents when they expire in order to visit Hong Kong, and accordingly, they will be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice;

- (b) **Directors:** each Director will provide his or her mobile phone number, office phone number, facsimile number (if any) and email address to the Authorised Representatives and the Stock Exchange. In the event that any Director expects to travel or otherwise be out of the office, he or she will provide the phone number of the place of accommodation to the Authorised Representatives.

Each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

- (c) **Compliance Adviser:** our Company has appointed Sunny Fortune Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules, who will, among other things and in addition to the Authorised Representatives and our Directors, also act as an additional channel of communication with the Stock Exchange for at least a period from the [REDACTED] to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately following the [REDACTED]. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will have access at all times to our Authorised Representatives, Directors and senior management. We shall also ensure that our Authorised Representatives, Directors and senior management will promptly provide such information and assistance as the Compliance Adviser may need or may reasonably require in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, Authorised Representatives, Directors, senior management and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between the Stock Exchange and us. Any meeting between the Stock Exchange and our Directors will be arranged through the Authorised Representatives or the Compliance Adviser or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorised representatives and/or our Compliance Adviser; and
- (d) **Legal Advisers:** we will also engage Hong Kong legal advisers to advise on compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Ye Jinwu (葉錦武)	308 Jinlin Road, Jinqing Town Luqiao District, Taizhou City Zhejiang Province, PRC	Chinese
Mr. Ye Ye (葉葉)	308 Jinlin Road, Jinqing Town Luqiao District, Taizhou City Zhejiang Province, PRC	Chinese
Ms. Pan Linghui (潘玲慧)	Room 802, Block 18 Huang Jin Hai An, Jinqing Town Luqiao District, Taizhou City Zhejiang Province, PRC	Chinese
Non-executive Directors		
Ms. Li Chunlian (李春連)	308 Jinlin Road, Jinqing Town Luqiao District, Taizhou City Zhejiang Province, PRC	Chinese
Mr. Wang Xiaoyue (汪小岳)	155 Wenchang Road, Jinqing Town Luqiao District, Taizhou City Zhejiang Province, PRC	Chinese
Ms. Ye Huiqin (葉惠琴)	65 Wenchang West Road, Jinqing Town Luqiao District, Taizhou City Zhejiang Province, PRC	Chinese
Independent non-executive Directors		
Mr. Jin Weiwei (金惟偉)	No. 3, Lane 143, Jiashan Road Xuhui District Shanghai City, PRC	Chinese
Mr. Liang Zhendong (梁振東)	Unit 2304, 23/F, Block 7 No. 28 Jintai Road, Gaoxin District Chengdu City Sichuan Province, PRC	Chinese
Mr. Lau Kwok Fai Patrick (劉國輝)	Flat C, 3/F Tower 3B 2 Shing Fu Lane, Pano Harbour Kai Tak Kowloon Hong Kong	Chinese (Hong Kong)

For further information regarding our Directors, please refer to the section headed “Directors and Senior Management” of this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [REDACTED]

Sunny Fortune Capital Limited
Suite 2101, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Legal advisers to our Company

As to Hong Kong law
AllBright Law (Hong Kong) Offices LLP
in association with Stevenson, Wong & Co.
Units 1801–08 & 1810, 18/F, Gloucester Tower
The Landmark, 15 Queen’s Road
Hong Kong

Stevenson, Wong & Co.
in association with AllBright Law (Hong Kong)
Offices LLP
Units 1801–08 & 1810, 18/F, Gloucester Tower
The Landmark, 15 Queen’s Road
Hong Kong

As to PRC law
AllBright Law Offices
9, 11, 12/F, Shanghai Tower No. 501
Yincheng Middle Road, Pudong New Area
Shanghai, 200120 PRC

As to U.S. export control and sanction law
Katten Muchin Rosenman LLP
Unit 4906 Wheelock Square
1717 W. Nanjing Rd.
Shanghai, 200040 PRC

**Legal advisers to the Sole Sponsor
and the [REDACTED]**

As to Hong Kong law
Ince & Co
5/F, Lincoln House
979 King’s Road, Taikoo Place
Hong Kong

As to PRC law
T&C Law Firm
12/F, One IFC River West
No.118 Sanxin Road
Hangzhou, PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Reporting accountants and auditors	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Industry consultant	China Insights Industry Consultancy Limited 10/F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai, PRC
Property Valuer	Valtech Valuation Advisory Limited Room 2106, 21/F, Futura Plaza 111–113 How Ming Street Kwun Tong, Kowloon Hong Kong
Compliance adviser	Sunny Fortune Capital Limited Suite 2101, Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong
[REDACTED]	[REDACTED] [REDACTED]

CORPORATE INFORMATION

Registered office, headquarters and principal place of business in the PRC	No. 999, Jinqing Avenue West, Jinqing Town, Luqiao District, Taizhou City, 318058 Zhejiang Province, China
Principal place of business in Hong Kong	Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Joint Company Secretaries	Mr. Luo Yibo (羅毅博) No. 889 Xin'an West Street Lubo Subdistrict Luqiao District, Taizhou City Zhejiang Province, PRC Ms. Siow Grace Yuet Chew (蕭月秋) Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Ye Jinwu (葉錦武) 308 Jinlin Road, Jinqing Town Luqiao District, Taizhou City Zhejiang Province, PRC Ms. Siow Grace Yuet Chew (蕭月秋) Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Strategy and Investment Committee	Mr. Ye Jinwu (<i>Chairman</i>) Ms. Jin Weiwei Ms. Pan Linghui
Audit Committee	Mr. Lau Kwok Fai Patrick (<i>Chairman</i>) Mr. Liang Zhendong Mr. Jin Weiwei
Remuneration and Appraisal Committee	Mr. Liang Zhendong (<i>Chairman</i>) Mr. Lau Kwok Fai Patrick Mr. Jin Weiwei
Nomination Committee	Mr. Jin Weiwei (<i>Chairman</i>) Mr. Liang Zhendong Ms. Pan Linghui
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Principal banks

Agricultural Bank of China Limited

Taizhou Luqiao Branch

No. 1, Hainan Street
Luqiao District, Taizhou City
Zhejiang Province

Agricultural Bank of China Limited

Taizhou Jinqing Branch

No. 144, Jingang West Road
Luqiao District, Taizhou City
Zhejiang Province

China Construction Bank Corporation

Taizhou Jinqing Branch

No. 104, Jianshe Road
Luqiao District, Taizhou City
Zhejiang Province

China Construction Bank Corporation

Taizhou Luqiao Branch

No. 30, Maizhiqiao West Road
Luqiao District, Taizhou City
Zhejiang Province

Bank of Ningbo Taizhou Branch

No. 296–306, Donghuan Avenue
Jiaojiang District, Taizhou City
Zhejiang Province

Bank of Hangzhou Taizhou Branch

No. 149, Zhongxin Avenue
Jiaojiang District, Taizhou City
Zhejiang Province

Company website

[REDACTED]

(information on this website does not form part of this document)

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document are extracted from the report prepared by CIC, which was commissioned by us, as well as various official government publications and other publicly available publications. We engaged CIC to prepare an independent industry report, the CIC Report, in connection with the [REDACTED]. The information from official government sources has neither been independently verified by us or any other persons involved in the [REDACTED], nor any of our or their respective directors, senior management, representatives, advisors, or any other persons involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCES AND RELIABILITY

We commissioned CIC to conduct an analysis of and report on the global industrial motor market. CIC is a market research and consulting firm established in Hong Kong, dedicated to providing professional consulting services for various industries. We have agreed to pay CIC a fee of RMB520,000 for the preparation of the CIC Report. The data cited in this section and the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information” and other sections of this document is intended to assist potential [REDACTED] in gaining a more comprehensive understanding of the industry in which we operate. Unless otherwise stated, all data and forecasts in this section are derived from the CIC Report. The data collected by CIC has been analyzed, evaluated, and verified through its internal analytical models and techniques. Primary research was conducted through interviews with key industry experts and leading market participants, while secondary research involved the analysis of publicly available data resources. Market forecasts in the CIC Report are based on the following key assumptions: (i) the overall global social, economic, and political environment is expected to remain stable during the forecast period; (ii) relevant key industry drivers (such as growth in downstream demand, technological advancements, and policy support) will continue to drive the development of the global industrial motor market during the forecast period; and (iii) there will be no extreme force majeure or sudden industry regulations that may have a drastic or fundamental impact on the market during the forecast period.

OVERVIEW OF THE GLOBAL INDUSTRIAL MOTOR INDUSTRY

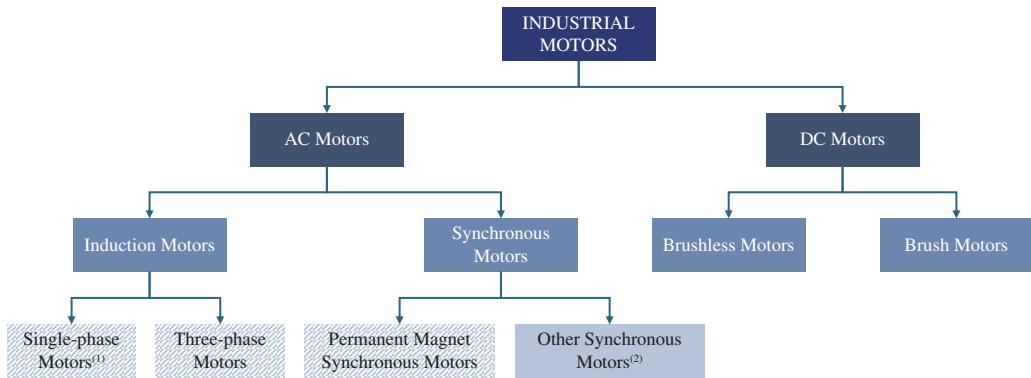
Definition and Classification of Industrial Motors

Industrial motors refer to various power devices in the field of industrial production that utilise the principle of electromagnetic induction to achieve the conversion between electrical energy and mechanical energy, or to perform the transmission of electrical energy, being the core executive components to drive the operation of industrial equipment. Based on the operating principles, industrial motors can be categorised into two major types, namely DC motors and AC motors, and the maturity of variable frequency control technology has made AC motors the core of modern industrial drives. Industrial AC motors can be further classified into induction motor and synchronous motors. Induction motor, by virtue of their reliability and durability, are widely applied in industrial automation fields such as fans and water pumps, building the foundation of industrial operations. Synchronous motors, represented by permanent magnet synchronous motors (PMSM), deeply align with the global manufacturing trend of “energy conservation and carbon reduction” through high power density, outstanding operational energy efficiency, and compact structural design, with an accelerating market penetration rate.

In the high-end manufacturing segment, servo motors achieve high precision and fast response through closed-loop systems on the basis of the permanent magnet synchronous technology, and have become the integral core components for industrial robots and high-end CNC machine tools and other intelligent equipment. With the in-depth development of intelligent manufacturing, advanced motor technologies are comprehensively leading the industrial system to upgrade towards high-efficiency, high-precision, and digitalisation.

INDUSTRY OVERVIEW

Classification of Industrial Motors



Notes:

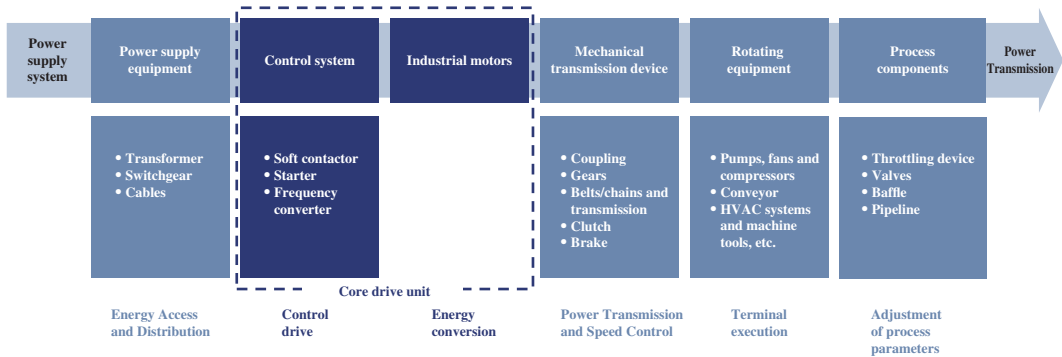
- (1) refers to the product the Company offers.
- (2) Other synchronous motors include synchronous reluctance motor, electrically excited synchronous motor, etc.

Composition and Operating Principles of Industrial Power Systems

Industrial power applications rely on an integrated engineering system from power access to operation. With the supply of power through transformers and cables, the current achieves the core energy conversion through a drive unit consisting of a control system and the motor body. Control systems perform precise power regulation, driving the motor body to convert electricity into mechanical energy. As the core of the power system, the performance of this drive unit plays a predominant role in the operational efficiency and precision of the machine.

Subsequently, mechanical energy is transmitted to rotating equipment such as pumps, fans, or compressors through transmission devices including couplings and gears to drive their operation, and achieves refined regulation with process components such as valves and baffles. The system is widely applied in downstream sectors including industrial automation (e.g., fluid control, logistics conveyance, and production line drives) and precision manufacturing, satisfying the process requirements for pressure, flow, and torque across various industrial scenarios through efficient energy conversion and precise control.

Composition and Operating Principles of Industrial Power Systems



Sources: IEC, CIC

INDUSTRY OVERVIEW

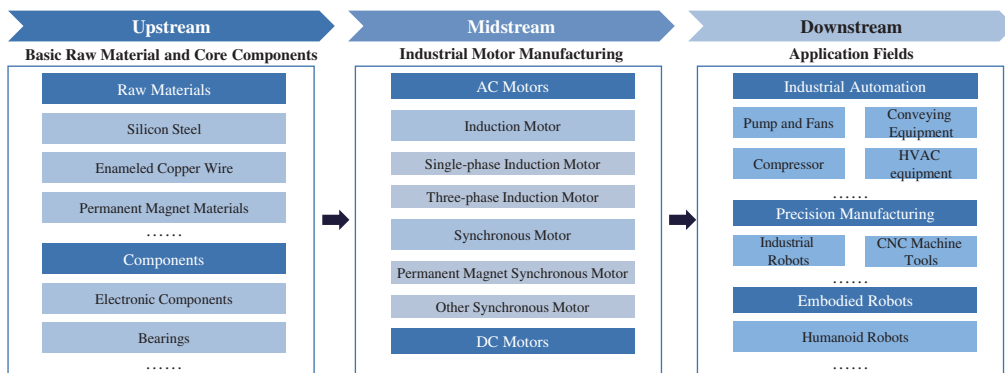
Industrial Motor Market Industry Chain

The upstream of the industrial motor industry chain primarily includes key raw materials such as silicon steel, enameled copper wire, aluminium, and permanent magnet materials, as well as components such as electronic and bearings, whose supply stability and technical standards directly determine the performance and reliability of the motors.

The midstream of the industry chain focuses on the technical research and development, product design, and manufacturing of industrial motors, and serves as the technical core of the industry chain. With the further advancement of Industry 4.0, the competitiveness of midstream industrial motor manufacturers will increasingly depend on their multidimensional engineering capabilities high-efficiency energy saving technologies (such as IE4 and IE5 energy efficiency levels) and the integration of drive and control system.

Industrial motors are currently widely applied in industrial automation (general equipment scenarios such as pumps, fans, compressors, conveying equipment, and HVAC) and precision manufacturing (CNC machine tools, industrial robots, etc.) scenarios. With the explosive growth in the scale of humanoid robots, their demand for lightweight industrial motors with high torque density will become a new driving force for the industry.

Analysis of the Industrial Motor Industry Chain, 2025



Sources: Omdia, CIC

Energy Efficiency Analysis of Industrial Motors

According to IEC 60034-30-1 standard, motor efficiency is classified into International Efficiency (IE) classes, including IE1 (Standard Efficiency), IE2 (High Efficiency), IE3 (Premium Efficiency), IE4 (Super Premium Efficiency), and IE5 (Ultra Premium Efficiency). Each grade corresponds to a specific level of energy efficiency performance, with higher grades indicating higher operating efficiency, lower energy loss and greater energy-saving potential. With increasingly stringent energy efficiency requirements and regulatory standards, IE1 and IE2 motors have gradually become less prevalent in industrial applications, and market demand has increasingly shifted toward higher-efficiency products, particularly IE3, IE4 and IE5 motors. China’s current motor energy efficiency standards are largely aligned with international standards. According to GB 18613–2020, China’s Grade 1 energy efficiency broadly corresponds to IE5, Grade 2 energy efficiency broadly corresponds to IE4, and Grade 3 energy efficiency (the minimum mandatory market access standard) is generally comparable to IE3.

INDUSTRY OVERVIEW

Comparison of Energy Efficiency Classes for Industrial Motors
(Taking a 45 kW, 4-pole, 50 Hz motor as an example)

Energy Efficiency Class	Loss (W)	Energy efficiency (%)
IE3 — Premium efficiency	2,771	94.2%
IE4 — Super premium efficiency	2,170	95.4%
IE5 — Ultra-premium efficiency	1,680–1,875	96.0%–96.4%

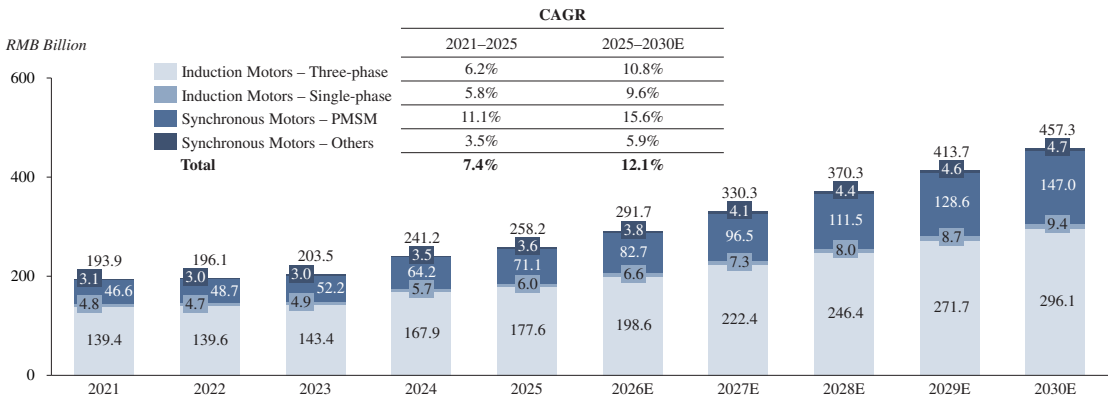
Sources: IEC, CIC

MARKET OVERVIEW OF CHINA’S INDUSTRIAL AC MOTOR INDUSTRY

Market Size of China’s Industrial AC Motor Industry

Driven by global trends and against the backdrop of the transformation and upgrading of the domestic manufacturing industry, the overall industrial AC motor market in China has maintained a positive growth momentum, increasing from approximately RMB193.9 billion in 2021 to expected approximately RMB258.2 billion by 2025, representing a CAGR of approximately 7.4% during the period, among which, induction motors occupy the majority of the market by virtue of its product stability and versatility, while synchronous motors, represented by PMSM, are experiencing rapid growth under the guidance of policies for low-carbon and efficiency improvement. In the future, with the expansion of downstream emerging industries, the industrial AC motor market in China is expected to grow at an accelerated CAGR of approximately 12.1% between 2025 and 2030, and is projected to reach a market size of approximately RMB457.3 billion by 2030.

Market Size of Industrial AC Motors in China, by Product Type,
in terms of Sales Revenue, 2021 to 2030E

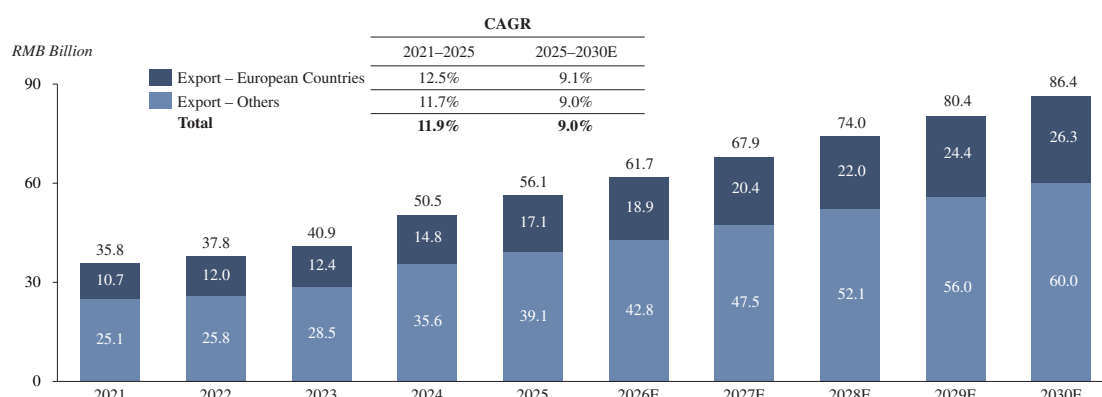


Sources: IDC, SEMI, National Bureau of Statistics, National Energy Administration, General Administration of Customs, CIC

Meanwhile, China is one of the largest countries exporting industrial AC motors. Driven by global demand, the overall export market is demonstrating steady growth and is projected to grow to approximately RMB86.4 billion by 2030 from approximately RMB56.1 billion in 2025. Specifically, European countries are one of the major markets, accounting for approximately 30.4% the export market, and is expected to increase to approximately RMB26.3 billion in 2030, representing a CAGR of approximately 9.1%.

INDUSTRY OVERVIEW

Market Size of Industrial AC Motors in China, by Place of Sales Region, in terms of Sales Revenue, 2021 to 2030E

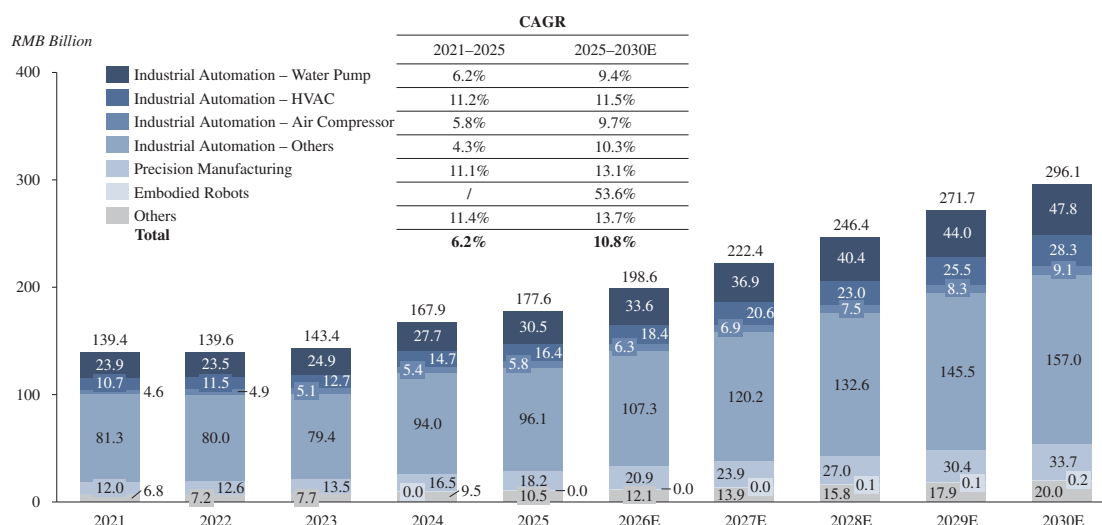


Sources: IDC, SEMI, National Bureau of Statistics, National Energy Administration, CIC

Market Size of China’s Industrial 3-PH IM Industry

The industrial 3-PH IM is the largest segment of China’s industrial motor market. In 2025, the market size of industrial 3-PH IM grew to approximately RMB177.6 billion, and is expected to obtain a steady growth rate of approximately 10.8% from 2025 to 2030. From the perspective of downstream application segments, industrial automation is a major component of the industrial 3-PH IM market in China. The market size for industrial 3-PH IM in the industrial automation sector is approximately RMB148.8 billion in 2025 and is expected to increase to approximately RMB242.3 billion by 2030. Within this segment, the motors used in pumps accounted for approximately RMB30.5 billion in 2025, with an expected increase to approximately RMB47.8 billion by 2030, representing a CAGR of approximately 9.4% from 2025 to 2030. Meanwhile, the market of the motors used in HVAC was RMB16.4 billion in 2025 and is expected to grow to approximately RMB28.3 billion by 2030, representing a CAGR of approximately 11.5% over the period.

Market Size of Industrial 3-PH IM in China, by Application, by Sales Revenue, 2021 to 2030E



Sources: IDC, SEMI, National Bureau of Statistics, National Energy Administration, CIC

Note: Others in industrial automation includes industrial 3-PH motors used in fields such as automated production lines. Others include applications such as agriculture machinery, flywheel energy storage, etc.

INDUSTRY OVERVIEW

Market Drivers and Development Trends of China’s Industrial 3-PH IM Industry

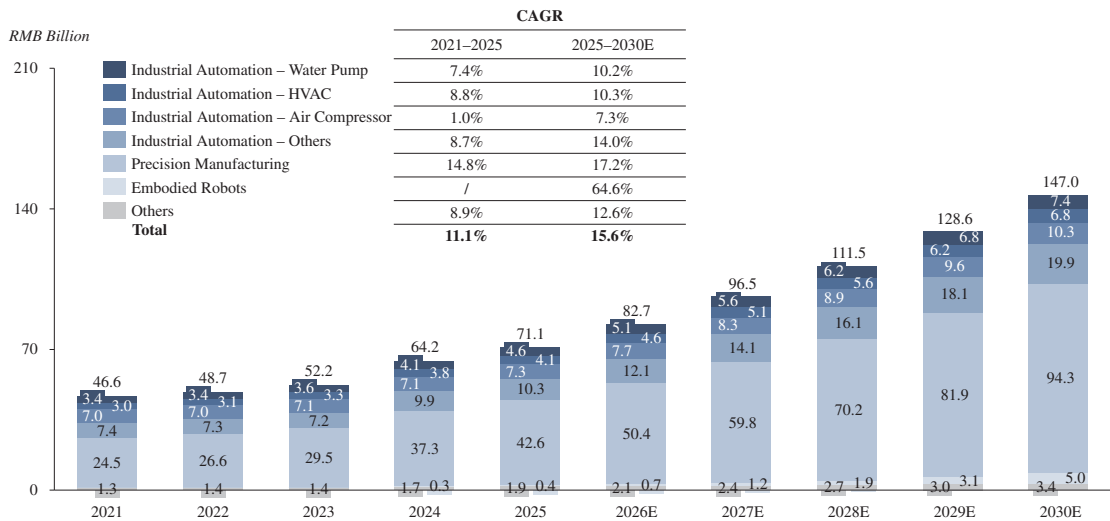
- **Policy-Driven Evolution Toward Ultra-High Efficiency and Green Development:** The deepened implementation of China’s “dual carbon” strategy has led to increasingly stringent energy efficiency policies and mandatory minimum energy performance standards. This makes the complete replacement of traditional, inefficient motors with high-efficiency three-phase asynchronous motors, such as IE4 and IE5 standards, an inevitable trend. In response to macro-level demands for energy conservation and emission reduction, the industry is significantly reducing copper loss, iron loss, and mechanical loss by optimizing electromagnetic structural designs, upgrading to high-quality cold-rolled silicon steel, and introducing advanced manufacturing processes. The continuous improvement of energy conversion efficiency has become the core theme of industrial development.
- **Intelligent Upgrading and the Transition Toward Mechatronics Integration:** As China’s equipment manufacturing industry advances, three-phase asynchronous motors are rapidly iterating toward intelligent and integrated systems. Through the deep integration of IoT sensing technology and energy efficiency management software, the digitalisation of motor systems enables predictive maintenance and comprehensive performance leaps. Furthermore, to achieve greater operational efficiency, product forms are accelerating the transition from standalone components to integrated mechatronic systems. By organically integrating asynchronous motors with Variable Frequency Drives and downstream execution loads, the system effectively achieves optimal parameter matching and significantly enhances the reliability and energy savings of the overall drive system.
- **Demand Shift Toward Specialised Applications and Customised Full-Lifecycle Solutions:** As industrial automation deepens across heavy and processing industries, the complex and harsh operating conditions in downstream sectors have driven a surge in demand for highly reliable, specialised three-phase asynchronous motors. Leveraging profound industry experience, motor suppliers are deeply involved in the early-stage R&D of end customers. The competitive dimension of the industry has upgraded from the simple sale of standardised, general-purpose hardware to the provision of customised, full-lifecycle solutions, covering preliminary consultation, application-specific development, and subsequent operation and maintenance management.
- **Supply Chain Maturity Driving Domestic Substitution and High-End Global Expansion:** Domestic manufacturers continue to break through technical bottlenecks in high-end, heavy-duty three-phase asynchronous motors, accelerating domestic substitution and gradually replacing foreign leading brands in core industrial applications. With a highly optimised cost structure and a mature supply chain, Chinese industrial motor enterprises are also accelerating the reshaping of the global industrial landscape. The export structure has continuously optimised, with a significant increase in the export growth rate and proportion of high-value-added products, such as ultra-high-efficiency and specialised asynchronous motors. The overseas expansion model has evolved from the traditional export of basic products to a new stage of multi-dimensional synergistic development, covering technology export, capacity layout, and standard formulation leadership.

Market Size of China’s Industrial PMSM Industry

The industrial PMSM market in China exhibited great growth by virtue of its high energy efficiency and energy density, growing from approximately RMB46.6 billion in 2021 to approximately RMB71.1 billion in 2025. Precision manufacturing, represented by CNC machine tools, is the largest segment of the industrial PMSM market, which accounted for approximately 59.8% of the market. The rapid growth of embodied robots is expected to further accelerate the growth of the industrial PMSM market, increasing to approximately RMB147.0 billion in 2030 with a CAGR of approximately 15.6% from 2025 to 2030, among which the CAGR of embodied robots from 2025 to 2030 is expected to reach approximately 64.6%.

INDUSTRY OVERVIEW

Market Size of Industrial PMSM in China, by Application, by Sales Revenue, 2021 to 2030E



Sources: IDC, SEMI, National Bureau of Statistics, National Energy Administration, CIC

Note: Others in industrial automation includes industrial PMSM used in fields such as automated production lines. Others include applications such as wind power equipment, flywheel energy storage, etc.

Market Drivers and Development Trends of China’s Industrial PMSM Industry

- Surge in Demand for Intelligent Manufacturing and Precision Drives:** As China’s equipment manufacturing industry advances towards high-end, precision, and cutting-edge development, the penetration rate of PMSM, the core execution components of AC servo systems, continues to increase. Particularly in precision manufacturing fields such as industrial robotics, semiconductor equipment, and CNC machine tools, the demand for multi-axis precise motion control has surged. With characteristics of extremely high responsiveness, ultra-high control precision, and excellent low-speed torque, PMSM have become the core driving force supporting the upgrade of intelligent manufacturing. Furthermore, as artificial intelligence algorithms are progressively applied to whole-body motion strategies, the continuous upgrade of PMSM control systems towards high precision and strong self-adaptation is further accelerated.
- The Explosive Growth of Humanoid Robots as a New Industrial Engine:** The rapid commercialisation and technological breakthroughs in the humanoid robot sector have created a massive new incremental market for high-performance PMSM, particularly frameless torque motors and precision servo motors. Humanoid robots require dozens of highly dynamic joint motors to achieve complex bipedal locomotion and dexterous manipulation. This emerging application demands extreme torque density, lightweight design, and dynamic responsiveness that far exceed traditional industrial requirements. The market size for motors used in humanoid robots in China is projected to reach approximately RMB2.4 billion by 2030, with a CAGR of approximately 89.1% from 2025 to 2030. This explosive growth in robot deployment is directly catalyzing a structural surge in demand for cutting-edge PMSM solutions.

INDUSTRY OVERVIEW

- **Modularisation and Deep Mechatronics Integration:** To achieve greater operational efficiency, structural compactness, and cost control, industrial PMSM are accelerating the transition from standalone components to integrated mechatronic systems. In advanced applications such as robotic joints, motors, precision reducers, servo drivers, and encoders are gradually evolving into highly integrated joint modules. Through this high degree of physical and logical integration, the power density and response speed of the system can be significantly enhanced, while the difficulty of overall assembly is reduced. This integration trend represents a key path toward achieving large-scale mass production of both advanced industrial automation equipment and humanoid robots.
- **High Degree of Customisation and Scenario-Specific Adaptability:** The complex operating conditions faced by downstream applications — ranging from extreme-environment industrial operation and maintenance to domestic services — have placed unprecedented requirements on the customisation of PMSM. Different scenarios exhibit significant variations in requirements for power performance, form factors, protection ratings, and thermal management. The business model of the industry has fundamentally shifted from the simple sale of standardised hardware to front-end collaborative customised development based on end-user scenario requirements. By engaging deeply in the early-stage product design and R&D of end customers, motor suppliers achieve precise matching between PMSM products and application scenarios through the holistic optimisation of structure, electromagnetics, and control algorithms.
- **Maturity of the Industry Chain Accelerates Domestic Substitution and Global Expansion:** Benefiting from policy dividends supporting industrial automation, domestic manufacturers continue to break through technical bottlenecks in high-end PMSM and servo control technologies. The core supply chain, particularly in rare-earth permanent magnets and precision manufacturing, is increasingly mature, allowing domestic brands to rapidly capture market share from foreign competitors in the mid-to-high-end servo sector. With significantly optimised hardware cost structures, Chinese industrial PMSM enterprises are accelerating their global layout. The overseas expansion model has evolved from traditional product exports to a new stage of multi-dimensional synergistic development, exporting high-value-added precision drive solutions to reshape the global industrial landscape.

COMPETITIVE ANALYSIS OF CHINA’S INDUSTRIAL AC MOTOR INDUSTRY

Competitive Landscape of China’s Industrial AC Motor Industry

The competitive landscape of China’s industrial AC motor industry is characterised by the coexistence of international and domestic manufacturers, with competition driven by factors such as technological capabilities, product performance and localized service capabilities. International manufacturers generally maintain advantages in technological expertise, product reliability and premium industrial applications. Domestic manufacturers have gradually enhanced their competitiveness through ongoing technological upgrades, cost advantages and localised service capabilities. As industrial customers increasingly demand higher energy efficiency, reliability and customised solutions, competition within the industry has gradually evolved from basic electromagnetic structural design competition towards comprehensive capability competition.

Ranking and Market Share of Top Five Industrial AC Motor Manufacturers

The industrial AC motor market in China is highly fragmented, with a large number of domestic and international manufacturers competing across different product categories and application scenarios. International manufacturers generally possess advantages in technological expertise, product reliability and premium industrial applications, while domestic manufacturers have progressively strengthened their

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competitive positions through continuous technological advancement, cost competitiveness and localised service capabilities. Despite the presence of several leading manufacturers, the market remained relatively fragmented, with the top five industrial AC motor manufacturers accounting for an aggregate market share of approximately 12.5% in terms of sales value in 2025.

In 2025, the Company’s market share was approximately 0.3% in terms of sales value in the industrial AC motors market in China.

Entry Barriers and Key Success Factors of the Industrial AC Motor Industry

- **Continuous technological breakthroughs and R&D innovation capabilities:** With the rising global standards for industrial energy efficiency, AC motors are transitioning from standard energy efficiency to ultra-high energy efficiency and precision drive control. Industry competition is no longer limited to basic electromagnetic structural design, but further involves the interdisciplinary integration of materials science, power electronics, and control algorithms. The research and development capabilities to develop high-efficiency products, along with the ability to consistently align technical development with international advanced standards, are objective prerequisites for an enterprise to enter high-end market segments and secure leading technological advantages.
- **Stringent industry certifications and supplier access requirements:** As the power source of downstream equipment, the safety and stability of industrial AC motors directly affect the continuity of production lines, and therefore are subject to extremely stringent certification and entry requirements. In addition to China’s national energy efficiency certification (GB), entry into specific sectors also requires obtaining various global authoritative certifications, such as the EU’s CE, the US’s UL, and explosion-proof certifications. As leading downstream enterprises typically implement stringent and long-term supplier qualification review procedures, such trust system established based on long-term stable operational data constitutes a stringent barrier to entry for new entrants. Once a cooperative relationship is established, it is typically characterised by a high degree of exclusivity and long-term commitment.
- **Customised service capabilities:** The diversification of industrial application scenarios has led to a highly fragmented demand for motors. Leading manufacturers typically possess strong collaborative service capabilities, enabling them to participate deeply in the early research and development and design phases of downstream customers, and provide comprehensive solutions ranging from technical approaches matching to customised prototyping. Customised services have not only enhanced customer stickiness but have also established a robust customer ecosystem barrier through long-term cooperation.
- **Supply chain stability:** The production of motors is highly dependent on core raw and auxiliary materials such as rare earth permanent magnet materials, high-end silicon steel sheets, high-grade electromagnetic wires, and insulation and vacuum sealing materials. Against the backdrop of fluctuations in the global trade environment, the possession of strategic supply chain resources and the guarantee of independent control over major raw materials and components by leading manufacturers will directly impact delivery cycles and cost control.
- **Flexible manufacturing and large-scale delivery capabilities:** In the face of customised market demand characterised by multiple varieties and small batches, the possession of efficient and flexible manufacturing capabilities is of paramount importance. Manufacturers are required to achieve rapid changeover and efficient production of products with different

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specifications on the same production line through the deep integration of precision processing equipment and digital management systems (such as MES and ERP). Delivering high-quality products with short lead times while ensuring process consistency is the foundation for an enterprise to maintain a sustained competitive edge in a complex and ever-changing industry.

ANALYSIS OF PRICES AND MAJOR RAW MATERIAL COSTS OF INDUSTRIAL AC MOTORS

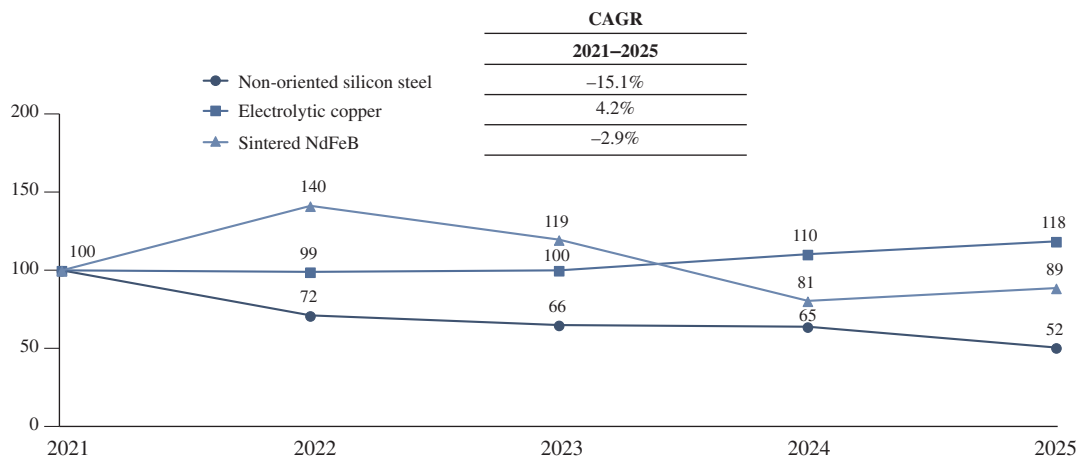
Price Trends of Industrial AC Motors

The price of industrial AC motors is influenced by various factors, including raw material costs, product specifications and downstream application requirements. Given the wide range of motor types, power ratings and application scenarios, significant price variations exist among different industrial AC motor products. Overall, the overall price levels of industrial AC motors remained relatively stable over the past five years, although a slight decline was observed in 2024, primarily driven by a moderation in downstream demand and intensified market competition.

Price Trends of Major Raw Materials of Industrial AC Motors

The major raw materials for industrial AC motors primarily include non-oriented silicon steel, electrolytic copper, and the permanent magnet material sintered neodymium iron boron, the price fluctuations of which have a significant impact on the cost structure of the industry. Since 2021, the price trends of various raw materials have exhibited significant divergence. The price index of non-oriented silicon steel has continued to decline as a result of the release of domestic steel production capacity and the slowdown in traditional industrial demand. The electrolytic copper, driven by the global electrification transition and demand for computing infrastructure, experienced an overall upward trend amid volatility. Following a previous correction in rare earth prices, the sintered NdFeB, bolstered by demand from robotics and high-performance motors, has stabilised and rebounded in 2025.

Price Trends of Major Raw Materials for Industrial AC Motors, by Price Index, 2021 to 2025



Sources: National Bureau of Statistics, China Iron and Steel Association, CIC

Note: The price index is based on 2021, which is set at 100.

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REGULATIONS RELATING TO MOTORS, DRIVES AND CONTROL SYSTEMS

On 8 May 2015, the State Council issued “Made in China 2025”, which proposed to promote the deep integration of informatisation and industrialisation, and to accelerate the development of intelligent manufacturing equipment and products. Achieve breakthroughs in intelligent core devices such as new sensors, intelligent measurement instruments, industrial control systems, servo motors and drives, and reducers, and promote engineering and industrialisation. Vigorously promote breakthrough development in key areas. Develop a batch of sophisticated, high-speed, high-efficiency, and flexible CNC machine tools, basic manufacturing equipment, and integrated manufacturing systems. Accelerate the research and development of frontier technologies and equipment such as high-end CNC machine tools and additive manufacturing. Focusing on enhancing reliability and precision retention, develop high-end CNC systems, servo motors, bearings, gratings, and other major functional components as well as key application software, and accelerate the realisation of industrialisation.

On 21 December 2021, government departments including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Education, the Ministry of Science and Technology and the Ministry of Finance jointly issued the “14th Five-Year Plan for Smart Manufacturing Development”, which included industrial control equipment such as advanced controllers, high-precision servo drive systems, intelligent CNC systems, high-end distributed control systems, programmable logic controllers, and supervisory control and data acquisition systems in the smart manufacturing equipment innovation and development action.

On 7 July 2022, the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Ecology and Environment issued the “Implementation Plan for Carbon Peaking in the Industrial Sector” to improve the energy efficiency of key energy-consuming equipment. Implement energy efficiency improvement plans for transformers, motors and other equipment, and promote energy-saving renovation and upgrading of key energy-consuming equipment systems such as industrial furnaces, boilers, compressors, fans and pumps. Focus on the promotion of new energy-saving equipment such as rare-earth permanent magnet ironless motors, ultra-high power high-voltage frequency conversion transformers, triangular solid wound core transformers, controllable heat pipe energy-saving heat treatment furnaces, variable frequency stepless speed control fans and magnetic levitation centrifugal fans.

According to the Guidance Catalogue for the Adjustment of Industrial Structure (2024 Version) issued by the National Development and Reform Commission on 27 December 2023 and implemented on 1 February 2024, key components such as high-precision reducers for robots, high-performance servo systems, intelligent controllers and intelligent integrated joints, as well as CNC systems for high-end CNC machine tools, servo drives and motors, and electric vehicle drive motor systems, are all listed as encouraged industries.

On 7 March 2024, the State Council issued the Action Plan for Promoting Large-scale Equipment Renewal and Trade-in of Consumer Goods. It is proposed that, in order to coordinate the expansion of domestic demand and the deepening of supply-side structural reform, four major actions — equipment updates, trade-in of consumer goods, recycling and reuse, and standard enhancement — shall be implemented to vigorously promote the production and application of advanced equipment and to drive a new round of large-scale equipment updates and trade-in of consumer goods. These include measures such as supporting the renewal of transportation equipment and old agricultural machinery, and it is expected that downstream industrial demand will continue to grow.

On 13 February 2026, the Ministry of Industry and Information Technology, the National Development and Reform Commission, the State-owned Assets Supervision and Administration Commission of the State Council and the National Energy Administration jointly issued the

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“Implementation Plan for the High-Quality Development of Energy-Saving Equipment (2026-2028)”. It is proposed to accelerate the research, development and promotion of advanced energy-saving equipment; promote the research, development and upgrading of basic materials and core components required for motors with energy efficiency exceeding Level 1 and wide-range high efficiency; and accelerate the promotion and application of high-efficiency energy-saving asynchronous motors, wide-range permanent magnet motors, direct-drive motors, magnetic levitation motors and high-precision industrial servo motors. Develop energy-saving motors with strong applicability and high matching performance for specific operating conditions such as ultra-low speed, ultra-high speed, frequent load variations, high response speed, low-speed high torque and starting under high-inertia loads.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection

Pursuant to the Environmental Protection Law of the People’s Republic of China (the “**Environmental Protection Law**”) promulgated by the Standing Committee of the National People’s Congress on 26 December 1989, amended on 24 April 2014 and effective on 1 January 2015, any enterprises and public institutions that discharge or will discharge pollutants during their operations or other activities shall adopt effective environmental protection measures and procedures to control and properly treat waste gas, wastewater, waste residue, dust, malodorous gases, radioactive substances, noise, vibration, electromagnetic radiation and other hazards generated during such activities.

On 28 October 2002, the Standing Committee of the National People’s Congress promulgated the Environmental Impact Assessment Law of the People’s Republic of China, which was last amended on 29 December 2018. Pursuant to the Environmental Impact Assessment Law, the State Council implements environmental impact assessments and classifies construction projects based on their environmental impact.

Pursuant to the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects effective on 20 November 2017 and the Regulations on the Administration of Construction Project Environmental Protection amended on 16 July 2017 and implemented on 1 October 2017, upon completion of a construction project for which an environmental impact report or an environmental impact statement is required, the construction unit shall conduct environmental protection acceptance of the completed project and prepare an acceptance report in accordance with the standards and procedures prescribed by the environmental protection administrative department. Construction projects for which an environmental impact report or an environmental impact statement is required to be issued may only be put into production or use after they have passed the environmental protection inspection and acceptance upon completion.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 22 February 1993 and last amended on 29 December 2018, where products are produced or sold that do not comply with national or industry standards for the protection of human health and the safety of person and property, the relevant party shall be ordered to cease production and sale, the products illegally produced or sold shall be confiscated, and a fine of not less than the value of the products illegally produced or sold (including products already sold and those not yet sold, the same shall apply hereinafter) and not more than three times such value shall be imposed; where there are illegal gains, such illegal gains shall be confiscated concurrently; where the circumstances are serious, the business licence shall be revoked; and where a crime is constituted, criminal liability shall be pursued in accordance with the law.

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According to the Standardisation Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 29 December 1988 and last amended on 4 November 2017, and the Implementation Regulations of the Standardisation Law of the People’s Republic of China promulgated by the State Council on 6 April 1990, latest amended on 30 January 2026, and effective on 20 March 2026, products and services that do not conform to mandatory standards shall not be produced, sold, imported or provided. Meanwhile, the technical requirements for exported products and services shall be implemented in accordance with the provisions of the contract.

According to the Minimum Allowable Values of Energy Efficiency and Values of Efficiency Grades for Motors (GB18613-2020) (National Standard of the People’s Republic of China) promulgated by the State Administration for Market Regulation and the Standardisation Administration of China on 29 May 2020 and implemented on 1 June 2021, the standard stipulates the energy efficiency grades, minimum allowable values of energy efficiency, and test methods that shall be satisfied by three-phase asynchronous motors, single-phase asynchronous motors, and motors for air conditioner fans that meet the specific ranges of indicators such as voltage, power, and number of poles.

LAWS AND REGULATIONS RELATING TO THE IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 12 May 1994, last amended on 27 December 2025 and implemented on 1 March 2026, the competent department for foreign trade under the State Council is in charge of foreign trade work nationwide. The competent department for foreign trade under the State Council shall, in conjunction with other relevant departments under the State Council, formulate, adjust and publish catalogues of goods and technologies whose import or export is restricted or prohibited. The competent department for foreign trade under the State Council or the said department jointly with other relevant departments under the State Council may, with the approval of the State Council and within the scope provided by law, make a temporary decision to restrict or prohibit the import or export of specific goods or technologies other than those listed in the catalogue referred to in the preceding paragraph.

According to the Measures for the Record-filing and Registration of Foreign Trade Operators promulgated by the Ministry of Commerce on 25 June 2004, implemented on 1 July 2004 and last amended on 10 May 2021, foreign trade operators engaged in the import or export of goods or technologies shall go through the record-filing and registration formalities with the Ministry of Commerce or its entrusted agencies, except where record-filing and registration are not required by any laws, administrative regulations or provisions of the Ministry of Commerce. Where a foreign trade operator fails to complete the filing and registration formalities in accordance with the relevant provisions, the Customs shall not process the customs declaration and clearance formalities for the import and export of goods.

According to the Notice on Matters Relating to the Record-filing of Consignors and Consignees of Imported and Exported Goods promulgated by the General Administration of Customs of the People’s Republic of China on 3 January 2023 and effective on the same date, and the Provisions of the Customs of the People’s Republic of China on the Administration of Record-filing of Customs Declaration Entities promulgated on 19 November 2021 and effective on 1 January 2022, consignors and consignees of imported and exported goods and customs declaration enterprises applying for record-filing shall obtain the status of a market entity; among which, consignors and consignees of imported and exported goods applying for record-filing shall also obtain the record-filing for foreign trade operators. Where consignors or consignees of imported or exported goods and customs declaration enterprises have completed the record-filing of customs declaration entities, their branch offices that meet the conditions set forth in the preceding paragraph may also apply for the record-filing of customs declaration entities.

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REGULATIONS RELATING TO OVERSEAS DIRECT [REDACTED]

The Administrative Measures for Outbound Investment were promulgated by the Ministry of Commerce on 6 September 2014 and came into effect on 6 October 2014. According to the definition in the Administrative Measures for Outbound Investment, outbound [REDACTED] refers to the activities of enterprises legally established in the People’s Republic of China possessing non-financial enterprises abroad or obtaining the ownership, control, operation and management rights and other interests of existing non-financial enterprises abroad through new establishment, merger and acquisition or other means. Overseas [REDACTED] by enterprises involving sensitive countries and regions or sensitive industries shall be subject to approval-based administration. Outbound [REDACTED] by enterprises under other circumstances shall be subject to record-filing administration. Local enterprises shall file for the record with the provincial-level competent commerce department at their place of location. Qualified enterprises shall be recorded by the provincial competent commerce departments and granted the Certificate of Overseas Investment by Enterprises.

LAWS AND REGULATIONS RELATING TO LABOUR AND SOCIAL SECURITY

Pursuant to the Labour Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 5 July 1994 and last amended and newly effective on 29 December 2018, the Labour Contract Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 29 June 2007 and effective on 1 January 2008 and amended on 28 December 2012 and newly effective on 1 July 2013, and the Implementation Regulations of the Labour Contract Law of the People’s Republic of China promulgated by the State Council on 18 September 2008 and effective on the same date, employers shall strictly comply with national standards and provide relevant training to labourers to ensure that labourers enjoy labour rights and fulfil labour obligations.

According to the Social Insurance Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 28 October 2010 and amended and newly effective on 29 December 2018, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums last amended and effective on 24 March 2019 by the State Council, enterprises in China shall pay pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance for their employees in accordance with the statutory contribution bases and contribution proportions. If the relevant payments are not made to the relevant local administrative authorities in full and on time, the employing unit may be ordered to make up the shortfall or be subject to a fine.

According to the Regulations on the Administration of Housing Provident Fund promulgated by the State Council on 3 April 1999 and last amended and newly effective on 24 March 2019, employing units shall undergo housing provident fund deposit registration with the housing provident fund management centre and deposit housing provident fund contributions on time and in full. Where an employing unit fails to pay or underpays the housing provident fund within the prescribed time limit, the housing provident fund management centre shall order it to make the payment within a specified time limit; where the payment is still not made upon the expiration of the time limit, an application may be made to the People’s Court for compulsory enforcement.

According to documents including the Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy promulgated and effective on 16 November 2018 by the State Taxation Administration and the Opinions on Carrying out the 2021 ‘I Do Practical Things for Taxpayer Payers and Facilitate the People’s Tax Spring Breeze Action’ promulgated and effective on 11 February 2021, tax authorities at all levels shall carry out the normal collection and payment of social insurance premiums in an orderly manner, and shall not

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conduct centralised settlement of historical arrears on their own, nor increase the payment burden on enterprises, especially small, medium and micro enterprises, due to the transfer of social insurance premium collection responsibilities.

According to the provisions of the Notice of the General Office of the State Council on the Issuance of the ‘General Plan for Lowering Social Insurance Premium Rate’ promulgated and effective on 1 April 2019 by the General Office of the State Council, in the process of reforming the collection system, historical arrears of enterprises shall not be centrally collected and cleared on their own initiative, and no practises that increase the actual payment burden of small and micro enterprises shall be adopted, so as to avoid causing difficulties in the production and operation of enterprises.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

The Standing Committee of the National People’s Congress promulgated the Copyright Law of the People’s Republic of China (the “**Copyright Law**”) on 7 September 1990, which came into effect on 1 June 1991 and was amended on 27 October 2001, 26 February 2010 and 11 November 2020, respectively, with the latest amendment coming into effect on 1 June 2021. Under the Copyright Law, Chinese citizens, legal persons or other organisations shall enjoy copyright in their works, whether published or not, including (among others) works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy several legal rights, including the right of publication, the right of authorship, and the right of reproduction. Infringers of copyright shall bear various civil liabilities, including ceasing the infringing acts, apologising to the copyright owner, and compensating the copyright owner for losses. In the event of serious circumstances, copyright infringers may also be subject to fines and/or assume administrative or criminal liability.

Trademarks

According to the Trademark Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 23 August 1982, amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 respectively and implemented on 1 November 2019, the Trademark Office of the State Administration for Industry and Commerce (the “**SAIC**”) under the State Council is responsible for trademark registration and administration within the territory of China. The State Administration for Industry and Commerce under the State Council has established the Trademark Review and Adjudication Board to be responsible for handling trademark dispute matters. The period of validity of a registered trademark shall be ten years, commencing from the date of approval of registration. The registrant shall handle renewal procedures within twelve months prior to the expiry of the registration period. If the procedures fail to be completed within such period, a grace period of six months may be granted. Where the renewal procedures have not been completed upon the expiry of the grace period, the registered trademark shall be cancelled. The period of validity of a renewal of registration shall be ten years.

Patents

According to the Patent Law of the People’s Republic of China (the “**Patent Law**”) promulgated by the Standing Committee of the National People’s Congress on 12 March 1984 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020 respectively, with the latest amendment effective from 1 June 2021, and the Implementing Regulations of the Patent Law of the People’s Republic of China (the “**Implementing Regulations of the Patent Law**”) promulgated by the State Council on 15 June 2001 and amended on 28 December 2002, 9 January 2010 and 11 December 2023 respectively, with the latest amendment effective from 20 January 2024, the patent administration

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department under the State Council is responsible for the administration of patent-related work nationwide, and the patent administration departments of the people’s governments of provinces, autonomous regions and municipalities directly under the Central Government are responsible for the administration of patent work within their respective administrative areas. The Patent Law and the Implementing Regulations of the Patent Law provide for three categories of patents, namely “inventions”, “utility models” and “designs”. The term of validity for invention patents shall be twenty years, and the term of validity for utility model patents shall be ten years; and, starting from 1 June 2021, the term of validity for design patents with an application date after 1 June 2021 shall be extended to fifteen years from the date of application.

Domain Names

On 24 August 2017, the Ministry of Industry and Information Technology promulgated the Administrative Measures on Internet Domain Names (the “**Domain Name Management Measures**”), which came into effect on 1 November 2017. The Domain Name Management Measures regulate domain name registration matters, such as the country code top-level domain for China, which is “.CN”. On 18 June 2019, the China Internet Network Information Centre (“**CNNIC**”) issued the “Announcement on the Issuance and Implementation of the Series of Provisions of the ‘Detailed Rules for the Implementation of National Top-Level Domain Name Registration’”, pursuant to which CNNIC may authorise domain name dispute resolution institutions to make decisions on domain name-related disputes.

REGULATIONS RELATING TO REAL PROPERTY

According to the Land Administration Law of the People’s Republic of China promulgated by the Standing Committee of the National People’s Congress on 25 June 1986, as last amended on 26 August 2019 and effective from 1 January 2020, China implements a system for the control of land use, including agricultural land, construction land and unused land. All units and individuals must use land strictly in accordance with the purposes determined by the overall land use plan. The registration of ownership and right to use of land shall be carried out in accordance with the laws and administrative regulations relating to the registration of immovable property. The ownership and right to use of land registered in accordance with the law shall be protected by law, and no entity or individual may infringe upon such rights.

The Interim Regulations on Real Estate Registration promulgated by the State Council on 24 November 2014, effective on 1 March 2015, amended on 24 March 2019 and 10 March 2024 and implemented on 1 May 2024, and the Implementing Rules for the Interim Regulations on Real Estate Registration promulgated by the Ministry of Land and Resources on 1 January 2016 and amended on 24 July 2019 and 9 May 2024 respectively, provide (among other things) that the State shall implement a unified real estate registration system, and real estate registration shall follow the principles of strict management, stability and continuity, and convenience for the public.

REGULATIONS RELATING TO LEASING

According to the Civil Code, an owner shall, in accordance with the law, enjoy the rights to possess, use, seek profits from, and dispose of its own real or personal property. The lessee may, with the consent of the lessor, sublease the leased premises to a third party. Where the lessee subleases the leased property, the lease contract between the lessee and the lessor shall remain valid. The lessor is entitled to terminate the contract if the lessee subleases the premises without the consent of the lessor. In addition, any change in the ownership of the leased property during the period of possession by the

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lessee in accordance with the leasing contract shall not affect the validity of the leasing contract. In addition, if the mortgaged property has been leased and possession has been transferred prior to the creation of the mortgage, the original lease relationship shall not be affected by such mortgage.

On 1 December 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing, which became effective on 1 February 2011. According to the Measures, within 30 days after the conclusion of a housing lease contract, the parties to the housing lease shall go to the construction (real estate) competent department of the people’s government of the municipality directly under the Central Government, city or county where the leased house is located to handle the registration and filing of the housing lease. In the event of a violation of such provision, an order shall be made to rectify the same within a prescribed time limit; where rectification is not made within the time limit, a fine of not less than RMB1,000 and not more than RMB10,000 shall be imposed in respect of each lease agreement.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign exchange in China are the Regulations of the People’s Republic of China on Foreign Exchange Control (the “**Foreign Exchange Control Regulations**”) promulgated by the State Council on 29 January 1996 and effective on 1 April 1996 and subsequently amended on 14 January 1997 and 1 August 2008 (effective on 5 August 2008), and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment promulgated by the People’s Bank of China on 20 June 1996 and effective on 1 July 1996. Under these regulations, payments of current account items (such as profit distributions and trade and service-related foreign exchange transactions) may be made in foreign currencies without the prior approval of the State Administration of Foreign Exchange (the “**SAFE**”) upon compliance with certain procedural requirements. Conversely, where Renminbi (“**RMB**”) is required to be converted into foreign currencies and remitted out of China for the purpose of capital account payments (such as repayment of foreign currency-denominated loans, direct overseas investments and investments in securities or derivative products outside China), approval from or registration with the relevant government authorities or designated banks is required.

On 13 February 2015, the State Administration of Foreign Exchange promulgated the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (“**SAFE Circular 13**”), which was implemented on 1 June 2015 and further amended on 30 December 2019. According to SAFE Circular 13, banks shall directly review and process foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the State Administration of Foreign Exchange and its branches shall implement indirect supervision over foreign exchange registration of direct investment through banks.

On 30 March 2015, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (“**SAFE Circular 19**”), which became effective on 1 June 2015 and was further amended in 2019. According to the document, the foreign exchange capital of foreign-invested enterprises is subject to the settlement of foreign exchange on a discretionary basis (“**Discretionary Settlement**”). Discretionary Settlement of foreign exchange refers to the fact that foreign exchange capital under the capital account (including foreign exchange capital, foreign loans and funds withdrawn from proceeds of overseas listings) confirmed for Discretionary Settlement in accordance with relevant policies may be settled at banks based on the actual operational needs of domestic institutions. The proportion of Discretionary Settlement of foreign exchange capital is tentatively set at 100%. RMB funds derived from the Discretionary Settlement of foreign exchange capital shall be managed under the account for foreign exchange settlement and

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pending payment. If a foreign-invested enterprise needs to make further payments through such Account for Foreign Exchange Settlement Pending Payment, it is still required to provide supporting materials and pass the bank’s review procedures.

On 9 June 2016, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policy of the Settlement of Foreign Exchange Capital (“**SAFE Circular 16**”). SAFE Circular 16 has unified the policies on Discretionary Settlement of foreign exchange for all domestic institutions.

On 23 October 2019, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (“**SAFE Circular 28**”). SAFE Circular 28 provides that non-investment foreign-invested enterprises may, in accordance with the law, use their capital funds to conduct domestic equity investments, provided that such investments do not violate the negative list and the investment projects are authentic, compliant and legal.

On 10 April 2020, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Optimising Foreign Exchange Administration to Support the Development of Foreign-related Business (“**SAFE Circular 8**”). SAFE Circular 8 provides that, on the premise that the use of funds is genuine and complies with current administrative provisions on the use of capital account income, enterprises are permitted to use capital account income, such as capital, foreign debt and overseas listing proceeds, for domestic payments without the need to provide banks with authenticating materials for payment prior to each transaction.

LAWS AND REGULATIONS RELATING TO TAXATION

Corporate Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China (the “**Enterprise Income Tax Law**”) promulgated by the National People’s Congress on 16 March 2007 and last amended by the Standing Committee of the National People’s Congress on 29 December 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the People’s Republic of China (the “**Implementation Regulations of the Enterprise Income Tax Law**”) promulgated by the State Council on 6 December 2007 and last amended on 20 January 2025, taxpayers include resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises established in China in accordance with Chinese laws, or enterprises established in accordance with the laws of foreign countries but whose de facto management is exercised within the territory of China. Non-resident enterprises are defined as enterprises established under foreign laws with their de facto management bodies located outside China, but which have established institutions or premises in China, or which have not established institutions or premises in China but have income derived from China.

According to the Enterprise Income Tax Law and relevant implementation regulations, the uniform enterprise income tax rate applicable to enterprises is 25%.

Value-added Tax

According to the Provisional Regulations of the People’s Republic of China on Value-added Tax promulgated by the State Council on 13 December 1993 and last amended on 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the People’s Republic of China on Value-added Tax promulgated by the Ministry of Finance on 25 December 1993 and last amended on 28 October 2011 (the “**Provisional Regulations on VAT**”), entities and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and the

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importation of goods within the territory of the PRC are taxpayers of value-added tax (“VAT”) and shall pay VAT in accordance with laws and regulations. Unless otherwise specified, the value-added tax rate for the sale of goods shall be 17%. The Ministry of Finance and the State Administration of Taxation (the “SAT”) issued the “Notice on Adjusting Value-added Tax Rates” on 4 April 2018, which came into effect on 1 May 2018, providing that where a taxpayer is engaged in taxable sales activities or the importation of goods, the tax rates previously applicable at 17% and 11% shall be adjusted to 16% and 10%, respectively.

Subsequently, the Ministry of Finance, the State Taxation Administration and the General Administration of Customs of the People’s Republic of China jointly issued the Announcement on Policies concerning Deepening the Value-added Tax Reform (effective from 1 April 2019) to make further adjustments. Where a taxpayer engages in a taxable sales activity for value-added tax purposes or imports goods, and the tax rates of 16% and 10% were previously applicable, the tax rates shall be adjusted to 13% and 9%, respectively.

REGULATIONS RELATING TO SHARE INCENTIVE SCHEMES

According to the Notice on Issues Concerning the Foreign Exchange Administration of Domestic Individuals Participating in Equity Incentive Plans of Overseas Listed Companies (“SAFE Circular 7”) promulgated by the State Administration of Foreign Exchange on 15 February 2012 and other regulations, directors, supervisors, senior management and other employees who are Chinese citizens or non-Chinese citizens residing in the PRC for a continuous period of not less than one year and who participate in any equity incentive plan of an overseas listed company are required, except for certain exceptions, to register with the State Administration of Foreign Exchange through a domestic agent. In addition, matters such as individual exercise, purchase or sale of shares or interests, and the corresponding transfer of funds must be handled by an overseas trustee institution. Foreign exchange income derived by PRC residents from the sale of shares under equity incentive plans and dividends distributed by overseas listed companies shall be remitted to the bank account opened by the domestic institution in China before being distributed to the PRC residents.

REGULATIONS RELATING TO OVERSEAS ISSUANCE AND LISTING

On 17 February 2023, with the approval of the State Council, the China Securities Regulatory Commission (the “CSRC”) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”) and five relevant guidelines, which came into effect on 31 March 2023. According to the Trial Measures, (1) where a domestic enterprise in China directly or indirectly issues securities or lists overseas, it shall file with the CSRC and report relevant information; (2) a domestic enterprise directly issuing securities or listing overseas refers to a joint stock limited company registered and established in China issuing securities or listing overseas; and (3) any joint stock limited company registered and established in China seeking an overseas listing shall file with the CSRC within three working days after submitting its application for overseas listing.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

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. We have nearly 40 years of experience in motor manufacturing, tracing back to our predecessor, Huangyan City Motor Factory* (黃岩市電機廠) that commenced business since the 1980's. 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).

On 29 July 2022, our Company received approval for the quotation of our Shares on the NEEQ, and on 21 September 2022, our Shares were quoted on the NEEQ under the stock code of 873936.

Key Development Milestones

The following table outlines our key development milestones:

Year	Key development milestones
1995	Our Company was established as a joint stock limited company in the PRC.
1998	We obtained quality management system ISO9002:1994 certification.
1999	We commenced export of our products to overseas markets.
2003	We initiated a major technical transformation and expansion project in Jinqing Town Industrial Park.
2004	- We were recognised as a National High-tech Enterprise - We invested in the production of high-efficiency and energy-saving special motor manufacturing facility, with the designed annual production capacity of 4 million kW.
2005	We implemented the technical transformation project for our JM400 series high efficiency, energy-saving and high-power motors.
2006	Our product was recognised as a Chinese Famous Brand Product (中國名牌產品) by the State Administration for Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局).
2007	We became a member of China's domestic working group for IEC 60034-30, as approved by the National Standardisation Administration, and participated in the formulation of the national motor energy efficiency standards.
2008	We commenced production of our high efficiency, energy-saving motors.
2009	We established our subsidiary, Taizhou Chuangzhi Electromechanical Technology Co., Ltd. (台州市創智機電科技有限公司), to further expand electromechanical equipment and accessories operations.
2012	We commenced PMSM production.
2014	We established Zhejiang Jinlong Motor Remanufacturing Energy-saving Technology Co., Ltd. (浙江錦龍電機再製造節能科技有限公司) to enter the motor recycling and energy performance contracting market.
2018	We established our Shenzhen R&D center.
2019	We obtained multiple software copyrights for our electrohydraulic servo drive control systems, marking an advancement in our intelligent control and drive technologies.
2020	We were recognised as a “Zhejiang Famous Export Brand” (浙江出口名牌) by the Zhejiang Provincial Department of Commerce (浙江省商務廳).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Key development milestones
2021	- Our YE3 and YE4 series high-efficiency 3-PH IM were recognised as “Green Design Products” (綠色設計產品) by the Economy and Information Technology Department of Zhejiang (浙江省經濟和信息化廳). - Our YE4 series 3-PH IM were recognised as “Zhejiang-Made High-Quality Products” (浙江製造精品) by the Economy and Information Technology Department of Zhejiang (浙江省經濟和信息化廳). - We were accredited as a National-level Specialised and Sophisticated “Little Giant” Enterprise (國家級專精特新「小巨人」企業) by the Ministry of Industry and Information Technology (工業和信息化部). - Our TYK series PMSM were recognised as “First-of-its-kind Products in Key Areas of Taizhou’s Equipment Manufacturing Industry” (台州市裝備製造業重點領域首台(套)產品) by the Taizhou Municipal Bureau of Economy and Information Technology (台州市經濟和信息化局).
2022	- Our Shares were quoted on the NEEQ - We commenced the research and development of IE5 3-PH IM
2023 – 2025	We put our research and development effort on direct-drive pmsm for mechanical equipment in collaboration with a leading university in Shenyang.
May 2026	- We entered into strategic cooperation agreements with a pump manufacturer in Zhejiang and an electric vehicle manufacturer in Anhui for the supply of industrial dual-arm robots and joint modules. - We entered into the entrusted technology agreements with a leading research university in Zhejiang and a science and engineering university in Beijing to advance our R&D in industrial robotic-related and motor control technologies.

OUR SUBSIDIARIES

As at the Latest Practicable Date, we carried out our business through our Company and our subsidiaries in the PRC. Set out below are our subsidiaries and their respective principal business activities, dates of establishment and jurisdictions:

Name	Principal business activities	Date of establishment/ incorporation and jurisdiction
Zhejiang Jinlong Motor Remanufacturing Energy Saving Technology Co., Ltd.* (浙江錦龍電機再製造節能科技有限公司) (“ Jinlong Remanufacturing ”)	motor remanufacturing and sales; waste motor recycling; energy management contracting.	25 February 2014, PRC
Taizhou Jinlong Science and Technology Innovation Park Co., Ltd.* (台州市錦龍科創園區有限公司) (“ Jinlong Science and Technology Park ”)	Science and technology park property management, manufacturing and sales of general mechanical equipment and accessories, drives, frequency converters, motors, generators, water pumps, fans, machine tools, and plant protection machinery, property leasing and business management consulting.	12 March 2018, PRC

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

<u>Name</u>	<u>Principal business activities</u>	<u>Date of establishment/ incorporation and jurisdiction</u>
Taizhou Chuangzhi Electromechanical Technology Co., Ltd.* (台州市創智機電科技有限 公司) (“ Chuangzhi Technology ”)	Manufacturing of electrical machinery and equipment; manufacturing of wooden packaging boxes; processing of wood materials with heat treatment; sales of electromechanical equipment and accessories, metal materials, and electronic products.	17 September 2009, PRC
JLEM USA INC. (“ JLEM USA ”)	Marketing and sales of motors.	29 June 2025, U.S.

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

1. Establishment of our Company

Our company was established as a joint stock limited company under the laws of the PRC on 22 May 1995. At establishment our registered share capital of RMB11,728,550 divided into 11,728,550 Shares of RMB1.00 each was held as to 76.98%, 17.05% and 5.97% by Huangyan City Motor Factory* (黃岩市電機廠) (“**HCM Factory**”), Huangyan Second Light Industry Cooperative Association* (黃岩市二輕工業合作聯社) (“**HSLI Cooperative Association**”), and Zhejiang Huangyan Xinqian Casting Factory* (浙江黃岩新前鑄件廠) (“**Xinqian Casting Factory**”), respectively. Each of HCM Factory, HSLI Cooperative Association and Xinqian Casting Factory was a collectively-owned enterprise established in the PRC. At the time of establishment of our Company, Mr. Ye Jinwu, our executive Director, Chairman of the Board and one of our Controlling Shareholders, was appointed a Director, the Chairman of the Board and legal representative of our Company.

2. Share Transfer in August 2001

In April 2001, the net assets of our Company as of 31 December 2000 as appraised by an independent firm of accountants were valued at RMB3,912,630.66. Taking into account (i) RMB770,000 of the net assets are state-owned assets, (ii) our Company had RMB14 million in bad debts from domestic sales in 1997, and (iii) there were RMB11 million in guarantees provided by our Company before 1997, for which our company was held jointly liable by court judgment were not included in the valuation, the net assets of our Company was negative, and the directors, shareholders and supervisors of our Company at the time resolved for the then existing Shareholders to transfer all their shareholdings to individuals at a minimum consideration of RMB500,000, by way of internal open tender. On 12 July 2001, our Company convened Board meeting, board of supervisors meeting and qualification review committee (資格審查委員會) meeting, during which it was confirmed that Mr. Ye Jinwu submitted the only tender to purchase the Shares of our Company, and on 13 July 2001, the then shareholders of our Company, Mr. Ye Jinwu, Ms. Li Chunlian¹, Mr. Ye Ye², Mr. Wang Xiaoyue³ and Ms. Ye Huiqin⁴ entered into a share transfer agreement for the transfer of Shares.

¹ Ms. Li Chunlian, our executive Director and one of our Controlling Shareholders, is the spouse of Mr. Ye Jinwu.

² Mr. Ye Ye, our general manager, executive Director and one of our Controlling Shareholders is the son of Mr. Ye Jinwu and Ms. Li Chunlian.

³ Mr. Wang Xiaoyue, our deputy general manager, executive Director and one of our Controlling Shareholders, is the son-in-law of Mr. Ye Jinwu and Ms. Li Chunlian.

⁴ Ms. Ye Huiqin, our executive Director and one of our Controlling Shareholders, is the sister of Mr. Ye Jinwu.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In August 2001, with the approval of the Office of the Mayor of Luqiao District People’s Government of Taizhou City* (台州市路橋區人民政府區長辦公室), (i) HCM Factory transferred 3,281,750 Shares, 1,759,600 Shares, 1,759,600 Shares, 1,759,600 Shares and 468,000 Shares to Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqin, respectively, (ii) HSLI Cooperative Association transferred 2,000,000 Shares to Mr. Ye Jinwu, and (iii) Xinqian Casting Factory transferred 700,000 Shares to Mr. Ye Jinwu.

The aggregate consideration for the transfer of the Shares of HCM Factory to the five individuals was RMB2.40 million, which was confirmed by the Taizhou Luqiao District Economic and Information Bureau, the competent authority for HCM Factory.

The consideration of the transfer of Shares from HSLI Cooperative Association to Mr. Ye Jinwu was RMB2 million, based on the par value of the Shares, and as the share capital contribution of RMB2 million from HSLI Cooperative Association remained outstanding at the time, the consideration was settled by Mr. Ye Jinwu via paying our Company RMB2.00 million as share capital.

The capital contribution of Xinqian Casting Factory to our Company at establishment was initially by way of a loan of RMB700,000, but which was subsequently settled by our Company, and therefore the consideration of the transfer of Shares from Xinqian Casting Factory to Mr. Ye Jinwu of RMB700,000, based on the par value of the Shares, was settled by Mr. Ye Jinwu via paying our Company RMB700,000 as share capital.

Upon completion of the Share transfer in August 2001, our Company was owned as to 51.00%, 15.00%, 15.00%, 15.00% and 4.00% by Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue and Ms. Ye Huiqin, respectively.

3. Capital Increase in July 2004

On 7 July 2004, the shareholders of our Company at the time approved an increase in registered capital of our Company from RMB11,728,550 to RMB30 million, by way of issuing new Shares at par to all the shareholders at the time in proportion to their shareholdings prior to the increase in registered capital of our Company.

The capital increase of our Company in July 2004 was approved by the Zhejiang Provincial People’s Government Enterprise Listing Working Group* (浙江省人民政府企業上市工作領導小組) on 27 July 2004. All the increased capital of the Company were fully paid.

The shareholding of our Company immediately after the increase in registered capital in July 2004 is set out below:

<u>Name of shareholder</u>	<u>Number of Shares held</u>	<u>Ownership percentage</u>
Mr. Ye Jinwu	15,300,000	51.00%
Ms. Li Chunlian	4,500,000	15.00%
Mr. Ye Ye	4,500,000	15.00%
Mr. Wang Xiaoyue	4,500,000	15.00%
Ms. Ye Huiqin	1,200,000	4.00%
Total	30,000,000	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

4. Capital Increase in February 2012

On 21 February 2012, the shareholders of our Company at the time approved an increase in registered capital of our Company from RMB30.00 million to RMB37.30 million, by way of issuing new Shares to new shareholders.

On 22 February 2012 and 23 February 2012, the shareholders of our Company entered into capital increase agreements and supplemental agreements with Shanghai Hongli Investment Co., Ltd.* (上海鴻立投資有限公司) (“**Hongli Investment**”), a company established in the PRC with limited liability, Mr. Cheng Gang (程剛), Jiarong Investment Co., Ltd.* (嘉融投資有限公司) (“**Jiarong Investment**”), a company established in the PRC with limited liability, Zhejiang Yicheng Entrepreneurship Investment Co., Ltd.* (浙江億誠創業投資有限公司) (“**Zhejiang Yicheng**”), a company established in the PRC with limited liability, Hangzhou Yuehai Weiqi Investment Partnership Enterprise (Limited Partnership)* (杭州悅海偉祺投資合夥企業(有限合夥)) (“**Yuehai Weiqi LP**”), a limited partnership registered under the laws of the PRC, and Hangzhou Qiaoyou Investment Partnership Enterprise (Limited Partnership)* (杭州橋友投資合夥企業(有限合夥)) (“**Qiaoyou LP**”), a limited partnership registered under the laws of the PRC, pursuant to which Hongli Investment, Mr. Cheng Gang, Jiarong Investment, Zhejiang Yicheng, Yuehai Weiqi LP and Qiaoyou LP each agreed to subscribe new Shares.

Details of the increase in registered capital are set out below:

New Shareholder	Number of Shares Subscribed	Consideration	Contribution to Registered Capital
Hongli Investment	2,478,261	RMB28,500,000	RMB2,478,261
Zhejiang Yicheng	1,739,131	RMB20,000,000	RMB1,739,131
Jiarong Investment	1,739,130	RMB20,000,000	RMB1,739,130
Qiaoyou LP	869,565	RMB10,000,000	RMB869,565
Yuehai Weiqi LP	343,478	RMB3,950,000	RMB343,478
Mr. Cheng Gang	130,435	RMB1,500,000	RMB130,435
Total:	7,300,000	RMB83,950,000	RMB7,300,000

All the contributions to the registered capital of our Company set out above were fully paid. Registration of the said capital increase was completed on 6 March 2012.

The shareholding of our Company immediately after the increase in registered capital in February 2012 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	15,300,000	41.02%
Ms. Li Chunlian	4,500,000	12.06%
Mr. Ye Ye	4,500,000	12.06%
Mr. Wang Xiaoyue	4,500,000	12.06%
Hongli Investment	2,478,261	6.64%
Zhejiang Yicheng	1,739,131	4.66%
Jiarong Investment	1,739,130	4.66%
Ms. Ye Huiqin	1,200,000	3.22%
Qiaoyou LP	869,565	2.33%
Yuehai Weiqi LP	343,478	0.92%
Mr. Cheng Gang	130,435	0.35%
Total:	37,300,000	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

5. Share Transfer in November 2012

On 8 November 2012, Qiaoyou LP entered into a share transfer agreement with Mr. Liu Weijun (劉偉鈞), pursuant to which Qiaoyou LP agreed to sell, and Mr. Liu Weijun agreed to purchase, the entire shareholding of Qiaoyou LP in our Company of 869,565 Shares at a consideration of RMB10 million. The said transfer was approved at a shareholders’ meeting of our Company on 16 November 2012 and registration of the said share transfer was completed on 25 December 2012.

The shareholding of our Company immediately after the Share transfer in November 2012 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	15,300,000	38.93%
Ms. Li Chunlian	4,500,000	11.45%
Mr. Ye Ye	4,500,000	11.45%
Mr. Wang Xiaoyue	4,500,000	11.45%
Hongli Investment	2,478,261	6.31%
Zhejiang Yicheng	1,739,131	4.43%
Jiarong Investment	1,739,130	4.43%
Ms. Ye Huiqin	1,200,000	3.05%
Mr. Liu Weijun	869,565	2.21%
Yuehai Weiqi LP	343,478	0.87%
Mr. Cheng Gang	130,435	0.33%
Total:	37,300,000	100.00%

6. Capital Increase in November 2012

On 8 November 2012, our Company, Mr. Ye Jinwu and Haitong Capital Co., Ltd (海通開元投資有限公司) (“**Haitong Capital**”), a company established in the PRC with limited liability, entered into a capital increase agreement, as supplemented by supplemental agreements on 8 November 2012 and 29 April 2014, respectively, pursuant to which Haitong agreed to subscribe 2,000,000 Shares at a consideration of RMB23,200,000.

On 23 November 2012, the shareholders of our Company at the time approved the increase in registered capital of our Company from RMB37.30 million to RMB39.30 million.

Details of the increase in registered capital is set out below:

New Shareholder	Number of Shares Subscribed	Consideration	Contribution to Registered Capital
Haitong Capital	2,000,000	RMB23,200,000	RMB2,000,000
Total:	2,000,000	RMB23,200,000	RMB2,000,000

All the contributions to the registered capital of our Company set out above were fully paid. Registration of the said capital increase was completed on 25 December 2012.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The shareholding of our Company immediately after the increase in registered capital in November 2012 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	15,300,000	38.93%
Ms. Li Chunlian	4,500,000	11.45%
Mr. Ye Ye	4,500,000	11.45%
Mr. Wang Xiaoyue	4,500,000	11.45%
Hongli Investment	2,478,261	6.31%
Haitong Capital	2,000,000	5.09%
Zhejiang Yicheng	1,739,131	4.43%
Jiarong Investment	1,739,130	4.43%
Ms. Ye Huiqin	1,200,000	3.05%
Mr. Liu Weijun	869,565	2.21%
Yuehai Weiqi LP	343,478	0.87%
Mr. Cheng Gang	130,435	0.33%
Total:	39,300,000	100.00%

7. Share Transfers in March 2014

Pursuant to the capital increase agreement and supplemental agreement entered into among Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Hongli Investment and Mr. Cheng Gang, if the net profit of our Company were not to reach the specified targets for the financial years 2011, 2012 and 2013, Mr. Ye Jinwu, Ms. Li Chunlian and Mr. Ye Ye shall compensate Hongli Investment and Mr. Cheng Gang for the deficit. As a result of the net profit of our Company for the financial year 2012 not reaching the specified target stipulated in the said supplemental agreement, and after arms-length negotiations among the parties, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Hongli Investment and Mr. Cheng Gang entered into an agreement on 5 November 2013 pursuant to which Mr. Ye Jinwu would transfer 419,065 Shares and 22,056 Shares, at a consideration of RMB1.00, to Hongli Investment and Mr. Cheng Gang, respectively.

On 4 March 2014, Shanghai Jieju Investment Partnership Enterprise (Limited Partnership)* (上海潔聚投資合夥企業(有限合夥)) (“**Jieju Investment LP**”), a limited partnership registered in the PRC, entered into a share transfer agreement with each of Zhejiang Yicheng and Yuehai Weiqi LP, and on 13 January 2015, entered into a supplemental agreement with Mr. Ye Jinwu, pursuant to which Zhejiang Yicheng and Yuehai Weiqi LP transferred 1,739,131 Shares and 343,478 Shares, respectively, to Jieju Investment LP, at a consideration of RMB21,738,750 and RMB4,293,750, respectively.

On 20 May 2014, the shareholders of our Company at the time approved the above transfers of Shares and registration of the said transfers of Shares was completed on 20 June 2014.

The shareholding of our Company immediately after the transfers of Shares in March 2014 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	14,858,879	37.81%
Ms. Li Chunlian	4,500,000	11.45%
Mr. Ye Ye	4,500,000	11.45%
Mr. Wang Xiaoyue	4,500,000	11.45%
Hongli Investment	2,897,326	7.37%
Jieju Investment LP	2,082,609	5.30%
Haitong Capital	2,000,000	5.09%
Jiarong Investment	1,739,130	4.43%
Ms. Ye Huiqin	1,200,000	3.05%
Mr. Liu Weijun	869,565	2.21%
Mr. Cheng Gang	152,491	0.39%
Total:	39,300,000	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

8. Share Transfer in September 2014

On 23 September 2014, Jiarong Investment entered into a share transfer agreement with Shanghai Taihao Chuangye Investment Center (Limited Partnership)* (上海泰豪創業投資中心(有限合夥)) (“**Taihao Chuangye LP**”), a limited partnership registered in the PRC, and on 24 September 2014, Taiho Chuangye LP entered into a supplemental agreement with Mr. Ye Jinwu and Mr. Ye Ye, pursuant to which Jiarong Investment transferred 1,739,130 Shares to Taihao Chuangye LP at a consideration of RMB20,870,000.

On 28 September 2014, the shareholders of our Company at the time approved the above transfers of Shares and registration of the said transfers of Shares was completed on 10 October 2014.

The shareholding of our Company immediately after the transfers of Shares in September 2014 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	14,858,879	37.81%
Ms. Li Chunlian	4,500,000	11.45%
Mr. Ye Ye	4,500,000	11.45%
Mr. Wang Xiaoyue	4,500,000	11.45%
Hongli Investment	2,897,326	7.37%
Jieju Investment LP	2,082,609	5.30%
Haitong Capital	2,000,000	5.09%
Taihao Chuangye LP	1,739,130	4.43%
Ms. Ye Huiqin	1,200,000	3.05%
Mr. Liu Weijun	869,565	2.21%
Mr. Cheng Gang	152,491	0.39%
Total:	39,300,000	100.00%

9. Share Transfer in December 2014

On 18 December 2014, Mr. Liu Weijun and Mr. Ye Ye entered into a share transfer agreement, pursuant to which Mr. Liu Weijun transferred the 869,565 Shares to Mr. Ye Ye.

On 23 December 2014, the shareholders of our Company at the time approved the above transfers of Shares and registration of the said transfers of Shares was completed on 7 January 2015.

The shareholding of our Company immediately after the transfers of Shares in December 2014 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	14,858,879	37.81%
Mr. Ye Ye	5,369,565	13.66%
Ms. Li Chunlian	4,500,000	11.45%
Mr. Wang Xiaoyue	4,500,000	11.45%
Hongli Investment	2,897,326	7.37%
Jieju Investment LP	2,082,609	5.30%
Haitong Capital	2,000,000	5.09%
Taihao Chuangye LP	1,739,130	4.43%
Ms. Ye Huiqin	1,200,000	3.05%
Mr. Cheng Gang	152,491	0.39%
Total:	39,300,000	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

10. Share Transfer in November 2015

Pursuant to the supplemental agreement to the capital increase agreement entered into among Mr. Ye Jinwu, Mr. Ye Ye and Taihao Chuangye LP on 24 September 2014, if the net profit of our Company for the financial years 2014 and 2015 were not to reach the specified targets, Taihao Chuangye LP has the right to request Mr. Ye Jinwu and/or Mr. Ye Ye to acquire all the Shares held by Taihao Chuangye LP. As a result of the net profit of our Company not reaching the specified target stipulated in the said supplemental agreement, and after arms-length negotiations among the parties, Mr. Ye Jinwu and entered into a share transfer agreement on 8 November 2015 pursuant to which Taihao Chuangye LP transferred 1,739,130 Shares to Mr. Ye Jinwu at a consideration of RMB23,305,800.

On 12 December 2015, the shareholders of our Company at the time approved the above transfers of Shares and registration of the said transfers of Shares was completed on 8 January 2016.

The shareholding of our Company immediately after the transfers of Shares in November 2015 is set out below:

<u>Name of shareholder</u>	<u>Number of Shares held</u>	<u>Approximate ownership percentage</u>
Mr. Ye Jinwu	16,598,009	42.24%
Mr. Ye Ye	5,369,565	13.66%
Ms. Li Chunlian	4,500,000	11.45%
Mr. Wang Xiaoyue	4,500,000	11.45%
Hongli Investment	2,897,326	7.37%
Jieju Investment LP	2,082,609	5.30%
Haitong Capital	2,000,000	5.09%
Ms. Ye Huiqin	1,200,000	3.05%
Mr. Cheng Gang	152,491	0.39%
Total:	39,300,000	100.00%

11. Share Transfer in November 2016

Pursuant to the supplemental agreement entered into among Mr. Ye Jinwu, Ms Li Chunlian, Mr. Ye Ye, Hongli Investment and Mr. Cheng Gang on 5 November 2013, if (i) our Company fails to submit its listing application to CSRC by 31 December 2014, (ii) the listing application of our Company is rejected by CSRC, or (iii) our Company voluntarily withdraws its listing application, Mr. Ye Jinwu or his designated third party shall acquire all Shares held by Hongli Investment and Mr. Cheng Gang.

Pursuant to the supplemental agreement entered into between Jieju Investment LP and Mr. Ye Jinwu on 4 March 2014, if (i) our Company fails to submit its listing application to the CSRC by 31 December 2015, (ii) the listing application of our Company is rejected by the CSRC, or (iii) our Company voluntarily withdraws its listing application, Jieju Investment LP has the right to request Mr. Ye Jinwu to acquire all Shares held by Jieju Investment LP.

Pursuant to undertaking of Mr. Ye Jinwu in the supplemental agreement entered into between Haitong Capital and Mr. Ye Jinwu on 29 April 2014, our Company shall submit its listing application to CSRC by 30 April 2015 and complete its A share listing by 31 December 2016.

On 18 March 2016, our Company submitted the application for its A share listing on the Shanghai Stock Exchange, but subsequently such application was voluntarily withdrawn by our Company in September 2016. For details of our previous A share listing application, please refer to the subsection

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headed “Previous A Share Listing Plan” in this section. The withdrawal of the listing application triggered the obligation of Mr. Ye Jinwu to repurchase Shares from Hongli Investment, Mr. Cheng Gang, Jieju Investment LP and Haitong Capital.

On 10 November 2016, Mr. Ye Jinwu, Hongli Investment, Jieju Investment LP and Mr. Cheng Gang entered into a share transfer agreement, pursuant to which Mr. Ye Jinwu transferred 1,303,814 Shares, 937,170 Shares and 68,605 Shares, at a consideration of RMB1.00 to Hongli Investment, Jieju Investment LP and Mr. Cheng Gang, respectively,

On 10 November 2016, Mr. Ye Jinwu and Haitong Capital entered into a share transfer agreement, pursuant to which Mr. Ye Jinwu transferred 1,495,666 Shares at a consideration of RMB1.00 to Haitong Capital.

In November 2016, Mr. Ye Jinwu and Mr. She Xiaoxin (佘笑新) entered into a share transfer agreement pursuant to which Mr. Ye transferred 200,000 Shares to Mr. She at a consideration of RMB1.63 million based on arms-length negotiations.

On 22 December 2016, the shareholders of our Company at the time approved the above transfers of Shares and registration of the said transfers of Shares was completed on 29 December 2016.

The shareholding of our Company immediately after the transfers of Shares in November 2016 is set out below:

<u>Name of shareholder</u>	<u>Number of Shares held</u>	<u>Approximate ownership percentage</u>
Mr. Ye Jinwu	12,592,754	32.04%
Mr. Ye Ye	5,369,565	13.66%
Ms. Li Chunlian	4,500,000	11.45%
Mr. Wang Xiaoyue	4,500,000	11.45%
Hongli Investment	4,201,140	10.69%
Haitong Capital	3,495,666	8.89%
Jieju Investment LP	3,019,779	7.68%
Ms. Ye Huiqin	1,200,000	3.05%
Mr. Cheng Gang	221,096	0.56%
Mr. She Xiaoxin	200,000	0.51%
Total:	39,300,000	100.00%

12. Capital Increase and Share Transfer in March 2017

On 5 March 2017, the shareholders of our Company at the time approved an increase in registered capital of our Company from RMB39,300,000 to RMB52,300,000, by way of issuing new Shares to new shareholders.

On 6 March 2017, our Company entered into a capital increase agreement with Hangzhou Chenpu Xingshang Investment Management Partnership Enterprise (Limited Partnership)* (杭州晨浦星上投資管理合夥企業(有限合夥)) (“**Chenpu Xingshang LP**”), a limited partnership registered in the PRC, supplemented by a supplemental agreement among Chengpu Xingshang, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqin on 7 March 2017, pursuant to which Chenpu Xingshang agreed to subscribe new Shares.

On 7 March 2017, our Company entered into a capital increase agreement with Chengdu F&D Equity Investment Co., Ltd.* (成都富恩德股權投資有限公司) (“**F&D Equity Investment**”), a company established in the PRC, supplemented by a supplemental agreement among F&D Equity Investment, our Company, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqin on the same day, pursuant to which F&D Equity Investment agreed to subscribe new Shares.

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On 13 March 2017, our Company entered into a capital increase agreement with Mr. Shao Yutian (邵雨田), supplemented by a supplemental agreement among Mr. Shao Yutian, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqin, pursuant to which Mr. Shao Yutian agreed to subscribe new Shares.

On 16 March 2017, our Company entered into a capital increase agreement with Ms. Xiong Fang (熊芳), supplemented by a supplemental agreement among Ms. Xiong Fang, our Company, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqin, pursuant to which Ms. Xiong Fang agreed to subscribe new Shares.

Details of the aforementioned increase in registered capital are set out below:

New Shareholder	Number of Shares Subscribed	Consideration	Contribution to Registered Capital
Chenpu Xingshang LP	2,180,000	RMB19,968,800.00	RMB2,180,000.00
F&D Equity Investment	6,420,000	RMB58,807,200.00	RMB6,420,000.00
Mr. Shao Yutian	3,300,000	RMB30,228,000.00	RMB3,300,000.00
Ms. Xiong Fang	1,100,000	RMB10,076,000.00	RMB1,100,000.00
Total:	13,000,000	RMB119,080,000	RMB13,000,000

All the contributions to the registered capital of our Company set out above were fully paid.

On 20 March 2017, Haitong Capital entered into a share transfer agreement with Dangtuhong New Cultural Industrial Fund (Limited Partnership)* (當塗鴻新文化產業基金(有限合伙)) (“**Dangtuhong LP**”), a limited partnership registered in the PRC, and Shannan Hongzhen Xuanjie Venture Capital Partnership (Limited Partnership)* (山南鴻臻軒傑創業投資合夥企業(有限合伙)) (“**Hongzhen Xuanjie LP**”), a limited partnership registered in the PRC, pursuant to which Haitong Capital transferred 1,650,000 Shares to Dangtuhong LP at a consideration of RMB15,114,000 and 1,845,666 Shares to Hongzhen Xuanjie LP at a consideration of RMB16,906,300. The said transfer of Shares was approved by the then shareholders of the Company on 5 March 2017.

Registration of the above capital increase and share transfer was completed on 13 April 2017.

The shareholding of our Company immediately after the increase in capital and transfer of Shares in March 2017 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	12,592,754	24.08%
F&D Equity Investment	6,420,000	12.28%
Mr. Ye Ye	5,369,565	10.27%
Ms. Li Chunlian	4,500,000	8.60%
Mr. Wang Xiaoyue	4,500,000	8.60%
Hongli Investment	4,201,140	8.03%
Mr. Shao Yutian	3,300,000	6.31%
Jieju Investment LP	3,019,779	5.77%
Chenpu Xingshang LP	2,180,000	4.17%
Hongzhen Xuanjie LP	1,845,666	3.53%
Dangtuhong LP	1,650,000	3.16%
Ms. Ye Huiqin	1,200,000	2.29%
Ms. Xiong Fang	1,100,000	2.10%
Mr. Cheng Gang	221,096	0.42%
Mr. She Xiaoxin	200,000	0.38%
Total:	52,300,000	100.00%

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13. Share Transfers from October 2018 to December 2019

Pursuant to the supplemental agreements entered into among Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqing with Chenpu Xingshang and F&D Equity Investment respectively on 7 March 2017, Chenpu Xingshang and F&D Equity Investment have the right to request Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqing to repurchase their Shares if our Company does not submit a listing application to CSRC by 31 December 2017 or the submitted listing application is not approved or withdrawn.

Pursuant to the supplemental agreements entered into by Mr. Ye Jinwu with Hongli Investment, Jiefu Investment LP, Dangtuhong LP, Hongzhen Xuanjie LP, Ms. Xiong Fang, Mr. Cheng Gang and Mr. She Xiaoxin on 1 December 2018, if the parties determine that our Company does not meet the standards for an application for listing on the Shenzhen Stock Exchange or the Shanghai Stock Exchange in 2020 or 2021, or if such listing application is not approved, the aforementioned parties have the right to require Ye Jinwu to repurchase all of his shares in Jinlong Electric.

As our Company did not submit any listing application as contemplated in the aforementioned supplemental agreements, F&D Equity Investment, Ms. Xiong Fang, Mr. She Xiaoxin, Jieju Investment LP, Dangtuhong LP, Hongzhen Xuanjie LP, Hongli Investment, Mr. Cheng Gang, and Chenpu Xingshang LP entered into share transfer agreements with Taizhou Jinlong Electric Machinery Co., Ltd. (台州市金龍電機有限公司) (“**Taizhou Jinlong**”), a company established in the PRC with limited liability which was at the time owned by Ms. Ye Ping, sister of Mr. Ye Jinwu, and Ms. Li Chunlian, respectively, pursuant to which the aforementioned shareholders transferred all the Shares they held to Taizhou Jinlong. Details of the transfers are set out in the table below:

Date of agreement	Seller	Number of shares transferred	Total Consideration	Approximate Consideration per Share
10 October 2018	FD Equity Investment	6,420,000	RMB72,005,566.57	RMB11.22
15 May 2019	Ms. Xiong Fang	1,100,000	RMB12,386,854.68	RMB11.26
15 May 2019	Mr. She Xiaoxin	200,000	RMB2,042,635.62	RMB10.21
10 June 2019	Jieju Investment LP	3,019,779	RMB38,382,254.56	RMB12.71
10 June 2019	Dangtuhong LP and Hongzhen Xuanjie LP	3,495,666	RMB39,480,992.88	RMB11.29
15 June 2019	Hongli Investment and Mr. Cheng Gang	4,422,236	RMB52,269,958.91	RMB11.82
10 December 2019	Chenpu Xingshang LP	2,180,000	RMB24,379,728.70	RMB11.18

The considerations of the above transfers were determined with reference to the considerations paid by each of the sellers when the Shares were acquired by them and any accrued dividends.

On 20 December 2019, the shareholders of our Company at the time approved the above transfers of Shares and registration of the said transfers of Shares was completed on 20 May 2020.

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The shareholding of our Company immediately after the transfers of Shares from October 2018 to December 2019 is set out below:

<u>Name of shareholder</u>	<u>Number of Shares held</u>	<u>Approximate ownership percentage</u>
Taizhou Jinlong	20,837,681	39.84%
Mr. Ye Jinwu	12,592,754	24.08%
Mr. Ye Ye	5,369,565	10.27%
Ms. Li Chunlian	4,500,000	8.60%
Mr. Wang Xiaoyue	4,500,000	8.60%
Mr. Shao Yutian	3,300,000	6.31%
Ms. Ye Huiqin	1,200,000	2.29%
Total:	52,300,000	100.00%

14. Share Transfer in August 2020

Pursuant to the supplemental agreements entered into among Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqing and Mr. Shao Yutian on 13 March 2017, Mr. Shao Yutian has the right to request Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqing to repurchase their Shares if our Company does not submit a listing application to CSRC by 31 December 2017 or the submitted listing application is not approved or withdrawn.

On 2 August 2020, Mr. Shao Yutian and Taizhou Jinlong entered into a share transfer agreement pursuant to which Mr. Shao Yutian transferred 1,100,000 Shares to Taizhou Jinlong at a consideration of RMB13,464,879.88, determined by the parties with reference to the considerations paid by Mr. Shao Yutian when the Shares were acquired by him and any accrued dividends.

On 16 October 2020, the shareholders of our Company at the time approved the above transfers of Shares and registration of the said transfers of Shares was completed on the same date.

The shareholding of our Company immediately after the transfers of Shares in August 2020 is set out below:

<u>Name of shareholder</u>	<u>Number of Shares held</u>	<u>Approximate ownership percentage</u>
Taizhou Jinlong	20,837,681	41.95%
Mr. Ye Jinwu	12,592,754	24.08%
Mr. Ye Ye	5,369,565	10.27%
Ms. Li Chunlian	4,500,000	8.60%
Mr. Wang Xiaoyue	4,500,000	8.60%
Mr. Shao Yutian	2,200,000	4.21%
Ms. Ye Huiqin	1,200,000	2.29%
Total:	52,300,000	100.00%

15. Repurchase of Shares and Decrease in Registered Capital in December 2020

On 9 October 2018, our Company and Taizhou Jinlong entered into an agreement, pursuant to which, as a result of the triggering of the repurchase obligations under the supplemental agreements with various shareholders, Taizhou Jinlong would repurchase the Shares from the relevant shareholders with

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fundings for the consideration provided by our Company, and upon completion of the repurchase, the repurchased Shares would be repurchased by our Company and then cancelled, and our registered capital would be decreased accordingly.

On 28 December 2020, with the approval of the shareholders of our Company at the time, our Company repurchased 20,837,681 Shares from Taizhou Jinlong, at a consideration of 269,532,153.08, based on the valuation of the market value our Company by an independent valuer, and our registered share capital was decreased from RMB52,300,000 to RMB30,362,324. Registration for the decrease in registered capital was completed on 23 December 2020.

The shareholding of our Company immediately after the decrease in registered capital in December 2020 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	12,592,754	41.47%
Mr. Ye Ye	5,369,565	17.69%
Ms. Li Chunlian	4,500,000	14.82%
Mr. Wang Xiaoyue	4,500,000	14.82%
Mr. Shao Yutian	2,200,000	7.25%
Ms. Ye Huiqin	1,200,000	3.95%
Total:	30,362,324	100.00%

16. Increase in Registered Capital in April 2021

On 22 April 2021, the shareholders of our Company at the time approved an increase in registered capital of our Company from RMB30,362,324 to RMB33,130,000, by way of issuing new Shares to new shareholder Digital Intelligent Control Equity Investment Partnership Enterprise (Limited Partnership) of Luqiao District, Taizhou City* (台州市路橋區數字智控股權投資合夥企業(有限合夥)), a limited partnership established in the PRC (“**Digital Intelligent Control LP**”), the general partner of which is Yijia Jintou Investment Management Co., Ltd. of Luqiao District, Taizhou City* (台州市路橋區壹嘉金投投資管理有限公司) (“**Yijia Jintou**”), which holds 0.02% of the partnership interests in Digital Intelligent Control LP, and the sole limited partner is Taizhou Hengjin Venture Capital Co., Ltd.* (台州恆金創業投資有限公司) (“**Taizhou Hengjin**”), which holds 99.98% of the partnership interests. Taizhou Hengjin is wholly owned by Taizhou Luqiao District Financial Investment Co., Ltd.* (台州市路橋區金融投資有限公司), which is a state-owned enterprise.

On 30 April 2021, our Company entered into a capital increase agreement with Digital Intelligent Control LP, pursuant to which Digital Intelligent Control LP agreed to subscribe 2,767,676 Shares at a consideration of RMB29,973,931.08, of which RMB2,767,676 was contributed to the registered share capital of our Company and was fully paid.

On 15 June 2021, registration for the said increase in registered capital of our Company was completed.

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The shareholding of our Company immediately after the increase in registered capital in April 2021 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	12,592,754	38.02%
Mr. Ye Ye	5,369,565	16.21%
Ms. Li Chunlian	4,500,000	13.58%
Mr. Wang Xiaoyue	4,500,000	13.58%
Digital Intelligent Control LP	2,767,676	8.35%
Mr. Shao Yutian	2,200,000	6.64%
Ms. Ye Huiqin	1,200,000	3.62%
Total:	33,130,000	100.00%

17. Quotation on the NEEQ in July 2022

On 29 July 2022, our Company received approval for the quotation of its Shares on the NEEQ. On 21 September 2022, all issued Shares of our Company were listed on the NEEQ under the stock code of 873936.

18. Private Placement in April 2023

On 12 January 2023, our Company entered into a share subscription agreements regarding the private placement of shares with (i) Ms. Pan Linghui (潘玲慧), Ms. Guo Ping (郭萍), Mr. Mao Qingzhong (毛青中), Mr. Wu Xiaofu (吳小夫), Mr. Liang Wenhui (梁文輝), Mr. Luo Yibo (羅毅博) and Ms. Chen Jinjiao (陳金嬌), each of whom were a director, supervisor or senior management personnel of our Company at the relevant time; and (ii) our employee shareholding platform, Hangzhou Jinlong Zhichuang Enterprise Management Partnership (Limited Partnership)* (杭州錦龍智創企業管理合夥企業(有限合夥)) (“**Jinlong Zhichuang LP**”), a limited partnership registered in the PRC, the general partner of which is Ms. Ye Weilei, the spouse of Mr. Ye Ye, and the limited partners of which are employees of the Group. Pursuant to the share subscription agreements regarding the private placement of shares, our Company offered the aforementioned places in aggregate not more than 2,920,000 Shares for subscription at RMB4.35 per Share, which was determined based on, among others, the net assets per Share and earnings per Share, consideration for previous issuance of Shares, and net assets and earnings per share of comparable companies quoted on the NEEQ. On 10 February 2023, the shareholders of our Company at the time approved the private placement.

Details of the subscription of Shares under the private placement in April 2023 are set out below:

Name of Subscriber	Number of Shares Subscribed	Consideration
Jinlong Zhichuang LP	1,060,000	RMB4,611,000
Mr. Wu Xiaofu	380,000	RMB1,653,000
Ms. Pan Linghui	350,000	RMB1,522,500
Mr. Liang Wenhui	350,000	RMB1,522,500
Mr. Luo Yibo	300,000	RMB1,305,000
Ms. Chen Jinjiao	300,000	RMB1,305,000
Ms. Guo Ping	70,000	RMB304,500
Mr. Mao Qingzhong	70,000	RMB304,500
Total:	2,880,000	RMB12,702,000

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On 16 February 2023, National Equities Exchange And Quotations Co., Ltd.* (全國中小企業股份轉讓系統有限責任公司), which operates the NEEQ, approved the private placement. Registration for the increase in registered capital and changes in shareholding of our Company was completed on 8 May 2023.

The registered capital of our Company was increased from RMB33,130,000 to RMB36,010,000, and the contribution to the increase in the registered capital of our Company from the private placing are fully paid.

The shareholding of our Company immediately after the private placement February 2023 is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	12,592,724	34.98%
Mr. Ye Ye	5,369,600	14.91%
Ms. Li Chunlian	4,500,000	12.50%
Mr. Wang Xiaoyue	4,500,000	12.50%
Digital Intelligent Control LP	2,767,676	7.69%
Mr. Shao Yutian	2,200,000	6.11%
Ms. Ye Huiqin	1,200,000	3.33%
Jinlong Zhichuang LP	1,060,000	2.94%
Wu Xiaofu	380,000	1.06%
Ms. Pan Linghui	350,000	0.97%
Mr. Liang Wenhui	350,000	0.97%
Mr. Luo Yibo	300,000	0.83%
Ms. Chen Jinjiao	300,000	0.83%
Ms. Guo Ping	70,000	0.19%
Mr. Mao Qingzhong	70,000	0.19%
Total:	36,010,000	100.00%

19. Share Transfer in December 2024

On 31 December 2024, Mr. Shao Yutian and Mr. Ye Ye entered into a share transfer agreement pursuant to which Mr. Shao Yutian transferred 500,000 Shares to Mr. Ye Ye at a consideration of RMB5.75 million based on arms-length negotiations between the parties.

The shareholding of our Company immediately after the transfer of Shares in December 2024, and up to the Latest Practicable Date is set out below:

Name of shareholder	Number of Shares held	Approximate ownership percentage
Mr. Ye Jinwu	12,592,724	34.98%
Mr. Ye Ye	5,869,600	16.30%
Ms. Li Chunlian	4,500,000	12.50%
Mr. Wang Xiaoyue	4,500,000	12.50%
Digital Intelligent Control LP	2,767,676	7.69%
Mr. Shao Yutian	1,700,000	4.72%
Ms. Ye Huiqin	1,200,000	3.33%
Jinlong Zhichuang LP	1,060,000	2.94%
Wu Xiaofu	380,000	1.06%
Ms. Pan Linghui	350,000	0.97%
Mr. Liang Wenhui	350,000	0.97%
Mr. Luo Yibo	300,000	0.83%
Ms. Chen Jinjiao	300,000	0.83%
Ms. Guo Ping	70,000	0.19%
Mr. Mao Qingzhong	70,000	0.19%
Total:	36,010,000	100.00%

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PREVIOUS A SHARE LISTING PLAN

In view of the growing potential of the stock market in the PRC at the time, on 18 March 2016, our Company submitted an A share listing application with the CSRC for a proposed listing on the Shanghai Stock Exchange. Subsequent to the submission of the A share listing application and prior to receiving any comments on our A share listing application from the CSRC, due to the downturn in the economic environment in the PRC and the industry we principally engaged in, as well as the amount of accrued government grants which was outstanding which affected our cashflow at the time, our Directors were of the view that it was no longer a suitable time to continue to pursue an A share listing. On 20 September 2016, our shareholders at the time resolved to withdraw our A share listing application, and on 29 September 2016, a submission was made to the CSRC for the voluntary withdrawal of our A share listing application.

On 19 December 2022, with a view to further explore an A share listing to capture the potential of the stock market in the PRC, our Company entered into a tutoring agreement with Changjiang Securities Consignment Inward & Sponsoring Broker Co., Ltd.* (長江證券承銷保薦有限公司) (“**Changjiang Securities**”) in preparation for a listing application on the Beijing Stock Exchange, and a preliminary tutoring filing (上市輔導備案) was made with the Zhejiang office of CSRC (中國證券監督管理委員會浙江監管局) on the same day. On 13 September 2024, our Company and Changjiang Securities mutually agreed to terminate the tutoring agreement and the preliminary tutoring filing with the Zhejiang office of CSRC (中國證券監督管理委員會浙江監管局) was withdrawn. On 11 December 2024, our Company entered into a tutoring agreement with Caitong Securities Co., Ltd.* (財通證券股份有限公司) (“**Caitong Securities**”) in preparation for a listing application on the Beijing Stock Exchange, and a preliminary tutoring filing (上市輔導備案) was made with the Zhejiang office of CSRC (中國證券監督管理委員會浙江監管局) on the same day. On 8 May 2026, in preparation for the listing application on the Stock Exchange, we terminated the engagement with Caitong Securities for the A share listing plan and withdrew the preliminary tutoring filing with the Zhejiang office of CSRC.

Since the entry of the tutoring agreement with Changjiang Securities in December 2022 and as at the Latest Practicable Date, we had neither filed any formal A share listing application with any representative office of the CSRC nor received any material comments or inquiries from the CSRC or the Beijing Stock Exchange.

During the preparation for the A share listing plan, we did not encounter any disagreements with the professional parties or the CSRC. Our Directors and the Sole Sponsor have confirmed that there are no other matters relating to the A share listing plan that may affect our Company’s suitability for listing on the Stock Exchange or that are required to be brought to the attention of the Stock Exchange.

QUOTATION OF OUR SHARES ON THE NEEQ AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since 2022, our Shares have been quoted on the NEEQ. Since the quotation of our Shares on the NEEQ and as of the Latest Practicable Date, we had no instances of material non-compliance with the rules of the NEEQ and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the NEEQ. Our PRC Legal Advisers are of the view that the confirmation of our Directors above with regard to our compliance records is accurate and reasonable. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cast reasonable doubt on the Directors’ and the PRC Legal Advisor’s confirmation stated above with regard to the compliance records of the Company on the NEEQ in material aspects.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our Company seeks to [REDACTED] on the Stock Exchange in order to further advance our global strategic layout, establish an international capital operation platform, and enhance our comprehensive competitiveness. We believe that the Stock Exchange would provide us with access to the international equity market, enhance our brand awareness in both domestic and overseas markets, and improve our corporate governance in line with global standards. For details, please see the section headed “Future Plans and [REDACTED]”.

OUR EMPLOYEE SHAREHOLDING PLATFORM

To recognise the contributions of our employees and to further incentivise them to promote our Group’s development, we established Jinlong Zhichuang LP as our employee shareholding platform.

As at the Latest Practicable Date, all of the awards under Jinlong Zhichuang LP had been granted, and the grantees held the limited partnership interests in Jinlong Zhichuang LP. Pursuant to the relevant partnership agreements, the general partner is responsible for the management and administration of Jinlong Zhichuang LP.

Jinlong Zhichuang LP is a limited partnership registered in the PRC, with Ms. Ye Weilei acting as the sole general manager. Ms. Ye Weilei is the spouse of Mr. Ye Ye, one of our Controlling Shareholders, our executive Director and general manager. Ms. Ye Weilei holds approximately 32.29% of the partnership interest in Jinlong Zhichuang LP. All of the limited partners of Jinlong Zhichuang LP are employees or former employees of our Company, none of whom holds more than 30% partnership interests in Jinlong Zhichuang LP.

As at the date of this document, Jinlong Zhichuang LP held approximately [REDACTED]% of the issued share capital in our Company.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Our Company had not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

THE CONTROLLING SHAREHOLDER GROUP

Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqing (collectively, the (“**Concert Parties**”)) entered into a concert parties agreement dated 5 January 2020, pursuant to which the Concert Parties agreed to act in concert with each other in exercising their respective voting rights in the Company. Each of the Concert Parties has agreed that that they will be acting in concert with each other by aligning their votes at the shareholders’ meetings of our Company in accordance with the consensus achieved among them until the relevant Concert Parties cease to hold any interests in our Company, and shall vote in accordance with the view and decision of Mr. Ye Jinwu in the event that they are unable to reach consensus on any matter presented.

On 8 May 2023, as a result of the subscription of Shares by Jinlong Zhichuang LP pursuant to the private placement, Jinlong Zhichuang also became a party acting in concert with the Concert Parties in exercising its voting rights in the Company.

For purpose of the Listing Rules, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue, Ms. Ye Huiqing, Jinlong Zhichuang LP and Ms. Ye Weilei, the general partner of Jinlong Zhichuang LP, constitute a group of our Controlling Shareholders. See the section headed “Relationship with our Controlling Shareholders” for further details. As of the Latest Practicable Date, our Controlling Shareholders held in aggregate approximately [REDACTED]% of the total issued Shares of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PUBLIC FLOAT AND FREE FLOAT

Satisfaction of the Public Float Requirement

Our Shares quoted on NEEQ are not counted towards our public float for the purpose of Rule 19A.13A(1) of the Listing Rules. [REDACTED] H Shares to be issued pursuant to the [REDACTED] (assuming the [REDACTED] is not exercised), representing [REDACTED] of the total issued shares in the class to which H shares belong upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised) will be counted towards the public float of our Company. Pursuant to Rule 19A.13A(1) of the Listing Rules, where the expected market value at the time of [REDACTED] of our Company’s H Shares does not exceed HK\$[REDACTED], at least [REDACTED] of the total number of H Shares must at the time of the Listing be held by the public. With respect to the indicative [REDACTED] Range of HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] (being the low end, mid-point and the upper-end, respectively), the expected [REDACTED] of the Company’s H Shares would not exceed HK\$[REDACTED]. As such, our Directors are of the view that our Company will be able to satisfy the public float requirement under Rule 19A.13A(1) of the Listing Rules.

Satisfaction of the Free Float Requirement

Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with no other [REDACTED] shares at the time of [REDACTED], this will normally mean that the portion of H shares for which [REDACTED] is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of [REDACTED], must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of [REDACTED] (excluding treasury shares), with an expected market value at the time of [REDACTED] of not less than HK\$50,000,000; or (b) have an expected market value at the time of [REDACTED] of not less than HK\$600,000,000.

Our Shares quoted on NEEQ are not counted as other [REDACTED] shares for the purpose of Rule 19A.13C(2) of the Listing Rules. To the best knowledge of our Directors, the [REDACTED] H Shares to be issued pursuant to the [REDACTED] (assuming the [REDACTED] is not exercised) are expected to be held by the public and will not be subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise). Based on the low-end, mid-point and the upper-end of the indicative [REDACTED], respectively, our Company will satisfy the free float requirements under Rule 19A.13C(1) of the Listing Rules.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

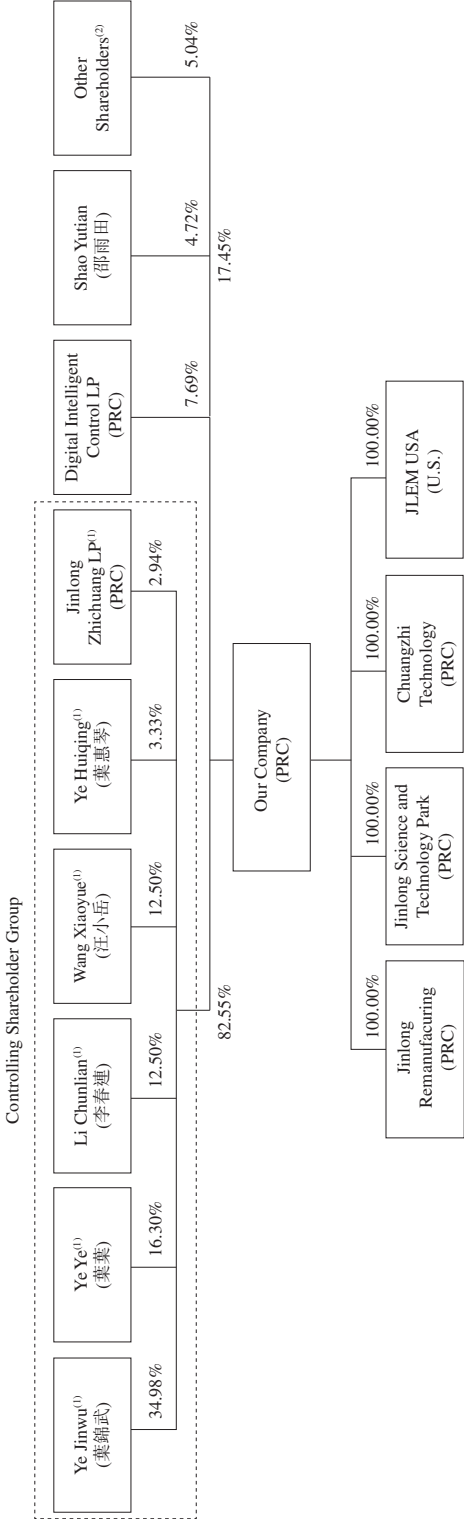
Our PRC Legal Advisers have confirmed that, according to applicable PRC laws and regulations, all equity transfers and changes in the registered capital of our Company set out in this section have been properly and legally completed and our Company has obtained all necessary approvals and made all necessary filings, and has complied with applicable PRC laws and regulations in relation to the changes of shareholdings as set out in this section.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

Shareholding and Corporate Structure Immediately before the [REDACTED]

The following chart depicts the shareholding and corporate structure of our Group immediately before the completion of the [REDACTED], assuming that no changes are made to the total [REDACTED] share capital of our Company since the Latest Practicable Date and up to the [REDACTED]:



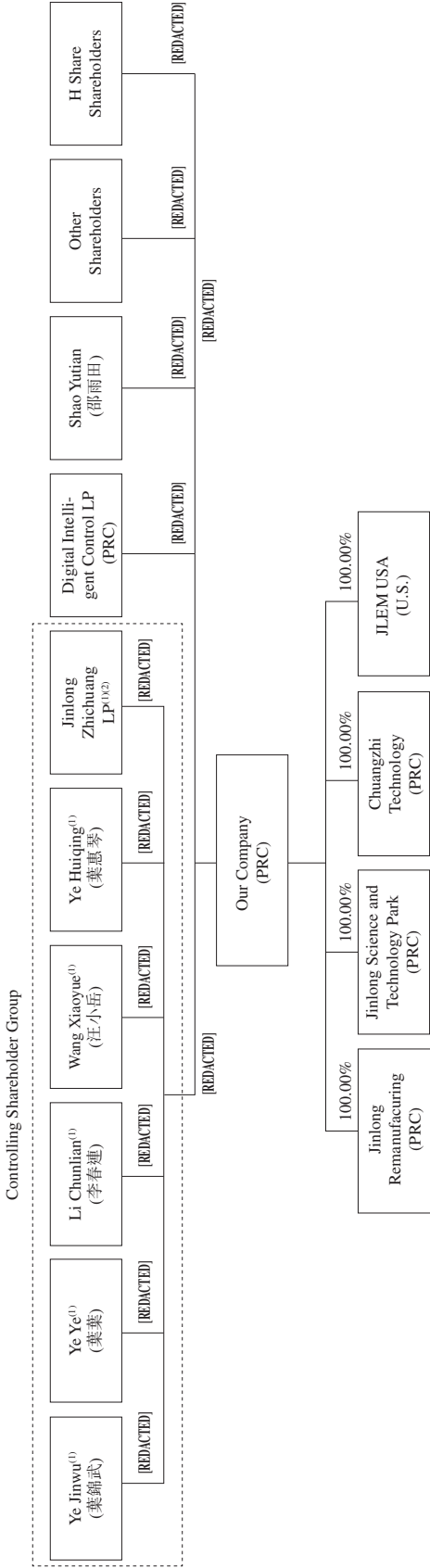
Notes:

- (1) Pursuant to a concert parties agreement dated 5 January 2020 and as a result of the subscription of Shares by Jinlong Zhichuang under a private placement, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue, Ms. Ye Huiqing and Jinlong Zhichuang are parties acting in concert in exercising the voting rights of their respective shareholding in our Company.
- (2) Other shareholders comprise Ms. Pan Linghui (潘玲慧), Ms. Guo Ping (郭萍), Mr. Mao Qingzhong (毛青中), Mr. Wu Xiaofu (吳小夫), Mr. Liang Wenhui (梁文輝), Mr. Luo Yibo (羅毅博) and Ms. Chen Jinjiao (陳金嬌), each of whom is a director, senior management or former supervisor of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholding and Corporate Structure upon Completion of the [REDACTED]

The following chart depicts the shareholding and corporate structure of our Group upon completion of the [REDACTED], assuming that the [REDACTED] are not exercised and no changes are made to the total [REDACTED] share capital of our Company since the Latest Practicable Date and up to the [REDACTED]:



Notes:

Notes (1) to (2): see “— Shareholding and Corporate Structure Immediately before the [REDACTED].”

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OVERVIEW

We are a national high-tech enterprise and 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 and our Shares are quoted on the NEEQ in September 2022 (stock code: 873936). 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. We have nearly 40 years of experience in motor manufacturing, tracing back to our predecessor, Huangyan City Motor Factory* (黃岩市電機廠) that commenced business since the 1980’s. 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). Our products are used in a wide range of applications, including pumps, ventilation systems, compressors, HVAC systems and machine tools, and are key components in industrial and manufacturing operations. Our PMSM products were recognised by the Ministry of Industry and Information Technology as “Energy Star” (能效之星) for their energy efficiency in November 2017 and are designed for use in variable-speed drive systems to enhance operating efficiency and maintain stable performance in intelligent and robotic manufacturing applications.

We are positioned to benefit from major megatrends, including electrification, more stringent energy-efficiency requirements and the decarbonisation of heavy industry. According to the CIC Report, global electricity demand is projected to be more than double by 2050, with electrification playing a key role in cutting emissions, especially in the industrial sector, which contribute around 25% of global greenhouse gases. China’s dual-carbon goals have prompted stricter energy-efficiency policies and industrial upgrades, resulting in higher-efficiency motors replacing older models. It is also estimated that global industrial robot installations reached approximately 550,000 units in 2025, with China contributing over half. Because each robot uses multiple precision motors, rising deployments will multiply demand for high performance motor solutions. We strive to help customers achieve operational and sustainability goals with high-efficiency motors, drives and related solutions.

We primarily sell our products to rotating equipment manufacturers in the PRC. In May 2026, we also commenced business development efforts in the robotic machinery sector by entering into two strategic cooperation agreements with a pump manufacturer in Zhejiang Province, China and an electric vehicle manufacturer in Anhui Province, China for the supply of industrial dual-arm robots and joint modules for the period from August 2026 to July 2028. We also export products on an OEM basis to overseas motor component vendors in over 30 overseas countries and regions, primarily in European countries such as Germany, Italy and Turkey, as well as in Africa.

Our flagship motor brand, “JinLong”, was recognised as the “China Top Brand Product” (中國名牌產品) by the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (國家質量監督檢驗檢疫總局), and as the “Zhejiang Export Premium Brand” (浙江出口名牌) by the Department of Commerce of Zhejiang Province in September 2006 and January 2024, respectively. During the period from 2022 to 2026, we were designated as a “High-Tech Enterprise” (高新技術企業), a “Key ‘Little Giant’ Enterprise” (重點小巨人) and one of the “2022 Top 100 Fastest Growing Enterprises in Zhejiang Province” (浙江省成長性最快百強企業). We also serve as the Vice Chairman unit of the Small and Medium-Sized Motor Branch of the China Electrical Equipment Industry Association and as a member unit of the National Rotating Motor Standardisation Technical Committee.

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OUR BUSINESS MODEL

Motors convert electrical energy into mechanical motion and are widely used in industrial applications, where motor-driven systems account for a significant share of electricity consumption. In China, demand has grown with industrial upgrading, intelligent manufacturing and energy-efficiency initiatives. According to the CIC Report, China’s industrial AC motor market is expected to increase from approximately RMB258.2 billion in 2025 to approximately RMB457.3 billion in 2030 at a CAGR of approximately 12.1% during the period. 3-PH IM remains the prevailing technology for general industrial use due to its mature technology, cost efficiency and compatibility with installed equipment, and is expected to remain dominant due to switching and operational constraints. PMSM products are projected to outpace the China’s industrial AC motor market, and increase from approximately RMB71.1 billion in 2025 to approximately RMB147.0 billion in 2030, growing at a CAGR of approximately 15.6% over the same period, driven by demand for higher efficiency and torque-density as intelligent manufacturing and robot adoption rises. China is also the world’s largest exporter of motors, with the export value of industrial AC motors having increased from approximately RMB56.1 billion in 2025 to approximately RMB86.4 billion by 2030 at a CAGR of approximately 9.0%, according to the CIC Report.

Our Directors believe that we differentiate ourselves from our peers through our manufacturing capabilities, engineering expertise and technical know-how in high-efficiency industrial motors and control systems, together with our established customer relationships, which position us to capture growth opportunities. We typically collaborate closely with customers throughout their product development cycles to achieve design alignment and production according to customised specifications, and to develop new products and optimise existing offerings.

To meet customers’ customisation needs, we primarily adopt a “Make-to-Order” (MTO) model, under which we manufacture products based on confirmed purchase orders and agreed specifications. Our Directors consider this model enables us to deliver tailored solutions, enhances customer stickiness and maintains disciplined inventory and capacity management. For our major PRC customers, we generally enter into sales framework agreements setting out key commercial terms, complemented by purchase orders specifying price, quantity and delivery schedules, with indicative forecasts subject to periodic adjustments. For overseas customers, we typically enter into order-based sales contracts.

We generally set pricing on a cost-plus basis after considering various factors, among other things, production costs, technology specifications, customer demand, order volume, supply chain considerations, prevailing market conditions and target margins. Given the significant proportion of raw materials in our cost of sales, our pricing is subject to fluctuations. To mitigate such exposure, we may incorporate price adjustment mechanisms in our sales arrangements to reflect changes in raw material costs such as copper, aluminium, silicon steel and other metals.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths have contributed to our success, differentiated us from our competitors, and will continue to be the key drivers of our growth.

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Established market position in high-efficiency industrial motor solutions in China

We are an established producer of small- and medium-sized high-efficiency industrial motors in the PRC, with an established operating track record of over 35 years. In particular, we have built substantial process experience in high-efficiency motor manufacturing, enabling us to deliver products with consistent quality, stable performance and reliable delivery. Our industry standing is further underpinned by recognised technical capability and active participation in industry standard-setting. We are a member of China’s domestic working group for IEC 60034–30, as approved by the National Standardisation Administration, and participate in the formulation of national motor energy efficiency standards. In addition, our Chairman participates as a Chinese expert in IEC/TC2 working groups contributing to the development of IEC motor energy efficiency standards, reflecting our longstanding technical credibility within the industry.

Building on this foundation and our track record of serving as a development partner to customers, we have progressively expanded our product portfolio into higher-growth application segments, including PMSM motors and servo drives, which are increasingly applied in robotics and intelligent manufacturing scenarios, such as industrial dual-arm robot joint modules, and automated production equipment. These developments position us to capture opportunities arising from the continued upgrading of industrial efficiency requirements and automation-driven demand for advanced electric drive solutions.

Advanced manufacturing facilities with scalable, flexible and quality-driven capabilities

We operate advanced manufacturing facilities underpinned by automated and precision-driven process technologies that enable us to develop and manufacture high-efficiency industrial motors in accordance with customers’ specifications. Our “Make-To-Order” (MTO) production model, supported by automation, allows for efficient handling of customised requirements, rapid prototyping and flexible adjustment of production volumes to meet customer demand. We have made sustained investments in advanced equipment from established machinery suppliers, enabling a high level of equipment sophistication across key production processes. Our manufacturing facilities deploy automated intelligent equipment, including CNC lathes, automatic CNC machining centres and CNC presses, to enhance machining precision, production efficiency and process consistency. Our manufacturing operations are further enhanced by digital manufacturing systems that provide real-time production visibility, traceability and process control.

We maintain precision motor manufacturing capabilities supported by comprehensive testing, inspection, and cleanroom facilities that support multi-dimensional product verification and consistent compliance with stringent customer and international standards. Our management systems are reinforced by recognised certifications, including ISO 9001. Our principal manufacturing facilities are located in Taizhou, Zhejiang Province, a well-established industrial cluster for motors and related supply chains, which supports efficient procurement, responsive order fulfilment and export logistics. Our operations are supported by a dedicated and experienced workforce comprising production, sales and marketing personnel, complemented by regular training programmes aimed at enhancing managerial and technical capabilities, thereby supporting the stable and scalable operation of our manufacturing facilities.

Our technologically advanced and highly automated production facilities in Taizhou, Zhejiang Province, occupy a total site area of 150,000 sqm, and is recognised as a key hub for motor and supporting industries in eastern China. As of 31 December 2025, we operated production lines with a total annual designed capacity of approximately 6,200,000 kW, which includes 3-PH IM production lines with an annual designed capacity of approximately 3,400,000 kW and PMSM production lines with an annual designed capacity of approximately 2,800,000 kW. Average utilisation rates of our 3-PH IM

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production lines were approximately 88.8%, 98.7% and 87.7% for the Track Record Period, respectively, while utilisation rates of our PMSM production lines reached approximately 76.4%, 86.3% and 96.0% over the same periods.

Comprehensive product offering anchored by robust R&D capabilities

We offer a comprehensive portfolio of high-efficiency industrial motors and application solutions, with broad configuration ranges in power, speed, voltage, frequency and torque, enabling us to address diversified application requirements across a wide spectrum of rotating equipment and industrial uses. Our products are manufactured in accordance with internationally recognised high-efficiency standards, including IE3 to IE5, NEMA and CSA, and have demonstrated consistent quality and reliability, which support long product life cycles and stable recurring demand once customers’ development, verification and commercial application processes are completed. Our product quality has been recognised through multiple awards, including the “Energy Star” (能效之星) by the Ministry of Industry and Information Technology (工業和信息化部) in November 2017, the “China Top Brand Product” (中國名牌產品) by the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (國家質量監督檢驗檢疫總局) in September 2006 and the “Zhejiang Export Premium Brand” (浙江出口名牌) by the Department of Commerce of Zhejiang Province in January 2024.

Our product offering is underpinned by a structured, end-to-end R&D framework covering technology research, product development, testing and commercialisation, supported by a provincial-level enterprise research institute and a high-tech research and development centre. As at 31 December 2025, we had approximately 200 personnel handling R&D duties, with expertise spanning electrical and electromagnetic theory, mechanical design, materials science, power electronics, and drive control. We held a portfolio of intellectual properties comprising 66 registered patents (including 15 inventions) and 15 software copyrights in China as at the Latest Practicable Date. We have continued to invest in R&D during the Track Record Period. Our R&D expenses were approximately RMB28.5 million, RMB29.4 million and RMB30.0 million for the Track Record Period, respectively, representing approximately 4.2%, 4.1% and 4.1% of our revenue for the respective years. Leveraging these R&D capabilities and our close co-development relationships with customers, we are able to continuously extend product applications, shorten development cycles and enhance product-market alignment, reinforcing our position as a long-term development partner and supporting our Group’s sustained growth.

Diversified and quality customer base with long-term collaborative relationships

We have established a diversified customer base across China and overseas markets, including European countries such as Germany, Italy and Turkey, as well as Africa and other regions, supported by our ability to provide reliable product performance, consistent quality standards and a comprehensive range of customised industrial motor solutions. Our customers typically apply stringent supplier qualification and certification procedures, which create effective barriers to entry and reinforce the stability of our customer relationships. In China, our customer base includes leading enterprises across a broad spectrum of downstream industries, including pumps, ventilation systems, compressors, HVAC systems and machine tools, while in overseas markets our products have been adopted by established motor brand supply chains. During the Track Record Period, one of our five largest customers was a global supplier of high-precision motion control systems serving the semiconductor and laser processing sectors, and we have also obtained approved supplier qualifications from China’s largest oil and gas producer in specialised applications.

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Our broad customer coverage supports demand across multiple product lines and application scenarios, facilitating cross-selling as customers are free to choose between 3-PH IM products and PMSM solutions. In addition, our customer relationships are characterised by longevity and collaboration, with our top five customers having, on average, maintained business relationships with us for approximately 8 to 24 years. Through close engagement with customers in product design and application development, we are able to translate customer requirements into tailored solutions with efficient time-to-market, enhancing customer stickiness, mitigating exposure to sector-specific fluctuations and driving our sustainable growth.

Experienced and execution-driven management with deep industry expertise

We are led by a seasoned and stable management team with extensive experience in industrial motor design, development and manufacturing and the machining industry, which has been instrumental to our Group’s sustained growth and effective execution of our business strategy. Our management team is led by Mr. Ye Jinwu (葉錦武), our founder and Chairman, who has over 50 years of experience in the industrial motor industry and has played a central role in shaping our long-term strategy, technological roadmap and industry engagement. Chairman Ye co-leads our Group and contributes significant operational and managerial expertise, working closely with our senior management team to oversee day-to-day execution. Members of our senior management team, on average, possess close to 24 years of experience in manufacturing-related industries with relevant operational and management backgrounds. Under the leadership of Chairman Ye and our senior management team, we have successfully implemented our development strategy, expanded our business footprint from China to over 30 jurisdictions worldwide, including European countries, Africa and other overseas markets, and evolved from a local PRC industrial motor plant into a company with sizeable operations offering a comprehensive range of recognised high-efficiency and variable frequency industrial motors designed for uses in industry, agriculture, manufacturing, energy and chemicals, construction and mining, automation, robotics, new energy, construction machinery, transport and environmental protection. Leveraging the depth of experience, execution discipline and industry insight of our management team, we are well placed to further strengthen our operational capabilities, deepen our market presence and support the next phase of our sustainable growth.

OUR BUSINESS STRATEGIES

Our mission is to become a leading PRC-based provider of intelligent industrial motor solutions, advancing intelligent manufacturing and industrial robotic applications globally. To achieve this, we plan to pursue the following strategies:

Reinforce the strength and scale of our PMSM production

We plan to expand our research, development and manufacturing capabilities for PMSM and drive control systems in order to broaden our product portfolio and scale up production and sales to address structurally growing end-markets in European countries and China. PMSM and drive systems are core motion-control components for precision automation applications due to their high torque density, fast dynamic response and high control accuracy.

In response to continued demand for precision motion-control components in automation applications, we are pursuing an integrated development approach that combines PMSM with matched drive hardware and control systems to provide application-oriented motion solutions rather than standalone components. Our development focus includes extending the range of PMSM and drive platforms, where requirements for high-precision position control, multi-axis coordination, compact design and energy efficiency are increasing. At the same time, we plan to expand manufacturing

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capacity and upgrade production technology for servo motors and drive control systems to support higher output volumes, improved consistency and scalability, in line with the broader industry shift towards integrated motor-drive architectures and digitally networked automation systems.

To keep up with the market trend and demand, our production facilities are one of the crucial factors in determining our manufacturing capabilities. Our Directors believe that expanding production capacity and upgrading manufacturing facilities will, among others, help to attract and successfully undertake purchase orders of larger sizes or multiple purchase orders at the same time from existing and/or new customers. Our existing PMSM production facilities were increasingly utilised throughout the Track Record Period and reached approximately 96.0% for FY2025. In view of almost full utilisation of our existing PMSM production facilities, and taking into account the positive market outlook of PMSM markets as well as indicative orders solicited from existing and potential customers, we plan to construct a 8,000 sq.m. production facility which will house two new PMSM production lines with a total designed annual production capacity of 2,000,000 kW, among which (i) one for large frame PMSM products with be approximately 1,600,000 kW and (ii) another one for small frame PMSM products will be approximately 400,000 kW. For further details of the total designed annual production capacity of the new PMSM production lines, please refer to the section headed “Business — Our Production — Production Capacity and Utilisation” in this document.

Based on the best estimation of our Directors in light of the current market conditions, the estimated initial costs for setting up PMSM new production lines would be approximately HK\$57.0 million (equivalent to approximately RMB52.0 million) of which approximately HK\$47.9 million (equivalent to approximately RMB43.3 million), representing approximately 45.0% of the [REDACTED] from the [REDACTED], for setting up two new PMSM production lines, among which (i) approximately HK\$25.6 million is expected to be used for purchasing facilities and equipment such as CNC machine tools, CNC vertical machining centres, CNC automatic coil winding equipment, as well as ancillary equipment such as an intelligent coating lines and intelligent forklifts, based on quotations obtained by us and the historical costs for purchasing such items; and (ii) approximately HK\$22.3 million is expected to be used for the construction of a new 8,000 sq.m. production facility. We expect to apply approximately HK\$36.9 million in FY2027 and approximately HK\$11.0 million in FY2028 and/or thereafter. The remaining portion of the funding required to implement the project is expected to be satisfied from our internal resources.

Based on our Directors’ knowledge and experience, the payback period is expected to be no more than approximately four years. We will also closely monitor our cash flows to ensure we have sufficient working capital to establish our new PMSM production lines.

Expanding PMSM application coverage in high-growth industrial robotic and intelligent manufacturing applications

The PMSM market is experiencing structural growth, driven by accelerating investment in intelligent manufacturing and industrial robotics-related applications. In China, the overall industrial AC motor market was valued at approximately RMB258.2 million in 2025 and is expected to expand at a CAGR of approximately 12.1% to approximately RMB457.3 million by 2030. Owing to their high efficiency, stable torque output and low noise characteristics, PMSM solutions have become widely adopted in industrial robotic applications. According to the CIC Report, global industrial robot installations reached approximately 550,000 units in 2025, with China accounting for more than half of total installations. As each industrial robot typically incorporates multiple precision motors depending on

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axis configuration, growth in robot deployments has a multiplier effect on demand for high-performance motor solutions. In addition, expanding applications in autonomous mobile robotic equipment, sortation systems and palletising equipment in warehouses are driving further demand for PMSM products.

Against this backdrop, we are pursuing greater PMSM end-market diversification by expanding our application coverage in intelligent manufacturing and industrial robotic-related applications, including emerging industrial robotic systems, where requirements for compact form factors, high torque density and precise motion control are increasing. Through continued development of modular PMSM products and application-specific solutions, we aim to strengthen our participation across a broader range of high-growth automation scenarios and enhance the long-term scalability of our industrial motor business. In May 2026, we also commenced business development efforts in the robotic machinery sector by entering into two strategic cooperation agreements with a pump manufacturer in Zhejiang Province, China and an electric vehicle manufacturer in Anhui Province, China for the supply of industrial dual-arm robots and joint modules for the period from August 2026 to July 2028. In particular, our development efforts are intended to cover:

- (i) *Research and development of industrial robot joint motor platforms and integrated modules* — We are advancing the development of core joint motor technologies for industrial robots, focusing on key articulated components such as dual-arms and joint modules. Our R&D efforts are directed towards the design and development of frameless torque motors and axial-flux motors tailored for industrial robot joint applications, as well as the integration of such motors into modular joint assemblies. These joint modules, including drives and encoders, precision reducers and roller screws, to enable compact, high-torque and highly integrated actuation solutions for intelligent manufacturing. For more details of our R&D collaborations in the field of industrial robotics applications, please refer to the section headed “Business — Research and Development” in this document;
- (ii) *Drive hardware and control algorithm development for industrial dual-arm robots* — We are also developing dedicated drive hardware and advanced control system for industrial robot joint motors, covering articulated joints such as dual-arms. The focus of this work is to enhance motion control accuracy, operational stability and torque smoothness through high-precision closed-loop control, while enabling coordinated control across multiple joints;
- (iii) *Establishment of a research, development and manufacturing centre for industrial dual-arm robots and joint modules* — To support the above development initiatives, we plan to establish a dedicated research, development and manufacturing centre for industrial dual-arm robots and joint modules. The centre is intended to support validation and integration testing of industrial dual-arm robots and joint modules. The centre’s facilities will be designed to enable systematic testing of performance, reliability and consistency prior to downstream customer integration; and
- (iv) *Establishment of production lines* — We intend to establish two production lines comprising (i) a production line for robotic joint modules with an annual designed production capacity of 100,000 sets, and (ii) a production line for the assembly of industrial dual-arm robots, with an annual designed production capacity of approximately 3,000 units, subject to finalisation of production arrangements and actual operating conditions. For further details of the total designed annual production capacity of the two new production lines, please refer to the section headed “Business — Our Production — Production Capacity and Utilisation” in this document.

We expect to apply approximately HK\$37.3 million (equivalent to approximately RMB33.7 million), representing approximately 35.0% of the [REDACTED] from the [REDACTED], for expanding our product application into intelligent and robotic manufacturing applications, among which (i) approximately HK\$14.1 million is expected to be used for researching and developing industrial dual-arm robot and joint module series products, including establishing R&D teams, engaging in collaborations with research activities and purchasing R&D platforms and equipment; and (ii)

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approximately HK\$23.2 million is expected to be used for purchasing and installing manufacturing equipment and facilities of industrial dual-arm robots and joint modules, including assembly and testing platforms, joint module assembly lines, as well as production and testing equipment for wire moulding and embedding, die-casting, welding and precision machining. We expect to apply approximately HK\$35.2 million in FY2027 and approximately HK\$2.1 million in FY2028 and/or thereafter.

Based on our Directors’ knowledge and experience, the payback period is expected to be no more than approximately four years. We will also closely monitor our cash flows to ensure we have sufficient working capital to expand our products for robotic equipment applications.

Digitalisation and intelligent manufacturing upgrade

We are committed to advancing the digitalisation and intelligent upgrading of our manufacturing facilities to enhance operational efficiency, flexibility and quality control in support of our Group’s long-term development. We continue to promote the construction of intelligent factories by deepening the integration of automation, digital systems and intelligent equipment across production processes, including upgrades to ERP systems, the establishment of a unified business intelligence data platform and the application of AI-enabled modules to support data-driven operational decision-making. Through the optimisation of production layouts and the adoption of advanced manufacturing technologies such as industrial internet connectivity and digital process management, we aim to improve production efficiency, strengthen cost control and enhance traceability across the production-to-testing lifecycle. These initiatives are complemented by ongoing enhancements in lean production management, the phased integration of automated equipment into additional production lines and regular training programmes to strengthen employees’ technical and operational capabilities. In parallel, we continue to refine process design, inspection procedures and quality management systems, including the use of automated inspection tools, to ensure consistent product quality and support the scalable and disciplined operation of our manufacturing facilities.

Our estimated costs for the digitalisation and upgrading of our manufacturing operations are approximately HK\$14.0 million (equivalent to approximately RMB12.7 million), based on quotations obtained by us and the historical costs for purchasing such items.

We expect to apply approximately HK\$10.7 million (equivalent to approximately RMB9.6 million), representing approximately 10.0% of the [REDACTED] from the [REDACTED], for the digitalisation and upgrading of our manufacturing operations, namely the procurement and integration of digital intelligence application software, including modules for digital intelligence quality inspection, parameter optimisation, predictive equipment maintenance and activation, as well as Business Intelligence (BI) data foundation and intelligent Bill of Materials (BOM) design assistance system. We expect to apply approximately HK\$5.6 million in FY2027, and approximately HK\$5.1 million in FY2028 and/or thereafter. The remaining portion of the funding required is expected to be satisfied from our internal resources.

Sustained investment in technology and innovation

We have established broad technological capabilities across our industrial motor solutions portfolio and intend to continue investing in research and development to enhance product competitiveness and application coverage. Our R&D priorities will focus on further advancing PMSM and high-efficiency industrial motor products, including:

- (i) *Efficiency performance*, focusing on high-efficiency industrial motor products and solutions across multiple motor platforms and converters, including asynchronous and permanent magnet solutions, with continued expansion of R&D in IE4 and IE5 premium and ultra-high-efficiency motor technologies;

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- (ii) *Intelligent features and system-level capabilities*, including mechatronic integration, predictive maintenance and advanced control algorithms;
- (iii) *Innovation in materials and structural design*, including improvements in magnetic materials, winding technologies and thermal management, as well as the application of advanced power devices where appropriate; and
- (iv) *Digital engineering capabilities*, including computer-aided design, multi-physics simulation, bench validation and the adoption of digital tools to enhance development efficiency and precision.

To complement in-house development, we intend to collaborate with leading universities in Shenyang, Zhejiang and Beijing, research institutions and selected technology partners to strengthen common technology platforms and facilitate application across multiple product lines.

OUR PRODUCTS

We offer a comprehensive portfolio of high-efficiency industrial motors and control systems, comprising approximately 3,000 models across various voltages, speed control options, efficiency ratings and other specifications. Our motors cover a power range from 0.12 kW to 1400 kW and our variable frequency drives range from 0.1 kW to 3600kW, serving a wide range of industrial applications. We principally offer two main product lines, namely PMSM and 3-PH IM, as set out below.

(A) Permanent magnet synchronous motors (PMSM)

This product line comprises direct-drive and high-speed configurations, together with servo drives and encoders, forming integrated motor-drive systems for intelligent manufacturing and motor control. These products are designed to deliver high power density, wide speed-regulation range and inverter-based control, enabling precise and stable control of speed and torque. Our drive products support multiple control modes, including closed-loop servo control, vector control and V/F control, to facilitate high-precision motion control and stable operation. Compared with conventional 3-PM 1M and standalone drive configurations, our integrated solutions generally offer higher energy efficiency, enhanced torque density over a wide speed range and improved system reliability, which may reduce energy consumption and support more compact system designs. Such products are primarily used in rotating equipment, such as pumps, HVAC systems, compressors, machine tools and forklifts, and may, depending on customer requirements, be adaptable to certain robotic and intelligent manufacturing scenarios.

Product Series	Primary Function	Key Functional Characteristics
1. PMSMs	- Convert electrical energy (AC) into mechanical power with synchronous, no-slip rotation - Provide precise speed and torque control due to synchronisation with the stator magnetic field - Deliver high energy efficiency by eliminating rotor current losses	- High efficiency (often >90%) and reduced energy losses - High torque density and compact size - Fast dynamic response and stable operation - Low thermal losses and reduced maintenance requirements



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	Product Series	Primary Function	Key Functional Characteristics
2.	Servo motors 	● Provide high-precision control of position, speed and torque within a closed-loop control system ● Execute commanded motion profiles accurately using real-time feedback (e.g. encoder signals)	● Closed-loop control with continuous feedback correction ● High positioning accuracy and repeatability ● Fast acceleration/deceleration and dynamic response ● Ability to maintain torque at low or zero speed
3.	Servo drives 	● Act as the control unit for servo motors, regulating position, speed and torque in real time ● Convert electrical power into controlled signals based on feedback to achieve precise motion	● Closed-loop control with encoder/resolver feedback ● Real-time adjustment of current, voltage and torque ● High precision, responsiveness and stability ● Enables coordinated multi-axis motion control
4.	Encoders 	● Regulate motor speed by adjusting input voltage and frequency supplied to AC motors ● Enable energy-efficient motor operation under variable load conditions	● Smooth speed control for induction motors ● Energy savings by matching motor speed to load demand ● Soft start/stop to reduce mechanical stress ● Typically open-loop (lower precision than servo systems)

(B) Three-phase asynchronous motors (3-PH IM)

This product line comprises standard and customised industrial motors across multiple energy efficiency classes, including IE5, IE4 and IE3 motors, as well as intermittent duty motors and VFD motors, designed to address varying operating requirements in intelligent manufacturing. Our high-efficiency motors are engineered to optimise energy performance and reduce power consumption, with IE5 and IE4 motors meeting stringent energy-saving standards, while VFD motors enable wide speed regulation and enhanced control efficiency under variable load conditions, and intermittent duty motors are designed for cyclical operations requiring high torque and durability. These products are primarily applied in rotating equipment and industrial systems, including compressors, pumps, fans and other electromechanical equipment. In addition, we offer specialised motor products, including explosion-proof motors for use in hazardous environments, and have obtained approved supplier certification from a major PRC oil and gas producer in respect of such products, enabling us to participate in its procurement framework.

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Product Series	Primary Function	Key Functional Characteristics	Strategic Role in Product Portfolio
1. Ultra Premium Efficiency Motor (IE5) 	Conversion of electrical energy into mechanical output with ultra-low energy loss	- Advanced electromagnetic design to minimise copper, iron and mechanical losses - High efficiency under continuous and variable load conditions - Optimised thermal management and power density	Represents next-generation efficiency offering, targeting high energy-intensity applications with stringent efficiency requirements
2. Super Premium Efficiency Motor (IE4) 	High-efficiency power conversion for continuous industrial operation	- Reduced electrical and magnetic losses through improved materials and design - Stable performance across varying load profiles - Compatibility with variable-speed drive systems	Enhances energy performance of standard operations and supports transition to higher efficiency systems
3. Premium Efficiency Motor (IE3) 	General-purpose motor for industrial power transmission	- Optimised windings and core materials for improved efficiency - Reliable continuous duty performance - Standardised configuration across industrial applications	Forms the core mass-market product segment, providing stable base-level efficiency and reliability
4. Intermittent Duty Motor 	Operation under non-continuous duty cycles with frequent start-stop conditions	- Designed to withstand thermal cycling and transient loads - Enhanced durability under fluctuating operating profiles - Adaptability to variable duty ratings	Addresses niche applications requiring flexible operation and load variability
5. VFD three-phase asynchronous motor 	Regulation of motor speed and torque through adjustment of voltage and frequency input	- Dynamic speed control and torque regulation - Energy optimisation by matching motor output to load demand - Integrated motor protection and soft-start capability	Provides flexible and adaptive solutions for variable-load industrial processes
6. Explosion-proof motor 	Safe operation in hazardous environments by preventing ignition risks	- Sealed enclosure and spark containment design - Temperature control to prevent overheating - Compliance with hazardous area standards (e.g. ATEX/IECEx)	Ensures compliance with safety requirements and expands application into regulated industries
7. Marine Motor 	Operation of motor-driven equipment under marine environmental conditions	- Corrosion-resistant construction - Moisture-proof and vibration-resistant design - Compliance with marine certification standards	Enables participation in specialised marine and offshore markets
8. Aluminium-frame Motor 	Provision of lightweight motor operation with enhanced heat dissipation	- Lightweight structure reducing installation load - Improved thermal performance through aluminium housing - Corrosion-resistant characteristics	Supports applications requiring compact design and cost-effective installation

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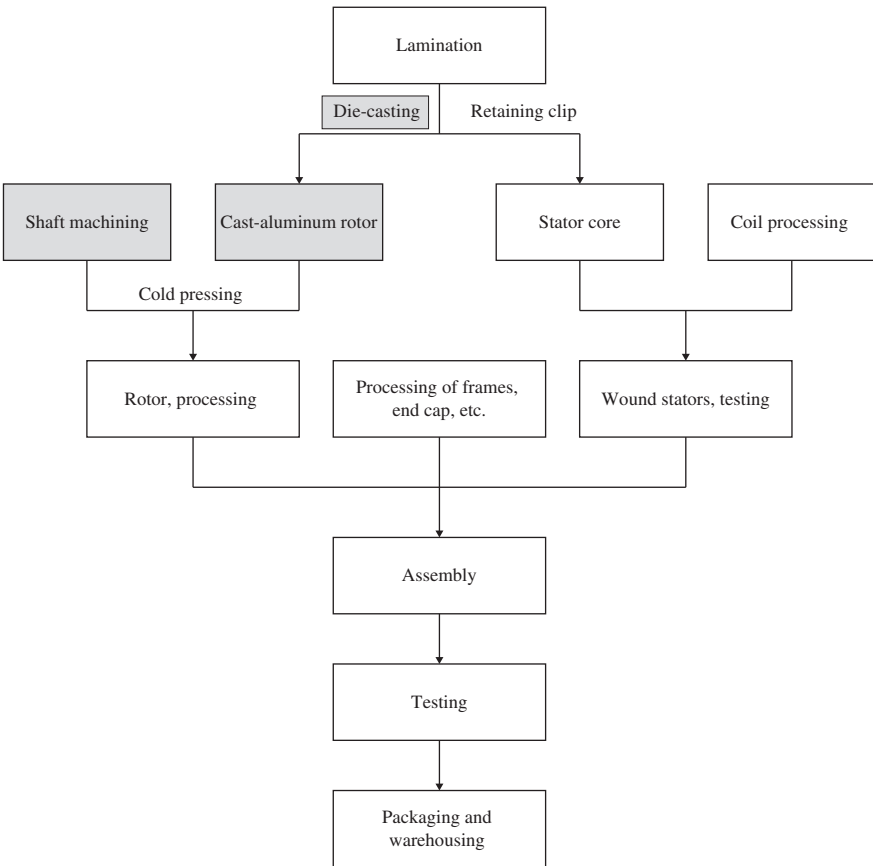
OUR PRODUCTION

We primarily adopt a production model combining “Make-to-Order” (MTO) and “safety stock preparation”. On the one hand, “Make-to-Order” (MTO) involves arranging for appropriate machinery, equipment and personnel to organise production according to the quantity and specific requirements of customer orders. On the other hand, based on customer and market demand, “safety stock preparation” involves regularly forecasting future product sales based on market predictions, and arranging for appropriate machinery, equipment and personnel for production and stock preparation.

Production Process

Our product manufacturing process involves multiple stages, including stamping, die-casting, machining, electrical discharge machining and assembly. To standardise production process management and ensure product quality, we have established process instructions and process discipline standards for each stage. Our quality control department is responsible for formulating quality standards and inspection specifications (including inspection procedures, inspection standards, work instructions and various record forms) and supervises communications and implementation throughout the manufacturing process, ensuring standardised operations across the entire production process and compliance with product quality requirements. The specific process flow of our Company’s products is as follows:

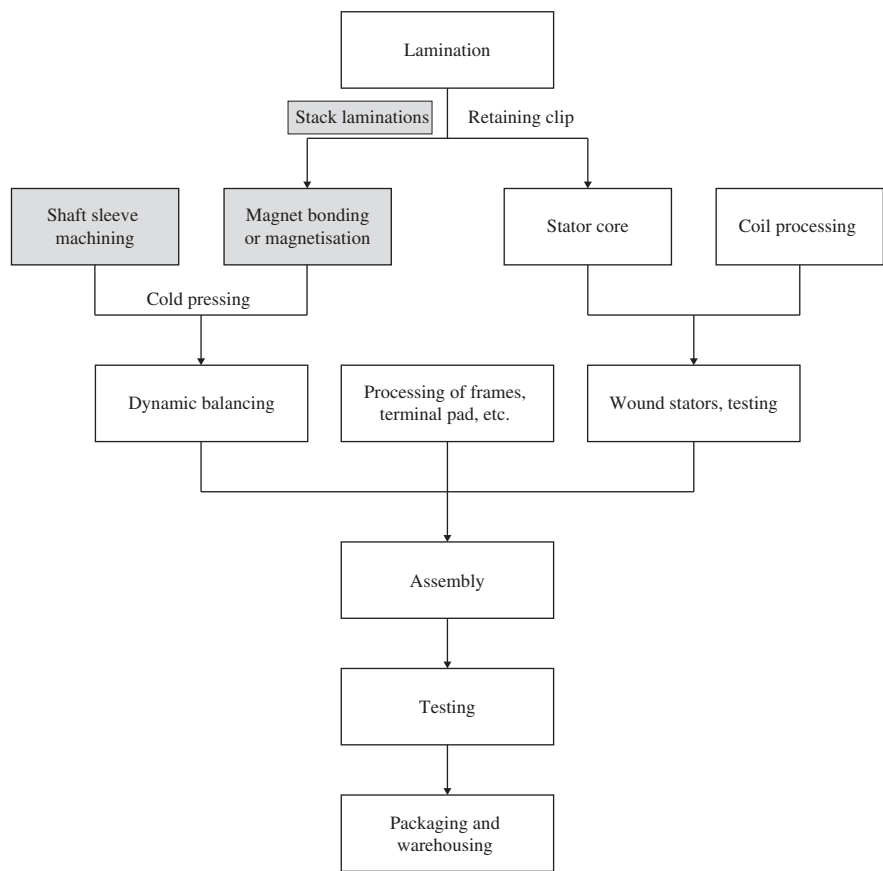
(1) *High-efficiency asynchronous motors*



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(2) Permanent magnet synchronous motors

Production process flow of permanent magnet synchronous motor



Production facilities

Our technologically advanced and highly automated production facilities in Taizhou, Zhejiang Province, occupy a total site area of 150,000 sqm, recognised as a key hub for motor and supporting industries in eastern China. To enhance production efficiency and precision, we deploy CNC lathes, automatic CNC machining centres, and presses, and have established laboratories with industry-leading motor performance testing and quality inspection capabilities. Our production processes are certified under ISO 9001, ISO 14001 and GB/T45001, ensuring compliance in quality, environmental, and occupational health and safety management.

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Our production capacity is principally determined by the throughput of rotor production, stator production and final motor assembly and testing. Our production lines generally comprise integrated equipment, including lamination press lines, stator winding and insertion machines, rotor die-casting equipment, automated assembly lines and testing stations. Among these stages, stator winding and insertion generally constitute the principal bottleneck due to their relatively higher processing time and technical complexity, whereas rotor production and assembly are generally more scalable through additional equipment or automation. The table below sets out the major machinery we had as at the Latest Practicable Date:

Production Process	Key Machines	Key Function	No. of Units as at the Latest Practicable Date (more than approximately)
Lamination	Lamination press lines (core stamping)	Stamp and assemble laminated steel sheets to form stator or rotor cores for the magnetic circuit	10
Die-casing	Aluminium die-casting machines	Form rotor conductive components by injecting molten aluminium to enable current flow and torque generation	6
Shaft machining/shaft sleeve machining	Shaft assembly/fitting machines	Install and align motor shafts to ensure proper rotation, balance and transmission of mechanical output	6
Stator core	Slot insulation insertion machine	Insert insulation materials into stator slots to prevent electrical short circuits and ensure safe motor operation	22
Stator core	Automatic stator winding machine	Wind and insert conductive coils into stator cores with precision to form the motor's electromagnetic field	22
Coil processing	Coil forming/lacing machines	Shape and secure windings to maintain structural stability and withstand operational stresses	20
Assembly	Motor Assembly Lines	Integrate stator, rotor, housing and components	12
Testing	Testing & Quality Assurance Equipment	Ensure compliance with safety and performance standards	12
Packaging and warehousing	Automation & Transfer Systems	Improve cycle times, reduce labour dependency	6

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Our Directors confirm we own all of our production machinery and equipment. The estimated average remaining useful lives of our production machines and equipment ranged from approximately 5 to 12 years as at 31 December 2025.

We conduct regular maintenance and upkeep on all production equipment and production lines. We have formulated in-house maintenance and repair schedules, under which responsible personnel periodically run diagnostics, and undergo calibration procedures for the maintenance of key machinery. During the Track Record Period and up to the Latest Practicable Date, there had been no prolonged suspensions of production processes or significant disruptions to our operations caused by equipment failure or malfunction.

We have built a warehouse with a digitally controlled management system and a GFA of approximately 20,000 sqm and storage for about 120 racks. It features automated material handling, warehouse execution systems, and inventory identification for autonomous picking, moving and packing.

Production Capacity and Utilisation

The following table sets forth the details of our production base and its designed production capacity, actual production volume and utilisation rates during the Track Record Period:

Products	FY2023			FY2024			FY2025		
	Designed production capacity (kW) ⁽¹⁾	Annual production volume (kW) ⁽²⁾	Utilisation rate ⁽³⁾	Designed production capacity (kW) ⁽¹⁾	Annual production volume (kW) ⁽²⁾	Utilisation rate ⁽³⁾	Designed production capacity (kW) ⁽¹⁾	Annual production volume (kW) ⁽²⁾	Utilisation rate ⁽³⁾
	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)
(I) Existing production facilities consisting of:							6,200,000	5,650,000	
(a) 3-PH IM	3,000,000	2,700,000	88.8%	3,100,000	3,050,000	98.7%	3,400,000	2,950,000	87.7%
(b) PMSM	2,600,000	2,000,000	76.4%	2,800,000	2,400,000	86.3%	2,800,000	2,700,000	96.0%
(II) New production lines pursuant to planned capital expenditure in FY2027 and onwards									
(c) PMSM									
large-frame							1,600,000		
small-frame							400,000		
							<u>2,000,000</u>		
PMSM sub-total					(b)+(c)		<u>4,800,000</u>		
Overall Total					(a)+(b)+(c)		<u>8,200,000</u>		
(III) Industrial robotic-related application									
(i) Joint modules (sets)							<u>100,000</u>		
(ii) Industrial dual-arm robot assembly line (units)							<u>3,000</u>		

Notes:

- (1) Designed production capacity is calculated based on the daily production rate of our production facilities operating for 280 working days a year for the Track Record Period (with slight adjustments made to account for public holidays).
- (2) Actual production volume refers to actual output for the relevant year.
- (3) The utilisation rate is calculated by dividing actual production volume by the designed production capacity in the same year.

Regarding the new production is based on our planned capital expenditure in FY2027 and onwards, as further detailed in the “Future Plans and [REDACTED]” section of this document. For more details of our planned expansion of our PMSM production line, please refer to the section headed “Business — Our Business Strategies” in this document.

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RESEARCH AND DEVELOPMENT

We regard technological innovation and R&D as fundamental to our long-term development. Built on our in-house R&D capabilities and customer-oriented product development framework, we have established end-to-end development capabilities covering core motor technologies, drive control and related system-level applications. We believe this approach enables us to enhance product performance, improve energy efficiency and expand application coverage, including intelligent manufacturing and industrial robotics-related use cases, in a manner consistent with disclosure practices adopted by comparable industrial technology issuers.

Our R&D activities are primarily conducted through our provincial-level research platforms, namely our provincial-level enterprise research institute and provincial high-tech research and development centre. These platforms principally undertake applied research, product development, testing and industrialisation support, and provide technical support for customer-specific requirements. During the Track Record Period, we independently developed and mastered key technologies, including (i) high-efficiency three-phase asynchronous motor design, (ii) precision machining for high-efficiency motor rotors and bearings, (iii) PMSM design, (iv) technologies for improving efficiency of explosion-proof motors, and (v) design capabilities for high-efficiency motor variable frequency drives.

Our R&D projects are generally initiated based on market demand and customer requirements. Following feasibility assessments conducted by our technical, marketing and finance functions, projects are formally established. Our technical team conducts design and process formulation and prepares task specifications and development plans; our production team conducts trial production; and our quality management and relevant functions perform internal verification against design specifications. After internal verification, products are typically submitted to independent third-party testing institutions for external testing and issuance of test reports prior to final sample confirmation, production validation and mass production.

As at 31 December 2025, we had approximately 200 personnel handling R&D duties, accounting for approximately 21.6% of our total workforce. Our R&D personnel have expertise in, among others, electrical and electromagnetic theory, mechanical design, materials science, power electronics, drive control, and application integration for intelligent manufacturing and industrial robotics-related applications. Their principal responsibilities include (i) product planning and application definition, (ii) electromagnetic and mechanical design, (iii) power electronics and drive/control algorithm development, including inverter/driver hardware and control firmware, (iv) simulation and verification, including electromagnetic and thermal modelling and performance validation, (v) process engineering and manufacturability optimisation, and (vi) reliability, compliance testing and certification support.

We supplement in-house development with collaborations with renowned universities, academic institutions and research centres, typically on a milestone basis with agreed deliverables, confidentiality obligations and agreed allocation (or joint ownership) of intellectual property rights.

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Set out below is a summary of the major R&D projects undertaken by our Group during the Track Record Period and as at the Latest Practicable Date:

Project Category	Key Development Areas	Research institution	Development Period	Status
IE5 3-PH IM	Electromagnetic and structural design of IE5 three-phase asynchronous motor series, with a power range of 0.55kW to 315kW, frame sizes ranging from H80 to H355, and four rotational speeds: 3000r/min, 1500r/min, 1000r/min, and 750r/min.	a research centre in Shanghai	July 2022 – December 2023	Products undergoing batch production and being sold commercially
Direct-drive PMSM for mechanical equipment	Motor manufacturing and testing of rare-earth direct-drive permanent magnet motors for low-speed, high-torque systems	a technology university in Shenyang	November 2022 – November 2025	Products undergoing batch production and being sold commercially
Industrial robot joint module (PMSM-based)	PMSM-based joint module targeting 48V supply and continuous torque of 36 N·m; motor electromagnetic design; driver hardware (including PCB schematic/design outputs); vector control algorithm development; prototype build and testing (including performance validation)	a leading research university in Zhejiang	May 2026 – July 2026	Prototype stage
Robotics systems (single/dual-arm)	Single-arm robotic system for automated electromechanical testing; dual-arm robotic system for automated screw assembly; multi-degree-of-freedom dual-arm robot body system (up to 6–7 axes per arm) with 0.1 mm repeat positioning accuracy; system-level integration and subsequent optimisation/upgrade support	a national technology university in Beijing	May 2026 – April 2028	Prototype/development stage

Our ongoing R&D efforts focus on the enhancement of permanent magnet motor technologies, drive control systems and energy-efficient solutions. We are also expanding into industrial robotics applications, including industrial robotic systems, joint modules and other related components, with a view to strengthening our capabilities in motion control and mechatronic integration. Please refer to the subsection headed the “Our Business Strategies” above.

We have continued to invest in R&D during the Track Record Period. Our R&D expenses were approximately RMB28.5 million, RMB29.4 million and RMB30.0 million for the Track Record Period, respectively, representing approximately 4.2%, 4.1% and 4.1% of our revenue for the respective years.

QUALITY CONTROL

We are committed to maintaining the highest level of quality in our solutions in accordance with domestic and international standards. We have designed and implemented a quality management system that provides the framework for continuous improvement of products and processes. We operate our own testing centre, where all factory inspections, type tests and energy efficiency tests are conducted to meet requirements, and non-conforming products are strictly prohibited from leaving the factory. In addition, we have established a dynamic standard update mechanism, where new national and international standards are adopted and implemented immediately upon publication, ensuring our products

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consistently comply with current and valid standards. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material complaints, product liability claims or product returns in relation to our products.

SALES, CUSTOMERS AND MARKETING

Contracting, pricing and settlement

For major customers in the PRC, we generally enter into framework agreements setting out principal commercial terms, such as product specifications, delivery arrangements and settlement terms, which are supplemented by purchase orders specifying pricing, quantities and delivery schedules. Such framework agreements typically contain delivery forecasts, and customers are generally required to notify us of adjustments from time to time. For overseas customers, we generally enter into sales contracts on an order-by-order basis.

We generally determine pricing on a cost-plus basis, with reference to factors including production costs, technological specifications, customer demand, order volume, supply chain considerations, prevailing market conditions and targeted margins. Given that raw materials constitute a significant portion of our cost of sales and our product offerings are diverse, our pricing is subject to fluctuations, particularly in relation to key raw materials such as copper, aluminium, silicon steel and other metals. To mitigate such volatility, we may incorporate price adjustment mechanisms in our sales arrangements to reflect changes in the costs of such key inputs.

Payments are generally settled by telegraphic transfer. Our domestic sales are primarily denominated and settled in RMB, while our overseas sales are generally denominated in RMB, Euro or US\$. During the Track Record Period, approximately 66.4%, 21.0% and 12.6% of our sales were settled in RMB, Euro and US\$, respectively. Given our overseas sales exposure, we are subject to foreign exchange fluctuations between RMB and such foreign currencies, which may adversely affect our revenue, cost of sales and profitability. For further details, see the section “Risk Factors — Risks relating to our Business and Industry — We are exposed to fluctuations in foreign currency exchange rates, which could adversely affect our business operations, results of operations, and financial condition”.

Credit policy

We typically may grant credit periods ranging from approximately 30 days to 180 days, depending on customers’ credit profile, transaction history and project characteristics.

We implement credit control procedures to manage credit risk, including conducting credit assessments through internal evaluations, which are subject to periodic review by our sales and finance departments. Our finance department is responsible for invoicing, receivables management and collection. During the Track Record Period, we did not experience any material defaults or bad debts that had a material adverse impact on our financial position or results of operations.

Customers

Our customers primarily comprise rotating equipment manufacturers, motor solution providers, resellers and motor brand companies mainly based in China, and overseas markets, including European countries such as Germany, Italy, Turkey, as well as Africa and other regions. For details of the geographical distribution of our revenue during the Track Record Period, see the subsection headed “Our Competitive Strengths — Diversified and quality customer base with long-term collaborative relationships” in this section above. We primarily adopt a direct sales model for both the PRC and

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overseas markets, supplemented to a limited extent by distributors. During the Track Record Period, in terms of revenue approximately 97.3% of our sales were direct sales and approximately 2.7% were to motor resellers.

The tables below set forth the information of our top five customers in each year during the Track Record Period:

FY2023

Customers	Background	Product provided	Year of commencement of business relationship	Credit terms	Payment method	Revenue (RMB'000) (approximately)	% of total revenue (approximately)
Customer A	See Note 1.	3-PH IM	2010	30 days	Bank acceptance draft	135,908	19.9
Customer B	See Note 2.	3-PH IM	2002	90 days	Telegraphic transfer	81,651	11.9
Customer C	See Note 3.	3-PH IM	2002	180 days	Telegraphic transfer	71,348	10.4
Customer D	See Note 4.	3-PH IM	2005	30 days	Telegraphic transfer	40,491	5.9
Customer E	See Note 5.	3-PH IM	2006	90 days	Bank acceptance draft	23,528	3.4
Total						352,926	51.5

FY2024

Customers	Background	Product provided	Year of commencement of business relationship	Credit terms	Payment method	Revenue (RMB'000) (approximately)	% of total revenue (approximately)
Customer A	See Note 1.	3-PH IM	2010	30 days	Bank acceptance draft	117,173	16.3
Customer B	See Note 2.	3-PH IM	2002	90 days	Telegraphic transfer	94,862	13.2
Customer C	See Note 3.	3-PH IM	2002	180 days	Telegraphic transfer	51,995	7.3
Customer D	See Note 4.	3-PH IM	2005	30 days	Telegraphic transfer	47,684	6.7
Customer F	See Note 6.	3-PH IM	2018	150 days	Telegraphic transfer	20,660	2.9
Total						332,374	46.4

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FY2025

Customers	Background	Product provided	Year of commencement of business relationship	Credit terms	Payment method	Revenue (RMB'000) (approximately)	% of total revenue (approximately)
Customer G	See Note 7.	3-PH IM	2010	180 days	Telegraphic transfer	76,801	10.5
Customer A	See Note 1.	3-PH IM	2010	30 days	Bank acceptance draft	61,584	8.4
Customer B	See Note 2.	3-PH IM	2002	90 days	Telegraphic transfer	60,103	8.2
Customer C	See Note 3.	3-PH IM	2002	180 days	Telegraphic transfer	55,932	7.6
Customer D	See Note 4.	3-PH IM	2005	30 days	Telegraphic transfer	33,624	4.6
Total						288,044	39.3

Notes:

- Customer A is a group of companies located in China, primarily engaging in the production and sale of pumps, valves, motors, electrical appliances and mechanical equipment with a registered share capital of approximately RMB101.8 million.
- Customer B is a Germany-based motor supplier motors, providing standard and customised motor solutions to industrial customers primarily in European markets with a registered capital of approximately €102,000.
- Customer C is an Italian manufacturer engaged in the design, production and customisation of motors for a range of industrial applications with a registered capital of approximately €120,000.
- Customer D is a limited liability company located in Zhejiang, China, primarily engaging in the manufacturing of pumps, gas and liquid separation and purification equipment with a registered capital of approximately RMB300 million.
- Customer E is a public limited company located in Zhejiang, China, and listed on the Shenzhen Stock Exchange, primarily engaging in the manufacturing, research and development, and sale of wind turbines and on-board chargers for new energy vehicles, which recorded revenue of approximately RMB1.6 billion for FY2025 and a market capitalisation of over approximately RMB4.47 billion as at 31 March 2026.
- Customer F is a South Africa-based company involved in the supply and distribution of motors, variable speed drives and related industrial equipment with a registered capital of approximately 100,000 ZAR.
- Customer G is a limited liability company located in Turkey, primarily engaging in the wholesale and retail of motors and gearboxes with a registered capital of approximately US\$48,000.

As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who, to the knowledge of our Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year during the Track Record Period.

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Salient Terms of Sales Framework Agreements with Major Customers in China

The salient terms of our sales framework agreements with our major customers in the PRC during the Track Record Period are set out below:

- **Product specifications.** Our customers typically set forth specific product specification requirements for products ordered, such as product name, model, configuration and features.
- **Term.** We typically enter into contracts with a duration of one to two years. However, the specific term may be determined on a case-by-case basis depending on the nature of the engagement.
- **Payment.** Payment shall generally be made by customers following delivery, either through a one-off payment or on a monthly basis for monthly deliveries. In some instances, a certain amount shall be retained and held in an account in our name for a certain period, subject to which costs may be deducted directly from the account in respect of any claims, which shall otherwise be transferred to us.
- **Warranty.** The warranty period generally lasts from one to seven years after the product or solution was accepted by the customer.
- **Intellectual Property.** We retain ownership of the intellectual property rights related to the products we provide. In some instances, intellectual property arising from products developed by us but based on technical data, blueprints and technical information provided by our customers shall be owned solely by our customers.
- **Confidentiality.** We may generally not disclose or otherwise use confidential information of our customers in a manner that is harmful to their interests without their consent. Customised products produced by us are exclusive to the relevant customer, and we may not produce, sell or copy their specifications for other customers. Such terms typically survive any termination or expiry of the underlying contract.
- **Termination.** Customers may generally terminate the contract upon a material breach committed on our part, or if we are unable to rectify quality issues within our products after two attempts.

Salient Terms of Sales Contracts on Order-by-order basis with Major Overseas Customers

The salient terms of our standard sales contracts on an order-by-order basis with our major customers overseas during the Track Record Period are set out below:

- **Product specifications.** Our customers typically set forth specific product specification requirements for products ordered, such as product name, model, configuration and features.
- **Order-by-order.** Sales contracts are generally entered into on an order-by-order basis.
- **Payment.** Payments generally consist of a combination of an upfront deposit and deferred settlement after the bill of lading date.
- **Warranty.** The warranty period generally lasts from one to seven years after the product or solution was accepted by the customer.

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During the Track Record Period, we did not experience any material breach of agreements with our customers.

Marketing

We focus on developing and maintaining relationships with key customers, primarily through participation in industry exhibitions, tendering processes and ongoing business development efforts. Our sales teams are responsible for identifying and engaging potential customers, understanding their operational requirements and managing the full sales cycle, including pre-sales support and after-sales services. For overseas markets, we develop customer relationships through international exhibitions and online channels and implement ongoing account management and business development initiatives for key customers.

In the course of expanding our market reach and showcasing our industrial capabilities, our Company has proactively participated in a number of prominent trade fairs and exhibitions, including domestic events such as the annual China Import and Export Fair (Canton Fair) (廣交會), Flowtech China (上海國際泵閥展), China Shunde (Lunjiao) International Woodworking Machinery Fair (中國順德(倫敦)國際木工機械博覽會), the Zhejiang Pumps & Electrical Machinery Exhibition* (浙江泵與電機展覽會), the Changsha International Construction Equipment Exhibition* (長沙國際工程機械展覽會) and the Taizhou Industrial Expo* (台州工博會). In addition, our Company has also participated in international events such as the Hannover Messe held in Germany, International Industry Week held in Saudi Arabia, Industrial Transformation Mexico, and WIN Eurasia held in Turkey. Through these engagements, we have strengthened our brand presence, fostered business collaborations, and kept abreast of industry developments both domestically and globally.

OUR RAW MATERIALS AND SUPPLIERS

Our raw materials and components primarily include silicon steel, enamelled copper wire, aluminium, permanent magnetic materials and casting frames. We have established a network of more than approximately 300 suppliers in China, primarily comprising manufacturers. Up to the Latest Practicable Date, we had established business relationships ranging from approximately 2 to 9 years with our five largest suppliers. Our Directors believe our stable relationships with our suppliers will continue to ensure a sufficient and reliable supply of raw materials and components, while also helping to mitigate fluctuations in raw materials going forward. See the section headed “Risk Factors — Risks relating to Our Business and Industry — Increases in prices or instability in the supply of the raw materials used in production may adversely affect our business.”

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The tables below set forth the basic information of our Group’s top five suppliers in each year during the Track Record Period:

FY2023

Suppliers	Background	Product/ services purchased	Year of commencement of business relationship	Credit terms	Payment method	Purchase amount (RMB’000) (approximately)	% of total purchase (approximately)
Supplier A	See Note 1.	Enamelled copper wire	2021	30 days	Telegraphic transfer	113,163	23.7
Supplier B	See Note 2.	Enamelled copper wire	2017	Payment upon delivery	Telegraphic transfer	37,460	7.8
Supplier C	See Note 3.	Permanent magnetic materials	2018	Payment upon delivery	Bank acceptance draft	30,135	6.3
Supplier D	See Note 4.	Silicon steel	2017	30 days	Telegraphic transfer	29,834	6.2
Supplier E	See Note 5.	Casting frames	2018	Payment upon delivery	Telegraphic transfer	21,835	4.6
Total						232,427	48.6

FY2024

Suppliers	Background	Product/ services purchased	Year of commencement of business relationship	Credit terms	Payment method	Purchase amount (RMB’000) (approximately)	% of total purchase (approximately)
Supplier A	See Note 1.	Enamelled copper wire	2021	30 days	Telegraphic transfer	168,225	30.8
Supplier C	See Note 3.	Permanent magnetic materials	2018	Payment upon delivery	Telegraphic transfer	28,409	5.2
Supplier B	See Note 2.	Enamelled copper wire	2017	Payment upon delivery	Telegraphic transfer	24,683	4.5
Supplier E	See Note 5.	Casting frames	2018	Payment upon delivery	Telegraphic transfer	24,473	4.5
Supplier F	See Note 6.	Silicon steel	2020	Payment upon delivery	Telegraphic transfer	20,172	3.7
Total						265,962	48.7

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FY2025

Suppliers	Background	Product/ services purchased	Year of commencement of business relationship	Credit terms	Payment method	Purchase amount (RMB'000) (approximately)	% of total purchase (approximately)
Supplier A	See Note 1.	Enamelled copper wire	2021	30 days	Telegraphic transfer	183,097	30.9
Supplier C	See Note 3.	Permanent magnetic materials	2018	Payment upon delivery	Telegraphic transfer	34,417	5.8
Supplier B	See Note 2.	Enamelled copper wire	2017	Payment upon delivery	Telegraphic transfer	33,509	5.6
Supplier G	See Note 7.	Casting frames	2021	Payment upon delivery	Bank acceptance draft	23,767	4.0
Supplier H	See Note 8.	Silicon steel	2024	30 days	Bank acceptance draft	22,341	3.8
Total						297,131	50.1

Notes:

- Supplier A is a limited liability company located in Zhejiang, China, primarily engaging in the manufacturing and processing of enamelled copper wire and household electrical appliances with a registered share capital of approximately RMB30 million.
- Supplier B is public limited company located in Zhejiang, China, and listed on the Shanghai Stock Exchange, primarily engaging in the research, development, production, and sale of electromagnetic wires, used for motors and electrical appliances, which recorded revenue of approximately RMB12.6 billion for FY2025 and a market capitalisation of over approximately RMB6.46 billion as at 31 March 2026.
- Supplier C is a limited liability company located in Zhejiang, China, primarily engaging in the production and sale of magnetic materials and electronic special materials with a registered share capital of approximately RMB85.2 million.
- Supplier D is a limited liability company located in Shanghai, China, primarily engaging in the sale of metal materials, chemical raw materials and products, hardware and electrical equipment, electromechanical equipment with a registered share capital of approximately RMB11.1 million.
- Supplier E is a limited liability company located in Jiangsu, China, primarily engaging in the research and development of electromechanical technology; the production, processing, and sale of motors, metal molds, and auto parts with a registered share capital of approximately RMB50 million.
- Supplier F is a limited liability company located in Shanghai, China, primarily engaging in the sale of metal materials and products, mineral products, chemical products, hardware and electrical equipment, and timber with a registered share capital of approximately RMB10 million.
- Supplier G is a limited liability company located in Zhejiang, China, primarily engaging in the manufacturing, processing, and sales of mechanical parts and components with a registered share capital of approximately RMB100,000.
- Supplier H is a limited liability company located in Shanghai, China, primarily engaging in the sale of metal materials, building materials, hardware and electrical products, communication equipment, mechanical and electrical equipment with a registered share capital of approximately RMB26 million.

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As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who, to the knowledge of the Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year during the Track Record Period.

Procurement

We have a procurement system and primarily adopt a combination of order-based procurement and safety stock management. We organise procurement based on historical data accumulation and customer order requirements while also maintaining a certain level of safety stock based on upstream and downstream industry conditions. Our suppliers are predominantly located in the Yangtze River Delta region, enabling relatively fast supply chain response times and lower transportation costs.

We primarily procure products such as silicon steel, enamelled copper wire, aluminium, permanent magnetic materials and casting frames. These products are readily available in the market, with mature trading mechanisms and pricing systems, and their prices are relatively transparent. We have established a supply department responsible for controlling and managing our entire procurement process. For major raw material suppliers, we generally conduct a comprehensive evaluation covering aspects such as quality assurance, delivery reliability, pricing levels and cooperation attitude, and determine a list of approved suppliers annually. After identifying approved suppliers, we sign either framework procurement contracts or specific procurement contracts. For each type of major raw material, we ensure there are generally two to three approved suppliers. After each batch of raw material procurement, our quality department conducts sample inspections. For critical components and materials, inspection reports are issued. The prices of raw materials we procure are generally determined through negotiation with our suppliers, based on market benchmark prices. Our procurement department is responsible for monitoring the price trends of major raw materials and communicates with suppliers regarding raw material prices from time to time. Prices fluctuate significantly depending on market conditions. During the Track Record Period and up to the Latest Practicable Date, we did not experience shortages of silicon steel, enamelled copper wire, aluminium, permanent magnetic materials and casting frames that materially affected our operations.

Salient Terms of Agreements with Suppliers

The salient terms of our purchase contracts with our suppliers during the Track Record Period are set out below:

- ***Specifications.*** The product name, specification, price, quantity, delivery timeline and other detailed items are specified in the agreements.
- ***Payment and delivery.*** We are responsible for timely payment, typically through telegraphic transfer or payment in cash upon delivery provided no major defects exists. We usually accept delivery either at the supplier’s site or at our site. If delivery is made at the supplier’s site, we will handle transportation and bear the relevant costs. If delivery is made to our site, the supplier will be responsible for delivery and its associated costs.
- ***Quality control.*** If products are found non-compliant after acceptance, we will provide written objection to the supplier, who must bear all economic loss or provide suitable replacements within a specified period after receiving the written notice.
- ***Termination.*** Generally, both parties are entitled to terminate the contract upon mutual written consent.

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BUSINESS ACTIVITIES WITH CUSTOMERS IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

The United States and other jurisdictions or organisations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive orders, legislation or other governmental measures, implemented international sanctions targeting entities and individuals, including sanctioned targets, entities and individuals that are nationals of or located in certain sanctioned countries, and entities and individuals that are associated with certain industries or sectors in specific countries.

During the Track Record Period, based on the information provided by us, our International Sanctions Legal Advisers has advised us that we made certain sales and deliveries of motors to customers in transactions that were identified as potentially involving goods, services or payments to, or for the benefit of, an entity on the Specially Designated Nationals and Blocked Persons List (“**SDN List**”) maintained by the Office of Foreign Assets Control (“**OFAC**”) with secondary sanctions risk indicators (“**SDN Sales**”). The SDN Sales involved total payments of approximately US\$75,000 during the Track Record Period. In addition, based on the information provided by us, our International Sanctions Legal Advisers has advised us that certain Russia-related transactions involved receipt of funds through a financial institution on the SDN List (“**SDN Payments**”). Our Directors confirm the SDN Payments involved receipts from two customers during the Track Record Period, in an aggregate amount of approximately RMB640,000.

We have engaged Katten Muchin Rosenman LLP, our International Sanctions Legal Advisers, to perform procedures to assess our compliance with international sanctions laws and regulations and evaluate our risk of exposure and potential penalties under the international sanctions laws and regulations. Our Directors confirm that, as of May 2025, we ceased all transactions involving entities on the SDN List.

Our International Sanctions Legal Advisers has advised us that the risk that our sales during the Track Record Period constituting sanctioned activity under international sanctions enacted by relevant jurisdictions is low, with the exception of the SDN Sales and SDN Payments discussed below.

Primary Sanctions Risks

Our International Sanctions Legal Advisers has advised us that, under the International Emergency Economic Powers Act (“**IEEPA**”) and other applicable laws, U.S. economic sanctions administered by OFAC may apply to activities involving a U.S. nexus, such as funds transfers denominated in U.S. currency that clear through the U.S. financial system.

As advised by our International Sanctions Legal Advisers, during the Track Record Period, no activity that would constitute a direct violation of U.S. primary sanctions laws and regulations was identified during the Track Record Period.

However, as advised by our International Sanctions Legal Advisers, as the SDN Sales were denominated in U.S. dollars and processed through U.S. financial institutions, such transactions may implicate U.S. primary sanctions restrictions applicable to U.S. persons and U.S. financial institutions, and could give rise to direct U.S. sanctions exposure if we were found to have caused a U.S. person to process a prohibited transaction or otherwise to have evaded U.S. sanctions. Should such transactions implicate U.S. primary sanctions, we may face administrative penalties and reputational harm.

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Secondary Sanctions Risks

Our International Sanctions Legal Advisers has further advised us that the provision of material assistance to entities on the SDN List with secondary sanctions risk indicators could create exposure under U.S. secondary sanctions.

During the Track Record Period, the SDN Sales involved total payments of approximately US\$75,000. In addition, the SDN Payments involved receipts from two customers during the Track Record Period, in an aggregate amount of approximately RMB640,000.

Our International Sanctions Legal Advisers has advised us that the SDN Sales and the SDN Payments may create exposure under U.S. secondary sanctions. In light of our Russia-related dealings during the Track Record Period, and given that the assessment of secondary sanctions risk and material assistance is highly fact-specific and depends on, among other factors, the identity and ownership of counterparties, the nature of the goods, payment flows, trans-shipment arrangements, and whether any blocked person or other sanctionable nexus was involved, our International Sanctions Legal Advisers has advised that potential exposure to U.S. secondary sanctions cannot be ruled out. Secondary sanctions risks may arise in particular in respect of the SDN Sales and the SDN Payments. Our International Sanctions Legal Advisers has advised that such transactions present heightened concerns as to potential secondary sanctionable activity. Whether such transactions would result in sanctions being imposed on us or other relevant persons is subject to the discretion of OFAC and other competent authorities and is highly dependent on the specific facts and circumstances. Should OFAC and other competent authorities decide to impose sanctions, we may be designated to the SDN List and face reputational harm.

However, our International Sanctions Legal Advisers has advised that, in light of the nature of the SDN Sales and SDN Payments and the fact that SDN Sales and SDN Payments were of relatively small amount, it is less likely that we would be viewed as providing material assistance to the said counterparties and hence the possibility that SDN Sales and SDN Payments will result in the exercise of discretionary authority under secondary U.S. sanctions is relatively low.

Sanctions Risks to Relevant Persons Resulting from Participation in [REDACTED]

Given the scope of the [REDACTED] and the expected [REDACTED] as set out in this document, the cessation of the relevant activities, the remedial measures, and the internal control measures implemented by us, our International Sanctions Legal Advisers is of the view that parties involved in the [REDACTED] will not be implicated by any applicable international sanctions, including our Company and our subsidiaries (solely for the participations in the [REDACTED]), the respective directors and employees of our Company and our subsidiaries, our Company’s or our subsidiaries’ [REDACTED], Shareholders, the Stock Exchange, the [REDACTED] and group companies, or any person involved in the [REDACTED], and accordingly, the sanctions risk exposure to our Company (solely for the participations in the [REDACTED]), its [REDACTED] and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [REDACTED], [REDACTED], and [REDACTED] of our Shares (including the Stock Exchange, the [REDACTED] and related group companies) as a result of such involvement in the [REDACTED] is low.

Our Internal Control Measures to Minimise International Sanctions Risk

We will continue to enhance internal control and risk management measures which we believe enable us to better monitor and evaluate our business and to address economic sanctions risks.

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In particular, our International Sanctions Legal Advisers has recommended the following compliance measures (the “**Recommended Measures**”). Our International Sanctions Legal Advisers are of the view that, the Recommended Measures are consistent with guidance published by OFAC regarding sanctions compliance programs, and, if properly implemented, updated, and enforced, are designed to enable us to comply with applicable International Sanctions laws and to address sanctions risks. We had subsequently implemented the aforementioned Recommended Measures by 23 April, 2026 to control and monitor our exposure to sanctions risks:

- We adopted a trade compliance policy (the “**Trade Compliance Policy**”) for the purposes of complying with applicable International Sanctions enacted by Relevant Jurisdictions.
- Our Trade Compliance Policy includes appropriate procedures:
 - to screen customers and suppliers against the lists of individuals, entities, and regions subject to International Sanctions enacted by Relevant Jurisdictions;
 - to determine the extent to which our Company’s business with customers and suppliers may expose the Company to legal, commercial, or reputational risks; and
 - to determine appropriate measures to mitigate such risks.
- Our corporate management office coordinates the implementation of the Trade Compliance Policy. High-risk issues shall be escalated to senior management for final decisions when necessary.
- Our corporate management office may engage external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers.
- Our corporate management office shall arrange appropriate compliance training for our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.
- Our corporate management office shall continuously monitor developments in International Sanctions laws and regulations, so as to timely and effectively determine appropriate measures to mitigate such risks.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business.

As at the Latest Practicable Date, we had 66 registered patents (including 15 inventions, 48 utility models and 3 designs) and 3 patent applications in China (including 2 inventions and 1 utility model). We held 22 registered trademarks in China and 9 registered trademarks overseas. We also had 15 software copyrights in China, and had 7 domain names in China. For further details, see the section headed “Appendix VII — Statutory and General Information — A. Further Information about Our Business — 2. Intellectual Property Rights” in Appendix VII in this document. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any impediments in intellectual property rights applications.

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To protect our trade secrets and other proprietary technologies, our employees’ labour contracts generally contain confidentiality clauses, pursuant to which all confidential information must not be disclosed to third parties during or after the termination of employment, and any scientific research achievements, technical secrets or invention patents developed by employees in the course of performing their duties, as well as related intellectual property rights, shall belong to our Company. Moreover, upon resignation or termination of employment, all documents or records of any form that contain our business secrets must be returned to us and must not be copied. In addition, we proactively protect and enforce our intellectual property rights by signing agreements with confidentiality clause with industry organisations and academic institutions.

During the Track Record Period and up to the Latest Practicable Date, we are not aware of (i) any material infringement by us of any intellectual property rights of third parties, or (ii) any material infringement by any third party of intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any pending or potential legal claims against our Group in connection with any infringement of intellectual property rights of third parties. For more details of the risks of legal claims against our Group in relation to the infringement of third party intellectual property rights, please see the section headed “Risk Factors — Risks relating to Our Business and Industry — An inability to protect our intellectual property rights, or actual or alleged infringement of a third-party intellectual property rights, could adversely affect our business.” in this document.

EMPLOYEES

As at 31 December 2025, we had approximately 932 full-time employees, all of whom were based in the PRC. The following table sets forth the number of our employees by function as at 31 December 2025:

Employee Function	Number of employees
Management	129
Production	514
Research and Development	201
Administration	50
Sales and Marketing	27
Finance	11
Total	932

We normally recruit employees through online recruitment platforms and posting recruitment notices. We use our best endeavours to attract and retain appropriate and suitable workers to serve our Group. Our remuneration plans are formulated based on job responsibilities and management levels. This encourages employees to pursue specialised career paths and develop in-depth expertise in their respective fields, whilst also ensuring that pay is commensurate with the value employees contribute.

We enter into employment contracts and agreements regarding confidentiality, intellectual property and non-competition with our employees, under which all technical know-hows obtained by the employees during the course of their employment are subject to confidentiality. Further, when employees are hired, we give them an employee handbook, which informs them of our policies and their rights in all material respects, from recruitment, compliance, salary, benefits, performance assessment to training and development.

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After recruitment, we provide or arrange various types of training to our employees. Our training programmes are also categorised based on job responsibilities and management levels. Training content covers departmental functions, job responsibilities, work procedures, operating regulations, safety and environmental protection knowledge, and other topics. Training methods include both internal and external training. Through internal knowledge sharing, inviting external experts and sending staff on external training courses, we are able to enhance employees’ theoretical knowledge and skill levels, building a workforce with strong professional capabilities and high standards of professional conduct. Personnel are also required to complete a designated amount of training annually, the completion of which will be reflected in periodic performance evaluations.

We have established a labour union dedicated to safeguarding the rights and interests of our employees. We had maintained a good relationship with our employees and did not have any material labor dispute during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain insurance policies in accordance with relevant laws and regulations and based on our assessment of our operational needs and industry practice. Our Directors believe that our insurance coverage is adequate for our business and in line with general market practice. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance plans to align with our needs and with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had maintained social insurance for our employees in the PRC to provide protection against employees’ risks of work-related injuries and occupational diseases. In line with general market practice, we do not maintain certain policies that are not generally required by laws. See “Risk Factors — Risks Relating to our Business and Industry — Our insurance coverage may be sufficient to cover all losses or potential claims, which could adversely affect our business, financial condition and results of operations”. During the Track Record Period and up to the Latest Practicable Date, we had not made and had not been subject to any material claim of insurance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Our Company has embedded ESG principles into our business operations and decision-making processes, committed to driving long-term value creation through sustainable development. By benchmarking against the ESG Reporting Code of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the IFRS Sustainability Disclosure Standards, the Global Reporting Initiative (GRI) Standards, and industry best practices, we have identified key ESG issues covering areas such as corporate governance, climate change response, pollutant emissions, energy utilisation, employee health and safety, and product quality, thereby laying the foundation for establishing a materiality map.

ESG Governance

- *The Board of Directors*: as the highest decision-making body, responsible for approving ESG strategies, policies, and overall plans; identifying, assessing, and prioritising material ESG issues and related risks; establishing an ESG risk management and internal control system tailored to business characteristics and ensuring its effective operation; setting ESG goals, regularly reviewing progress, and approving ESG reports.

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- *The Strategy and Investment Committee:* as the coordinating management body, responsible for researching ESG strategies, major plans and decisions, providing recommendations, and driving ESG implementation; overseeing material ESG matters, identifying and assessing risks and opportunities, and monitoring annual ESG performance; reviewing ESG reports and disclosure documents.
- *The ESG Working Group:* as the coordinating and executive body, responsible for facilitating collaboration among departments and third-party organisations to advance the implementation of ESG initiatives; collecting and organising stakeholder engagement materials; and regularly submitting analyses of material issues and improvement recommendations to the Strategy and Investment Committee.

ESG And Climate-related Risk Management

Our Company has fully integrated ESG risks into its overall risk management framework, establishing systematic management processes. We conduct regular targeted risk assessments using multi-dimensional evaluation methods to develop and implement differentiated risk response strategies.

- *Risk identification:* systematically map ESG-related risk points throughout the entire business process;
- *Risk assessment:* analyse the likelihood of occurrence and the potential impact of risks;
- *Risk response:* develop targeted control measures and emergency plans;
- *Monitoring and reporting:* continuously track risk changes and report regularly to management;
- *Continuous improvement:* continuously improve control measures based on monitoring results and management reviews.

Regarding climate-related risks and opportunities, we reference the Task Force on Climate-related Financial Disclosures (TCFD) framework to establish a risk and opportunity identification process. By reviewing existing business activities, we assess and analyze potential climate change risks at each operational stage, evaluating their potential impact on Our Company’s operations and finances. Based on risk assessment results, we develop response strategies while simultaneously identifying opportunities presented by climate change, thereby improving our performance in climate change governance.

Risks	Description	Impact Duration	Potential Impact	Mitigation Measures
Physical Risks				
Acute Risks	Major production and operation facilities are located in coastal areas, which are vulnerable to extreme weather events, such as floods and typhoons. Extreme weather events may adversely affect production facilities, the stability of water and power supply, and thus disrupt production activities	Short-to-medium term	Reduced income : production disruptions, and delayed product delivery will result in economic losses	• Formulate emergency response plans for extreme weather, conduct emergency drills, and prevent potential damages caused by extreme weather events • Establish extreme weather early warning mechanism, conduct real-time meteorological monitoring, issue timely warnings, and ensure sufficient time for response measures

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Risks	Description	Impact Duration	Potential Impact	Mitigation Measures
Chronic Risks	Sustained increases in average temperatures may lead to higher energy consumption of refrigeration systems and production disruptions due to equipment overheating	Medium-to-long term	- Cost increase: higher energy consumption of refrigeration equipment drives up operating costs - Revenue decrease: production disruptions and delayed product delivery result in economic losses	- Increase proportion of renewable energy used in refrigeration equipment. - Implement workshop cooling schemes during high-temperature seasons
Transition Risks				
Policy and Legal Risk	As carbon emission regulation becomes increasingly stringent, it may lead to the idling, depreciation or obsolescence of high-energy-consuming equipment	Short-to-medium term	Cost increase: to meet regulatory requirements, it may be necessary to increase investment in new production processes and retrofit high-energy-consuming and high-emission equipment	Track policy developments in real time and adjust business strategies flexibly
Reputational Risk	Stakeholders such as customers and investors are paying increasing attention to the enterprise's carbon emission performance. The lack of green, low-carbon technologies and products may make it difficult to satisfy all parties' demands, and even trigger negative public opinions, damaging our Company's reputation	Medium-to-long term	Revenue decrease: customers and investors may lose trust in the enterprise and its products, thereby affecting market competitiveness and leading to a decline in revenue	Integrate ESG risks into our Company's overall risk control framework to prevent negative incidents
Market Risk	Market demand for low-carbon products is growing. Failure to meet this demand may expose the enterprise to the risk of declining market share	Medium-to-long term	Cost increase: failure to meet market demand for low-carbon products may require additional funds to be invested in technical transformation and equipment upgrading which push up costs	- Strengthen R&D of green and low-carbon products, enhance the promotion of the green and low-carbon brand image - Set clear emission reduction targets and indicators, and plan and implement emission reduction actions
Technical Risk	Technical innovation is required to adapt to the rapid development of low-carbon technologies. Failure in low-carbon technology R&D may result in a disadvantageous position in market competition	Medium-to-long term	Cost increase: to keep pace with the development of low-carbon technologies, additional funds need to be invested to support R&D, thereby increasing costs	- Increase investment in the independent R&D of low-carbon technologies - Carry out cooperative R&D with leading industry partners or institutions

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We understand that risks and opportunities often go hand in hand, and this is equally true for climate change-related issues. Therefore, while systematically identifying potential risks, we also place significant emphasis on identifying and articulating the opportunities that arise from them.

Opportunities	Description	Impact Level	Impact Duration	Potential Impact
Energy Management	With the popularisation of renewable energy, their usage costs are gradually declining, which may reduce energy expenses	High	Medium-to-long term	Cost reduction: clean energy with decreasing costs generates little hazardous waste, eliminating the requirements for extra investments in waste treatment and thus lowering operating costs
Products and Services	Market demand for low-carbon footprint products is growing, and low-carbon products indicate rising market demand	High	Long-term	Revenue increase: growing customer demand for low-carbon products and services, coupled with the booming low-carbon product market may enhance market competitiveness, attract more orders, and boost revenue
Brand premium	Green energy transition may enhance low-carbon brand premium	High	Long-term	- Brand strength improvement: integrate carbon management and climate risk management into the long-term strategy, internalise them as our Company’s operational guidelines and innovation drivers, and establish a low-carbon brand image - Revenue increase: customers are willing to pay a premium for low-carbon products and brands, thereby increasing revenue

Waste and Air Pollutant Management

Our Company rigorously implements emissions management throughout its operations by establishing the Wastewater Treatment Management System, Stormwater and Sewage Pipe Network Management System, Hazardous Waste Management System, Hazardous Waste Warehouse Management System, and Hazardous Waste Labeling System. These systems define emission standards, monitoring procedures, and accountability for violations, aiming to control and reduce pollutant emissions generated during our production processes, including wastewater, exhaust gas, solid waste, domestic waste, noise, radiation pollution, and thermal pollution.

- Wastewater management:* we strictly comply with national water pollution prevention and control regulations, including the Law of the People’s Republic of China on the Prevention and Control of Water Pollution, and have obtained the requisite pollutant discharge permits, upholding our environmental responsibility to discharge pollutants in accordance with permit requirements. By optimizing wastewater treatment processes and constructing treatment facilities, we ensure that wastewater discharge meets local operational standards. Additionally, we implement measures such as clean-drainage separation and closed-loop circulation to enhance the recycling rate of production wastewater and reduce discharge volumes.

Indicator	2023	2024	2025
Total wastewater discharge (m ³)	39,000.00	40,028.00	46,075.00
Wastewater discharge intensity (m ³ /person)	42.53	42.95	49.44

- Exhaust gas management:* exhaust gases generated during production are managed through classified treatment. For gases containing pollutants such as sulfur oxides (SO_x), nitrogen oxides (NO_x), and particulate matter (PM), we employ enclosed collection systems followed by activated carbon adsorption and condensation treatment to achieve compliant emissions.

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Indicator ⁽¹⁾	2023	2024	2025
SO _x (kg)	0.54	452.49	620.46
NO _x (kg)	24.38	484.86	556.12
PM (kg)	2.14	590.94	852.70

(1) In accordance with the management requirements of the Ministry of Ecology and Environment regarding the National Pollutant Discharge Permit Management Information Platform, data on sulfur oxides (SO_x), nitrogen oxides (NO_x), and particulate matter (PM) emissions from production facilities have been added as mandatory disclosure items for the issuance and renewal of the Pollutant Discharge Registration Certificate starting from 2024. Accordingly, Our Company has completed the calculation, registration, and disclosure of relevant data as required since 2024, in response to stakeholders’ concerns regarding the management of air pollutant emissions.

- *Noise management:* we rigorously implement relevant provisions of the Law of the People’s Republic of China on the Prevention and Control of Environmental Noise Pollution. Addressing noise at both the source and along transmission pathways, we adopt measures tailored to the characteristics of each noise source, including optimizing equipment selection, adding sound-absorbing materials, and installing noise barriers to mitigate noise pollution generated by machinery during production.
- *Waste management:* we systematically promote classified waste management. For non-hazardous waste such as cardboard boxes, wooden pallets, and domestic waste, we implement standardised controls throughout the entire process, engaging professional agencies for collection, storage, transportation, and disposal while establishing a traceable management system. For hazardous waste listed in the National Hazardous Waste List, including paint residues and waste oil, we engage qualified entities for treatment. Our Company also strengthens resource recycling by configuring specialised equipment for the reprocessing of materials such as waste wood and metal scrap, significantly improving the comprehensive utilisation rate of waste.

Indicator	2023	2024	2025
Total hazardous waste (Tonne)	0.62	0.54	0.52
Hazardous waste intensity (Tonne/person)	0.00068	0.00058	0.00056
Total non-hazardous waste (Tonne)	0.48	0.47	0.47
Non-hazardous waste intensity (Tonne/person)	0.00053	0.00051	0.00050
Paper packing (Tonne)	249.53	311.92	497.82
Wood packing (Tonne)	2,275.05	2,243.11	3,003.88
Total packaging material used (Tonne)	2,524.58	2,555.03	3,501.70
Intensity of packaging material use (Tonne/person)	2.75	2.74	3.76

Energy Management

Our Company strictly complies with the Energy Conservation Law of the People’s Republic of China and continuously optimises its energy management system. We have established regulations including the Energy and Energy Equipment Management System, Energy-Saving Management System for Electrical Equipment, Energy Conservation Control System, Energy-Saving Management System for Motor Operation, Power Supply and Distribution Management System, Lighting Management System, Energy Use Guidelines for Office Personnel, and Air Conditioning Energy-Saving Management System to standardise the development of our energy management system. Additionally, we have formulated the Energy Statistics Management System and Measuring Instruments (Energy) Management System,

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established an energy quota indicator framework, and improved our energy metering system to implement refined energy management. We continuously strengthen internal energy statistics management to enhance energy utilisation efficiency and optimise cost-effectiveness.

Our Company primarily relies on municipal power supply for production operations. To reduce electrical energy consumption, we are promoting the transition of our energy structure toward clean energy sources, decreasing dependence on traditional fossil fuels to lower energy consumption and alleviate environmental pressure. Specific energy-saving initiatives include:

- *Utilisation of renewable energy:* installation of distributed photovoltaic (PV) power generation; replacement of fuel vehicles with new energy transport vehicles;
- *Promotion of lighting energy efficiency:* retrofitting lighting facilities within the plant area with LED energy-saving light sources, which consume only 1/10 of the energy used by incandescent lamps and 1/4 of that used by energy-saving lamps;
- *Equipment management:* standardizing air conditioning temperature settings and restricting usage hours; reducing standby power consumption of electrical equipment and appropriately configuring computer power plans;
- *Green procurement:* encouraging the procurement of energy-saving and eco-labeled products.

Indicator	2023	2024	2025
Direct energy consumption — Petrol (MWh)	247.27	242.83	225.05
Direct energy consumption — Diesel (MWh)	111.20	83.50	81.34
Direct energy consumption — Natural gas (MWh)	5,856.01	6,495.22	6,119.95
Direct energy consumption — Solar power (MWh)	4,039.10	4,350.64	5,313.78
Total direct energy consumption (MWh)	10,253.58	11,172.19	11,740.12
Indirect energy consumption — Purchased electricity	4,648.92	6,747.90	7,552.02
Total indirect energy consumption (MWh)	4,648.92	6,747.90	7,552.02
Total energy consumption (MWh)	14,902.50	17,920.09	19,292.14
Energy consumption intensity (MWh/person)	16.25	19.23	20.70

Water Management

Our Company sources all water from municipal supplies, with no significant direct or indirect water-related impacts arising from water withdrawal, consumption, discharge, or changes in storage volume. We have established a comprehensive, full-process water management system that includes developing water usage budgets, implementing dynamic monitoring systems, analyzing water consumption data, optimizing water use processes, and strengthening employee training on water conservation. Through this lifecycle approach to water management, we aim to minimise water-related risks and ensure the sustainability of water resources. With our wastewater treatment facilities, Our Company maintains a 100% compliance rate for wastewater discharge.

Indicator	2023	2024	2025
Municipal Water Supply (m ³)	42,145.00	50,036.00	57,594.00
Total water consumption (m ³)	42,145.00	50,036.00	57,594.00
Water consumption intensity (m ³ /person)	45.96	53.69	61.80
Total wastewater discharge (m ³)	39,000.00	40,028.00	46,075.00
Wastewater discharge intensity (m ³ /person)	42.53	42.95	49.44

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Climate Change Response

Our Company integrates national energy conservation and emission reduction policies into our strategic decision-making and daily operations, systematically identifying and managing greenhouse gas emission sources. We calculate Scope 1 (direct emissions) and Scope 2 (indirect emissions) greenhouse gas data and develop science-based reduction pathways to ensure our carbon reduction initiatives align with the national strategy of achieving “carbon peak and carbon neutrality”. We are committed to steadily advancing business development while driving green transformation through quantitative management, continuously enhancing our climate resilience capabilities.

Indicator	2023	2024	2025
Scope 1 (tCO ₂ e)	95.05	87.06	81.65
Scope 2 (tCO ₂ e) ⁽²⁾	2,466.72	3,580.44	4,007.10
Total GHG emissions (tCO ₂ e)	2,561.77	3,667.50	4,088.75
GHG intensity (tCO ₂ e/person)	2.79	3.94	4.39

- (2) Scope 2 greenhouse gas emissions are calculated based on the 2023 national average carbon dioxide emission factor for electricity of 0.5306 kgCO₂/kWh, jointly published by the Ministry of Ecology and Environment of the People’s Republic of China and the National Bureau of Statistics.

Employee Rights and Benefits

Our Company complies with laws and regulations including the Labor Law of the People’s Republic of China and the Labor Contract Law of the People’s Republic of China. We have established the Recruitment, Hiring, Transfer, and Resignation Management System and sign labor contracts with all regular employees in accordance with the law, based on the principles of equality, voluntariness, and mutual agreement. Additionally, we have formulated the Social Insurance and Housing Fund Management System and Compensation Management System to promote equal employment and uphold equal pay for equal work. We ensure that employees are not discriminated against during the recruitment process based on race, gender, age, marital status, religious belief, or other factors, and prohibit child labor, forced labor, sexual harassment, and any other misconduct. We are firmly committed to safeguarding the dignity and safety of every employee.

Employment Indicator	2023	2024	2025
By genders			
Male	573 (62.49%)	600 (64.38%)	613 (65.77%)
Female	344 (37.51%)	332 (35.62%)	319 (34.23%)
By age groups			
Under 30	109 (11.89%)	103 (11.05%)	111 (11.91%)
30–50	533 (58.12%)	505 (54.18%)	477 (51.18%)
50 and above	275 (29.99%)	324 (34.77%)	344 (36.91%)
By employment types			
Full-time	917 (100.00%)	932 (100.00%)	932 (100.00%)
Part-time	0 (0.00%)	0 (0.00%)	0 (0.00%)
By geographical regions			
Domestic	917 (100.00%)	932 (100.00%)	932 (100.00%)
Overseas	0 (0.00%)	0 (0.00%)	0 (0.00%)

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Occupational Health and Safety

Our Company complies with laws, regulations, and regulatory requirements related to occupational health and safety, including the Workplace Safety Law of the People’s Republic of China and the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases. We have established and continuously improved our occupational health and safety management system to create a healthy, safe, and comfortable working environment, safeguarding employees’ lives and health as well as our Company’s property. We systematically identify risk factors in production activities related to environmental protection, occupational health, workplace safety, and fire prevention. Through the formulation and implementation of systems such as the Occupational Health and Safety Management Standards and the Labor Protection Supplies Distribution and Management System, we dynamically manage major hazard sources.

We consistently prioritise employee occupational health. In accordance with relevant regulations including the Regulations on Occupational Health Supervision and Management in the Workplace, the Measures for the Administration of Occupational Health Examinations, and the Regulations on Work-Related Injury Insurance, we implement classified management and comprehensive treatment principles to strengthen occupational health management and occupational disease prevention, ensuring employees’ occupational health and personal safety. Furthermore, regarding employee safety education, we conduct safety training for high-risk and critical positions to help employees master safe operating procedures and enhance workplace safety awareness. We regularly inspect and maintain safety facilities, and over the Track Record Period, all on-site safety facilities have been operating normally.

Indicator	2023	2024	2025
Lost-days due to work injury (days)	619.33	397.83	330.83
Work-related fatalities (person)	0 (0.00%)	0 (0.00%)	0 (0.00%)
Work-related injuries (case)	26	21	25

Employee Development

Our Company consistently focuses on the career development of our employees, establishing fair and equitable promotion mechanisms and building a scientific employee training system to provide broad career development opportunities. Regarding compensation and benefits, we have formulated internal policies including the Compensation Management System to define the composition of compensation structures and establish a performance-oriented compensation management system based on job value. This ensures compliance, fairness, and rationality in compensation distribution. In terms of employee training, we have developed regulations such as the Training Management System to build a comprehensive employee training framework that enhances employees’ professional competence and skill levels, thereby maintaining the innovation vitality and competitiveness of our talent pool.

Indicator	2023	2024	2025
Training hours ⁽³⁾	2,010.00	2,242.00	2,288.00
Average training hours per employee ⁽⁴⁾	7.88	5.79	5.07

(3) Total training hours exclude on-the-job operational trainings.

(4) Average training hours per employee are calculated by dividing the total training hours received by a specific category of employees by the number of employees in that category who participated in the training.

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Supply Chain Management

Our Company is committed to integrating ESG principles into supply chain management, fostering a transparent and green supply chain environment, establishing healthy, transparent, and stable supplier relationships, and promoting the development of the industry ecosystem. Based on our current business operations and future plans, we have built a supply chain management system and formulated policies including the Qualified Supplier Control Procedure to regulate supplier management and procurement personnel operations at all levels from the following aspects:

- *Supply chain management:* we regulate processes for supplier development, selection, evaluation, and assessment, while establishing a supply chain risk early warning and monitoring mechanism. We regularly assess potential risks and formulate targeted measures to continuously enhance risk prevention capabilities, ensuring supply chain stability and security.
- *Procurement management:* we comply with the Tendering and Bidding Law of the People’s Republic of China and its implementing regulations, rigorously controlling the entire procurement process. We uphold the principle of transparent procurement, conduct compliance and integrity training, and ensure all procurement activities are legal and compliant, thereby building a responsible supply chain.
- *Supplier admission and evaluation:* we place strong emphasis on suppliers’ sustainable development and ESG governance performance, incorporating environmental impact, pollutant emissions, occupational safety, community contributions, and business ethics into the supplier evaluation and assessment system. Suppliers with outstanding ESG performance are given priority for collaboration under equal conditions. Suppliers that consistently fail to meet performance standards are required to make improvements within a specified timeframe or face elimination.

Indicator	2023	2024	2025
Total Number of Suppliers	364	367	365
Domestic	364 (100.00%)	367 (100.00%)	365 (100.00%)
Overseas	0 (0.00%)	0 (0.00%)	0 (0.00%)

Product Responsibility

Our Company actively ensures product quality and safety by effectively monitoring the quality of products during the mass production stage. We regularly establish quality improvement objectives and plans, tracking project progress on a monthly basis. An internal quality management audit is conducted annually. Over the Track Record Period, our products have not been subject to any penalties for violations of laws or regulations related to products and services.

Indicator	2023	2024	2025
Number of products recalled for safety and health reasons	3,526 (0.61%)	2,974 (0.44%)	3,078 (0.37%)
Number of complaints received regarding products and/or services	88	97	96

Anti-corruption

Our Company has established internal anti-corruption policies that define requirements and implementation standards, building a foundation of integrity from a institutional perspective. We provide diversified training programmes for employees and organise specialised integrity and compliance training sessions for core suppliers, ensuring that all aspects of the supply chain meet ethical business standards, preventing commercial bribery risks at the source, and safeguarding compliant and stable

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business operations. Additionally, we have established comprehensive complaint channels. Stakeholders can report issues through dedicated telephone lines, specialised email addresses, and other fixed channels, or submit complaints through various online and offline methods such as corporate WeChat and face-to-face meetings, enabling comprehensive opinion collection and supervisory response. We strictly protect whistleblower information, ensuring that employees and stakeholders can exercise their reporting rights without hindrance. There are no concluded legal cases regarding corruption brought against our Company during the Track Record Period.

Community Investment

Our Company continues to deepen collaboration with various stakeholders and actively participates in community development. With a strong sense of social responsibility, we invest in charitable causes and rural revitalisation strategies, giving back to society through concrete actions that demonstrate our corporate commitment and inject sustained momentum into high-quality economic and social development. Over the Track Record Period, we have contributed charitable donations of RMB143,000, RMB13,000, and RMB130,000 respectively. Our employees have also dedicated over 3,000 hours annually to participating in volunteer activities. We also care for our retired staff by conducting biannual visits to extend our regards.

PROPERTIES

Our corporate headquarters is located at Taizhou, Zhejiang Province, China. As at the Latest Practicable Date, we owned the land use rights of 5 parcels of land in Zhejiang Province, China with an aggregate site area of over approximately 182,600 sq.m. We primarily use these properties as our production facilities and warehouses. All these land parcels have been granted land use right certificates. Further, as at the Latest Practicable Date, we owned 8 properties located in Zhejiang Province, China, comprising factory premises with a total gross floor area of over approximately 114,000 sq.m..

As at the Latest Practicable Date, we leased 7 properties in the PRC with an aggregate gross floor area of over approximately 25,500 sq.m. Our leased properties are primarily used for commercial purposes, production and operations. As of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. As of the Latest Practicable Date, 50 of our lease agreements had not been registered with relevant authorities. See “Risk Factors — Risks Relating to our Business and Industry — Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties could adversely affect our business.”

LICENCES, APPROVALS AND PERMITS

We have obtained various permits, approvals and certificates for our business. As advised by our PRC Legal Advisor, we had obtained the requisite approvals and permits from, and have made all the filings with the applicable authorities which were material to our operations, and such approvals and permits are valid and subsisting as of the Latest Practicable Date. In addition, our products and R&D procedures passed various industry-recognised certifications and tests for liability. The table below sets out the main qualifications and licences of which we were the registered holder as of the Latest Practicable Date:

Certificate Title	Certificate Number	Issuing Authority	Validity Period
High-Tech Enterprise Certificate (高新技術企業證書)	GR202333002526	Department of Science and Technology of Zhejiang Province, Department of Finance of Zhejiang Province, Zhejiang Tax Bureau of the State Taxation Administration* (浙江省科學技術廳、浙江省財政廳、國家稅務總局浙江省稅務局)	8 December 2023 to 7 December 2026

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Certificate Title	Certificate Number	Issuing Authority	Validity Period
Specialised, Refined, Unique and Innovative — ‘Little Giant’ Enterprise (專精特新“小巨人”企業)	—	Ministry of Industry and Information Technology (工業和信息化部)	1 July 2024 to 30 June 2027

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention. See the section headed “Risk Factors — Risks Relating to our Business and Industry — Unfavourable results of legal and regulatory proceedings could materially and adversely affect our business, financial condition and performance”]

During the Track Record Period and up to the Latest Practicable Date, there were no material legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

We are subject to a wide range of PRC laws and regulations in the ordinary course of our business and operations. For details, please see the section headed “Regulatory Overview” in this document. We have been advised by our PRC Legal Adviser that during the Track Record Period and up to the Latest Practicable Date, save as disclosed under “Risk Factors — Risks relating to conducting Business in the Jurisdiction We Operate — Changes in economic, political or social conditions, or in government policies, laws, regulations, or industry practices in the jurisdictions where we operate, may adversely affect our business, financial condition and results of operations.” in this document, and there were no material non-compliance of the laws or regulations applicable to us that would have a material adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

Our Company has designated responsible personnel to monitor ongoing compliance with PRC laws and regulations applicable to our business operations, and to oversee the implementation of necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with regular continuing training programmes and/or updates on relevant PRC laws and regulations, with a view to proactively identifying any potential non-compliance issues.

We have adopted internal rules and policies governing key aspects of our business operations and management, including information systems, physical assets, procurement, sales and marketing, financial reporting, and human resources. For instance, we have designed and implemented a series of internal control policies and procedures relating to our information systems, including authorisation procedures, as well as data security practice guidelines for our employees. In addition, we have established internal control policies covering various aspects of human resource management, such as recruitment, training, work ethics, and legal compliance. Furthermore, we have adopted policies and procedures in connection with financial reporting management, including financial and accounting policies, budget management procedures, and financial statement preparation procedures.

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During the Track Record Period, our Directors did not identify any material internal control weakness or failure. In connection with the [REDACTED], we engaged an independent internal control consultant to assess our internal control system. During March and April 2026, the internal control consultant conducted a review covering both entity-level and business process-level controls, and did not identify any material internal control weakness or failure. Based on the review, the internal control consultant issued a set of recommendations in April 2026. We have implemented rectification and improvement measures in response to those findings and recommendations. The internal control consultant performed follow-up procedures on our remedial measures in May 2026 and did not identify any material deficiency in our internal control system.

Having considered the report prepared by the internal control consultant, our Directors confirmed that all major recommendations made by the consultant have been adopted and corresponding corrective actions have been taken to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations on a going-forward basis.

Risk Management

We are exposed to various risks in the course of our business operations, and our Directors believe that effective risk management is essential to our success. Key operational risks we face include, among others, our ability to retain and grow our customer base and usage levels, our ability to respond to technological changes, competitive pressures in the relevant industries, and our ability to successfully expand into new industry sectors and develop market recognition therein. For a discussion of the various risks we face, please see the section headed “Risk Factors” in this document. In addition, we are subject to various market risks arising in the ordinary course of business, including foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. Please see the section headed “Financial Information — Risk Disclosure” in this document for further details.

We have implemented policies and procedures designed to ensure effective risk management across all aspects of our operations, including daily operational administration, data security, financial reporting procedures, and compliance with applicable laws and regulations. Our Board is responsible for overseeing and managing the overall risks associated with our operations. We have established an Audit Committee to review and supervise our Company’s financial reporting process and internal control system. For the qualifications and experience of the Audit Committee members and a detailed description of their responsibilities, please see the section headed “Directors and Senior Management — Board Committees — Audit Committee” in this document. We have adopted written terms of reference for the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

Award year	Award/Recognition	Awarding Institution/Authority
2025	2025 China Commercial Federation Science and Technology Award, Second Prize (2025年度中國商業聯合會科學技術獎二等獎)	China General Chamber of Commerce (中國商業聯合會)
	SGS ISO 9001:2015 Quality Management System Certification (SGS ISO 9001:2015 質量管理體系認證)	SGS-CSTC Standards Technical Services Co., Ltd. (通標標準技術服務有限公司)

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Award year	Award/Recognition	Awarding Institution/Authority
2024	Key “Little Giant” Enterprise (重點小巨人)	Ministry of Industry and Information Technology (工業和信息化部)
	Zhejiang Export Premium Brand (浙江出口名牌)	Department of Commerce of Zhejiang Province (浙江省商務廳)
	AAA-Level Credit Rating Enterprise (企業信用評價AAA級信用企業)	China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會)
2023	Export Credit Insurance Key Supported “Little Giant” Enterprise (出口信用保險重點支持小巨人企業)	China Export & Credit Insurance Corporation (中國出口信用保險公司)
	High-tech Enterprise (高新技術企業)	Science and Technology Department of Zhejiang Province (浙江省科學技術廳), Zhejiang Provincial Department of Finance (浙江省財政廳) and Zhejiang Provincial Tax Service, State Taxation Administration (國家稅務總局浙江省稅務局)
	2023 National Intellectual Property Advantage Enterprise (2023年度國家知識產權優勢企業)	National Intellectual Property Administration, Utilisation Promotion Department (國家知識產權局運用促進司)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

On 5 January 2020, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue and Ms. Ye Huiqing (collectively, the “**Concert Parties**”) entered into a concert parties agreement, pursuant to which the Concert Parties agreed to act in concert with each other in exercising their respective voting rights in the Company. Each of the Concert Parties has agreed that that they will be acting in concert with each other by aligning their votes at the shareholders’ meetings of our Company in accordance with the consensus achieved among them until the relevant Concert Parties cease to hold any interests in our Company, and shall vote in accordance with the view and decision of Mr. Ye Jinwu in the event that they are unable to reach consensus on any matter presented.

On 8 May 2023, as a result of the subscription of Shares by Jinlong Zhichuang LP, the employee shareholding platform of our Group, the general partner of which is Ms. Ye Weulei, the spouse of Mr. Ye Ye, our executive Director and general manager, under a private placement, Jinlong Zhichuang LP also became a party acting in concert with the Concert Parties in exercising its voting rights in the Company.

As of the date of this document, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue, Ms. Ye Huiqing, Jinlong Zhichuang LP beneficially holds [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED] of the issued Shares of our Company, respectively, and for the purpose of the Listing Rules, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue, Ms. Ye Huiqing, Jinlong Zhichuang LP and Ms. Ye Weilei constitute a group of our Controlling Shareholders. As of the Latest Practicable Date, our Controlling Shareholders held in aggregate approximately [REDACTED] of the total issued Shares of our Company.

Immediately following completion of the [REDACTED], our Controlling Shareholders will be, in aggregate, entitled to control the exercise of approximately [REDACTED] of the voting rights (assuming the [REDACTED] is not exercised) or approximately [REDACTED] of the voting rights (assuming the [REDACTED] is exercised in full) and thus remain as our Controlling Shareholders.

NO COMPETITION

Our Business

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.

Other Business of our Controlling Shareholders

Taizhou Jinlong Electric Machinery Co., Ltd.

Taizhou Jinlong Electric Machinery Co., Ltd. (台州市金龍電機有限公司) (“**Taizhou Jinlong**”) was established in the PRC with limited liability on 7 July 2003, and had been owned by Mr. Ye Jinwu, Ms. Li Chunlian and Mr. Ye Ye as to 28.0%, 45.0% and 27.0% of its issued share capital, respectively throughout the Track Record Period and up to the Latest Practicable Date.

Taizhou Jinlong did not carry on any business activity throughout the Track Record Period and up to the Latest Practicable Date, and there is no intention for Taizhou Jinlong to carry on any business activity which competes or likely to compete with our principal business after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Wuxi Jinjie Motor Technology Co., Ltd.

Wuxi Jinjie Motor Technology Co., Ltd. (無錫市錦捷電機技術有限公司) (“**Jinjie Motor Technology**”) was established in the PRC with limited liability on 1 December 2020, and is owned as to 51.0% by Mr. Ye Jinwu.

Jinjie Motor Technology did not carry on any business activity throughout the Track Record Period and up to the Latest Practicable Date, and there is no intention for Jinjie Motor Technology to carry on any business activity which competes or likely to compete with our principal business after the [REDACTED].

As at the Latest Practicable Date, save as disclosed above, none of our Controlling Shareholders, their respective close associates, and our Directors had any interest in a business that competes or was likely to compete, either directly or indirectly, with our principal business, which would be subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our group of Controlling Shareholders and their respective close associates after [REDACTED].

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association;
- (c) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under the Articles of Association and/or the Listing Rules; and
- (d) our Group has established our own finance, human resources, supply chain centre and marketing centre departments which are responsible for daily operations of our Group.

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable of performing their roles in our Company independently and manage our business independently from members of our Controlling Shareholders and their respective close associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

We have established our own organisational structure comprised individual departments, each with specific areas of responsibilities. We have also established various internal control procedures to facilitate the effective operation of our business. We are not operationally dependent on our Controlling Shareholders. We hold or enjoys the benefit of all relevant licences and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial independence

We have an independent financial system. Our accounting and finance functions are independent of our Controlling Shareholders and their close associates. We makes financial decisions according to our own business needs. Our major finance operations are handled by our financial department, which operates independently from our Controlling Shareholders and their close associates. We do not share any other functions or resources with any of our Controlling Shareholders or their close associates.

During the Track Record Period, Mr. Ye Jinwu, Ms. Li Chunlian, Mr. Ye Ye, Mr. Wang Xiaoyue, Ms. Ye Weilei and Taizhou Jinlong Electric Machinery Co., Ltd.* (台州市金龍電機有限公司), a company established in the PRC with limited liability which is owned as to 45.0%, 28.0% and 27.0% by Mr. Ye Ye, Mr. Ye Jinwu and Ms. Li Chunlian as of the Latest Practicable Date, 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].

Based on the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their respective close associates.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders (the “**Covenantors**”) has entered into a Deed of Non-competition in favour of our Company (for itself and as trustee for our subsidiaries) on [●]. Subject to the terms and conditions of the Deed of Non-competition, the Covenantors irrevocably and unconditionally undertake to and covenant with our Company (for itself and as trustee for our subsidiaries) that, during the period in which the Covenantors are subject to the provisions of the Deed of Non-competition:

- (i) it/he/she will not, and will procure its/his/her close associates and/or the companies controlled by it/him/her (other than members of our Group) not to, directly or indirectly, either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be engaged in, invest in, acquire, hold or provide any form of assistance to any person, firm or company (except members of our Group) to conduct (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

any member of our Group from time to time, including but not limited to design, development, manufacture and sale of small and medium-sized high-efficiency industrial motors and related control systems (the “**Restricted Business**”);

- (ii) if it/he/she and/or any of its/his/her close associates has received, is offered or has identified any business investment or other business opportunity that competes or may compete, directly or indirectly, with the Restricted Business (the “**New Business Opportunity**”), it/he/she and/or any of it/his/her close associates shall (i) immediately give a notice in writing to our Company in respect of such New Business Opportunity, setting out all reasonably necessary information for our Group to make an informed assessment; and (ii) use its best efforts to assist our Company in acquiring such New Business Opportunity at terms and conditions no less favourable than those available to it and/or its close associates;
- (iii) neither it/he/she nor any of its/his/her close associates, directly or indirectly, carries out, participates or is engaged in, invests in, acquires or holds (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or is otherwise involved (other than through our Group) in the Restricted Business;
- (iv) it/he/she will provide all necessary information for our Directors (including our independent non-executive Directors) to review its/his/her compliance with and implementation of the Deed of Non-competition on an annual basis and, if necessary, make annual statements in respect of its compliance with and implementation of the Deed of Non-competition in the annual reports of our Company;
- (v) it/he/she will allow our Directors, their respective representatives and auditors to have full access to its/his/her records and/or will procure its/his/her close associates to use their best efforts to allow our Directors, their respective representatives and auditors to have full access to their records, in order for it/him/her to meet the terms and conditions of the Deed of Non-competition; and
- (vi) for so long as it or any of its/his/her close associates, either alone or as a whole, remains the Controlling Shareholder(s) of our Company (within the meaning of the Listing Rules) or a Director: (1) it/he/she will not participate in, carry on or invest in any project or business opportunity that competes or may compete, directly or indirectly, with the business conducted by our Group from time to time; (2) it/he/she will, in accordance with the Articles of Association and the Listing Rules, declare its/his/her interests and, where required, abstain from voting at any board meeting and/or general meeting of our Company and not be counted as quorum where required, if there is any actual or potential conflict of interests; (3) it/he/she and its/his/her close associates (other than our Group) will not solicit any existing or then our existing employee; (4) without the consent of our Company, it/he/she will not use any information pertaining to our business which may have come to its knowledge in its/his/her capacity as our Controlling Shareholders and/or our Director for any purposes; and (5) it/he/she will procure its/his/her close associates (other than our Group) not to participate in, carry on or invest in any project or New Business Opportunity mentioned above (except pursuant to paragraph (a) below).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The non-competition undertakings made by each of the Covenantors do not apply in the following circumstances:

- (a) if the information on the principal terms of the Restricted Business, project or New Business Opportunity has been made available to our Group and our Directors, the principal terms in accordance with which the relevant Covenantor(s) or its/his/her/their close associates participate in carry on or invest in such Restricted Business, project or New Business Opportunity are approximately the same or are no more favourable than these offered to our Company, and our Company has confirmed that it, after review by our Directors (including our independent non-executive Directors, provided that the resolution shall be approved by the majority of our independent non-executive Directors at a meeting in the absence of Directors who have beneficial interest in the project or business relating to such project or business), will refuse to operate, participate in or carry on such Restricted Business relating to such New Business Opportunity, then any close associate of the Covenantors (other than our Group) has the right to participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity that has previously been offered to our Group, irrespective of the value of such business. Subject to the foregoing, if the Covenantors or any of its close associates has decided to directly or indirectly participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity, it/he/she/they shall be subject to any conditions imposed by our independent non-executive Directors and shall disclose to our Company the terms under which it/he/she/they operate, participate or carry on such Restricted Business as soon as practicable; and
- (b) without prejudice to the principle of (a) above, the undertakings made by the Covenantors do not apply to any of the following: (i) holding of shares or other securities issued by our Company or our subsidiaries; and (ii) where a company is a company [REDACTED] on any stock exchange recognised by national laws and holds the shares of the date on which: (1) any of our Controlling Shareholders and its/their close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general [REDACTED]) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholders; or (2) our H Shares cease to be [REDACTED] on the Stock Exchange (except for temporary suspension of our H Shares due to any reason).

CORPORATE GOVERNANCE MEASURES

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

- (i) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (ii) our Company has established internal control mechanism to identify connected transactions. After the [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (iii) where our Directors reasonably request the advice of independent professionals, such as independent financial advisers, the appointment of such independent professional will be made at our Company’s expense;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) we have appointed Sunny Fortune Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;
- (v) we have established the Strategy and Investment Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;
- (vi) our Controlling Shareholders will confirm the status of their non-competing interest on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company; and
- (vii) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held at the Latest Practicable Date ⁽¹⁾	Percentage of shareholding as at the Latest Practicable Date	Number of Shares held/interested in after completion of [REDACTED] ⁽¹⁾	Percentage of Shareholding after completion of the [REDACTED]
Mr. Ye Jinwu ⁽²⁾	Beneficial owner	12,592,724	34.98%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of person acting in concert ⁽⁵⁾	17,129,600	47.57%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of spouse	4,500,000	12.50%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
Mr. Ye Ye ⁽³⁾⁽⁴⁾	Beneficial owner	5,869,600	16.30%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of person acting in concert ⁽⁵⁾	23,852,724	66.25%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of spouse	1,060,000	2.94%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
Ms. Li Chunlian ⁽²⁾	Beneficial owner	4,500,000	12.50%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of person acting in concert ⁽⁵⁾	25,222,324	70.05%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of spouse	12,592,724	34.98%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
Mr. Wang Xiaoyue	Beneficial owner	4,500,000	12.50%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of person acting in concert ⁽⁵⁾	25,222,324	70.05%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
Ms. Ye Huiqin	Beneficial owner	1,200,000	3.33%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of person acting in concert ⁽⁵⁾	28,522,324	79.22%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
Jinlong Zhichuang LP	Beneficial owner	1,060,000	2.94%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of person acting in concert ⁽⁵⁾	28,662,324	79.61%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
Ms. Ye Weilei ⁽³⁾⁽⁴⁾	Interest in controlled corporation ⁽⁴⁾	1,060,000	2.94%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of person acting in concert with spouse and controlled corporation ⁽⁴⁾	28,662,324	79.61%	[REDACTED]	[REDACTED]
		Unlisted Shares (L)		Unlisted Shares (L)	
	Interest of spouse	5,869,600	16.30%	[REDACTED]	[REDACTED]
				Unlisted Shares (L)	

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes the person’s long positions in the Shares.
- (2) Mr. Ye Jinwu and Ms. Li Chunlian are spouses. Accordingly, Mr. Ye Jinwu and Ms. Li Chunlian are deemed to be interested in the Shares held by each other under the SFO.
- (3) Mr. Ye Ye and Ms. Ye Weilei are spouses. Accordingly, Mr. Ye Ye and Ms. Ye Weilei are deemed to be interested in the Shares held by each other under the SFO.
- (4) Jinlong Zhichuang LP is a limited partnership controlled by Ms. Ye Weilei as its sole general partner. By virtue of the SFO, each of Mr. Ye Ye and Ms. Ye Weilei is deemed to be interested in the Shares held by Jinlong Zhichuang LP.
- (5) Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue, Ye Huiqin and Jinlong Zhichuang LP are parties acting in concert, and accordingly each of them are interested in the Shares held by each other under the SFO. Please refer to “History and Corporate Structure — Our Shareholders Acting in Concert” for further details.

Save as disclosed above and the paragraph headed “Appendix VII — Statutory and General Information — C. Further Information about our Directors, Chief Executive and Substantial Shareholders — 1. Disclosure of interests” in this document, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] (assuming no Shares are to be issued upon the exercise of the [REDACTED]), have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and duties of our Board include convening shareholders’ meetings, reporting on our Board’s work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

The table below sets out certain information in respect of the members of our Board upon [REDACTED]:

Name	Age	Present position	Role and responsibility	Date of joining our Group	Date of appointment as Director	Relationship with the other Directors and senior management
Executive Directors						
Mr. Ye Jinwu (葉錦武)	74	Chairman of our Board and Executive Director	Overall strategic planning and development of our Group	February 1980	May 1995	Husband of Ms. Li Chunlian, father of Mr. Ye Ye, father-in-law of Mr. Wang Xiaoyue, father-in-law of Ms. Ye Weilei, and brother of Ms. Ye Huiqin
Mr. Ye Ye (葉葉)	43	Executive Director and general manager	Daily business operation and management of our Group	January 2008	February 2012	Son of Mr. Ye Jinwu and Ms. Li Chunlian, husband of Ms. Ye Weilei, brother-in-law of Mr. Wang Xiaoyue and nephew of Ms. Ye Huiqin
Ms. Pan Linghui (潘玲慧)	47	Executive Director and deputy general manager	Business development and management of sales and marketing	August 2000	February 2015	None
Non-executive Directors						
Ms. Li Chunlian (李春連)	71	Deputy Chairman of our Board, Non-executive Director	Provide strategic advice to our Board	July 2001	July 2001	Wife of Mr. Ye Jinwu, mother of Mr. Ye Ye, mother-in-law of Mr. Wang Xiaoyue, mother-in-law of Ms. Ye Weilei and sister-in-law of Ms. Ye Huiqin
Mr. Wang Xiaoyue (汪小岳)	53	Non-executive Director and deputy general manager	Provide advice on operations and project management to our Board	January 1995	July 2001	Son-in-law to Mr. Ye Jinwu and Ms. Li Chunlian, brother-in-law of Mr. Ye Ye, nephew-in-law of Ms. Ye Huiqin
Ms. Ye Huiqin (葉惠琴)	69	Non-executive Director	Provide advice on operations to our Board	Joined in June 1994, retired in February 2016 and rejoined in December 2019	December 2019	Sister of Mr. Ye Jinwu, Sister-in-law of Ms. Li Chunlian, aunt of Mr. Ye Ye, aunt-in-law of Ms. Ye Huiqin

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Role and responsibility	Date of joining our Group	Date of appointment as Director	Relationship with the other Directors and senior management
Independent non-executive Directors						
Mr. Jin Weiwei (金惟偉)	62	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board	November 2023	November 2023	None
Mr. Liang Zhendong (梁振東)	44	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board	November 2023	November 2023	None
Mr. Lau Kwok Fai Patrick (劉國輝)	53	Independent non-executive Director	Supervising and providing independent opinion and judgment to our Board	[REDACTED] ⁽¹⁾	[REDACTED] ⁽¹⁾	None

- (1) Ms. Yin Lanxiang (尹蘭香) was our Director as of the Latest Practicable Date but will no longer be a Director with effect from the date of the [REDACTED].

Executive Directors

Mr. Jinwu Ye (葉錦武), aged 74, is the Chairman of our Board and executive Director and one of our Controlling Shareholders. Mr. Ye joined our Group in February 1980 and was appointed as the head of factory at our predecessor Huangyan City Motor Factory* (黃岩市電機廠). From February 1980 to May 1995, he served as factory director at Huangyan City Motor Factory* (黃岩市電機廠). From May 1995 to February 2012, he served as Chairman of our Board and general manager. Since February 2012, he has remained as Chairman of our Board only. He is also the chairman of our Strategy and Investment Committee. Mr. Ye has been primarily responsible for overall strategic planning and development of our Group.

Mr. Ye has approximately 46 years of experience in the electric motor-related industry. Prior to joining our Company, he served as an accountant at Jinqing Construction Engineering Company* (金清建築工程公司) from December 1970 to May 1976. From June 1976 to January 1980, he worked as a workshop director at Huangyan Particleboard Factory* (黃岩人造板廠).

Mr. Ye also served various positions with other members of our Group. From September 2012 to September 2024, he was appointed as a director at JLEM USA Inc. (registered under New Jersey laws, moved to Georgia in January 2014). Since February 2014, he was appointed as an executive director at Zhejiang Jinlong Motor Remanufacturing Energy Saving Technology Co., Ltd.* (浙江錦龍電機再製造節能科技有限公司). Since June 2025, he served as a director at JLEM USA Inc. (registered under Texas laws).

Mr. Ye also served various directorships. Since November 2012, he served as a director at Taizhou Luqiao Sanyou Jinlong Small Loan Co., Ltd.* (台州市路橋三友金龍小額貸款股份有限公司). Since March 2018, he served as the chairman at Taizhou Jinshang Investment Management Co., Ltd.* (台州市金商投資管理股份有限公司). Since March 2019, he was appointed as the chairman and manager at Taizhou Luqiao District General Chamber of Commerce Enterprise Headquarters Building Co., Ltd.* (台州市路橋區總商會企業總部大廈有限公司). Since December 2020, he served as a director at Wuxi

DIRECTORS AND SENIOR MANAGEMENT

Jinjie Motor Technology Co., Ltd.* (無錫市錦捷電機技術有限公司). Since November 2022, he served as the chairman at Taizhou Jinshangwan Hotel Management Co., Ltd.* (台州市金商灣酒店管理有限公司).

Mr. Ye was previously a director, general manager, and/or legal representative of the companies shown in the table below at the time of, or within 12 months prior to, their respective deregistration:

Name of company	Place of establishment	Status	Reason for deregistration	Nature of business at the commencement of deregistration
Anhui Hejin Energy Co., Ltd. (安徽和金能源股份有限公司)	PRC	Deregistered	Discontinuance of business	Manufacturing
Zhejiang Jingli Solar Cell Technology Co., Ltd. (浙江晶立太陽能電池科技有限公司)	PRC	Deregistered	Discontinuance of business	Manufacturing
Taizhou Luqiao District Chamber of Commerce Building Co., Ltd. (台州市路橋區商會大廈有限公司)	PRC	Deregistered	Discontinuance of business	Real Estate
Shanghai Gaodeng Motor Co., Ltd. (上海高登電機有限公司)	PRC	Deregistered	Discontinuance of business	Wholesale and Retail Trade
台州市銀鑫摩托車銷售有限公司 (Taizhou Yinxin Motorcycle Sales Co., Ltd.)	PRC	Deregistered	Discontinuance of business	Wholesale and Retail Trade
Changde Jinma Trading Import and Export Co., Ltd. (常德錦馬貿易進出口有限公司)	PRC	Deregistered	Discontinuance of business	Wholesale and Retail Trade
Taizhou Jinlong Motor Factory (台州市金龍電機廠)	PRC	Deregistered	Discontinuance of business	Manufacturing

Mr. Ye confirmed that, to his best knowledge, none of the above companies had been involved in any outstanding dispute or litigations prior to their deregistration and that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and no misconduct or misfeasance on his part had been involved in the deregistration, and that the deregistration did not have any negative effect on our Group.

In December 2004, Mr. Ye obtained the qualification of Senior Economist awarded by the Zhejiang Provincial Department of Personnel* (浙江省人事廳). In July 2006, he obtained his bachelor's degree in economics via online course at China University of Petroleum (中國石油大學). In November 2006, he was awarded a Professional Technical Qualifications Certificate of Engineer by the Taizhou City Luqiao District Bureau of Personnel, Labor and Social Security* (台州市路橋區人事勞動社會保障局).

Mr. Ye Ye (葉葉), aged 43, is our Director and general manager. He joined our Group in January 2008 and served as the assistant to the general manager until April 2011. From May 2011 to February 2012, he served as our deputy general manager. Since February 2012, he was appointed as a Director and subsequently since March 2012, he was appointed as our general manager. He is also a member of our Remuneration and Appraisal Committee. He is primarily responsible for daily business operation and management.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ye Ye has served various positions with other members of our Group. Since September 2009, he has been appointed as an executive director and manager of Taizhou Chuangzhi Electromechanical Technology Co., Ltd.* (台州市創智機電科技有限公司). Since February 2014, he has served as the manager of Zhejiang Jinlong Motor Remanufacturing Energy-saving Technology Co., Ltd.* (浙江錦龍電機再製造節能科技有限公司). Since March 2018, he has served as a director and manager of Taizhou Jinlong Science and Technology Innovation Park Co., Ltd.* (台州市錦龍科創園區有限公司).

In July 2007, Mr. Ye Ye obtained his high school to bachelor's degree* (高起本科) in economics by online courses at China University of Petroleum (中國石油大學). In December 2022, he also obtained the qualification of Senior Engineer evaluated by the Zhejiang Province Electromechanical Manufacturing Engineering and Technical Personnel Senior Engineer Professional Title Qualification Evaluation Committee* (浙江省機電製造工程技術人員高級工程師職務任職資格評審委員會) of the Zhejiang Provincial Machinery Industry Association* (浙江省機械工業聯合會).

Mr. Ye was previously a director, supervisor, general manager, and/or legal representative of the companies shown in the table below at the time of, or within 12 months prior to, their respective deregistration:

Name of company	Place of establishment	Status	Reason for deregistration	Nature of business at the commencement of deregistration
Zhejiang Shouhua Construction Materials Co., Ltd. (浙江首華建材有限公司)	PRC	Revocation of License, non-deregistered ⁽¹⁾	Discontinuance of business	Manufacturing
Taizhou Jinlong Real Estate Co., Ltd. (台州市錦龍房地產有限公司)	PRC	Deregistered	Discontinuance of business	Real Estate
Zhejiang Jinlong Motor Testing and Development Co., Ltd (浙江金龍電機檢測研發有限公司)	PRC	Deregistered	Discontinuance of business	Scientific Research and Technical Services
Taizhou Longbao Vacuum Equipment Co. Ltd. (台州市龍寶真空設備有限公司)	PRC	Deregistered	Discontinuance of business	Manufacturing
Anhui Hejin Energy Co., Ltd. (安徽和金能源股份有限公司)	PRC	Deregistered	Discontinuance of business	Manufacturing

- (1) Zhejiang Shouhua Construction Materials Co., Ltd.* (浙江首華建材有限公司) was established on 9 May 2008 by Mr. Ye Ye with other individual business partners and the company did not commence any business activities after its incorporation and remained dormant. Subsequently certain business partners could no longer be contacted, and the company could not hold shareholders meetings or carry out requisite regulatory filings as required by the relevant PRC laws and regulations, leading to the revocation its business license on 7 December 2012. Deregistration of the company could not be carried out as deregistration of the company requires the resolutions of all shareholders of the company. To the best knowledge and belief of Mr. Ye Ye, Zhejiang Shouhua Construction Materials Co., Ltd.* (浙江首華建材有限公司) does not have any outstanding liabilities.

Mr. Ye confirmed that, to his best knowledge, none of the above companies had been involved in any outstanding dispute or litigations prior to their deregistration and that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and no misconduct or misfeasance on his part had been involved in the deregistration, and that the deregistration did not have any negative effect on our Group.

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Ms. Pan Linghui (潘玲慧), aged 47, is our Director and deputy general manager. She joined our Group in August 2000 as a deputy general manager until February 2015. In February 2015, she was appointed to our Board as a Director. She is also a member of our Strategy and Investment Committee and our Nomination Committee. She is primarily responsible for business development and management of sales and marketing.

In July 1999, Ms. Pan obtained a bachelor’s degree in english (foreign translation and interpretation) from Tianjin Foreign Studies University* (天津外國語學院，現稱天津外國語大學). In December 2019, she obtained an executive master of business administration (EMBA) degree from HEC Liège in Belgium* (比利時烈日大學). In December 2025, she also obtained the qualification of Senior Economist from the Zhejiang Provincial Department of Human Resources and Social Security* (浙江省人力資源和社會保障廳).

Non-executive Directors

Ms. Li Chunlian (李春連), aged 71, is the deputy chairman of our Board and an executive Director. She is primarily responsible for overseeing and managing the operation of our Group. From July 2001, she served as the deputy chairman of our Board, responsible for providing strategic advice to our Board.

Ms. Li has served various directorships. Since July 2003, Ms. Li has also served as the executive director and manager of Taizhou Jinlong Electric Machinery Co., Ltd. (台州市金龍電機有限公司). Since September 2009, she has been appointed as a supervisor of our wholly owned subsidiary Taizhou Chuangzhi Electromechanical Technology Co., Ltd.* (台州市創智機電科技有限公司).

Ms. Li was previously a director, supervisor, general manager, and/or legal representative of the companies shown in the table below at the time of, or within 12 months prior to, their respective deregistration:

Name of company	Place of establishment	Status	Reason for deregistration	Nature of business at the commencement of deregistration
Taizhou Jinlong Real Estate Co., Ltd. (台州市錦龍房地產有限公司)	PRC	Deregistered	Discontinuance of business	Scientific Research and Technical Services
Zhejiang Jinlong Motor Testing and Development Co., Ltd (浙江金龍電機檢測研發有限公司)	PRC	Deregistered	Discontinuance of business	Manufacturing
Taizhou Luqiao Jinqing Shipbuilding Society (台州市路橋金清造船社)	PRC	Deregistered	Discontinuance of business	Manufacturing

Ms. Li confirmed that, to her best knowledge, none of the above companies had been involved in any outstanding dispute or litigations prior to their deregistration and that the above companies were solvent at the time of deregistration, and she did not incur any debt and/or liabilities because of such deregistration, and no misconduct or misfeasance on his part had been involved in the deregistration, and that the deregistration did not have any negative effect on our Group.

Ms. Li has attended high school.

Mr. Wang Xiaoyue (汪小岳), aged 53, is our executive Director and deputy general manager. He joined our Group in January 1995 as sales manager of our Company’s marketing department. Since July 2001, he was appointed as a Director and as our deputy general manager. Since February 2014, he was

DIRECTORS AND SENIOR MANAGEMENT

appointed as a supervisor at Zhejiang Jinlong Motor Remanufacturing & Energy-Saving Technology Co., Ltd.* (浙江錦龍電機再製造節能科技有限公司). Since March 2018, he was appointed as a supervisor at Taizhou Jinlong Science and Technology Innovation Park Co., Ltd.* (台州市錦龍科創園區有限公司). He is primarily responsible for providing advice on operations and project management to our Board.

Mr. Wang was previously a director and/or legal representative of the companies shown in the table below at the time of, or within 12 months prior to, their respective deregistration:

Name of company	Place of establishment	Status	Reason for deregistration	Nature of business at the commencement of deregistration
Zhejiang Jinlong Motor Testing and Development Co., Ltd. (浙江金龍電機檢測研發有限公司)	PRC	Deregistered	Discontinuance of business	Manufacturing
Zhejiang Zhonggong New Energy Technology Co., Ltd. (浙江中公新能源科技有限公司)	PRC	Deregistered	Discontinuance of business	Information transmission, software and information technology services
Taizhou Jinlong Real Estate Co., Ltd. (台州市錦龍房地產有限公司)	PRC	Deregistered	Discontinuance of business	Scientific Research and Technical Services

Mr. Wang confirmed that, to his best knowledge, none of the above companies had been involved in any outstanding dispute or litigations prior to their deregistration and that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and no misconduct or misfeasance on his part had been involved in the deregistration, and that the deregistration did not have any negative effect on our Group.

In January 2007, Mr. Wang obtained his bachelor’s degree in economics via online course at China University of Petroleum* (中國石油大學). In November 2006, he obtained the Professional Technical Qualifications Certificate of Assistant Engineer awarded by the Luqiao District Bureau of Personnel, Labor, and Social Security, Taizhou City* (台州市路橋區人事勞動社會保障局).

Ms. Ye Huiqin (葉惠琴), aged 69, is our Director. She joined our Group in June 1994 and served as a purchasing agent at our predecessor Huangyan City Motor Factory* (黃岩市電機廠) until May 1995, and later at our Company until February 2016, after which she retired. In December 2019, she rejoined our Group and was appointed to our Board as a Director. She is primarily responsible for providing advice on operations to our Board.

Ms. Ye has attended high school.

Independent Non-executive Directors

Mr. Jin Weiwei (金惟偉), aged 62, was appointed as our independent non-executive Director in November 2023. He is also a member of our Audit Committee, Strategy and Investment Committee and the chairman of our Nomination Committee. Mr. Jin Weiwei is primarily responsible for overseeing decision-making and compliance and providing independent advice to our Board.

Prior to joining our Group, Mr. Jin Weiwei has experience in electric motor-related. In July 1985, he served as technical staff at the Shanghai Electrical Apparatus Research Institute* (上海電器科學研究所). In January 2007, he worked at Shanghai Electric Power Technology Co., Ltd.* (上海電科電機科技

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有限公司) as the deputy general manager. In March 2010 to December 2013, he worked at Shanghai Electric Power System Energy Saving Engineering Technology Research Center Co., Ltd.* (上海電機系統節能工程技術研究中心有限公司) as the deputy general manager. Since January 2017, he has worked at Shanghai Electric Power System Energy Saving Engineering Technology Research Center Co., Ltd.* (上海電機系統節能工程技術研究中心有限公司) as the chairman.

Mr. Jin was previously a director, and/or legal representative of the companies shown in the table below at the time of, or within 12 months prior to, their respective deregistration:

<u>Name of company</u>	<u>Place of establishment</u>	<u>Status</u>	<u>Reason for deregistration</u>	<u>Nature of business at the commencement of deregistration</u>
Shanghai Kezao Intelligent Technology Co., Ltd. (上海科造智能科技有限公司)	PRC	Deregistered	Discontinuance of business	Scientific Research and Technical Services
Shanghai Keluo Information Technology Co., Ltd. (上海科略信息科技有限公司)	PRC	Deregistered	Discontinuance of business	Scientific Research and Technical Services
Wujiang Shangke Insulation Technology Co., Ltd. (吳江上科絕緣科技有限公司)	PRC	Deregistered	Discontinuance of business	Manufacturing
Shanghai Yimin Energy Conservation Technology Co., Ltd. (上海怡敏節能科技有限公司)	PRC	Deregistered	Discontinuance of business	Scientific Research and Technical Services

Mr. Jin confirmed that, to his best knowledge, none of the above companies had been involved in any outstanding dispute or litigations prior to their deregistration and that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and no misconduct or misfeasance on his part had been involved in the deregistration, and that the deregistration did not have any negative effect on our Group.

In August 1985, Mr. Jin obtained his bachelor’s degree in electrical machinery manufacturing from the Hefei University of Technology* (合肥工業大學).

Mr. LIANG Zhendong (梁振東), aged 44, was appointed as our independent non-executive Director in November 2023. He is also the chairman of Remuneration and Appraisal Committee and a member of our Audit Committee and Nomination Committee. He is primarily responsible for participating in the decision making of our Company’s significant events, and advising on issues relating to corporate governance, audit and remuneration and assessment of our Directors and senior management.

Prior to joining our Group, Mr. Liang has experience in the legal profession and corporate risk management. He served as a business assistant at China Duty Free Group Co., Ltd.* (中國免稅品集團總公司) from July 2007 to July 2008. From March 2010 to January 2025, he served as a lawyer and partner at Beijing Grandway Law Offices (北京國楓律師事務所). Since March 2025, he has served as a legal director at Leshan Giantstar Farming & Husbandry Corporation Limited* (樂山巨星農牧股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603477).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liang has also held directorships in other listed companies. Since July 2019 Mr. Liang serves as an independent director of Kangdixin Composite Material Group Co., Ltd.* (康得新複合材料集團股份有限公司) (a company formerly listed on the Shenzhen Stock Exchange, stock code: 002450). Since June 2020, he serves as an independent director of Suzhou Cybrid Advanced Materials Co., Ltd.* (蘇州賽伍應用技術股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603212).

Mr. Liang obtained his bachelor’s degree in law from Dalian Maritime University (大連海事大學) in the PRC in January 2005. He obtained a second degree in international economics and trade from Beijing International Studies University (北京第二外國語學院) in the PRC in July 2007. In June 2010, he obtained his master’s degree in international law from the University of International Business and Economics (對外經濟貿易大學). In July 2019, he completed the Independent Director Training Program for Listed Companies at the Shenzhen Stock Exchange.

Mr. LAU Kwok Fai Patrick (劉國輝), aged 53, was appointed as our independent non-executive Director on the [REDACTED]. He is also a member of our Remuneration and Appraisal Committee and the chairman of our Audit Committee.

Mr. Lau has experience in the fields of accounting, auditing, financial management and corporate governance. From September 1996 to November 1997, Mr. Lau worked as an auditor at Baker Tilly Hong Kong Certified Public Accountants (formerly Glass Radcliffe Chan & Wee Certified Public Accountants)* (天職香港會計師事務所，前稱Glass Radcliffe Chan & Wee Certified Public Accountants). From December 1997 to April 1999, he worked as an auditor at PricewaterhouseCoopers* (普華永道會計師事務所). From October 1999 to June 2011, he held various positions at KPMG* (畢馬威會計師事務所), serving as a Manager at KPMG Advisory (China) Limited* (畢馬威諮詢(中國)有限公司). From July 2011 to June 2016, Mr. Lau served as deputy general manager, chief financial officer, company secretary, and authorised representative of China City Railway Transportation Technology Holdings Limited (now known as BII Railway Transportation Technology Holdings Limited)* (中國城市軌道交通科技控股有限公司，現稱京投軌道交通科技控股有限公司) (stock code: 1522). From July 2016 to October 2019, he served as chief financial officer, company secretary and authorised representative of International Union Financial Leasing Co., Ltd. (now known as Alliance International Education Leasing Holdings Limited)* (國際友聯融資租賃有限公司，現稱友聯國際教育租賃控股有限公司) (stock code: 1563). From September 2017 to July 2020, he served as an independent non-executive director of Jinhai Medical Technology Ltd (今海國際集團控股有限公司) (Stock Code: 2225). From January 2018 to January 2025, he served as an independent non-executive director of FDB Holdings Limited (豐展控股有限公司) (Stock Code: 1826). From December 2020 to January 2024, he served as an independent non-executive director of Sundy Service Group Co. Ltd (宋都服務集團有限公司) (Stock Code: 9608). Since February 2020, he served as an independent non-executive director of Ximei Resources Holding Limited (稀美資源控股有限公司) (Stock Code: 9936). Since March 2023, he served as an independent non-executive director of Zhongtian Construction (Hunan) Group Limited (中天建設(湖南)集團有限公司) (Stock Code: 2433). Since December 2024, he served as an independent non-executive director of Numans Health Food Holdings Company Limited (紐曼思健康食品控股有限公司) (Stock Code: 2530).

Mr. Lau obtained an honors diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University)* (香港樹仁學院，現稱香港樹仁大學) in July 1996. In November 2014, he obtained a master of science degree in corporate governance and directorship from Hong Kong Baptist University* (香港浸會大學) with distinction. He has been a member of the Association of Chartered Certified Accountants (ACCA) since December 2002, and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of

DIRECTORS AND SENIOR MANAGEMENT

Accountants)* (香港會計師公會) since July 2003. In June 2004, he obtained a Diploma in Insolvency Management (SQ) from the Hong Kong Institute of Certified Public Accountants. He has been a fellow member of the Association of Chartered Certified Accountants (FCCA) since December 2007.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management as of the Latest Practicable Date.

Name	Age	Present position	Role and responsibility	Date of joining our Group	Date of appointment as senior management	Relationship with the other Directors and senior management
Mr. Ye Ye (葉葉)	43	General Manager	Daily business operation and management	January 2008	January 2021	Son to Mr. Ye Jinwu and Ms. Li Chunlian, husband of Ms. Ye Weilei, brother-in-law of Mr. Wang Xiaoyue and nephew of Ms. Ye Huiqin
Mr. Wang Xiaoyue (汪小岳)	53	Deputy general manager	Overall operations and project management	January 1995	July 2001	Son-in-law to Mr. Ye Jinwu and Ms. Li Chunlian, brother-in-law of Mr. Ye Ye, nephew-in-law of Ms. Ye Huiqin
Mr. Wu Xiaofu (吳小夫)	62	Deputy general manager	Overall product development	May 1980	May 1995	None
Mr. Liang Wenhui (梁文輝)	55	Deputy general manager	Overall planning and operation of our Group	January 1998	January 1998	None
Ms. Pan Linghui (潘玲慧)	47	Deputy general manager	Business development and management of sales and marketing	August 2000	August 2000	None
Mr. Luo Yibo (羅毅博)	58	Deputy general manager and Board secretary	Corporate governance of our Group	February 2014	February 2014	None
Ms. Chen Jinjiao (陳金嬌)	51	Chief Financial Officer	Financial accounting and cost control	July 2018	July 2018	None

Mr. Ye Ye (葉葉), aged 43, is our general manager. For his biography, see “— Board of Directors — Executive Directors.”

Mr. Wang Xiaoyue (汪小岳), aged 53, is our deputy general manager. For his biography, see “— Board of Directors — Executive Directors.”

Mr. Wu Xiaofu (吳小夫), aged 62, is our deputy general manager of technology, primarily responsible for motor structural designs and development of product technicality.

He joined our Group in May 1980 as a technician at our predecessor Huangyan City Motor Factory* (黃岩市電機廠). From May 1980 to October 1982, he served as a technician at our predecessor Huangyan City Motor Factory* (黃岩市電機廠). From November 1982 to September 1986, he served as manager of the technical department at our at our predecessor Huangyan City Motor Factory* (黃岩市電

DIRECTORS AND SENIOR MANAGEMENT

機廠)。Since September 1986, he has served as deputy general manager of technology at our predecessor Huangyan City Motor Factory* (黃岩市電機廠) until May 1995, and subsequently served as a deputy general manager since May 1995 at our Company.

Mr. Wu has attended high school. In December 2021, he obtained the professional qualification of Senior Engineer awarded by the Zhejiang Provincial Machinery Industry Federation* (浙江省機械工業聯合會).

Mr. Liang Wenhui (梁文輝), aged 55, is our deputy general manager, primarily responsible for strategic planning and operation of our Group.

He joined our Group in January 1989 and served as a production worker from January 1989 to December 1991. From January 1992 to December 1993, he served as deputy manager of the quality department. From January 1994 to December 1996, he served as deputy manager of the business management office at our Company. From January 1997 to December 1998, he served as assistant to the general manager of our Company. Since January 1999, he has served as assistant to the general manager and deputy general manager of the production department of our Company.

In 2006, Mr. Liang received the Engineer Certification* (工程師資格證書). In 2012, he received the Taizhou Chief Quality Officer Certificate* (台州市首席品質官證書). In 2022, he received the Taizhou Luqiao Public Craftsman Certificate (台州市路橋公匠). In 2022, he received the Taizhou Safety Officer Certificate* (台州市安全員資格證書). Between 2025 and 2026, he received 2 invention patents and 4 utility model patents.

Mr. Liang has attended high school. In November 2006, he obtained the professional qualification of Engineer from the Taizhou City Luqiao District Personnel, Labor and Social Security Bureau* (台州市路橋區人事勞動社會保障局).

Ms. Pan Linghui (潘玲慧), aged 47, is our deputy general manager. For her biography, see “— Board of Directors — Executive Directors.”

Mr. Luo Yibo (羅毅博), aged 58, is our Board secretary and deputy general manager of operations. He joined our Group in February 2014, since then has served as our deputy general manager. Since March 2015, he has additionally served as board secretary of our Company. He is responsible for corporate governance of our Group.

From July 1990 to June 1995, Mr. Luo was employed at Shaanxi Ruyi Electric General Corporation* (陝西如意電氣總公司), serving as a sales clerk. From June 1995 to June 2002, he was employed at Shaanxi Konka Electronics Co., Ltd.* (陝西康佳電子有限公司), serving as planning department manager. From June 2002 to June 2011, he was employed at Zhejiang Dingli Holding Group Co., Ltd.* (浙江鼎利控股集團有限公司), serving as manager of the human resources department, manager of the marketing department, and subsidiary manager. From June 2011 to January 2014, he was employed at Ningbo Xuelong Group Co., Ltd.* (寧波雪龍集團股份有限公司), serving as subsidiary general manager and deputy general manager of the president’s office.

In July 1990, Mr. Luo obtained a bachelor’s degree in marketing from Shaanxi Institute of Finance and Economics* (陝西財經學院). In June 1995, he was awarded the professional title of intermediate economist specialising in business structure by the Ministry of Personnel of the People’s Republic of China* (中華人民共和國人事部). In December 2003, he obtained a master’s degree in business administration from Northwest University* (西北大學). In February 2015, he completed board secretary qualification training at both the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chen Jinjiao (陳金嬌), aged 51, joined our Group in July 2018 our chief financial officer, primarily responsible for financial accounting, and cost control.

Prior to joining our Group, Ms. Chen Jinjiao has experience in accounting and finance. In September 1996, she was employed at Tiantai County Pingqiao Town Agricultural Machinery Repair and Manufacturing Factory* (天臺縣平橋鎮農機修造廠), serving as accountant. In November 2006, she was employed at Donghaixiang Group Co., Ltd.* (台州東海塑料品製造有限公司), serving as finance section chief and deputy manager. From March 2012 to February 2017, she was employed at Zhejiang Hisoar Pharmaceutical Co., Ltd.* (浙江海翔藥業股份有限公司), serving as intermediate-level accountant. She was employed by Zhejiang Yongning Pharmaceutical Co., Ltd. (浙江永寧藥業股份有限公司) as chief financial officer from October 2013 to September 2018, and subsequently as senior accountant from June 2014 to May 2019. In August 2015, she was employed at Zhejiang Dasenya Environmental Protection Co., Ltd.* (浙江大森亞環保有限公司), serving as finance director. From February 2016 to December 2016, she was employed at Zhejiang Xingxing Cold Chain Integration Co., Ltd.* (浙江星星冷鏈集成股份有限公司), serving as Deputy finance director.

In July 1996, Ms. Chen obtained her vocational secondary school degree at Zhejiang Trade and Economic School* (浙江貿易經濟學校). In December 2000, she earned her associate’s degree at Zhejiang College of Finance and Economics* (浙江財經學院), in December 2010, she earned her bachelor’s degree in accounting at the same institution. In December 2006, she completed the national financial director class at China Employment Training Technical Instruction Centre (中國就業培訓技術指導中心), qualifying as a financial director. In April 2007, she received certification in financial management from the Ministry of Labor and Social Security of the PRC* (中華人民共和國勞動和社會保障部) and the University of Cambridge. She completed the financial director senior executive training program at the School of Business Administration of Zhejiang College of Finance and Economics* (浙江財經學院工商管理學院) in April 2012. In May 2014, she was awarded the title of Senior Accountant by the Zhejiang Provincial Department of Human Resources and Social Security * (浙江省人力資源和社會保障廳). In July 2016, she completed the independent director qualification training at the Shenzhen Stock Exchange.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS

Save as disclosed, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;
- (iii) held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date; and
- (iv) have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

DIRECTORS AND SENIOR MANAGEMENT

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

Save as disclosed above, none of our Directors and senior management is related to other Directors and senior management.

CONFIRMATIONS FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in July 2025, and (ii) understands his or her obligations as a director of a [REDACTED] [REDACTED] under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she had no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

Rule 8.10 of the Listing Rules

Each of our Directors (excluding our independent non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Luo Yibo (羅毅博), aged 58, is our Board secretary and deputy general manager of operations. For his biography, see “— Joint Company Secretaries.”

Ms. Siow Grace Yuet Chew (蕭月秋), aged 59, will be one of our joint company secretaries with effect from the [REDACTED]. She is currently a director of corporate services of Tricor Investor Services Limited.

Ms. Siow currently serves as company secretary or joint company secretary for True Partner Capital Holding Limited (Stock Code: 8657) since October 2020 and Mirxes Holding Company Limited (Stock Code: 2629) since May 2025.

Ms. Siow obtained a Master of Business Administration from the University of Stirling in the United Kingdom.

Ms. Siow has been an associate member of The Chartered Governance Institute (“CGI”) (formerly “The Institute of Chartered Secretaries and Administrators”) in the United Kingdom and The Hong Kong Chartered Governance Institute (“HKCGI”) (formerly The Hong Kong Institute of Company Secretaries) since 9 May 1994 and 1 August 1994, respectively. Ms. Siow was also awarded the Chartered Governance Professional qualification of CGI and HKCGI on 30 September 2018.

DIRECTORS AND SENIOR MANAGEMENT

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Luo as our joint company secretary. Such waiver will be revoked immediately if and when Ms. Siow Grace Yuet Chew ceases to be appointed as a joint company secretary or to provide assistance to Mr. Luo, and can also be revoked if there are material breaches of the Listing Rules by our Company. See the section headed “Waivers from Strict Compliance with the Listing Rules” for further information regarding the waiver.

AUTHORISED REPRESENTATIVES

Mr. Ye Jinwu and **Ms. Siow Grace Yuet Chew** are the authorised representatives of our Company for the purpose of the Listing Rules.

BOARD COMMITTEES

Our Company has established four committees under the Board in accordance with the relevant laws and regulations in mainland China, the Articles of Association and the Corporate Governance Code under the Listing Rules, including the Strategy and Investment Committee, the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee.

Strategy and Investment Committee

We have established the Strategy and Investment Committee in compliance with the Articles of Association. The primary duties of the Strategy and Investment Committee are to conduct feasibility reviews on our Company’s long-term strategic planning and major strategic investments, and to make recommendations to our Board. The Strategic Committee is accountable to our Board. The Strategy and Investment Committee comprises three executive Directors, namely Mr. Ye Jinwu, Ms. Jin Weiwei, and Ms. Pan Linghui. Mr. Ye Jinwu is the chairman of the Strategy and Investment Committee.

Audit Committee

Our Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The Audit Committee has three members, namely Mr. Lau Kwok Fai Patrick, Mr. Liang Zhendong and Mr. Jin Weiwei. Mr. Lau Kwok Fai Patrick, our independent non-executive Director, has been appointed as the chairman of the Audit Committee, and has the appropriate professional qualifications required under the Listing Rules.

The primary duties of the Audit Committee are to review our Company’s financial information and its disclosure, supervise and evaluate internal and external audit work and internal control, and to provide our Board with professional advice.

Remuneration and Appraisal Committee

Our Company established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee has three members, namely Mr. Liang Zhendong, Mr. Lau Kwok Fai Patrick and Mr. Ye Ye. Mr. Liang Zhendong, our independent non-executive Director, has been appointed as the chairman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are to formulate the appraisal standards for Directors and senior management, conduct appraisal, and formulate and review the remuneration policies and proposals for Directors and senior management.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules, the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The Nomination Committee has three members, namely Ms. Pan Linghui, Mr. Jin Weiwei and Mr. Liang Zhendong. Mr. Jin Weiwei, our independent non-executive Director, has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to establish selection criteria and procedures for Directors and senior management, screen and review candidates for their qualifications for relevant positions, and to make recommendations to the Board on matters within its purview.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. Our Company has adopted the code provisions stated in the Corporate Governance Code.

Our Company is committed to the view that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. It is expected that our Group will be able to continue to comply with the code provisions in the Corporate Governance Code upon the [REDACTED].

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy (the “**Board Diversity Policy**”), which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Our Company recognises and embraces the benefits of the Board diversity to enhance the quality of its performance and endeavours to ensure that the Board has appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. Our Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service. Our Company has also taken, and will continue to take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. All Board appointments will continue to be based on meritocracy having due regard for the benefits of diversity on the Board. The ultimate decision will continue to be based on merit and contribution that the selected candidates will bring to the Board.

Upon [REDACTED], our Board comprises of nine members, including three female Directors. Our Directors also have a mix of knowledge and experience in the areas of accounting, legal and engineering. We have three independent non-executive Directors with different industry backgrounds, representing around one-third of the members of our Board. Furthermore, the ages of our Directors range from 43 years old to 74 years old.

We will review the objectives of the Board Diversity Policy from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. After [REDACTED], the Nomination Committee will review the Board Diversity Policy and monitor its implementation. The Nomination Committee will report annually to shareholders in the corporate governance section of the annual report of our Company on the process adopted in relation to the Board appointments and the consideration given to the diversity on the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management who receive remuneration are paid in forms of fees, salaries, allowances, discretionary bonuses, benefits in kind, retirement scheme contributions and share-based compensation.

DIRECTORS AND SENIOR MANAGEMENT

For FY2023, FY2024 and FY2025, the aggregate amount of emoluments paid or payable to our Directors amounted to approximately RMB2.6 million, RMB2.5 million and RMB2.8 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors for the year ending 31 December 2026 to be approximately RMB2.2 million. The actual remuneration of Directors in 2026 may be different from the expected remuneration.

Two, three and three of the five individuals with the highest emoluments in our Group, respectively were Directors for the Track Record Period. The total emolument for the remaining individuals among the five highest paid individuals for FY2023, FY2024 and FY2025 were approximately RMB1.4 million, RMB1.0 million, and RMB1.1 million, respectively.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary of our Company.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

For more details on remuneration paid to our Directors and senior management and, on an aggregate basis, the five highest paid individuals of our Group during the Track Record Period, see Note 11 to the Accountants’ Report as set out in Appendix I to this document.

COMPLIANCE ADVISER

We have appointed Sunny Fortune Capital Limited as our compliance adviser (“**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the [REDACTED] or [REDACTED] of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the [REDACTED] and continue until the longer of (i) the date on which our Company complies with the requirements under Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately following the [REDACTED], or (ii) the appointment of an independent non-executive Director who will be ordinarily resident in Hong Kong has been confirmed and approved.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and following the completion of the [REDACTED].

PRIOR TO THE [REDACTED]

As at the date of this document, the registered share capital of our Company was RMB[36,010,000] comprising [36,010,000] Unlisted Shares with a nominal value of RMB[1.00] each.

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the [REDACTED], assuming that the [REDACTED] is not exercised, our Company’s share capital will be as follows:

Description of Shares	Number of Shares	Approximate percentage of total share capital
Unlisted Shares	[REDACTED]	[REDACTED]%
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	[REDACTED]%

RANKING

Upon completion of the [REDACTED], our Company will have H Shares and Unlisted Shares, both of which are ordinary shares in the share capital of our Company and are regarded as the same class of Shares. The [REDACTED] will rank *pari passu* in all respects with all other existing Shares in [REDACTED] or to be [REDACTED] as mentioned in this document, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of [REDACTED] other than participation in the [REDACTED].

MINIMUM PUBLIC FLOAT AND FREE FLOAT

Pursuant to Rule 19A.13A(1) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

Pursuant to Rule 19A.13C(1), at the time of [REDACTED], our Company must ensure that not less than 10% of the total number of issued shares in the class to which our H shares belong (excluding treasury shares) are held by the public and are freely tradable (as defined in the Listing Rules), with such shares having an expected market value of not less than HK\$50 million, or an expected market value of not less than HK\$600 million.

RESTRICTIONS OF SHARE TRANSFER

Pursuant to the PRC Company Law, our Shares issued prior to the [REDACTED] shall not be transferred within one year from the [REDACTED]. Accordingly, Shares issued by our Company prior to the [REDACTED] shall be subject to this statutory restriction and not be transferred within a period of one year from the [REDACTED].

SHARE CAPITAL

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

REGISTRATION OF SHARES NOT [REDACTED] ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon the [REDACTED] and provide a written report to the CSRC regarding the centralised registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the [REDACTED] and [REDACTED] of our H Shares.

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstance under which our Shareholders’ general meeting is required, see the paragraph headed “Summary of the Articles of Association” in Appendix VI to this Document.

FINANCIAL INFORMATION

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.

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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.

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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.

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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

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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.

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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	<u>(582,877)</u>	<u>(614,396)</u>	<u>(636,798)</u>
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	<u>(152)</u>	<u>(2,925)</u>	<u>(2,936)</u>
Operating profit	<u>51,764</u>	<u>41,793</u>	<u>46,328</u>
Finance income	616	1,730	2,788
Finance costs	<u>(13,631)</u>	<u>(10,135)</u>	<u>(8,717)</u>
Finance costs, net	(13,015)	(8,405)	(5,929)
Share of results of associates	<u>345</u>	<u>106</u>	<u>(5)</u>
Profit before tax	39,094	33,494	40,394
Income tax expense	<u>(1,599)</u>	<u>(2,832)</u>	<u>(1,788)</u>
Profit for the year attributable to owners of the Company	<u>37,495</u>	<u>30,662</u>	<u>38,606</u>
Other comprehensive (expenses)/income, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations	<u>(446)</u>	<u>(262)</u>	<u>197</u>
Other comprehensive (expenses)/income for the year	<u>(446)</u>	<u>(262)</u>	<u>197</u>
Total comprehensive income for the year attributable to owners of the Company	<u>37,049</u>	<u>30,400</u>	<u>38,803</u>

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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	648,143	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

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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

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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 amortisation 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)	
	<u>101,920</u>		<u>102,631</u>		<u>96,822</u>	

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.

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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.

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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:

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Finance income			
Interest income on bank deposits	<u>616</u>	<u>1,730</u>	<u>2,788</u>
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	<u>(218)</u>	<u>(437)</u>	<u>(100)</u>
	<u>(13,631)</u>	<u>(10,135)</u>	<u>(8,717)</u>
Total	<u><u>(13,015)</u></u>	<u><u>(8,405)</u></u>	<u><u>(5,929)</u></u>

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.

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- 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.

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- *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.

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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.

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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.

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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.

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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.

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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 received 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.

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

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
Trade receivable turnover days⁽¹⁾	<u>101</u>	<u>94</u>	<u>109</u>

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:

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

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.

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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.

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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 underrecognised 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.

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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
	<u>544,763</u>	<u>576,362</u>	<u>722,736</u>	<u>768,326</u>
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
	<u>541,715</u>	<u>607,436</u>	<u>706,792</u>	<u>745,715</u>
Net current assets/(liabilities)	<u>3,048</u>	<u>(31,074)</u>	<u>15,944</u>	<u>26,611</u>

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.

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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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

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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.

FINANCIAL INFORMATION

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.

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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].

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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)	<u>(897)</u>
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	<u><u>105,400</u></u>

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.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” in this document for a detailed description of our future plans.

USE OF [REDACTED]

We estimate the aggregate [REDACTED] from the [REDACTED], after deducting [REDACTED] fees and other estimated expenses in connection with the [REDACTED], assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED]), will be approximately HK\$[REDACTED].

In accordance with our strategy, we intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- (i) approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for constructing a new production facility and establishing new PMSM production lines, of which approximately HK\$[REDACTED] will be used in FY2027 and the remaining approximately HK\$[REDACTED] will be used in FY2028 and/or onwards;
- (ii) approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for expanding our PMSM application into industrial robotic and intelligent manufacturing applications, of which approximately HK\$[REDACTED] will be used in FY2027 and the remaining approximately HK\$[REDACTED] will be used in FY2028 and/or onwards, including:
 - approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for research and development;
 - approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for purchasing and installing manufacturing equipment and facilities.
- (iii) approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for accelerating the digitalisation of our manufacturing products operations, of which approximately HK\$[REDACTED] will be used in FY2027 and the remaining approximately HK\$[REDACTED] will be used in FY2028 and/or onwards; and
- (iv) approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for our general working capital.

For details, please refer to the section headed “Business — Our Business Strategies” in this document.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the proposed [REDACTED] or the [REDACTED] is exercised.

If the [REDACTED] is fixed at the high-end of the indicative [REDACTED], being HK\$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will be increase by approximately HK\$[REDACTED]. If the [REDACTED] is fixed at the low-end of the indicative [REDACTED], being HK\$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will decrease by approximately HK\$[REDACTED].

FUTURE PLANS AND [REDACTED]

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will apply the [REDACTED] to short-term interest-bearing amounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). We will make an appropriate announcement if there is any change to the above proposed [REDACTED] or if any amount of [REDACTED] will be used for general corporate purpose.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG JINLONG ELECTRICAL MACHINERY STOCK CO., LTD. AND SUNNY FORTUNE CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhejiang Jinlong Electrical Machinery Stock Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-78, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-78 forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [●] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that

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gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yau Wai Ip
Practising Certificate Number: P07849

Hong Kong, [●]

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I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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Consolidated statements of profit or loss and other comprehensive income

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	5	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	7	13,189	13,427	12,151
Other gains and losses	8	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	10	(152)	(2,925)	(2,936)
Operating profit		51,764	41,793	46,328
Finance income	9	616	1,730	2,788
Finance costs	9	(13,631)	(10,135)	(8,717)
Finance costs, net	9	(13,015)	(8,405)	(5,929)
Share of results of associates		345	106	(5)
Profit before tax	10	39,094	33,494	40,394
Income tax expense	12	(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				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
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
Earnings per share	14			
Basic and diluted (in RMB per share)		1.07	0.85	1.07

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Consolidated statements of financial position

		As at 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	155,509	154,523	159,594
Right-of-use assets	16	34,878	33,620	36,009
Investment properties	17	43,382	41,639	42,844
Intangible assets	18	748	619	775
Interests in an associate	19	1,397	1,503	1,498
Deferred tax assets	20	7,664	8,494	8,278
Prepayment, deposit and other receivables	25	1,815	5,051	2,086
		245,393	245,449	251,084
CURRENT ASSETS				
Inventories	21	140,059	151,095	181,794
Trade and bills receivables	22	278,879	294,509	350,153
Contract assets	23	8,628	9,312	9,652
Financial assets at fair value through other comprehensive income (“FVTOCI”)	24	13,585	33,680	34,210
Prepayment, deposit and other receivables	25	3,528	5,185	11,176
Restricted deposits	26	33,025	425	494
Time deposits	26	—	6,773	—
Cash and cash equivalents	26	67,059	75,383	135,257
		544,763	576,362	722,736
CURRENT LIABILITIES				
Trade and bills payables	27	234,399	202,045	215,600
Other payables and accruals	28	61,253	73,289	85,352
Receipt in advance	29	4,731	4,256	4,945
Contract liabilities	30	4,533	4,861	6,711
Deferred income	31	—	—	1,121
Derivative financial instruments	32	5	392	1,861
Lease liabilities	33	81	—	733
Bank and other borrowings	34	235,839	309,823	390,084
Dividend payables		—	10,803	—
Tax payables		874	1,967	385
		541,715	607,436	706,792
Net Current Assets/(Liabilities)		3,048	(31,074)	15,944
Total Assets less Current Liabilities		248,441	214,375	267,028

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		As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
		Notes		
NON-CURRENT LIABILITIES				
Deferred income	31	—	—	6,190
Lease liabilities	33	—	—	2,772
Bank and other borrowings	34	58,551	—	—
		58,551	—	8,962
Net assets		189,890	214,375	258,066
CAPITAL AND RESERVES				
Share capital	35	36,010	36,010	36,010
Reserves	36	153,880	178,365	222,056
Total equity		189,890	214,375	258,066

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Statements of financial position of the Company

		As at 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investments in subsidiaries	38	2,000	2,000	2,000
Property, plant and equipment	15	155,205	153,909	159,055
Right-of-use assets	16	34,721	33,620	36,009
Investment properties	17	33,630	32,286	33,890
Intangible assets	18	748	619	775
Interests in an associate	19	1,397	1,503	1,498
Deferred tax assets	20	9,214	10,425	10,161
Prepayment, deposit and other receivables	25	1,815	5,051	2,086
		238,730	239,413	245,474
CURRENT ASSETS				
Inventories	21	133,255	146,133	176,778
Trade and bills receivables	22	286,488	299,627	355,816
Contract assets	23	8,628	9,312	9,652
Financial assets at FVTOCI	24	13,585	33,680	34,210
Prepayment, deposit and other receivables	25	23,080	24,222	29,625
Restricted deposits	26	33,025	425	494
Time deposits	26	—	6,773	—
Cash and cash equivalents	26	66,985	75,123	133,898
		565,046	595,295	740,473
CURRENT LIABILITIES				
Trade and bills payables	27	234,073	201,721	215,495
Other payables and accruals	28	62,638	74,618	86,819
Receipt in advance	29	2,538	2,315	1,551
Contract liabilities	30	4,533	4,861	6,711
Deferred income	31	—	—	1,121
Derivative financial instruments	32	5	392	1,861
Lease liabilities	33	—	—	733
Bank and other borrowings	34	235,839	309,823	390,084
Dividend payables		—	10,803	—
Tax payables		874	1,938	446
		540,500	606,471	704,821
Net Current Assets/(Liabilities)		24,546	(11,176)	35,652
Total Assets less Current Liabilities		263,276	228,237	281,126

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		As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
		Notes		
NON-CURRENT LIABILITIES				
Deferred income	31	—	—	6,190
Lease liabilities	33	—	—	2,772
Bank and other borrowings	34	58,551	—	—
		58,551	—	8,962
Net assets		204,725	228,237	272,164
CAPITAL AND RESERVES				
Share capital	35	36,010	36,010	36,010
Reserves	36	168,715	192,227	236,154
Total equity		204,725	228,237	272,164

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Consolidated statements of changes in equity

	Equity attributable to owners of the Company							
	Share capital	Share premium	Share-based payment reserve	Statutory reserve	Safety production fund	Exchange reserve	Retained profits	Total equity
	RMB’000	RMB’000 (Note 36)	RMB’000 (Note 36)	RMB’000 (Note 36)	RMB’000 (Note 36)	RMB’000 (Note 36)	RMB’000	RMB’000
As at 1 January 2023	33,130	27,206	2	15,986	—	(384)	60,092	136,032
Profit for the year	—	—	—	—	—	—	37,495	37,495
Other comprehensive expenses for the year	—	—	—	—	—	(446)	—	(446)
Total comprehensive (expense)/ income for the year	—	—	—	—	—	(446)	37,495	37,049
Issue of restricted shares	2,880	9,648	—	—	—	—	—	12,528
Transaction cost related to issue of restricted shares	—	(200)	—	—	—	—	—	(200)
Equity-settled share-based payments	—	—	4,481	—	—	—	—	4,481
Appropriations to statutory reserve	—	—	—	2,019	—	—	(2,019)	—
Safety production fund provided	—	—	—	—	2,561	—	—	2,561
Safety production fund used	—	—	—	—	(2,561)	—	—	(2,561)
As at 31 December 2023 and 1 January 2024	36,010	36,654	4,483	18,005	—	(830)	95,568	189,890
Profit for the year	—	—	—	—	—	—	30,662	30,662
Other comprehensive expenses for the year	—	—	—	—	—	(262)	—	(262)
Total comprehensive (expenses)/ income for the year	—	—	—	—	—	(262)	30,662	30,400
Equity-settled share-based payments	—	—	4,888	—	—	—	—	4,888
Safety production fund provided	—	—	—	—	2,221	—	—	2,221
Safety production fund used	—	—	—	—	(2,221)	—	—	(2,221)
Dividend declared	—	—	—	—	—	—	(10,803)	(10,803)
As at 31 December 2024 and 1 January 2025	36,010	36,654	9,371	18,005	—	(1,092)	115,427	214,375
Profit for the year	—	—	—	—	—	—	38,606	38,606
Other comprehensive income for the year	—	—	—	—	—	197	—	197
Total comprehensive income for the year	—	—	—	—	—	197	38,606	38,803
Equity-settled share-based payments	—	—	4,888	—	—	—	—	4,888
Safety production fund provided	—	—	—	—	2,104	—	—	2,104
Safety production fund used	—	—	—	—	(2,104)	—	—	(2,104)
As at 31 December 2025	36,010	36,654	14,259	18,005	—	(895)	154,033	258,066

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Consolidated statements of cash flows

		Year ended 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		39,094	33,494	40,394
Adjustments for:				
Interest income	9	(616)	(1,730)	(2,788)
Finance costs	9	13,631	10,135	8,717
Share of results of associates		(345)	(106)	5
Depreciation of property, plant and equipment	10, 15	14,251	15,028	14,858
Depreciation of right-of-use assets	10, 16	1,566	1,169	1,489
Depreciation of investment properties	10, 17	2,112	2,159	2,573
Amortisation of intangible assets	10, 18	348	175	242
Impairment losses on financial assets and contract assets, net	10	152	2,925	2,936
Allowance/(reversal of allowance) for impairment of inventories	10	5,288	5,029	(6,753)
Loss on disposal of property, plant and equipment	8	259	89	8
(Gain)/loss on fair value change of financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)	8	(691)	(1,133)	312
Equity-settled share-based payment	10	4,481	4,888	4,888
Gain on disposal of investments in subsidiary and associate		(315)	—	—
Loss on lease remeasurement		—	8	—
Deferred income		—	—	(935)
Operating cash flows before movements in working capital		79,215	72,130	65,946
Decrease/(increase) in inventories		27,601	(15,984)	(24,059)
Decrease/(increase) in trade and bills receivables		37,003	(20,231)	(54,716)
Increase in contract assets		(883)	(720)	(358)
Decrease/(increase) in financial assets at FVTOCI		2,330	(20,095)	(530)
Decrease/(increase) in prepayment, deposit and other receivables		5,794	(1,691)	(5,950)
Decrease/(increase) in restricted deposits		81,236	32,600	(69)
(Decrease)/increase in trade and bills payables		(5,166)	(3,554)	83,535
(Decrease)/increase in other payables and accruals		(42,788)	12,055	12,054
Increase/(decrease) in receipt in advance		1,354	(475)	689
Increase in contract liabilities		1,963	328	1,850
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

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	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
<i>Notes</i>			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	616	1,730	2,788
Purchases of property, plant and equipment	(21,415)	(17,368)	(17,656)
Proceeds from disposal of property, plant and equipment	39	1	684
Receipt of government grants related to assets	—	—	8,246
Purchases of investment properties	(895)	(416)	(3,778)
Purchases of intangible assets	—	(46)	(398)
Proceeds from disposal of interest in an associate	26,000	—	—
Withdrawal of time deposits	—	—	6,773
Placement of time deposits	—	(6,773)	—
Proceeds from disposal/maturity of financial instruments at FVTPL	1,707	1,520	1,157
Net cash from/(used in) investing activities	6,052	(21,352)	(2,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	—	—	(10,803)
Interest paid	(13,805)	(10,193)	(8,664)
Repayments of bank and other borrowings	(426,541)	(357,960)	(582,707)
Repayments of lease liabilities, principal portion	(451)	—	(373)
New bank and other borrowings raised	301,996	344,593	592,988
Proceeds from issue of restricted shares	12,528	—	—
Transaction costs attributable to issue of restricted shares	(200)	—	—
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 the beginning of the year	7,503	67,059	75,383
Effect of foreign exchange rate changes	(4,755)	1,442	(3,621)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	67,059	75,383	135,257
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	67,059	75,383	135,257

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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zhejiang Jinlong Electrical Machinery Stock., Ltd. (the “**Company**”) was established as a joint stock company with limited liability in the People’s Republic of China (the “**PRC**”) on 22 May 1995. On 29 July 2022, the Company were listed on the National Equities Exchange and Quotations under the stock code of 873936. The address of the Company’s registered office and its principal place of business is 999 West Jinqing Ave., Jinqing Town Luqiao Dist., Taizhou City 318058, Zhejiang, The PRC.

For the Track Record Period and as at the date of this Historical Financial Information, Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue, Ms. Ye Huiqin and Hangzhou Jinlong Zhichuang LP have agreed that (i) they shall consult each other in respect of the decision making relating to the business operation and corporate governance of the Company and reach consensus before voting unanimously at the general meetings or board meetings of the Company, and (ii) where consensus cannot be reached between the parties, each of them shall follow the instruction of Mr. Ye Jinwu. As a result, Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue, Ms. Ye Huiqin, Hangzhou Jinlong Zhichuang LP and Ms. Ye Weilei constitute a group of Controlling Shareholders.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to the “**Group**”) are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated, which is the same as the functional currency of the Company.

The Group is were principally engaged in the manufacturing and sales of motor and related control system. The activities of its principal subsidiaries are set out in Note 37.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”) which are effective for the Group’s annual accounting period beginning on 1 January 2025 through the Track Record Period.

The accounting policies are set out in Note 3 below.

New and Amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Accounting Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to IFRS Accounting Standards mentioned below, the directors of the Company (the “**Directors**”) anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

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HKFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements* (“IAS 1”). This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7 *Financial Instruments: Disclosures*. The minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 requires respective application with specific transaction provisions. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements and the directors of the Company anticipate that there will have no material impact on the Group’s financial position and performance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information have been prepared in accordance with IFRS Accounting Standards as issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial assets and financial liabilities that are measured at fair value at the end of each reporting period.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each components of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

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All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a standalone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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The Group recognises revenue from the following sources:

Sale of goods

Sales contracts between the Group and its customers generally contain only a single performance obligation: the transfer of goods. The Group typically assesses the point at which this performance obligation is satisfied by considering the following factors collectively: the establishment of a present right to payment for the goods, the transfer of significant risks and rewards of ownership of the goods, the transfer of legal title, the physical transfer of the goods, and customer acceptance.

Revenue from domestic sale of goods is recognised at point in time when the goods are delivered to the contracted destination and receipt for goods signed off by the customer.

Revenue from export sale of goods is recognised at point in time when the goods are shipped offshore, customs clearance procedures are completed, and both customs declarations and bills of lading are obtained.

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 (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost or deemed cost for properties transferred from investment properties, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

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Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straightline method.

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets — research and development expenditure

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

An internally-generated intangible asset arising from development or from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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The recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or group of units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if applicable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 26.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets

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and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit-risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “Other income” line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “Other gains and losses” line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables and part of other receivables, restricted bank deposits, cash and cash equivalents) and other items (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of post events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets.

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For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward looking information including time value of money where appropriates that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for bills receivables and contract asset and receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the “Other gains and losses” line item (Note 8) as part of the net foreign exchange gains/(losses).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

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Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, lease liabilities and convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest

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and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits or losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the Amendments to IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using weighted average cost formula. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and the costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale including costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities’ carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

Share-based payment

Equity-settled share-based payment transactions

Restricted shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). Vesting conditions, other than market condition, shall not be taken into account when estimating the fair value of the share options at the measurement date. Instead, vesting conditions, i.e. a specified service period with or without a performance target, shall be taken into account in estimating the number of equity instrument that will ultimately vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When restricted shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

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Lease

The 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. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of various offices, warehouses, equipment and vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

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Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees.
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “**lease modifications**”)

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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The Group as a lessor

All leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Related parties

A party is considered to be related to the Group if:

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

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A related party transaction is a transfer of resources, services or obligation between the Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised if the revision affects only that reporting period, or in the reporting period of the revision and future reporting periods if the revision affects both current and future reporting periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group’s historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables are disclosed in Note 45.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group’s profit or loss and net assets value. The Group reassesses these estimates annually.

Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group’s historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered,

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based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Impairment assessment of property, plant and equipment, right-of-use right and intangible assets

Property, plant and equipment, right-of-use assets and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

5. REVENUE

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contract with customers:			
Sales of low-carbon high-efficiency three-phase asynchronous motors	541,131	554,811	565,393
Sales of permanent magnet synchronous motor and variable frequency drive products	138,038	157,965	164,668
Sales of other products	5,628	4,251	3,559
	<u>684,797</u>	<u>717,027</u>	<u>733,620</u>

Timing of revenue recognition

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
A point in time	<u>684,797</u>	<u>717,027</u>	<u>733,620</u>

Transaction price allocated to the remaining performance obligation for contracts with customer

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining obligations under the contracts as all contract works have an original expected duration of one year or less.

6. SEGMENTS

Information reported to the board of Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

The Group currently operates in one business segment in the business of manufacturing and sales of motor and related control system. A single management team reports to the chief operating decision makers who comprehensively manage the entire business. The reportable operating results report to the chief operating decision makers are the net profit of the Group and the reportable assets and liabilities report to the chief operating decision makers are the Group’s assets and liabilities.

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Geographical information:

Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The PRC	448,371	465,337	451,547
Europe	207,184	211,316	244,523
Other countries/regions	29,242	40,374	37,550
	<u>684,797</u>	<u>717,027</u>	<u>733,620</u>

Non-current assets

All significant non-current assets of the Group are located in the PRC. Accordingly, no geographical information of segment assets is presented.

Information about major customers:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	81,651	94,862	N/A*
Customer B	135,908	117,173	N/A*
Customer C	71,348	N/A*	N/A*
Customer D	N/A*	N/A*	76,801
	<u>N/A*</u>	<u>N/A*</u>	<u>76,801</u>

* Revenue from relevant customers is less than 10% of the Group’s total revenue for the respective year.

7. OTHER INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants (<i>Note (a)</i>)	3,356	4,565	3,145
Value-added tax additional deduction (<i>note (b)</i>)	2,292	2,214	2,595
Rental income	6,796	6,343	5,824
Others	<u>745</u>	<u>305</u>	<u>587</u>
	<u>13,189</u>	<u>13,427</u>	<u>12,151</u>

Notes:

- (a) Asset-related deferred income systematically released to profit or loss over the estimated useful lives of the related assets or the designated period. For the years ended 31 December 2023, 2024 and 2025, the amount of government grants recognised from asset-related deferred income (Note 31) was approximately nil, nil and RMB935,000, respectively.

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- (b) During the Track Record Period, the Group recognised government grants in respect of value-added tax exemption provided by the local government in accordance with Announcement 2023 No. 43 of the Ministry of Finance and the State Administration of Taxation, advanced manufacturing enterprises are allowed to deduct additional 5% VAT of the current deductible input VAT from the VAT payable. According to the announcement, the value-added tax exemption is effective until 31 December 2027.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gain/(loss) on fair value change of financial assets and financial liabilities at FVTPL	691	1,133	(312)
Gain on disposal of investments in subsidiary and associate	315	—	—
Loss on disposal of property, plant and equipment	(259)	(89)	(8)
Net foreign exchange gain/(loss)	7,766	(2,020)	9,252
	<u>8,513</u>	<u>(976)</u>	<u>8,932</u>

9. FINANCE COSTS, NET

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finance income:			
Interest income on bank deposits	<u>616</u>	<u>1,730</u>	<u>2,788</u>
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	<u>(218)</u>	<u>(437)</u>	<u>(100)</u>
	<u>(13,631)</u>	<u>(10,135)</u>	<u>(8,717)</u>
Finance costs, net	<u>(13,015)</u>	<u>(8,405)</u>	<u>(5,929)</u>

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10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Depreciation and amortisation:			
— Property, plant and equipment	14,251	15,028	14,858
— Right-of-use assets	1,566	1,169	1,489
— Investment properties	2,112	2,159	2,573
— Intangible assets	348	175	242
Total depreciation and amortisation	18,277	18,531	19,162
Staff costs (including director’s emoluments (<i>Note 11</i>)):			
— Fee, wages, salaries and other allowances	77,497	82,489	85,881
— Retirement scheme contributions	6,042	6,814	7,747
— Equity-settled share-based payment (<i>Note 39</i>)	4,481	4,888	4,888
	88,020	94,191	98,516
Gross rental income from investment properties	(6,796)	(6,343)	(5,824)
Less:			
direct operating expenses incurred for investment properties that generated rental income during the year	2,772	2,428	2,934
	(4,024)	(3,915)	(2,890)
Impairment losses on financial assets and contract assets, net:			
— Provision for impairment loss on trade and bills receivables	2	2,844	2,965
— (Reversal of provision)/provision for impairment loss on contract assets	(35)	36	18
— Provision/(reversal of provision) for impairment loss on deposits and other receivables	185	45	(47)
	152	2,925	2,936
Cost of inventories sold (<i>note a</i>)	563,827	596,118	614,981
Provision/(reversal of provision) for impairment of inventories (<i>note b</i>)	5,288	5,029	(6,753)
Auditors’ remuneration			
— Audit service	283	613	519
— Non audit service	39	21	85
Expense relating to short-term lease and others	357	185	276

Notes:

- (a) Cost of inventories sold includes approximately RMB62,042,000, RMB63,754,000 and RMB67,612,000 and RMB8,053,000, RMB8,210,000 and RMB8,560,000 for the years ended 31 December 2023, 2024 and 2025, respectively, relating to staff costs and depreciation and amortisation, which amounts are also included in the respective total amounts disclosed separately above.
- (b) The provision/(reversal of provision) for impairment of inventories is included in cost of inventories.

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11. DIRECTORS’, SUPERVISORS’ AND EMPLOYEE EMOLUMENTS

a. Directors’ emoluments

For the year ended 31 December 2023

Name of director	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity- settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:						
Mr. Ye Jinwu	—	603	52	—	—	655
Mr. Ye Ye	—	362	32	—	27	421
Ms. Li Chunlian	—	267	24	—	—	291
Mr. Wang Xiaoyue	—	302	27	—	27	356
Ms. Ye Huiqin	—	—	—	—	—	—
Ms. Pan Linghui	—	302	27	545	27	901
Sub-total	—	1,836	162	545	81	2,624
Independent non-executive directors:						
Mr. Jin Weiwei	6	—	—	—	—	6
Ms. Yin Lanxiang	6	—	—	—	—	6
Mr. Liang Zhendong	6	—	—	—	—	6
Sub-total	18	—	—	—	—	18
Total	18	1,836	162	545	81	2,642

For the year ended 31 December 2024

Name of director	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity- settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:						
Mr. Ye Jinwu	—	543	1	—	—	544
Mr. Ye Ye	—	326	1	—	29	356
Ms. Li Chunlian	—	241	1	—	—	242
Mr. Wang Xiaoyue	—	272	1	—	29	302
Ms. Ye Huiqin	—	—	—	—	—	—
Ms. Pan Linghui	—	272	1	594	29	896
Sub-total	—	1,654	5	594	87	2,340
Independent non-executive directors:						
Mr. Jin Weiwei	60	—	—	—	—	60
Ms. Yin Lanxiang	60	—	—	—	—	60
Mr. Liang Zhendong	60	—	—	—	—	60
Sub-total	180	—	—	—	—	180
Total	180	1,654	5	594	87	2,520

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For the year ended 31 December 2025

<u>Name of director</u>	<u>Fee</u>	<u>Wages, salaries and other allowance</u>	<u>Discretionary bonus</u>	<u>Equity- settled share-based payment</u>	<u>Retirement benefit scheme contributions</u>	<u>Total emoluments</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Executive directors:						
Mr. Ye Jinwu	—	563	61	—	—	624
Mr. Ye Ye	—	338	37	—	31	406
Ms. Li Chunlian	—	250	27	—	—	277
Mr. Wang Xiaoyue	—	282	31	—	31	344
Ms. Ye Huiqin	—	—	—	—	—	—
Ms. Pan Linghui	—	282	31	594	31	938
Sub-total	—	1,715	187	594	93	2,589
Independent non-executive directors:						
Mr. Jin Weiwei	60	—	—	—	—	60
Ms. Yin Lanxiang	60	—	—	—	—	60
Mr. Liang Zhendong	60	—	—	—	—	60
Sub-total	180	—	—	—	—	180
Total	180	1,715	187	594	93	2,769

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors, former Directors, former Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company.

No compensation was paid by the Group to, or receivable by, the Directors, former Directors, former Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of the Group. Furthermore, none of the Directors, former Directors, or former Supervisors had waived or agreed to waive any emoluments during the same periods.

b. Supervisors

For the year ended 31 December 2023

<u>Name of supervisor</u>	<u>Fee</u>	<u>Wages, salaries and other allowance</u>	<u>Discretionary bonus</u>	<u>Equity- settled share-based payment</u>	<u>Retirement benefit scheme contributions</u>	<u>Total emoluments</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Ms. Guo Ping	—	134	13	109	21	277
Mr. Mao Qingzhong	—	154	14	109	21	298
Mr. Guan Jiaming	—	—	—	—	—	—
Total	—	288	27	218	42	575

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For the year ended 31 December 2024

Name of supervisor	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity- settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Ms. Guo Ping	—	122	1	119	22	264
Mr. Mao Qingzhong	—	129	1	119	22	271
Mr. Guan Jiaming	—	—	—	—	—	—
Total	—	251	2	238	44	535

For the year ended 31 December 2025

Name of supervisor	Fee	Wages, salaries and other allowance	Discretionary bonus	Equity- settled share-based payment	Retirement benefit scheme contributions	Total emoluments
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Ms. Guo Ping (Note i)	—	90	9	79	16	194
Mr. Mao Qingzhong (Note i)	—	97	10	79	16	202
Mr. Guan Jiaming (Note i)	—	—	—	—	—	—
Total	—	187	19	158	32	396

Note:

- i On 4 September 2025, the Company held the 2th Extraordinary General Meeting of Shareholders, at which the proposal “On the Cancellation of the Board of Supervisors, the Revision of the Articles of Association and Relevant Rules of Procedure” was reviewed and adopted. The Company will no longer establish a Board of Supervisors, and the functions and powers of the Board of Supervisors shall be exercised by the Audit Committee of the Board of Directors. The “Rules of Procedure for the Board of Supervisors” shall be repealed accordingly. Ms. Guo Ping, Mr. Mao Qingzhong and Mr. Guan Jiaming, supervisors of the Board of Supervisors, have been relieved of their positions as supervisors.

c. Five highest paid individuals

None of the five highest paid individuals received any compensation for loss of office in connection with the management of the affairs of any member of the Group or as inducement to join the Company during the years ended 31 December 2023, 2024 and 2025.

The five highest paid employees included 2 directors, 3 directors, 3 directors, for the years ended 31 December 2023, 2024 and 2025 respectively, details of whose remuneration are set out in Note (a) above. Details of the remuneration for the year of the remaining 3, 2 and 2 highest paid non-director employees for the years ended 31 December 2023, 2024 and 2025 respectively who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wages, salaries and other allowance	601	290	485
Discretionary bonus	54	2	50
Equity-settled share-based payment	653	662	526
Retirement benefits scheme contributions	81	57	61
	1,389	1,011	1,122

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The number of the highest paid employees in Hong Kong Dollar (“HK\$”) not including the Directors whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2023	2024	2025
Nil to HK\$1,000,000	3	2	2

12. INCOME TAX EXPENSE

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current tax	2,079	3,293	1,572
Under-provision in prior years	—	369	—
	2,079	3,662	1,572
Deferred tax (<i>Note 20</i>)	(480)	(830)	216
	1,599	2,832	1,788

The Group’s subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25%.

The Company was designated as a “High and New Technology Enterprise” under the relevant PRC laws and regulations entitle to income tax rate of 15% to the years from 2023 to 2025.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “**Super Deduction for Research and Development Expenses**”).

Income tax for a subsidiary operating in the United States (“US”) has been provided based on the US federal tax rate of 21%.

Income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before tax	39,094	33,494	40,394
Tax at the preferential tax rate of 15%	5,864	5,024	6,059
Effect of different tax rates of subsidiaries	(109)	(359)	31
Tax effects of share of results of associates	(52)	(16)	1
Tax effects of expenses not deductible for tax purpose	83	124	87
Super Deduction for Research and Development Expenses	(4,004)	(2,809)	(4,406)
Tax effect of tax losses utilised	(1,103)	(29)	(33)
Tax effect of tax losses and deductible temporary differences not recognised	920	528	49
Under-provision in prior years	—	369	—
	1,599	2,832	1,788

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13. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Dividends for ordinary shareholder of the Company	—	10,803	—

On 27 December 2024, the Company declared a cash dividend of RMB3 (including tax) to be distributed to all shareholders for every 10 shares. A total of approximately RMB10,803,000 cash dividends have been declared and it was paid in January 2025.

No dividends have been declared by the Company during the years ended 31 December 2023 and 2025 nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit:			
Profit for the year attributable to owners of the Company	37,495	30,662	38,606
Number of shares:			
Weighted average number of shares for the purpose of basic earnings per share	35,197	36,010	36,010

Diluted earnings per share for the years ended 31 December 2023, 2024 and 2025 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding for the Track Record Period.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Leasehold improvement	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cost							
As at 1 January 2023	141,542	211,543	6,043	25,620	—	4,785	389,533
Additions	—	2,984	258	489	—	17,408	21,139
Transfer from construction in progress	—	4,862	1,018	11	—	(5,891)	—
Disposals/written off	—	(344)	(104)	(1)	—	—	(449)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2023 and 1 January 2024	141,542	219,045	7,215	26,122	—	16,302	410,226
Additions	1,080	1,049	712	717	272	10,302	14,132
Transfer from construction in progress	719	4,072	—	139	—	(4,930)	—
Disposals/written off	—	—	—	(54)	—	(88)	(142)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2024 and 1 January 2025	143,341	224,166	7,927	26,927	272	21,586	424,219
Addition	3,132	11,350	703	133	—	5,303	20,621
Transfer from construction in progress	—	17,365	—	—	—	(17,365)	—
Disposals/written off	—	(3,472)	(82)	(690)	—	—	(4,244)
As at 31 December 2025	<u>146,473</u>	<u>249,409</u>	<u>8,548</u>	<u>26,370</u>	<u>272</u>	<u>9,524</u>	<u>440,596</u>
Depreciation and impairment							
As at 1 January 2023	56,670	164,568	2,877	16,499	—	—	240,614
Provided for the year	4,525	7,838	856	1,032	—	—	14,251
Disposals/written off	—	(52)	(99)	—	—	—	(151)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2023 and 1 January 2024	61,195	172,354	3,634	17,534	—	—	254,717
Provided for the year	4,694	8,191	881	1,260	2	—	15,028
Disposals/written off	—	—	—	(52)	—	—	(52)
Exchange realignment	—	—	—	3	—	—	3
As at 31 December 2024 and 1 January 2025	65,889	180,545	4,515	18,745	2	—	269,696
Provided for the year	5,128	8,135	906	660	29	—	14,858
Disposals/written off	—	(2,809)	(78)	(665)	—	—	(3,552)
As at 31 December 2025	<u>71,017</u>	<u>185,871</u>	<u>5,343</u>	<u>18,740</u>	<u>31</u>	<u>—</u>	<u>281,002</u>
Carrying value							
As at 31 December 2023	<u>80,347</u>	<u>46,691</u>	<u>3,581</u>	<u>8,588</u>	<u>—</u>	<u>16,302</u>	<u>155,509</u>
As at 31 December 2024	<u>77,452</u>	<u>43,621</u>	<u>3,412</u>	<u>8,182</u>	<u>270</u>	<u>21,586</u>	<u>154,523</u>
As at 31 December 2025	<u>75,456</u>	<u>63,538</u>	<u>3,205</u>	<u>7,630</u>	<u>241</u>	<u>9,524</u>	<u>159,594</u>

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The Company

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cost						
As at 1 January 2023	141,542	206,627	5,767	25,253	4,785	383,974
Additions	—	2,905	258	489	17,408	21,060
Transfer from construction in progress	—	4,862	1,018	11	(5,891)	—
Disposals/written off	—	(265)	(104)	(1)	—	(370)
As at 31 December 2023 and 1 January 2024	141,542	214,129	6,939	25,752	16,302	404,664
Additions	1,080	1,049	712	672	10,302	13,815
Transfer from construction in progress	719	4,072	—	139	(4,930)	—
Disposals/written off	—	—	—	(54)	(88)	(142)
As at 31 December 2024 and 1 January 2025	143,341	219,250	7,651	26,509	21,586	418,337
Addition	3,132	11,350	703	133	5,303	20,621
Transfer from construction in progress	—	17,365	—	—	(17,365)	—
Disposals/written off	—	(3,472)	(82)	(473)	—	(4,027)
As at 31 December 2025	<u>146,473</u>	<u>244,493</u>	<u>8,272</u>	<u>26,169</u>	<u>9,524</u>	<u>434,931</u>
Depreciation and impairment						
As at 1 January 2023	56,670	159,894	2,616	16,182	—	235,362
Provided for the year	4,525	7,752	856	1,115	—	14,248
Disposals/written off	—	(52)	(99)	—	—	(151)
As at 31 December 2023 and 1 January 2024	61,195	167,594	3,373	17,297	—	249,459
Provided for the year	4,694	8,191	881	1,255	—	15,021
Disposals/written off	—	—	—	(52)	—	(52)
As at 31 December 2024 and 1 January 2025	65,889	175,785	4,254	18,500	—	264,428
Provided for the year	5,128	8,135	906	600	—	14,769
Disposals/written off	—	(2,809)	(78)	(434)	—	(3,321)
As at 31 December 2025	<u>71,017</u>	<u>181,111</u>	<u>5,082</u>	<u>18,666</u>	<u>—</u>	<u>275,876</u>
Carrying value						
As at 31 December 2023	<u>80,347</u>	<u>46,535</u>	<u>3,566</u>	<u>8,455</u>	<u>16,302</u>	<u>155,205</u>
As at 31 December 2024	<u>77,452</u>	<u>43,465</u>	<u>3,397</u>	<u>8,009</u>	<u>21,586</u>	<u>153,909</u>
As at 31 December 2025	<u>75,456</u>	<u>63,382</u>	<u>3,190</u>	<u>7,503</u>	<u>9,524</u>	<u>159,055</u>

The Group and the Company’s property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over the period at the rates per annum as follows:

Buildings	15–45 years
Plant and machinery	5–12 years
Motor vehicles	4–10 years
Office equipment and others	3–10 years
Leasehold improvement	5–10 years or over the lease term, whichever is shorter

As at 31 December 2023, 2024 and 2025, certain property, plant and equipment of the Group and the Company with carrying value of approximately RMB29,978,000, RMB38,891,000 and RMB36,405,000, respectively, were pledged for bank borrowings granted to the Group.

At 31 December 2023, 2024 and 2025, the Group and the Company have buildings in the PRC with carrying value of approximately RMB6,200,000, RMB5,975,000, RMB5,750,000, respectively, which are in the process of applying for ownership certificates. In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the land use right certificates.

16. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Leasehold properties	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	35,822	523	36,345
Deprecation for the year	(1,101)	(465)	(1,566)
Exchange realignment	—	99	99
As at 31 December 2023 and 1 January 2024	34,721	157	34,878
Deprecation for the year	(1,101)	(68)	(1,169)
Disposal	—	(89)	(89)
As at 31 December 2024 and 1 January 2025	33,620	—	33,620
Additions	—	3,878	3,878
Deprecation for the year	(1,101)	(388)	(1,489)
As at 31 December 2025	<u>32,519</u>	<u>3,490</u>	<u>36,009</u>

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Expense relating to short-term lease	357	185	276
Total cash outflow for leases	<u>825</u>	<u>185</u>	<u>712</u>

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The Company

	Leasehold lands	Leasehold properties	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	35,822	—	35,822
Deprecation for the year	(1,101)	—	(1,101)
As at 31 December 2023 and 1 January 2024	34,721	—	34,721
Deprecation for the year	(1,101)	—	(1,101)
As at 31 December 2024 and 1 January 2025	33,620	—	33,620
Additions	—	3,878	3,878
Deprecation for the year	(1,101)	(388)	(1,489)
As at 31 December 2025	32,519	3,490	36,009

The Group and the Company leases various leasehold properties for its operations. Normally, lease are entered into for term of 1 to 50 years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns leasehold lands where its manufacturing facilities are primarily located. The Group is the registered owner of these land use rights. Lump sum payments were made upfront to acquire these rights. The land use rights are held in the PRC under medium-term leases.

As at 31 December 2023, 2024 and 2025, certain land use right of the Group and the Company with carrying amount of approximately RMB34,721,000, RMB33,620,000 and RMB32,519,000, respectively, were pledged for bank borrowings granted to the Group.

17. INVESTMENT PROPERTIES

The Group

	RMB’000
As at 1 January 2023	44,599
Additions	895
Deprecation for the year	(2,112)
As at 31 December 2023 and 1 January 2024	43,382
Additions	416
Deprecation for the year	(2,159)
As at 31 December 2024 and 1 January 2025	41,639
Additions	3,778
Deprecation for the year	(2,573)
As at 31 December 2025	42,844

All of the Group’s industrial properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties. These investment properties include land and buildings which comprise operating leases in respect of properties situated in the PRC.

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The estimated useful life of the investment properties are 3 to 50 years respectively. The Group owns the investment property in the form of freehold land in PRC. The investment property is stated at a cost less accumulated depreciation and any impairment loss.

As at 31 December 2023, 2024 and 2025, certain investment properties of the Group with carrying amount of approximately RMB42,579,000, RMB40,546,000 and RMB38,888,000, respectively, were pledged for bank borrowings granted to the Group.

For disclosure purpose, the fair value of the Group’s investment property has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer not connected with the Group.

The fair value of investment property located in the PRC is determined using cost approach by taking into account the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. There has been no change from the valuation technique used in the Track Record Period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group’s investment properties and information about the fair value hierarchy as at 31 December 2023, 2024 and 2025 are as follows:

	Carrying amount	Fair value	Fair value hierarchy
	RMB’000	RMB’000	
As at 31 December 2023			
Industrial property located in PRC	<u>43,382</u>	<u>124,660</u>	<u>Level 3</u>
As at 31 December 2024			
Industrial property located in PRC	<u>41,639</u>	<u>127,550</u>	<u>Level 3</u>
As at 31 December 2025			
Industrial property located in PRC	<u>42,844</u>	<u>127,400</u>	<u>Level 3</u>

The Company

	RMB’000
As at 1 January 2023	34,448
Additions	895
Deprecation for the year	<u>(1,713)</u>
As at 31 December 2023 and 1 January 2024	33,630
Additions	416
Deprecation for the year	<u>(1,760)</u>
As at 31 December 2024 and 1 January 2025	32,286
Additions	3,778
Deprecation for the year	<u>(2,174)</u>
As at 31 December 2025	<u>33,890</u>

All of the Company’s industrial properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These investment properties include land and buildings which comprise operating leases in respect of properties situated in the PRC.

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Details of the Company’s investment properties and information about the fair value hierarchy as at 31 December 2023, 2024 and 2025 are as follows:

	Carrying amount RMB’000	Fair value RMB’000	Fair value hierarchy
As at 31 December 2023			
Industrial property located in PRC	33,630	107,420	Level 3
As at 31 December 2024			
Industrial property located in PRC	32,286	109,710	Level 3
As at 31 December 2025			
Industrial property located in PRC	33,890	109,540	Level 3

18. INTANGIBLE ASSETS

The Group and the Company

	Software RMB’000	Patent RMB’000	Total RMB’000
As at 1 January 2023, 31 December 2023 and 1 January 2024	2,929	227	3,156
Additions	46	—	46
As at 31 December 2024 and 1 January 2025	2,975	227	3,202
Additions	398	—	398
As at 31 December 2025	3,373	227	3,600
Amortisation and impairment			
As at 1 January 2023	1,833	227	2,060
Provided for the year	348	—	348
As at 31 December 2023 and 1 January 2024	2,181	227	2,408
Provided for the year	175	—	175
As at 31 December 2024 and 1 January 2025	2,356	227	2,583
Provided for the year	242	—	242
As at 31 December 2025	2,598	227	2,825
Carrying amount			
As at 31 December 2023	748	—	748
As at 31 December 2024	619	—	619
As at 31 December 2025	775	—	775

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software	3–10 years
Patent	5 years

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19. INTERESTS IN ASSOCIATES

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Investment in an associate under equity method	1,397	1,503	1,498

Details of the Group’s associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of Ownership interest held by the Group			Proportion of voting right held by the Group			Principal activity
			2023	2024	2025	2023	2024	2025	
Taizhou Luqiao	PRC	PRC	6.99%	6.99%	6.99%	6.99%	6.99%	6.99%	Property management service

The Group is able to exercise significant influence over 台州市路橋區總商會企業總部大廈有限公司 (Taizhou Luqiao District General Chamber of Commerce Enterprise Headquarters Building Co., Ltd.) (“**Taizhou Luqiao**”) because it has the right to appoint one out of the five directors of Taizhou Luqiao under the articles of association of Taizhou Luqiao.

During the year ended 31 December 2023, the Group has disposed 13% equity interest in an associate, 台州市路橋三友金龍小額貸款股份有限公司 (Taizhou Luqiao Sanyou Jinlong Small Loan Co., Ltd.), at consideration of approximately RMB26,000,000. The gain on disposal of the associate of approximately RMB98,000 was recognised during the year ended 31 December 2023.

Summarised financial information of associate

Summarised financial information in respect of the Group’s associate is set out below. The summarised financial information below represents amounts in associates’ financial statements prepared in accordance with IFRS Accounting Standards adjusted by the Group for equity accounting purposes.

The associate is accounted for using the equity method in these consolidated financial statements.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current assets	374,387	376,495	379,226
Non-current assets	1,171	1,456	356
Current liabilities	355,567	356,450	358,154
	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue	8,559	8,737	8,773
Profit/(loss) and total comprehensive income/(expenses) for the year	1,465	1,510	(73)
Dividends received from the associate during the year	—	—	—

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Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Net assets of Taizhou Luqiao	19,991	21,501	21,428
Proportion of the Group’s ownership interest in Taizhou Luqiao	6.99%	6.99%	6.99%
The Group’s share of net assets of Taizhou Luqiao	<u>1,397</u>	<u>1,503</u>	<u>1,498</u>
Carrying amount of the Group’s interest in Taizhou Luqiao	<u>1,397</u>	<u>1,503</u>	<u>1,498</u>

20. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deferred tax assets	8,014	8,784	9,032
Deferred tax liabilities	<u>(350)</u>	<u>(290)</u>	<u>(754)</u>
	<u>7,664</u>	<u>8,494</u>	<u>8,278</u>

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2023, 2024 and 2025:

	Impairment of assets	Fair value of financial instruments	Equity- settled share- based payment	Lease liabilities	Right-of- use assets	Accelerated tax depreciation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	7,744	(151)	—	—	—	(409)	7,184
(Charge)/credit to profit or loss	<u>(403)</u>	<u>152</u>	<u>672</u>	<u>—</u>	<u>—</u>	<u>59</u>	<u>480</u>
As at 31 December 2023 and 1 January 2024	7,341	1	672	—	—	(350)	7,664
(Charge)/credit to profit or loss	<u>(21)</u>	<u>58</u>	<u>733</u>	<u>—</u>	<u>—</u>	<u>60</u>	<u>830</u>
As at 31 December 2024 and 1 January 2025	7,320	59	1,405	—	—	(290)	8,494
(Charge)/credit to profit or loss	<u>(1,232)</u>	<u>220</u>	<u>734</u>	<u>526</u>	<u>(523)</u>	<u>59</u>	<u>(216)</u>
As at 31 December 2025	<u>6,088</u>	<u>279</u>	<u>2,139</u>	<u>526</u>	<u>(523)</u>	<u>(231)</u>	<u>8,278</u>

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Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Impairment of assets	8,986	11,493	10,457
Tax losses	1,974	622	236
Unrealised intercompany profit	4,000	4,294	4,057
	<u>14,960</u>	<u>16,409</u>	<u>14,750</u>

As at 31 December 2023, 2024 and 2025, the Group have unused tax losses of approximately RMB1,974,000, RMB662,000, RMB236,000, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the uncertainty of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,974,000, RMB662,000 and RMB3,000, as at 31 December 2023, 2024 and 2025 respectively with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
2024	834	—	—
2027	1,138	659	—
2028	2	2	2
2029	—	1	1
Total	<u>1,974</u>	<u>662</u>	<u>3</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deferred tax assets	9,564	10,715	10,915
Deferred tax liabilities	(350)	(290)	(754)
	<u>9,214</u>	<u>10,425</u>	<u>10,161</u>

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The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2023, 2024 and 2025:

	Impairment of assets	Fair value of financial instruments	Equity- settled share- based payment	Lease liabilities	Right-of- use assets	Accelerated tax depreciation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	7,267	(151)	—	—	—	(409)	6,707
Credit to profit or loss	1,624	152	672	—	—	59	2,507
As at 31 December 2023 and 1 January 2024	8,891	1	672	—	—	(350)	9,214
Credit to profit or loss	360	58	733	—	—	60	1,211
As at 31 December 2024 and 1 January 2025	9,251	59	1,405	—	—	(290)	10,425
(Charge)/credit to profit or loss	(1,280)	220	734	526	(523)	59	(264)
As at 31 December 2025	7,971	279	2,139	526	(523)	(231)	10,161

21. INVENTORIES

The Group

	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
	140,059	151,095	181,794

The Company

	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	43,508	41,364	30,744
Goods in transit	8,085	8,404	9,658
	133,255	146,133	176,778

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22. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	190,849	227,328	263,571
Less: Allowance for ECL	(21,776)	(25,122)	(25,742)
	<u>169,073</u>	<u>202,206</u>	<u>237,829</u>
Bills receivables	<u>109,806</u>	<u>92,303</u>	<u>112,324</u>
	<u><u>278,879</u></u>	<u><u>294,509</u></u>	<u><u>350,153</u></u>

As at 1 January 2023, the carrying amount of trade and bills receivables, net of allowance for ECL, amounted to approximately RMB311,587,000.

The normal credit term to the customers ranged between 30 to 180 days. The Group does not hold any collateral over its trade receivable balances.

As of the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	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	34,526	36,380
181–365 days	5,812	4,310	8,032
1–3 years	4,457	6,702	5,135
Over 3 years	<u>351</u>	<u>254</u>	<u>1,972</u>
	<u><u>169,073</u></u>	<u><u>202,206</u></u>	<u><u>237,829</u></u>

As at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, bills receivables were mainly bank acceptance bills aged less than six months.

Details of impairment assessment of trade and bills receivables for the years ended 31 December 2023, 2024 and 2025 are set out in Note 45.

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables			
— third parties	189,626	225,804	262,598
— subsidiary	17,840	18,093	17,900
Less: Allowance for ECL	(30,784)	(36,573)	(37,006)
	<u>176,682</u>	<u>207,324</u>	<u>243,492</u>
Bills receivables	<u>109,806</u>	<u>92,303</u>	<u>112,324</u>
	<u>286,488</u>	<u>299,627</u>	<u>355,816</u>

As at 1 January 2023, the carrying amount of trade and bills receivables, net of allowance for ECL, amounted to approximately RMB328,260,000.

As of the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 90 days	137,124	156,167	185,626
91–180 days	21,288	34,545	36,380
181–365 days	6,990	4,490	8,031
1–3 years	8,333	6,602	6,775
Over 3 years	<u>2,947</u>	<u>5,520</u>	<u>6,680</u>
	<u>176,682</u>	<u>207,324</u>	<u>243,492</u>

23. CONTRACT ASSETS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Retention receivables	<u>8,628</u>	<u>9,312</u>	<u>9,652</u>

Contract assets are primarily arise from manufacturing and sales of motor and related control system. Contract assets represent the rights to receive considerations for the transfer of goods to customers that are not yet unconditional.

The Group provides customers to retain a certain percentage of the contract value in retention period. This amount is included in “contract assets” as the Group’s entitlement to this final payment is conditional on the Group’s satisfactory work until the end of retention period.

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24. FINANCIAL ASSETS AT FVTOCI

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bills receivables	13,585	33,680	34,210

Under IFRS 9, certain bills which were held by the Group for the practice of discounting/endorsing to financial institutions/suppliers before the bills being due for payment were classified as “financial assets at FVTOCI”. At 31 December 2023, 2024 and 2025, all the bills are with a maturity period of less than one year.

The Group considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant.

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
<i>Non-current portion</i>			
Prepayment for property, plant and equipment	1,815	5,051	2,086
<i>Current portion</i>			
Prepayment to suppliers	635	173	1,137
Prepaid expenses	1,290	2,343	1,929
Deferred [REDACTED]	—	—	1,500
Value-added tax recoverable	465	410	6,607
Other tax recoverable	—	1,449	—
Deposits paid	885	213	113
Others	1,056	1,417	82
	4,331	6,005	11,368
Less: Allowance for ECL	(803)	(820)	(192)
	3,528	5,185	11,176
Total	5,343	10,236	13,262

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
<i>Non-current portion</i>			
Prepayment for property, plant and equipment	1,815	5,051	2,086
<i>Current portion</i>			
Prepayment to suppliers	635	173	1,137
Prepaid expenses	1,287	2,340	1,929
Deferred [REDACTED]	—	—	1,500
Value-added tax recoverable	—	—	6,043
Other tax recoverable	—	1,449	—
Deposits paid	844	173	73
Amounts due from subsidiaries (<i>Note</i>)	20,418	20,163	19,051
Others	57	61	42
	23,241	24,359	29,775
Less: Allowance for ECL	(161)	(137)	(150)
	23,080	24,222	29,625
Total	24,895	29,273	31,711

Note: The amounts due from subsidiaries are unsecured, interest free and recoverable on demand.

26. CASH AND CASH EQUIVALENTS/RESTRICTED DEPOSITS/TIME DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents	67,059	75,383	135,257
Time deposits	—	6,773	—
Restricted bank deposits	33,025	425	494

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents	66,985	75,123	133,898
Time deposits	—	6,773	—
Restricted bank deposits	33,025	425	494

Cash at banks earns interest at floating rates based on daily bank deposit rates.

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As at 31 December 2023, 2024 and 2025, the restricted bank deposits carry fixed interest rate ranging from 0.0001% to 0.3%, 0.0001% to 0.3% and 0.0001% to 0.3% per annum, respectively.

As at 31 December 2024, the time deposits are placed with bank in the PRC for original maturities more than three months and carry interest at 3.10% per annum.

The Group and the Company’s restricted bank balances were pledged to banks for the issuance of bankers’ acceptance notes and banking facility as at 31 December 2023, 2024 and 2025, respectively, as detailed in Note 43 and are classified as current assets.

27. TRADE AND BILLS PAYABLES

The Group

	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
	<u>234,399</u>	<u>202,045</u>	<u>215,600</u>

As of the end of each reporting period, the ageing analysis of trade payables is as follows:

	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
181–360 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
	<u>167,848</u>	<u>182,495</u>	<u>195,626</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	167,522	182,171	195,521
Bills payables	66,551	19,550	19,974
	<u>234,073</u>	<u>201,721</u>	<u>215,495</u>

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As of the end of each reporting period, the ageing analysis of trade is as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 90 days	83,987	98,682	115,472
91–180 days	36,745	30,185	34,369
181–360 days	23,547	34,923	24,644
1–3 years	20,012	14,829	17,745
Over 3 years	3,231	3,552	3,291
	<u>167,522</u>	<u>182,171</u>	<u>195,521</u>

Notes:

- (a) The normal credit term to the Group ranged between 15 to 90 days.
- (b) The financial liabilities that are part of the Group’s supplier finance arrangements included in bank and other borrowings, which is disclosed in Note 34 to consolidated financial statements, are normally settled within 1 year terms.

The Group has established supplier finance arrangements that are offered to some of the Group’s key suppliers. Participation in the arrangements is at the suppliers’ own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments or payments at the original due dates on invoices sent to the Group from the Group’s external finance provider. If suppliers choose to receive early payments, they pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements.

All financial liabilities that are part of the supplier finance arrangements are included bank and other borrowings in the consolidated statement of financial position and within the current portion of unsecured bank loans.

	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Bank and other borrowings of which suppliers have received payments	<u>24,000</u>	<u>28,800</u>	<u>69,980</u>

	2023	2024	2025
	Days	Days	Days
Range of payment due dates:			
Bank and other borrowings			
— Liabilities that are part of supplier finance arrangements	<u>357–364</u>	<u>344–363</u>	<u>358–364</u>

For financial liabilities that are part of the supplier finance arrangements included in borrowings, the related non-cash transaction is disclosed in Note 34 to the consolidated financial statements.

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28. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Employee benefits payable	14,094	12,914	13,801
Underecognised amounts of endorsed undue bills	33,403	45,439	62,605
Other tax payables	5,640	4,385	3,667
Payable for transportation	2,553	4,364	2,490
Deposits received	220	387	380
Interest payables	221	163	216
Other payables and accruals	5,122	5,637	2,193
	<u>61,253</u>	<u>73,289</u>	<u>85,352</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Employee benefits payable	14,059	12,879	13,766
Underecognised amounts of endorsed undue bills	33,403	45,439	62,605
Other tax payables	5,640	4,173	3,662
Payable for transportation	2,483	4,364	2,490
Amounts due to subsidiaries (<i>Note</i>)	1,990	1,990	1,941
Interest payables	221	163	216
Other payables and accruals	4,842	5,610	2,139
	<u>62,638</u>	<u>74,618</u>	<u>86,819</u>

Note: The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

29. RECEIPT IN ADVANCE

The Group and the Company

The amount represents the rental income receipt in advance.

30. CONTRACT LIABILITIES

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Sales of goods	<u>4,533</u>	<u>4,861</u>	<u>6,711</u>

As at 1 January 2023, contract liabilities amounted to approximately RMB2,570,000.

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The following table shows the revenue recognised to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Balance at the beginning of the year	2,570	4,533	4,861
Decrease in contract liabilities as a result of recognition of revenue during the year	(2,024)	(4,034)	(4,760)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year	3,987	4,362	6,610
Balance at the end of the year	4,533	4,861	6,711

Contract liabilities are all expected to be settled within the Group’s and the Company’s normal operating cycle, and are classified as current based on the Group’s and the Company’s earliest obligation to transfer goods to the customers. Revenue recognised during each reporting period with performance obligation satisfied includes whole contract liability balance at the beginning of each reporting period.

31. DEFERRED INCOME

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants	—	—	7,311

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed for reporting purpose as:			
Current portion	—	—	1,121
Non-current portion	—	—	6,190
Total	—	—	7,311

All government grants are asset-related, credited to deferred income and recognised as income over the expected useful lives of the Group’s property, plant and equipment.

32. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Derivative financial liabilities:			
Forward exchange contracts	5	392	1,861

The forward exchange contracts are not designated for hedging and are measured at fair value through profit or loss.

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The Group entered into foreign currency forward contracts to manage the Group’s currency risk. The aforesaid investments had maturity dates within one year and were classified as financial liabilities at FVTPL. The Group did not elect to adopt hedge accounting for the contracts and therefore, the fair value changes from the contracts was recognised in “other gains and losses” in the consolidated statements of profit or loss and other comprehensive income.

33. LEASE LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Lease liabilities payables:			
Within one year	81	—	733
More than one year but not more than two years	—	—	758
More than two years but not more than five years	—	—	2,014
	<u>81</u>	<u>—</u>	<u>3,505</u>
Analysed for reporting purpose as:			
Current portion	81	—	733
Non-current portion	—	—	2,772
	<u>81</u>	<u>—</u>	<u>3,505</u>

The weighted average incremental borrowing rates applied to lease liabilities at 4.20%, nil% and 4.30% per annum as at 31 December 2023, 2024 and 2025, respectively.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Lease liabilities payables:			
Within one year	—	—	733
More than one year but not more than two years	—	—	758
More than two years but not more than five years	—	—	2,014
	<u>—</u>	<u>—</u>	<u>3,505</u>
Analysed for reporting purpose as:			
Current portion	—	—	733
Non-current portion	—	—	2,772
	<u>—</u>	<u>—</u>	<u>3,505</u>

The weighted average incremental borrowing rates applied to lease liabilities at nil%, nil% and 4.30% per annum as at 31 December 2023, 2024 and 2025, respectively.

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34. BANK AND OTHER BORROWINGS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Bank borrowings (<i>note a</i>)	234,900	276,700	362,380
Discount bills with recourse (<i>note b</i>)	57,840	32,327	26,579
Other borrowings (<i>note c</i>)	1,650	796	1,125
	<u>294,390</u>	<u>309,823</u>	<u>390,084</u>
Analysed as:			
Secured and guaranteed	214,900	236,700	360,380
Secured and unguaranteed	59,490	33,123	27,704
Unsecured and guaranteed	—	20,000	2,000
Unsecured and unguaranteed	20,000	20,000	—
	<u>294,390</u>	<u>309,823</u>	<u>390,084</u>
The carrying amounts of the borrowings are repayable:			
— within one year	235,839	309,823	390,084
— more than one year but not more than two years	58,551	—	—
	<u>294,390</u>	<u>309,823</u>	<u>390,084</u>
Less: Amounts due within one year shown under current liabilities	<u>(235,839)</u>	<u>(309,823)</u>	<u>(390,084)</u>
Amounts shown under non-current liabilities	<u>58,551</u>	<u>—</u>	<u>—</u>

The exposure of the Group’s and the Company’s borrowings are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fixed-rate borrowings	236,590	218,123	183,784
Variable-rate borrowings	57,800	91,700	206,300
	<u>294,390</u>	<u>309,823</u>	<u>390,084</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s and the Company’s borrowings are as follows:

	As at 31 December		
	2023	2024	2025
	%	%	%
Fixed-rate borrowings	1.10–5.92	0.31–5.92	0.62–2.51
Variable-rate borrowings	<u>3.60–4.01</u>	<u>3.00–3.13</u>	<u>2.30–2.50</u>

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Notes:

- (a) As at 31 December 2023, 2024 and 2025, the Group and the Company’s bank borrowings of RMB214,900,000, RMB236,700,000 and RMB360,380,000, respectively, were guaranteed by a subsidiary, executive directors of the Company and a company controlled by substantial shareholders. Then borrowings under the loan agreements were collateralised by the land use rights and certain of property, plant and equipment of the Group and the Company during the terms of borrowings.

Included in bank borrowings, nil, RMB20,000,000 and RMB2,000,000 were guaranteed by executive directors of the Company at as 31 December 2023, 2024 and 2025, respectively.

Included in bank borrowings, the Group has entered into certain supplier finance arrangements with banks of approximately RMB24,000,000, RMB28,800,000 and 69,980,000 as at 31 December 2023, 2024 and 2025 respectively. Under these arrangements, the banks pay suppliers the amounts owed by the Group. The Group’s obligations to suppliers are legally extinguished on settlement by the relevant banks. During the Track Record Period, the Group then settles with the banks within 1 year after settlement by the banks with interest ranges from 2.62%–3.55%, 2.70%–3.00% and 2.30%–2.31% per annum for the year ended 31 December 2023, 2024 and 2025. These arrangements have extended the payment terms, which may be extended beyond the original due dates of respective invoices. The interest rates are consistent with the Group’s short-term borrowing rates.

- (b) As at 31 December 2023, 2024 and 2025, bills discounted with recourse represent the proceeds received from the discounting of bills of approximately RMB57,840,000, RMB32,327,000 and RMB26,579,000, respectively, to banks with recourse.

The discounted bills carried at fixed interest rate of 1.10% per annum to 1.95% per annum, 0.70% per annum to 1.63% per annum, and 0.62% per annum to 1.15% per annum at 31 December 2023, 2024 and 2025, respectively.

- (c) As at 31 December 2023, 2024 and 2025, the other borrowings amounting to approximately RMB1,650,000, RMB796,000 and RMB1,125,000 respectively, which were related to sale-leaseback agreements which was arising from the short-term sale and leaseback agreements that the Group signed with financing lease companies. Upon expiration of the agreements, the Group is entitled repurchase these equipments at a lower retention price. The Group accounts for this type of transaction as a secured borrowing, and the payment terms are in accordance with the contracts which generally range from 1 to 2 years, and the applicable interest rate is the implicit rate of return in each sale and leaseback contract, ranging from 0.31% to 5.92% per year.

35. SHARE CAPITAL

	Number of registered, issued and fully paid ordinary shares	Share capital
	‘000	RMB’000
As at 1 January 2023	33,130	33,130
Issue of restricted shares	2,880	2,880
As at 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	36,010	36,010

Note: All shares issued are of par value of RMB1.

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36. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Track Record Period are presented in the consolidated statement of changes in equity.

(i) *Share premium*

Share premium of the Group mainly represents the premium arising from the issuance of shares.

(ii) *Share-based payment reserve*

The share-based payment reserve represents the equity-settled share awards as set out in note 39 to the Historical Financial Information.

(iii) *Statutory reserve*

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People’s Republic of China (the “PRC”), the Company’s PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to makeup prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

(iv) *Safety production fund*

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount for maintenance, production and other similar funds. The funds can be used for production maintenance and safety improvements and are not available for distribution to shareholders.

(v) *Exchange reserve*

The exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

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The Company

	Share premium	Share-Based payment reserve	Statutory reserve	Safety Production fund	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	27,206	2	15,986	—	82,035	125,229
Profit and total comprehensive income for the year	—	—	—	—	29,557	29,557
Issue of restricted shares	9,648	—	—	—	—	9,648
Transaction cost related to issue of restricted shares	(200)	—	—	—	—	(200)
Equity-settled share-based payments	—	4,481	—	—	—	4,481
Appropriations to statutory reserve	—	—	2,019	—	(2,019)	—
Safety production fund provided	—	—	—	2,561	—	2,561
Safety production fund used	—	—	—	(2,561)	—	(2,561)
As at 31 December 2023 and 1 January 2024	36,654	4,483	18,005	—	109,573	168,715
Profit and total comprehensive income for the year	—	—	—	—	29,427	29,427
Equity-settled share-based payments	—	4,888	—	—	—	4,888
Safety production fund provided	—	—	—	2,221	—	2,221
Safety production fund used	—	—	—	(2,221)	—	(2,221)
Dividend declared	—	—	—	—	(10,803)	(10,803)
As at 31 December 2024 and 1 January 2025	36,654	9,371	18,005	—	128,197	192,227
Profit and total comprehensive income for the year	—	—	—	—	39,039	39,039
Equity-settled share-based payments	—	4,888	—	—	—	4,888
Safety production fund provided	—	—	—	2,104	—	2,104
Safety production fund used	—	—	—	(2,104)	—	(2,104)
As at 31 December 2025	<u>36,654</u>	<u>14,259</u>	<u>18,005</u>	<u>—</u>	<u>167,236</u>	<u>236,154</u>

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37. PARTICULAR OF PRINCIPAL SUBSIDIARIES

The Group and the Company

Name of the subsidiary	Place of Incorporation/ establishment	Registered share capital	Proportion of ownership interest/voting power held by the Group			Principal activities
			As at December 31,			
			2023	2024	2025	
Directly hold						
Taizhou Chuangzhi Electromechanical Technology Co., Ltd. (note ii) (台州市創智機電科技有限公司)	PRC	RMB3 million	100.00%	100.00%	100.00%	Property investment
Zhejiang Jinlong Motor Remanufacturing Energy Saving Technology Co., Ltd. (note ii) (浙江錦龍電機再製造節能科技有限公司)	PRC	RMB10 million	100.00%	100.00%	100.00%	Dormant
Taizhou Jinlong Science and Technology Innovation Park Co., Ltd. (note ii) (台州市錦龍科創園區有限公司)	PRC	RMB5 million	100.00%	100.00%	100.00%	Property management
JLEM USA INC (note ii & iii)	US	US\$500,000	100.00%	—	—	Sale of motors
JLEM USA INC (note ii & iv)	US	—	—	—	100%	Sale of motors

Notes:

- All of the subsidiaries adopted 31 December as their financial year end date.
- No audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.
- On 13 September 2024, JLEM USA Inc., registered in the state of Georgia in the United States, was deregistered.
- On 29 June 2025, JLEM USA Inc., a wholly-owned subsidiary of our Company, was established as a limited liability company in the state of Texas in the United States, authorised to issue 1,000 shares with no par value.

38. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	6,399	3,210	3,210
Impairment losses on investments in subsidiaries	(4,399)	(1,210)	(1,210)
Investments in subsidiaries	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>

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39. SHARE-BASED PAYMENT TRANSACTIONS

On 10 February 2023, pursuant to the approval of the Extraordinary General Meeting of the Company, 2,920,000 restricted shares were granted to a total of 7 employees and 1,100,000 restricted shares were granted to a total of 27 employees through the ESOP Partnership at a grant price of RMB4.35 per share. In connection with the share award scheme, Jinlong Zhichuang LLP (the “ESOP Partnership”) have been established in the PRC as employee incentive platform.

The restricted shares shall be entitled to all the economic interests relating to their respective restricted shares, except that the restricted shares shall be subject to certain transfer and disposal restrictions. The transfer and disposal restrictions will be released upon the completion of the vesting period. All restricted shares granted were subscribed and will be vested in 36 months, on the condition that employees remain in service. If the employees leave the Group during the vesting period, the awarded shares will be forfeited.

On 6 April 2023, the Company completed the registration of restricted shares of 1,820,000 restricted shares to 7 employees and 1,060,000 restricted shares to 25 employees through the employee incentive platform. The scheme is subject to vesting periods of 36 months from the date of registration of the grant of the restricted shares, and the vesting proportion to equity interests granted were recognised evenly during the vesting period.

The number of shares granted and fair values of the share awards at the grant date are as follows:

	Number of shares	Subscription price	Fair value of share awards
	’000	RMB’000	RMB’000
Ordinary shares granted to incentive participants	2,880	12,528	28,415

The fair value of the shares granted is determined to be RMB9.87 per share, which is based on the equity allocation model based on the Group’s equity value calculated by using a discounted cash flow method at the grant date.

Movements in the number of restricted shares granted during the Track Record Periods were as follows:

	Number of shares	Subscription price per share
	’000	RMB
As at 1 January 2023	—	—
Granted during the year	2,880	4.35
As at 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,880	4.35

Equity-settled share-based payment expenses recognised in profit or loss during the Track Record Period:

	For the years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of sales	1,354	1,477	1,477
Distribution and selling expenses	747	815	815
Administrative expenses	1,696	1,850	1,850
Research and development expenses	684	746	746
	4,481	4,888	4,888

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40. RETIREMENT BENEFITS SCHEME

Employees of the Company and its subsidiaries in the PRC are covered by the retirement and pension schemes defined by local practice and regulations. The Company and subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement and pension schemes. The calculation of contributions for PRC eligible staff is based on certain percentage of the applicable payroll costs. The only obligation of the Group in respect of the retirement benefits scheme is to make the specified contribution.

41. COMMITMENTS

Capital commitments

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

42. OPERATING LEASE ARRANGEMENTS

The Group as lessor

All of the properties held have committed tenants for terms ranging from one to twenty years. Undiscounted lease payments receivable on leases are as follow:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within one year	3,485	5,064	5,459
In the second year	4,044	3,725	4,435
In the third year	2,356	2,611	2,583
In the fourth year	779	1,911	1,510
In the fifth year	238	1,101	478

43. PLEDGED OF ASSETS

At the end of the Historical Financial Information, the Group pledged certain assets as securities for bank and other borrowings and bill facilities granted to the Group as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Carrying amount of:			
Restricted bank deposits	33,025	425	494
Bills receivables	350	—	—
Financial assets at FVTOCI	1,286	20,000	20,000
Property, plant and equipment (Note 15)	29,978	38,891	36,405
Right-of-use assets (Note 16)	34,721	33,620	32,519
Investment properties (Note 17)	42,579	40,546	38,888
	141,939	133,482	128,306

44. CAPITAL MANAGEMENT

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

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The Group has established supplier finance arrangements to manage its working capital, details of which are included in Note 34 to the consolidated financial statements.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the Company plus net debt. The gearing ratios as at 31 December 2023, 2024 and 2025 were as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total borrowings (<i>note a</i>)	294,471	309,823	393,589
Less: cash and bank balance (<i>note b</i>)	(100,084)	(82,581)	(135,751)
Net debt	194,387	227,242	257,838
Equity attributable to owners of the Company	189,890	214,375	258,066
Gearing ratio	1.02	1.06	1.00

Notes:

- (a) Total borrowings including bank and other borrowings and lease liabilities.
- (b) Cash and bank balance including cash and cash equivalents, restricted deposits and time deposits.

45. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
<i>At FVTOCI</i>			
— Financial assets at FVTOCI	13,585	33,680	34,210
<i>At amortised cost</i>			
— Trade and bills receivables	278,879	294,509	350,153
— Deposit and other receivables	1,138	810	3
— Restricted deposits	33,025	425	494
— Time deposits	—	6,773	—
— Cash and cash equivalents	67,059	75,383	135,257
	380,101	377,900	485,907
Financial liabilities			
<i>At FVTPL</i>			
— Derivative financial instruments	5	392	1,861
<i>At amortised cost</i>			
— Trade and bills payables	234,399	202,045	215,600
— Other payables and accruals	55,613	68,904	81,685
— Bank and other borrowings	294,390	309,823	390,084
— Lease liabilities	81	—	3,505
	584,483	580,772	690,874

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(i) Financial risk management objective and policies

The Group’s major financial instruments include financial assets at FVTOCI, trade and bills receivables, deposit and other receivables, restricted deposits, time deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, dividend payables, bank and other borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Group have foreign currency sales and purchases which expose the Group to foreign currency risk. During the year ended 31 December 2023, 2024 and 2025, approximately 31.20% 32.87% and 36.48% of the Group’s sales is denominated in currencies other than the functional currency of the group entity making the sale.

The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets			Liabilities		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
US Dollar (“USD”)	23,202	60,330	123,579	1,161	3,374	1,532
Euro (“EUR”)	102,708	107,062	92,668	—	—	—
Great British Pound (“GBP”)	—	9	—	—	—	—
Russian Ruble (“RUB”)	—	—	—	9	7	—
	<u>125,910</u>	<u>167,401</u>	<u>216,247</u>	<u>1,170</u>	<u>3,381</u>	<u>1,532</u>

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in RMB against the major foreign currencies, USD and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the amounts below would be negative.

	USD			EUR		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Post-tax profit	<u>937</u>	<u>2,421</u>	<u>5,187</u>	<u>4,365</u>	<u>4,550</u>	<u>3,938</u>

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to certain interest-bearing bank balances, restricted bank balances and time deposits, fixed-rate borrowings and lease liabilities, all bear fixed interest rates. The Group is mainly exposed to cash flow interest rate risk in relation to borrowings at floating interest rates (depends on the PRC loan prime rate). The Group currently does not have an interest rate hedging policy. There are no concentration on the Group’s interest rate risks. However, the management will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate for the floating-rate (depends on the PRC loan prime rate) borrowings, assuming that the floating-rate borrowings outstanding at the end of each reporting period was outstanding for the whole relevant period.

If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Group’s loss after tax would increase/decrease by approximately RMB246,000, RMB390,000 and RMB877,000, respectively, for the years ended 31 December 2023, 2024 and 2025.

This is mainly attributable to the Group’s and the Company’s exposure to interest rates on its floating-rate borrowings as at 31 December 2023, 2024 and 2025.

No sensitivity analysis on cash equivalents is presented as the directors of the Company consider that the exposure of cash flow interest rate risk arising from cash equivalents is minimal.

In the directors’ opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of reporting period does not reflect the exposure during each reporting period.

Credit risk

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations resulting in financial losses to the Group. The Group’s credit risk exposures are primarily attributable to trade and bills receivables, contract assets, deposit and other receivables, restricted deposits, time deposits, cash and cash equivalents and financial assets at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer’s credit quality and defines credit limits by customer. Limits attributed to customers are reviewed and approved regularly by the management. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group mainly accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard, the management considers that the Group’s credit risk is significantly reduced.

The Group has concentration of credit risk as 17.4%, 13.2% and 12.4% of the total trade receivables was due from the Group’s largest customer for the year ended 31 December 2023, 2024 and 2025, and 32.2%, 39.0% and 35.5% of the total trade receivables was due from the Group’s the five largest customers for the year ended 31 December 2023, 2024 and 2025 respectively.

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group’s aging of outstanding balances. Details of the quantitative disclosures are set out below in this note.

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Restricted deposits, time deposits and cash and cash equivalents

Credit risk on restricted deposits, time deposits and cash and cash equivalents are limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for restricted deposits, time deposits and cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted deposits, time deposits and cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised.

Deposits and other receivables

For deposits and other receivables, management of the Group makes periodic assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL, unless when there are indicators that the financial asset is credit-impaired, the Group recognises lifetime ECL. The Group recognises lifetime ECL when there is evidence indicating (i) there has been significant increase in credit risk since initial recognition; (ii) the asset is credit-impaired but the Group has realistic prospect of recovery; or (iii) the debtor is in severe financial difficulty.

In determining the ECL for deposits and other receivables, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the financial assets that are subject to impairment occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The expected credit loss for deposits and other receivables was recognised approximately RMB803,000, RMB820,000 and RMB192,000 as at 31 December 2023, 2024 and 2025 respectively.

Bills receivables

The expected credit loss for bills receivables was recognised approximately RMB5,779,000 RMB4,858,000 and RMB5,912,000 as at 31 December 2023, 2024 and 2025 respectively.

Financial assets at FVTOCI

The Group’s financial assets at FVTOCI mainly comprise bills receivables. The settlement parties are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk. Based on the average loss rates, the 12m ECL on financial assets at FVTOCI is considered to be insignificant and therefore no loss allowance was recognised.

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The tables below detail the credit risk exposures of the Group’s financial assets and contract assets, which are subject to ECL assessment:

	12m or lifetime ECL	2023 RMB’000	2024 RMB’000	2025 RMB’000
<i>At FVTOCI</i>				
— Financial assets at FVTOCI	12m ECL	13,585	33,680	34,210
<i>At amortised cost</i>				
— Trade receivables	Lifetime ECL	187,409	223,888	261,432
	Credit-impaired	3,440	3,440	2,139
— Bills receivables	12m ECL	115,585	97,161	118,236
		306,434	324,489	381,807
— Deposit and other receivables	12m ECL	1,369	1,049	77
	Credit-impaired	572	581	118
		1,941	1,630	195
— Restricted and time deposits and cash and cash equivalents	12m ECL	100,084	82,581	135,751

The expected credit loss for on contract assets was recognised approximately RMB454,000, RMB490,000 and RMB508,000 as at 31 December 2023, 2024 and 2025 respectively.

The estimated loss rates are estimated based on past default experience of the debtors adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As part of the Group’s credit risk management, the Group uses debtors’ aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of approximately RMB3,440,000, RMB3,440,000 and RMB2,139,000 respectively as at 31 December 2023, 2024 and 2025 were assessed individually.

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As at 31 December 2023			
	ECL rate	Gross amount of trade receivables	ECL amount
	%	RMB’000	RMB’000
Collective assessment			
Within 1 year	5.0	172,911	8,646
1–3 years	11.4	3,823	436
Over 3 years	96.7	10,675	10,324
Individual assessment	10.4	187,409	19,406
	68.9	3,440	2,370
		190,849	21,776
As at 31 December 2024			
	ECL rate	Gross amount of trade receivables	ECL amount
	%	RMB’000	RMB’000
Collective assessment			
Within 1 year	5.0	205,526	10,276
1–3 years	13.1	7,713	1,011
Over 3 years	97.6	10,649	10,395
Individual assessment	9.7	223,888	21,682
	100.0	3,440	3,440
		227,328	25,122
As at 31 December 2025			
	ECL rate	Gross amount of trade receivables	ECL amount
	%	RMB’000	RMB’000
Collective assessment			
Within 1 year	5.0	242,865	12,143
1–3 years	12.9	5,896	761
Over 3 years	84.4	12,671	10,699
Individual assessment	9.0	261,432	23,603
	100.0	2,139	2,139
		263,571	25,742

During the year ended 31 December 2023, 2024 and 2025, for trade receivables and contract assets, the Group provided approximately RMB19,406,000, RMB21,682,000 and RMB23,603,000 impairment allowance based on provision matrix respectively and impairment allowance of approximately RMB2,370,000, RMB3,440,000 and RMB2,139,000 were made on debtors with significant balances or credit-impaired debtors respectively.

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The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach using provision matrix:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Beginning balance	22,145	21,776	25,122
Loss allowance recognised (reversed), net	(374)	3,765	1,911
Write-offs	(16)	(421)	(1,264)
Exchange realignment	21	2	(27)
Closing balance	<u>21,776</u>	<u>25,122</u>	<u>25,742</u>

The following table shows the movement in 12m ECL that has been recognised for bills receivables under the general approach:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Beginning balance	5,403	5,779	4,858
Loss allowance recognised (reversed), net	<u>376</u>	<u>(921)</u>	<u>1,054</u>
Closing balance	<u>5,779</u>	<u>4,858</u>	<u>5,912</u>

The following table shows the movement in lifetime ECL that has been recognised for contract assets:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Beginning balance	489	454	490
Loss allowance recognised (reversed), net	<u>(35)</u>	<u>36</u>	<u>18</u>
Closing balance	<u>454</u>	<u>490</u>	<u>508</u>

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The following tables show reconciliation of loss allowances that has been recognised for deposits and other receivables:

	12m ECL	Lifetime ECL (credit- impaired)	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	625	—	625
Loss allowance (reversed) recognised, net	(387)	572	185
Exchange realignment	(7)	—	(7)
As at 31 December 2023 and 1 January 2024	231	572	803
Loss allowance recognised, net	45	—	45
Write-offs	(37)	—	(37)
Exchange realignment	—	9	9
As at 31 December 2024 and 1 January 2025	239	581	820
Transfer to credit-impaired	(118)	118	—
Loss allowance reversed, net	(47)	—	(47)
Write-offs	—	(611)	(611)
Exchange realignment	—	30	30
As at 31 December 2025	74	118	192

Liquidity risk

In the management of liquidity risk, the Group’s management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2023, 2024 and 2025, the Group has available unutilised bank loan facilities of approximately RMB121,685,000, RMB136,200,000 and RMB101,520,000 in total. Details of which are set out in Note 34. Due to the Group’s supplier finance arrangements, the relevant trade payables are due to a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with a number of suppliers. However, the Group’s payment terms for trade payables covered by the arrangements are extended to not more than 365 days. Management does not consider the supplier finance arrangements to result in excessive concentrations of liquidity risk given the payment terms are not significantly extended.

The following table details the Group’s and the Company’s remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the discounted amount is derived from interest rates existing at the end of the reporting period.

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Liquidity tables

	On demand and less than 1 year	1–5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023					
Trade and bills payables	234,399	—	—	234,399	234,399
Other payables and accruals	55,613	—	—	55,613	55,613
Bank and other borrowings	241,615	59,971	—	301,586	294,390
Lease liabilities	84	—	—	84	81
Derivative financial instruments	5	—	—	5	5
	<u>531,716</u>	<u>59,971</u>	<u>—</u>	<u>591,687</u>	<u>584,488</u>
As at 31 December 2024					
Trade and bills payables	202,045	—	—	202,045	202,045
Other payables and accruals	68,904	—	—	68,904	68,904
Bank and other borrowings	313,936	—	—	313,936	309,823
Derivative financial instruments	392	—	—	392	392
	<u>585,277</u>	<u>—</u>	<u>—</u>	<u>585,277</u>	<u>581,164</u>
As at 31 December 2025					
Trade and bills payables	215,600	—	—	215,600	215,600
Other payables and accruals	81,685	—	—	81,685	81,685
Bank and other borrowings	396,093	—	—	396,093	390,084
Lease liabilities	840	2,938	—	3,778	3,505
Derivative financial instruments	1,861	—	—	1,861	1,861
	<u>696,079</u>	<u>2,938</u>	<u>—</u>	<u>699,017</u>	<u>692,735</u>

Fair value

Some of the Group’s and the Company’s financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group and the Company uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group and the Company establishes appropriate valuation techniques and inputs to the models utilised to estimate the fair value of the financial instruments. In estimating the fair value of financial instruments, the Group uses market-observable data to the extent it is available.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The table below analyses the Group’s and the Company’s financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

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(i) *Fair value of financial instruments that are measured at fair value on a recurring basis*

	As at 31 December			Fair value hierarchy	Valuation and key input
	2023	2024	2025		
	RMB’000	RMB’000	RMB’000		
Financial assets at FVTOCI	13,585	33,680	34,210	Level 2	Discounted cash flow method. Future cash flow are estimated based on discount rate observed in the available market
Derivative financial Instrument	5	392	1,861	Level 2	Discounted cash flow method. Future cash flow based on the forward exchange rate

There were no transfer between level 1, level 2 and level 3 during the Trade Record Period.

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The directors of the Company consider that the carrying amounts of the Group’s and the Company’s financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

Transfer of assets

The following were the Group’s bills as at 31 December 2023, 2024 and 2025 that were transferred to banks or suppliers by discounting or endorsing on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills, it continues to recognise the full carrying amount of the related bills receivables and other payables and accruals and has recognised the cash received from banks on the transfer as secured borrowings (note 34).

	Bills discounted to banks with recourse	Bills endorsed to suppliers with recourse	Total
	RMB’000	RMB’000	RMB’000
As at 31 December 2023			
Carrying amount of trade and bills receivables	57,840	33,403	91,243
Carrying amount of other payables and accruals	—	(33,403)	(33,403)
Carrying amount of borrowings	(57,840)	—	(57,840)
Net position	—	—	—
As at 31 December 2024			
Carrying amount of trade and bills receivables	32,327	45,439	77,766
Carrying amount of other payables and accruals	—	(45,439)	(45,439)
Carrying amount of borrowings	(32,327)	—	(32,327)
Net position	—	—	—
As at 31 December 2025			
Carrying amount of trade and bills receivables	26,579	62,605	89,184
Carrying amount of other payables and accruals	—	(62,605)	(62,605)
Carrying amount of borrowings	(26,579)	—	(26,579)
Net position	—	—	—

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46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the consolidated statement of cash flows as cash flows from financing activities.

	Interest payable	Dividend payable	Bank and other borrowings	Lease liabilities	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
			<i>(Note 34)</i>	<i>(Note 33)</i>	
At 1 January 2023	395	—	394,935	532	395,862
Financing cash flows	(13,788)	—	(124,545)	(468)	(138,801)
Non-cash changes					
— Liabilities under supplier finance arrangement transferred from trade and bills payables	—	—	24,000	—	24,000
— Interest expense	13,614	—	—	17	13,631
At 31 December 2023 and 1 January 2024	221	—	294,390	81	294,692
Financing cash flows	(10,193)	—	(13,367)	—	(23,560)
Non-cash changes					
— Liabilities under supplier finance arrangement transferred from trade and bills payables	—	—	28,800	—	28,800
— Lease remeasurement	—	—	—	(81)	(81)
— Interest expense	10,135	—	—	—	10,135
— Dividend declared	—	10,803	—	—	10,803
At 31 December 2024 and 1 January 2025	163	10,803	309,823	—	320,789
Financing cash flows	(8,601)	(10,803)	10,281	(436)	(9,559)
Non-cash changes					
— Liabilities under supplier finance arrangement transferred from trade and bills payables	—	—	69,980	—	69,980
— New leases entered	—	—	—	3,878	3,878
— Interest expense	8,654	—	—	63	8,717
At 31 December 2025	216	—	390,084	3,505	393,805

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47. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following significant transactions and balances with related parties.

(a) Name and relationship with related parties

Name of related party	Relation with the Group
Ms. Li Chunlian	Executive director and Shareholder of the Company
Ms. Ye Huiqin	Executive director and Shareholder of the Company
Ms. Zhou Juling	A close relative of Ms. Li Chunlian
Ms. Ying Caiyun	A close relative of Ms. Ye Huiqin
Mr. Jin Weiwei	Independent non-executive director of the Company
Wuxi Jinjie Motor Technology Co., Ltd.* (“Wuxi Jinjie”) 無錫市錦捷電機技術有限公司	Equity interest of 51% held by Mr. Ye Jinwu
Shanghai Motor System Energy Conservation Engineering Technology Research Center Co., Ltd* (“Shanghai Electric”) 上海電機系統節能工程技術 研究中心有限公司	Mr. Jin Weiwei act as a director of Shanghai Electric

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) Transactions with related parties

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Service provided by:			
— Ms. Ying Caiyun	139	134	34
— Shanghai Electric	146	193	106
	<u>285</u>	<u>327</u>	<u>140</u>
Sale of goods to:			
— Ms. Zhou Juling	10	9	8

(c) Outstanding balances with related parties

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables:			
— Wuxi Jinjie	—	—	1,300
Trade payables:			
— Ms. Ying Caiyun	16	50	—

(d) Compensation of key management personnel

The remuneration of the Directors who are also the members of key management personnel during the Track Record Period was disclosed in Note 11.

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48. EVENT AFTER REPORTING PERIOD

Save as disclosed elsewhere the Company has no other significant event after the reporting period that needs to be disclosed.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to 31 December 2025.

APPENDIX II

[REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

[REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

[REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

[REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

[REDACTED] FINANCIAL INFORMATION

[REDACTED]

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TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of H shares are subject to the laws and practices of the PRC and of the jurisdictions in which holders of H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, has not taken into account the possible change or amendment to the relevant laws or policies, and does not constitute any opinion or advice. This Appendix does not deal with all possible tax consequences relating to an [REDACTED] in the H shares, nor does it take into account the specific circumstances of any particular [REDACTED], some of which may be subject to special regulation. Accordingly, [REDACTED] should consult their own tax adviser regarding the tax consequences of an [REDACTED] in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This Appendix does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. [REDACTED] are advised to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “IIT Law”) issued by the SCNPC on 10 September 1980, lastly amended on 31 August 2018 and effective on 1 January 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) issued by the State Council on 28 January 1994, lastly amended on 18 December 2018 and effective on 1 January 2019, interest, dividends and bonuses, as personal income, shall be subject to individual income tax at a proportional tax rate of 20%. For a foreign natural person who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax agreements.

Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) jointly issued by the MOF, the SAT and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the [REDACTED] and market transfer, if the holding period is more than one year, the dividends and bonus income shall be temporarily exempted from individual income tax. Where an individual holds shares of a listed company from the [REDACTED] and market transfer, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Arrangement”) signed on 21 August 2006 and implemented on 8 December 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable

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by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of total dividends payable by the PRC company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) (the “**Fifth Protocol of the Arrangement**”), which came into effect on 6 December 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under this Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》).

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (2018 Amendment) (《中華人民共和國企業所得稅法(2018修正)》) (the “**EIT Law**”), lastly amended and implemented by the SCNPC on 29 December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) (the “**Implementation Rules**”), issued by the State Council on 6 December 2007, lastly amended on 6 December 2024 and to be implemented on 20 January 2025, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise that issues shares in Hong Kong, if a non-resident enterprise either does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but its PRC-sourced income is not effectively connected with that establishment or place of business, the aforesaid income tax payable by the non-resident enterprise shall be withheld at source. The payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due.

The Notice of the SAT on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued and implemented by the SAT on 6 November 2008 further clarified that a PRC-resident enterprise must withhold enterprise income tax at a flat rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. The SAT Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprises from Holding Stocks such as B Shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) issued and implemented by the SAT on 24 July 2009, further provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Non-resident enterprise shareholders shall follow relevant provisions executed by tax agreements where they need to enjoy the treatment of tax agreements. Pursuant to the Arrangement, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of total dividends payable by the PRC company.

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The Fifth Protocol of the Arrangement adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》).

Tax Treaties

Non-Chinese-resident investors who reside in a country that have already signed double taxation treaties with China or who reside in Hong Kong or Macau may enjoy withholding tax concessions on dividends received from Chinese companies. Currently, China has signed treaties/arrangements to avoid double taxation with a number of countries and regions, including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-Chinese-resident companies that are entitled to preferential tax rates in accordance with relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for the refund of withholding tax paid in excess of the agreed tax rate, and that the repayments are subject to approval by the Chinese tax authorities.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the STA on 14 October 2019 and became effective on 1 January 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through “self-determination, self-declaration and keeping and documenting relevant information for inspection”. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

Taxation on share transfer

VAT and Local Additional Tax

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (“**Circular 36**”), which was implemented on 1 May 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) became effective on 1 January 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the

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PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as “**Local Additional Tax**”), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

Income tax

Individual Investors

According to the IIT Law and Implementing Rules of the EIT Law, gains realised on the sale of equity interests in PRC resident enterprises are subject to the individual income tax at a rate of 20%.

Pursuant to the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued and effective on 30 March 1998 by the MOF and SAT, from 1 January 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On 31 December 2009, the MOF, SAT and the CSRC jointly issued and implemented the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which provides that individuals’ income from individuals’ transfer of shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant restricted shares as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and effective on 10 November 2010 by the aforesaid three authorities. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the transfer of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementing regulations, a non-resident enterprise is generally subject to a 10% enterprise income tax on the income derived from the PRC (including the gain derived from the sale of equity interests in the PRC resident enterprise), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income has no actual connection with the above establishment or premises; in respect of the aforementioned income tax payable by the non-resident enterprise, the tax shall be withheld at source, with the payer as the withholding agent, and the tax shall be withheld by the withholding agent from the amount paid or due payable each time. The tax may be reduced or exempted under the relevant tax treaty or agreement for the avoidance of double taxation.

Stamp Duty

According to the Stamp Duty Law of the PRC promulgated by the SCNPC on 10 June 2021 and became effective on 1 July 2022, the PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities

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and individuals outside the territory of the PRC that conclude taxable vouchers that are for use within the PRC. Therefore, the stamp duty levied on the transfer of shares of listed companies in the PRC does not apply to the purchase and disposal of H-shares outside the PRC by non-Chinese investors.

Estate Duty

As of the Latest Practicable Date, no estate duty has been levied by the PRC government under the PRC laws.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the EIT Law and its implementation rules, the enterprise income tax rate shall be 25%. Enterprises are classified into resident and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its incomes derived from both inside and outside China. The enterprise income tax rate shall be 25%. For a non-resident enterprise having offices or establishments inside China, it shall pay enterprise income tax on its incomes derived from China as well as on incomes that it earns outside China but which has real connection with the said offices or establishments. The enterprise income tax rate shall be 25%.

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Relevant Tax and Fee Policies With Respect to Further Supporting the Development of Small and Micro Enterprises and Individual Businesses (《財政部、國家稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) that was promulgated on 2 August 2023 and implemented on 1 January 2023, for small and micro-profit enterprises, the taxable income will be calculated at the reduced rate of 25% and the EIT shall be paid at the tax rate of 20%. The policy will continue to be implemented until 31 December 2027.

According to the Administrative Measures for Recognition of High and New-Technology Enterprises (《高新技術企業認定管理辦法》) that was promulgated by the Ministry of Science and Technology of the PRC, the MOF and the SAT on 14 April 2008, amended on 29 January 2016 and came into effect on 1 January 2016, high- and new-tech enterprises can apply for a preferential enterprise income tax rate of 15% in accordance with the EIT Law.

Value-added tax

Pursuant to the Provisional Regulations of the PRC on VAT (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993, last amended and implemented on 19 November 2017 and the Implementation Rules for the Provisional Regulations of the PRC on VAT (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on 15 December 1993, latest amended on 28 October 2011 and implemented on 1 November 2011, taxpayers in the PRC engaging in the sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall pay VAT. Unless otherwise specified, the tax rate is 17.0% for the sale of goods, services, leasing of tangible movable property or importation of goods.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT (《財政部、國家稅務總局關於調整增值稅稅率的通知》) that was promulgated by the MOF and the SAT on 4 April 2018 and came into effect on 1 May 2018, the applicable tax rate of VAT has been adjusted, for taxpayers engaging in taxable sales or importation of goods, the previously applicable VAT rates of 17.0% and 11.0% are adjusted to 16.0% and 10.0%, respectively.

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Pursuant to the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) that was promulgated by the MOF, the SAT and General Administration of Customs on 20 March 2019 and implemented on 1 April 2019, VAT rates on sale of goods and importation of goods were adjusted from 16% and 10% to 13% and 9%, respectively.

According to Circular 36, with the approval of the State Council, the state started to fully implement the pilot change from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax. According to the Implementation Measures for the Pilot Programme of Replacing Business Tax with VAT issued by the MOF and the SAT on 12 December 2013, and amended on 23 March 2016, 11 July 2017, and 20 March 2019, and implemented on 1 April 2019, the tax rates for taxpayers selling services, intangible assets, or real estate are 17%, 11%, 6%, and zero, respectively.

In accordance with the Announcement on the Policies on Reduction or Exemption of Value-added Tax for Small-scale VAT Taxpayers (《關於增值稅小規模納稅人減免增值稅政策的公告》) promulgated and implemented by the MOF and the SAT on 1 August 2023, small-scale VAT taxpayers with monthly sales of less than RMB100,000 (including this amount) will be exempted from VAT. The implementation period of the announcement is until 31 December 2027.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the implementation of foreign exchange regulations.

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and latest amended and implemented on 5 August 2008, payments of current account items, such as profit distributions, interest payments and trade and service related foreign exchange transactions, can be freely carried out in foreign currencies without prior approval from the State Administration of Foreign Exchange, by complying with certain procedural requirements. By contrast, prior approval or registration with the State Administration of Foreign Exchange or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

According to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on 20 June 1996 and implemented on 1 July 1996, it removes other restrictions on convertibility of foreign exchange under current items, while existing restrictions on foreign exchange transactions under capital account items were also maintained.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of

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resolutions of the board of directors or the shareholders’ meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Notice Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by the SAFE on 13 February 2015 and implemented on 1 June 2015, banks shall, on behalf of the SAFE, directly examine and handle the foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment. The SAFE and its branches shall exercise indirect supervision over the foreign exchange registration of direct investment through banks.

According to the Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated and implemented by the State Council on 23 October 2014, it was decided to cancel the approval requirements of SAFE and its branches on the transfer of overseas raised funds from overseas listings of foreign shares to onshore RMB accounts and foreign exchange settlement.

According to the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the “**Circular 21**”), which promulgated on 10 May 2013, became effective on 13 May 2013, amended on 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Circular of SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》) (the “**Circular 19**”) promulgated on 30 March 2015 and latest amended and implemented on 23 March 2023 by the SAFE, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Pursuant to the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprise. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. In addition, Circular 19 and the Circular of SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular 16**”) promulgated on 9 June 2016 and latest amended and implemented on 4 December 2023 by the SAFE continue to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope or prohibited by national laws and regulations, investment and financing (except for security investment or guarantee products issued by banks), providing loans to non-affiliated enterprises (except where explicitly permitted by the business scope) or constructing or purchasing real estate not for self-use (except real estate enterprises). The Notice of the SAFE on Further Deepening Reforms and Facilitating Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (Hui Fa [2023] No. 28) promulgated on 4 December 2023 by SAFE, which further updates Circular 16, provides that the use of capital funds of non-financial enterprises, foreign exchange income under foreign debt and RMB funds derived from foreign exchange settlement shall follow the principle of truthfulness and self-use, (i) shall not be used directly or indirectly for expenditures prohibited by

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national laws and regulations; (ii) unless otherwise expressly provided, it shall not be used directly or indirectly for investment in securities or other investment and wealth management (except for wealth management products and structured deposits with risk ratings of not higher than Level 2); (iii) shall not be used for the issuance of loans to non-affiliated enterprises (except for those expressly permitted in the scope of business and the four specific areas of China, namely, the Lingang New Area of China (Shanghai) Pilot Free Trade Zone, the Nansha New Area of Guangzhou in China (Guangdong) Pilot Free Trade Zone, the Yangpu Economic Development Zone of China (Hainan) Pilot Free Trade Port, and the Beilun District of Ningbo City, Zhejiang Province); (iv) shall not be used for the purchase of non-self-use residential properties (except for enterprises engaged in real estate development and operation and real estate leasing and operation).

The Notice of the SAFE on Further Facilitating Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) promulgated on 23 October 2019 and latest amended and implemented on 4 December 2023 by SAFE, removes the restrictions on domestic equity investment using capital funds by non-investment foreign-invested enterprises. The non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the Negative List (《負面清單》) are not violated and domestic invested projects are true and compliant.

According to the Circular of the State Administration of Foreign Exchange on Optimising Foreign Exchange Administration to Support the Development of Foreign-Related Businesses (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated and implemented by the SAFE on 10 April 2020, provided that the use of funds is genuine, compliant and in line with the existing regulations for the management of the use of income under capital accounts, eligible enterprises will be allowed to use the income under capital accounts such as capital funds, foreign debt and overseas listing for domestic payments without having to provide materials proving authenticity to the banks on a case-by-case basis beforehand. The handling bank shall follow the principle of prudential business development to manage and control relevant business risks, and conduct random checks on the facilitation of capital project income payment afterwards in accordance with relevant requirements.

According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated and implemented by the SAFE on 26 December 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic or deposited in overseas, but the use of the proceeds shall be consistent with the document documents or corporate bond offering documents, shareholders’ circular, resolutions of the board of directors or shareholders’ meeting and other publicly disclosed documents.

According to the Notice of the SAFE on Further Deepening Reforms and Facilitating Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) promulgated and implemented by the SAFE on 4 December 2023. The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realisation of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conform to the current capital revenue use management regulations.

APPENDIX IV

PROPERTY VALUATION REPORT

The following is the text of a valuation report, prepared for the purpose of incorporation in this document received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation of the Property interests held of the Company.



Valtech Valuation Advisory Limited

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[DATE]

The Board of Directors

Zhejiang Jinlong Electrical Machinery Stock Co., Ltd

No. 999, Jinqing Avenue West,
Jinqing Town, Luqiao District,
Taizhou City, Zhejiang Province,
China

Dear Sirs/Madams,

1. INSTRUCTIONS

In accordance with the instructions of **Zhejiang Jinlong Electrical Machinery Stock Co., Ltd** (the “Company”) and its subsidiaries (together as the “Group”) to value the property interest (the “Property”) held by Group located in the People’s Republic of China (the “PRC”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 March 2026 (the “Valuation Date”).

This letter, which forms part of our valuation report, explains the basis and methodology of valuation, clarifying assumptions and limiting conditions of this valuation.

2. BASIS OF VALUATION

The valuation is our opinion of the market value (“Market Value”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

APPENDIX IV

PROPERTY VALUATION REPORT

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

3. VALUATION METHODOLOGY

Due to the nature of buildings and structures, and absence of sufficient market data, the Depreciated Replacement Cost (“DRC”) approach is adopted.

For land element, we have estimated the market value of land element assuming sale of the lands in its existing state by making reference to comparable sales transactions as available in the relevant market. Comparison is based on the considerations realized on actual transactions of comparable lands. Comparable lands with similar sizes, characters and locations are analyzed and carefully weighed against all respective advantages and disadvantages of each land in order to arrive at fair comparison of value.

For buildings element, the valuation is based on an estimate of current cost of replacement of the buildings/improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization.

4. VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2024 issued by The Hong Kong Institute of Surveyors effective from 31 December 2024 with reference to the International Valuation Standards effective from 31 January 2025.

5. VALUATION ASSUMPTIONS

In our valuation, unless otherwise stated, we have assumed that:

- i. all necessary statutory approvals for the Property or the subject building of which the Property forms part of their use have been obtained;
- ii. transferable land use rights in respect of the Property for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;
- iii. the owners of the Property have enforceable titles to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired terms as granted;
- iv. no deleterious or hazardous materials or techniques have been used in the construction of the Property;
- v. the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown;
- vi. the Property is connected to main services and sewers which are available on normal terms; and

APPENDIX IV

PROPERTY VALUATION REPORT

- vii. the cost of repairs and maintenance to the buildings of which the Property are shared among all owners of the building, and that there are no onerous liabilities outstanding.

6. TITLE INVESTIGATION

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company’s PRC legal advisers, Shanghai AllBright Law Offices, concerning the validity of the titles to the Property.

7. LIMITING CONDITIONS

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that contamination, subsidence or other latent defects exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Company that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Company, nor have we verified the correctness of any information supplied to us concerning the Property.

We hereby confirm that Valtech Valuation Advisory Limited and the undersigned have no pecuniary or other interest that could conflict with the property valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

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PROPERTY VALUATION REPORT

8. REMARKS

We have valued the property interest in Renminbi (RMB).

We enclose herewith the “Valuation Particulars”.

Yours faithfully,

For and on behalf of

Valtech Valuation Advisory Limited

Peggy Y. Y. Lai

MHKIS, MRICS, R.P.S. (GP), BSC

Director

Ms. Peggy Y.Y. Lai is a Registered Professional Surveyor (GP) with over 18 years’ experience in valuation of properties in HKSAR, Macau SAR, United Kingdom, Canada, mainland China and the Asia Pacific Region. Ms. Lai is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors as well as a Member of China Institute of Real Estate Appraisers and Agents in the PRC.

Encl.

APPENDIX IV

PROPERTY VALUATION REPORT

VALUATION PARTICULARS

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 March 2026 RMB
An industrial complex located at No.132, Gongye Road, Qinlao Village, Jinqing Town, Luqiao District, Taizhou City, Zhejiang Province, the PRC	The property is an industrial complex comprising of various industrial building erected on a site with total site area of approximately 25,195.72 sq.m.. (271,206.73 sq.ft.) completed between 1998 and 2020. The total gross floor area of the property is approximately 29,793.74 sq.m. (320,699.82 sq.ft.). The land use rights of the property have been granted for terms expiring on 21 June 2054 for industrial use.	Portions of the properties with gross floor area of approximately 22,978.22.00 sq.m. is leased out for various terms at a total monthly rental of about RMB[970.203] with the latest term expired on 19 September 2030 while the remaining portion is owner-occupied.	105,400,000 (RENMINBI ONE HUNDRED AND FIVE MILLION FOUR HUNDRED THOUSAND ONLY)

Notes:

- i. Pursuant to a Real Estate Title Certificate (不動產權證書), Zhe (2020) Taizhou Luqiao Real Estate Title No. 00008824, the ownership of the Property was vested in 浙江金龍電機股份有限公司 (“[Name in Eng]”) (referred as “Jinlong”) with total gross floor area of 29,793.74 sq.m. for industrial use with the land use right for the site area of 25,196.72 square metres with a term commencing from 22 June 2004 and expiring on 21 June 2054.
- ii. The property comprise of total eight buildings with details listed below:

Property	Gross Floor Area (sq.m.)	Storey	Completion Year (around)
Workshop No. 1	10,372.60	4	2020
Workshop No. 2	2,901.20	1	1998
Workshop No. 3	3,873.39	3	1998
Workshop No. 4	2,759.33	3	1998
Workshop No. 5	2,573.29	3	1998
Workshop No. 6	2,097.51	2	2020
Workshop No. 7	1,169.73	2	2020
Workshop No. 8	4,046.69	2	2020
Total	29,793.74	—	—

- iii. We have been provided with a legal opinion by the Group’s PRC legal adviser, regarding the legal title of the property, which contains, *inter alia*, the followings:
 - i. [Jinlong] has legally obtained the Real Estate Title Certificate of the property; and
 - ii. [Jinlong] is entitled to [transfer, lease, mortgage or dispose of the Property freely in the market];
 - iii. the Property is subject to a mortgage; and
 - iv. except for the mortgage, the Property is [free from any other third parties’ encumbrances].

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix outlines of certain aspects of PRC laws and regulations, which are relevant to the Company’s operations and business. For Laws and regulations relating to taxation in the PRC, please see “Appendix III — Taxation and Foreign Exchange” in this document. This Appendix also contains a summary of laws and regulatory provisions of the Company Law. The primary purpose of this summary is to outline, for potential [REDACTED], the main legal and regulatory provisions applicable to the Company. This summary does not cover all data that may be important to potential [REDACTED]. For more details on laws and regulations which are relevant to the Company’s business, please see the section headed “Regulatory Overview” in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the “**Constitution**”), and is made up of written laws, administrative regulations, local regulations, autonomous regulations and separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People’s Republic of China (《中華人民共和國立法法》, or the “**Legislation Law**”), which was lastly amended by the NPC on 13 March 2023 and implemented on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws involving criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of provinces, autonomous regions and municipalities directly under the Central Government and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into districts, autonomous prefecture for approval before implementation.

The standing committees of the people’s congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people’s governments of the provinces and autonomous regions is greater than that of the rules enacted by the people’s governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people’s congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people’s congresses have the power to annul inappropriate rules enacted by the people’s governments at the corresponding level; the people’s governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people’s governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws belongs to the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC on 10 June 1981 and implemented on the same day, the SCNPC shall give interpretation and make provisions by means of decrees on issues related to the further clarification or supplement of laws or decrees. The Supreme People’s Court shall give interpretations on questions involving the specific application of laws and decrees in court trials. The Supreme People’s Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. If there are principled differences in the interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the provisions of local regulations themselves needs to be further defined or additional stipulations need to be made, the standing committees of the people’s congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. For matters involving the interpretation of the specific application of local regulations, the competent departments of the people’s governments of the provinces, autonomous regions, or municipalities directly under the Central Government shall be responsible.

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

JUDICIAL SYSTEM OF MAINLAND CHINA

According to the Constitution and the Law of the PRC of Organisation of the People’s Courts (《中華人民共和國人民法院組織法》) lastly amended by the SCNPC on 26 October 2018 and implemented on January 1, 2019, the People’s Court is made up of the Supreme People’s Court, the local people’s courts, and special people’s courts. The local people’s courts are divided into three levels, namely the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The basic people’s courts may set up certain people’s tribunals based on the status of the region, population and cases. The Supreme People’s Court shall be the highest judicial organ of the state. The Supreme People’s Court shall supervise the administration of justice by the local people’s courts at all levels and by the special people’s courts. The people’s courts at higher levels shall supervise the judicial work of the people’s courts at lower levels.

According to the Constitution and the Law of Organisation of the People’s Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) lastly amended by SCNPC on 26 October 2018 and implemented on 1 January 2019, the People’s Procuratorate is the law supervision organ of the state. The Supreme People’s Procuratorate shall be the highest procuratorial organ. The Supreme People’s Procuratorate shall direct the work of the local people’s procuratorates at all levels and of the special people’s procuratorates; the people’s procuratorates at higher levels shall direct the work of those at lower levels.

The people’s courts employ a two-instance trial system, and judgement or rulings of the second instance at the people’s courts are final. A party may appeal against the judgement or ruling of the first instance of a local people’s courts. The people’s procuratorate may present a protest to the people’s courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgements or rulings of the people’s courts become final. Judgements or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court and those of the first instance of the Supreme People’s Court are final. However, if the Supreme People’s Court or the people’s courts at the next higher level finds any definite errors in a legally effective final judgement or ruling of the people’s court at a lower level, or if the president of a people’s court at any level finds any definite errors in a legally effective final judgement or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》, the “**Civil Procedure Law**”) lastly amended by the SCNPC on 1 September 2023 and implemented on 1 January 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the mainland China must comply with the Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff’s or the defendant’s place of domicile, the place where the contract is performed or signed, or the object of the action is located. However, the choice of the court cannot conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation must have the same litigation rights and obligations as a PRC citizen, legal person or other organisations when initiating or defending any proceedings at a people’s court. If a foreign court limits the litigation rights of PRC citizens, legal person or other organisations, the PRC court may apply the same limitations to the citizens, legal person or other organisations of such foreign country. A foreign

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

individual, a person without nationality, a foreign-invested enterprise or a foreign organisation must engage a lawyer from Mainland China if such person needs to engage a lawyer in initiating or defending any proceedings at a people’s court. Under an international treaty or the principle of reciprocity signed or acceded to by the mainland China, the people’s court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC’s sovereignty, security or public interest, the people’s court shall decline the request.

All parties involved must comply with legally effective civil judgements and rulings. If any party to a civil action refuse to comply with a judgement or order made by a people’s court or an award made by an arbitration tribunal, the other party may apply to the people’s court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people’s court for enforcing an effective judgement or ruling by a people’s court against a party who is not located within the territory of the mainland China or whose property is not within the mainland China, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognised and enforced by the people’s court according to the mainland China enforcement procedures if the mainland China has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court’s examination according to the principle of reciprocity, unless among other exceptions, the people’s court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the mainland China, its sovereignty or security, or for reasons of social and public interests.

THE COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company established in PRC seeking a [REDACTED] on Hong Kong Stock Exchange is mainly subject to the following laws and regulations of PRC.

The Company Law, which was lastly amended by the SCNPC on 29 December 2023, and implemented on 1 July 2024.

The Trial Measures for the Administration of the Offshore Offering and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》, the “**Overseas Listing Trial Measures**”) and its five interpretative guidelines, were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023 and were applicable to the direct and indirect overseas offering and listing of PRC domestic companies’ securities. According to the Overseas Listing Trial Measures and its interpretative guidelines, where a domestic company directly conducts offering and listing overseas, it shall formulate its Articles of Association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》, the “**Guidelines for Articles of Association**”), which was lastly amended by the CSRC on 28 March 2025 and implemented on the same day, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) which ceased to apply from 31 March 2023.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

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GENERAL PROVISIONS

A “joint stock limited company” means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws and regulations as well as public and commercial ethics, be honest and trustworthy and accept the supervision of the government and the public. A company may invest in other companies. If it is prescribed by any law that a company shall not become a capital contributor that shall bear the joint and several liabilities for the debts of the enterprises it invests in, such provisions shall prevail.

INCORPORATION

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the Mainland China.

The promoters of subscription of a joint stock company shall convene an inaugural meeting of the company within 30 days after the share capital has been paid up and shall notify all subscribers of the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only with the presence of subscribers holding more than 50% of the voting rights. The convening and voting procedures for the inaugural meeting of a joint stock limited company incorporated by promotion shall be stipulated in the agreement of the promoters. Powers to be exercised at the inaugural meeting include but are not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be cast by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business licence has been issued by the relevant registration authority.

A joint stock limited company’s promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

REGISTERED SHARES

Under the Company Law, shareholders may make capital contributions in currency, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, shareholding or claims.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

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Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

ALLOTMENT AND ISSUE OF SHARES

All issues of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. A joint stock limited company may issue shares at a par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with the Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholders' information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer itself shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic person responsible and file with the CSRC.

INCREASE IN SHARE CAPITAL

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to original shareholders, if any. If no par value stock is issued, more than one-half of the proceeds from the issuance of the new stocks shall be included in the registered capital. Additionally, when the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

REDUCTION OF SHARE CAPITAL

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (i) to prepare a balance sheet and a property list; (ii) a company makes a resolution at the shareholders' meeting to reduce its registered capital; (iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital; (iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice; (v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

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SHARE BUY-BACK

Under the Company Law, a company shall not purchase its own shares, except for any following circumstances: (i) reducing the registered capital of the company; (ii) merging with other company that holds the shares of the company; (iii) using the shares for employee share ownership plan or equity incentives; (iv) with respect to shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of the company, the right to demand the company to acquire the shares held by them; (v) using the shares for the conversion of convertible corporate bonds issued by the company; (vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the shareholders' meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the meetings of the board of directors attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorisation from the shareholders' meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be cancelled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or cancelled within six months in the case of items (ii) and (iv) above; the total numbers of share of the company held by a company shall not exceed 10% of the total issued shares of the company, and shall be transferred or cancelled within three years in the case of items (iii), (v) and (vi) above.

TRANSFER OF SHARES

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder of a joint stock limited company should affect a transfer of his shares on securities exchange established according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of members. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of members of a listed company, such provisions shall prevail.

Under the Company Law, shares issued by a company prior to the global offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. Shares of a company held by them shall not be transferred within one year from the date on which the shares of the company are listed and traded on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted transfer period.

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SHAREHOLDERS

Under the Company Law and the Guidelines for Articles of Association, the rights of a shareholder of a company include: (i) to receive dividends and other forms of interest distribution according to the number of shares held; (ii) to legally require, convene, preside over, participate in or authorise proxies of shareholders to attend the shareholders’ meeting and exercise corresponding voting rights; (iii) to supervise business operations of the company, provide suggestions or submit queries; (iv) to transfer, grant or pledge the company’s shares held according to the provisions of the laws, administrative regulations and the articles of association; (v) to read and copy the articles of association, the register of members, counterfoil of company debentures, shareholders’ meeting minutes, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports; (vi) shareholders who hold more than 3% of the company’s shares individually or collectively for more than 180 consecutive days may inspect the company’s accounting books and accounting vouchers in accordance with laws; (vii) to participate in the distribution of the remaining assets of the company according to the proportion of shares held upon our termination or liquidation; (viii) to require the company to acquire the shares from shareholders voting against any resolutions adopted at the shareholders’ meeting concerning the merger and division of the company; (ix) other rights conferred by laws, administrative regulations, regulations of the authorities or the articles of association.

The obligations of a shareholder of a company include: (i) to abide by laws, administrative regulations and the articles of association; (ii) to provide share capital according to the shares subscribed for and share participation methods; (iii) not to withdraw shares unless prescribed otherwise in laws and regulations; (iv) not to abuse shareholders’ rights to harm the interests of the company or other shareholders; not to abuse the company’s independent legal person status and the limited liability of shareholders to harm the interests of the company’s creditors; (v) to perform other duties prescribed in laws, administrative regulations, departmental rules and articles of association.

SHAREHOLDER’S MEETINGS

Under the Company Law, the shareholders’ meeting of a joint stock limited company is made up of all shareholders. The shareholders’ meeting is the organ of authority of a company, which exercises the following functions and powers: (i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors; (ii) to examine and approve reports of the board of directors; (iii) to examine and approve reports of the board of supervisors; (iv) to examine and approve a company’s profit distribution plans and loss recovery plans; (v) to resolve on the increase or reduction of a company’s registered capital; (vi) to resolve on the issuance of corporate bonds; (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company; (viii) to amend the company’s articles of association; (ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders’ meetings are required to be held once every year. An interim shareholders’ meeting is required to be held within two months after the occurrence of any of the following circumstances: (i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association; (ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital; (iii) shareholders individually or jointly holding 10% or more of the company’s shares request; (iv) when deemed necessary by the board of directors; (v) the board of supervisors proposes to convene the meeting; (vi) other circumstances as stipulated in the articles of association.

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Shareholders’ meeting shall be convened by the board of directors and presided over by the chairperson of the board of directors. In the event that the chairperson is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairperson. In the event that the vice chairperson is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the shareholders’ meeting, the board of supervisors should convene and preside over shareholders’ meeting in a timely manner. If the board of supervisors fails to convene and preside over shareholders’ meeting, shareholders individually or jointly holding 10% or more of the company’s shares for 90 days or more consecutively may unilaterally convene and preside over shareholders’ meeting.

If the shareholders who separately or jointly hold more than 10% of the shares of the company request to convene an interim shareholders’ meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders’ meeting and reply to the shareholders in writing.

Notice of the shareholders’ meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of interim shareholders’ meeting shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders’ meeting. According to the Guidelines for Articles of Association, for a shareholders’ meeting convened by the board of supervisors and the shareholders on their own, the board of directors and the secretary to the board of directors shall provide cooperation. The board of directors shall provide the register of members as of the record date. In addition, when the shareholder’ meeting is held, all directors, supervisors and the secretary to the board of directors of such company shall attend the meeting, and the manager and other senior management members shall attend the meeting as non-voting participants.

Shareholders who individually or jointly hold more than 1% of the company’s shares may put forward interim proposals and submit them to the board of directors in writing 10 days before the shareholders’ meeting. The board of directors shall notify other shareholders within two days after receiving the proposal and submit the interim proposal to the shareholders’ meeting for consideration.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders’ meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the scope of authorisation. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders’ meeting.

Under the Company Law, shareholders present at a shareholders’ meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders’ meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders’ meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders’ meeting, and shareholders may consolidate their voting rights when casting a vote.

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Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders’ meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders’ meeting. The chairperson of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders’ attendance register and the proxy forms.

DIRECTORS

Under the Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. Members of the board of directors may include employee representatives of the company, who shall be democratically elected by the company’s staff at the staff representative assembly, general staff meeting or otherwise. The term of office of a director shall be stipulated in the articles of association, but each term of offices shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be notified 10 days before the meeting for every meeting. The board of directors exercises the following functions and powers: (i) to convene shareholder’s meetings and report its work to the shareholder’s meetings; (ii) to implement the resolutions of the shareholder’s meeting; (iii) to decide on a company’s business plans and investment plans; (iv) to formulate a company’s profit distribution plan and loss recovery plan; (v) to formulate proposals for the increase or reduction of a company’s registered capital and the issue of corporate bonds; (vi) to formulate plans for merger, division, dissolution or change of corporate form of a company; (vii) to decide on the internal management structure of a company; (viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company and their remuneration based on the nomination of the manager; (ix) to formulate a company’s basic management system; (x) other functions and powers specified in the articles of association or granted by the shareholders’ meeting.

The meetings of the board of directors shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he/she may appoint another director in writing to attend the meeting on his/her behalf, and the power of attorney shall specify the scope of the authorisation for another director. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

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Under the Company Law, a person may not serve as a director of a company if he/she is: (i) a person without civil conduct capacity or with limited civil conduct capacity; (ii) a person who has been sentenced to any criminal penalty due to an offence of corruption, bribery, embezzlement of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period; (iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise; (iv) a person who was legal representative of a company or enterprise which had its business licence revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business licence of the company or enterprise or the order for closure; and (v) a person listed as dishonest persons subject to enforcement by the people’s court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairperson, who shall be elected by more than half of all the directors. The chairperson shall exercise the following functions and powers (including but not limited to): (i) to preside over shareholders’ meetings and convene and preside over meetings of the board of directors; (ii) to examine the implementation of resolutions of the board of directors; (iii) to exercise other powers conferred by the board of directors.

MANAGERS AND SENIOR MANAGEMENT

According to the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorisation of the board of directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management shall refer to the manager, deputy manager, financial controller, secretary of the board of directors and other personnel as stipulated in the articles of association of the listed company.

DUTIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company’s properties.

Directors, supervisors and senior management are prohibited from: (i) embezzling the company’s property or misappropriating of the company’s capital; (ii) depositing the company’s capital into accounts under his/her own name or the name of other individuals; (iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power; (iv) accept and possess commissions paid by a third party for transactions conducted with the company; (v) unauthorised disclosure of company secrets; or (vi) other acts in violation of their fiduciary duty to the company.

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If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the board of directors or the shareholders’ meeting, subject to the approval of the board of directors or the shareholders’ meeting according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor nor senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances: (i) where he/she has reported to the board of directors or the shareholders’ meeting and has been approved by a resolution of the board of directors or the shareholders’ meeting according to the articles of association; or (ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders’ meeting and obtain an approval by resolution of the board of directors or the shareholders’ meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, administrative regulation or the articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable for the damages to the company.

If the shareholder’s meeting requires the presence of directors and senior management members, the directors and senior management members shall be present at the meeting and respond to the shareholders’ enquiries; the directors and senior management members shall truthfully provide relevant information and materials to the Audit Committee and not preventing the Audit Committee from exercising its/their functions and powers.

A director or senior management member other than those on the Audit Committee contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholders who individually or jointly hold more than 1% of the company’s shares for more than 180 consecutive days may request the audit committee in writing to file a lawsuit with the people’s court; If a member of the audit committee violates laws, administrative regulations or the articles of association when performing his/her duties resulting in any loss to the company, the aforementioned shareholders may request the board of directors in writing to bring a lawsuit to the people’s court. In the event that the Audit Committee or the board of directors refuse to file a lawsuit upon receipt of the shareholders’ written request specified in the preceding paragraph, or fail to file a lawsuit within 30 days upon receipt thereof, or in the event that the failure to immediately file a lawsuit in an emergency case will cause irreparable damage to the interests of the company, the shareholders specified in the preceding paragraph may, in their own name, directly file a lawsuit to the people’s court for the interest of the company. In the event of any other person infringes upon the legitimate rights and interests of the Company and causes losses thereto, the aforementioned shareholders may file a lawsuit with the people’s court pursuant to the provisions of the preceding paragraphs. Where directors or senior management members violate laws, administrative regulations, or the articles of association, thereby harming the interests of shareholders, the shareholders may file a lawsuit with the people’s court.

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FINANCE AND ACCOUNTING

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year’s after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the shareholders’ meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the articles of association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law. Its assets shall not be deposited in any individual’s accounts.

APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company’s auditing shall be determined by a shareholders’ meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders’ meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

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The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the shareholders’ meeting.

PROFIT DISTRIBUTION

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and directors, supervisors, and senior management who are responsible for causing losses to the company shall bear compensation liability.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Any amendment to the Articles of Association of the company must be carried out in accordance with the procedures stipulated therein. Where such amendment involves registered particulars of the Company, an application for change registration shall be filed with the registration authority. Pursuant to the Company Law, any resolution on amending the Articles of Association adopted by the shareholders’ meeting must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Pursuant to the Guidelines for Articles of Association, a company shall amend its Articles of Association under any of the following circumstances: (i) where provisions of the Articles of Association conflict with amended laws and/or administrative regulations following revisions to the Company Law or other applicable laws or administrative regulations; (ii) where the company’s circumstances undergo changes inconsistent with the contents recorded in the Articles of Association; and (iii) where the shareholders’ meeting resolves to amend the Articles of Association.

DISSOLUTION AND LIQUIDATION

According to the Company Law, a company shall be dissolved for the following reasons: (i) the term of business stipulated in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders’ meeting resolves to dissolve the company; (iii) dissolution is necessary due to a merger or division of the company; (iv) the business licence is revoked, or the company is ordered to close down or is revoked in accordance with laws; (v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders’ voting rights of the company may present a petition to a people’s court for the dissolution of the company.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicise the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with item (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders’ meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders’ meeting. Where the company is dissolved pursuant to items (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for

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in the company’s articles of association or it is otherwise elected by the shareholders’ meeting. The liquidation obligors shall be liable for compensation if they fail to fulfil their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people’s court to designate relevant persons to form a liquidation group to conduct liquidation. The people’s court shall accept such request and organise a liquidation group to carry out the liquidation in a timely manner.

The liquidation group shall exercise the following functions and powers during the liquidation period: (i) to liquidate the company’s property and respectively prepare balance sheet and list of property; (ii) to notify creditors by notice or public announcement; (iii) to deal with the outstanding business of the company involved in the liquidation; (iv) to pay all outstanding taxes and taxes arising in the course of liquidation; (v) to liquidate claims and debts; (vi) to distribute the remaining property of the company after paying off debts; (vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company’s creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees’ wages, social insurance expenses and statutory compensation, outstanding taxes and the company’s debts, shall be distributed to shareholders in proportion to their shareholdings. During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company’s assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation group, having thoroughly examined the company’s assets and having prepared a balance sheet and an inventory of assets, discovers that the company’s assets are insufficient to pay its debts in full, it shall file an application to a people’s court for bankruptcy liquidation. After the people’s court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people’s court.

Upon completion of the liquidation, the liquidation group shall prepare a liquidation report to be submitted to the shareholders’ meeting or the people’s court for confirmation, and submit to the company registration authority to apply for cancellation of the company’s registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfil his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business licence of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company’s deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

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OVERSEAS LISTING

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of Article 16 of the Overseas Listing Trial Measures. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicise the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

LOSS OF SHARE CERTIFICATES

A shareholder may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

TERMINATION OF LISTING

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

MERGER AND DIVISION

Where companies merge, a merger agreement shall be executed, and the relevant companies shall prepare their respective statement of financial position and inventory of assets. The company shall notify its creditors within 10 days from the date of passing the merger resolution and publish a merger announcement via newspapers or the National Enterprise Credit Information Publicity System within 30 days. A creditor may require the company to settle any debts or provide corresponding guarantees within 30 days from receipt of the notice or, if no notice is received, within 45 days from the announcement date. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company shall notify all creditors within 10 days from the date of passing such resolution and publish an announcement via newspapers or the National Enterprise Credit Information Publicity System within 30 days. Except where the company and its creditors reach a written agreement on debt settlement prior to the division, liabilities incurred prior to the division shall be assumed jointly and severally by the companies resulting from the division.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant Administration for Industry and Commerce.

In accordance with the laws, cancellation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

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SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the mainland China and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating [REDACTED] of securities by companies in mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March, 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares, promulgated by the State Council on 22 April, 1993 and came into effect on the same day, provide the application and approval procedures for public offering of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies, promulgated by the State Council on 25 December, 1995 and came into effect on the same day, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law, which was lastly amended by the SCNPC on 28 December, 2019 and came into effect on 1 March, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities in the mainland China, and comprehensively regulates activities in the securities market of mainland China. The Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the mainland China or listing and trading its securities outside the Mainland China. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the PRC (the “**Arbitration Law**”), last amended by the SCNPC on 1 September, 2017 and effective on 1 January, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people’s court will refuse to take legal action brought by a party in the people’s court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement according to the Civil Procedure Law. If there is evidence to prove that any of the following circumstances exists: the parties have not stipulated an arbitration clause in the contract or have not reached a written arbitration agreement afterwards; the respondent has not been notified of the appointment of the Court of Arbitration or the arbitration proceedings or failed to present views for other reasons for which the respondent is not responsible; the composition of the arbitral tribunal or the

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arbitration procedures are not in accordance with the arbitration rules; the matters awarded are outside the scope of the arbitration agreement, or the arbitration committee has no jurisdiction to arbitrate, the people’s court may rule not to enforce such award. A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the mainland China shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the people’s court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region promulgated by the Supreme People’s Court on 24 January, 2000 and effective on 1 February, 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region promulgated by the Supreme People’s Court on 26 November, 2020 and effective on 27 November, 2020, awards made by arbitral authorities in mainland China can be applied for enforcement in Hong Kong, and Hong Kong arbitration awards can also be applied for enforcement in the mainland China.

JUDICIAL DECISION AND ENFORCEMENT

According to the Arrangement of the Supreme People’s Court on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned promulgated by the Supreme People’s Court on 3 July, 2008 and implemented on 1 August, 2008 (the “**Arrangement**”), a party with a final court judgement rendered by a Hong Kong court and a PRC court requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing may apply to the PRC court or Hong Kong court for recognition and enforcement of the judgement according to the Arrangement. “**A choice of court agreement in writing**” is defined as any agreement in writing entered into between parties for the purpose of resolving a dispute that has arisen or is likely to arise in connection with a particular legal relationship, in which a PRC court or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Accordingly, the final court judgement satisfying the aforesaid conditions of the Arrangement may be recognised and enforced by the PRC court or Hong Kong court upon the application by the parties concerned.

On January 18, 2019, the Supreme People’s Court of PRC and the HKSAR Government signed the Arrangement on Mutual Recognition and Enforcement of Judgements in Civil and Commercial Cases between the Supreme People’s Courts of PRC and the Hong Kong Special Administrative Region (the “**New Arrangement**”), which aims to establish a clearer and definitive mechanism for the recognition and enforcement of judgements in a wider range of civil and commercial cases between Hong Kong and Mainland China. The new arrangement terminates the requirement to enter into jurisdictional agreements for the mutual recognition and enforcement of judgements. The new arrangement came into effect on January 29, 2024 after the promulgation of the judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in Hong Kong. The New Arrangement has replaced the Arrangement upon its entry into force.

APPENDIX VI**SUMMARY OF THE ARTICLES OF ASSOCIATION**

This appendix contains a summary of the principal provisions of these Articles of Association of the company adopted on 28 January 2026. These Articles of Association shall take effect and be implemented from the date on which the overseas listed shares (H shares) issued by the Company are listed on the Stock Exchange of Hong Kong limited. This appendix is intended to provide potential investors with an overview of these Articles of Association of the Company and, as such, may not contain all the information that is important to potential investors.

ISSUANCE OF SHARES

The shares of the Company shall be in the form of share certificates.

Issuance of shares of the Company shall follow the principles of openness, fairness and impartiality, and each share of the same class shall have equal rights.

Shares of the same class issued at the same time by the Company shall be issued under the same conditions and at the same price per share; the same price per share shall be paid for the shares subscribed for by any institution or individual.

The shares issued by the Company shall be denominated in RMB, with a par value of RMB1 per share.

The overseas listed foreign shares (H Shares) publicly issued by the Company are referred to as “H Shares”.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES**Increase and Decrease in Share Capital**

In light of its operational and development needs, the Company may, upon a resolution passed at a general meeting, increase its capital in the following ways in accordance with laws and regulations:

- (1) by issuing shares to specific parties;
- (2) by allotting bonus shares to its existing shareholders;
- (3) by increasing the share capital by way of transfer from the capital reserve;
- (4) other means as stipulated by laws and regulations and the CSRC.

Subject to the provisions of laws, regulations, and the securities regulatory rules of the place where the Company’s shares are listed, the Board of Directors may, pursuant to the authorisation of the shareholders’ general meeting, resolve to issue shares not exceeding 50% of the issued shares within three years. However, any contribution made in the form of non-monetary property shall be subject to a resolution of the shareholders’ general meeting. Where the Board of Directors decides to issue shares in accordance with the provisions of the preceding paragraph, resulting in changes to the registered capital and the number of issued shares of the Company, the amendments to such recorded items in these Articles of Association shall not require further voting by the shareholders’ general meeting. Where the shareholders’ general meeting authorises the Board of Directors to decide on the issuance of new shares, the resolution of the Board of Directors shall be passed by more than two-thirds of all directors.

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Share Repurchase

The Company may not purchase its own shares. However, this shall not apply in any of the following circumstances:

- (1) to reduce the Company’s registered capital;
- (2) merging with another company that holds shares of the Company;
- (3) to use the shares for employee share ownership plans or equity incentives;
- (4) where any shareholder objects to a resolution of the general meeting on the merger or division of the Company and requests the Company to acquire his or her shares;
- (5) to use the shares for the conversion of corporate bonds issued by the Company that are convertible into shares;
- (6) where it is necessary for maintaining the value of the Company and safeguarding shareholders’ rights and interests;
- (7) any other circumstances permitted by laws, administrative regulations, and the regulatory rules of the place where the Company’s shares are listed.

Save for the circumstances set out above, the Company shall not engage in the activity of buying or selling its own shares.

The Company may acquire its own shares through public centralised trading, or by other means recognised by laws, administrative regulations, the Listing Rules of the Stock Exchange, the CSRC, and the stock exchange and securities regulatory authorities of the place where the Company’s shares are listed.

Where the Company acquires its own shares under the circumstances set out in items (3), (5) and (6) of the first paragraph of Article 26 of these Articles of Association, such acquisition shall be conducted through public centralised trading.

Article 28 Where the Company acquires its own shares under the circumstances set out in items (1) and (2) of Article 26 of these Articles of Association, such acquisition shall be subject to a resolution of the shareholders’ general meeting; where the Company acquires its own shares under the circumstances set out in items (3), (5) and (6) of Article 26, such acquisition shall be subject to a resolution of a board meeting attended by more than two-thirds of the directors.

Where the securities regulatory rules of the place where the Company’s shares are listed provide otherwise, such provisions shall prevail provided that they do not violate the Company Law, the Securities Law, the Trial Administrative Measures, and the Guidelines for the Articles of Association of Listed Companies.

Upon the acquisition of its own shares by the Company pursuant to the first paragraph of Article 26 of these Articles of Association, in the case of item (1), the acquired shares shall be cancelled within 10 days from the date of acquisition; in the case of items (2) and (4), the acquired shares shall be transferred or cancelled within 6 months; in the case of items (3), (5) or (6), the total number of shares of the Company held by the Company shall not exceed 10% of the total issued shares of the Company and such shares shall be transferred or cancelled within three years. If the securities regulatory rules of the place where the Company’s shares are listed provide otherwise, such provisions shall prevail,

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provided that they do not violate the relevant applicable domestic laws and regulations, including the Company Law, the Securities Law, the Trial Administrative Measures, and the Guidelines for the Articles of Association of Listed Companies.

Transfer of Shares

The shares of the Company shall be transferred according to law. All transfers of H Shares shall be effected by an instrument of transfer in writing in a general or ordinary format or any other format accepted by the Board of Directors (including the standard transfer format or transfer form prescribed by the Hong Kong Stock Exchange from time to time); and such instrument of transfer may only be signed by hand or, if the transferor or the transferee is a company, affixed with the company’s valid seal. Where the transferor or transferee is a recognised clearing house or its nominee(s) as defined by the relevant ordinances in force from time to time under the laws of Hong Kong, the instrument of transfer may be signed by hand or by a machine-imprinted signature. All instruments of transfer shall be kept at the legal address of the Company or such other place as the Board of Directors may specify from time to time.

The Company shall not accept its own shares as the subject matter of a pledge.

Shares issued by the Company prior to the [REDACTED] of shares shall not be transferred within one year from the date on which the Company’s shares are listed and traded on a stock exchange.

The directors and senior management of the Company shall declare to the Company their holdings of the Company’s shares and any changes thereto, and the number of shares transferred each year during their term of office determined at the time of appointment shall not exceed 25% of the total number of shares of the Company held by them; the shares of the Company held by them shall not be transferred within one (1) year from the date on which the shares of the Company are listed and traded. The aforesaid persons shall not transfer the shares of the Company held by them within half a year after leaving their offices.

Where laws and regulations, the CSRC, the National Equities Exchange and Quotations (NEEQ), and the regulatory rules of the place where the Company’s shares are listed provide otherwise in respect of the transfer of the Company’s shares held by shareholders, such provisions shall prevail.

Where any director, senior management personnel or shareholder holding 5% or more of the Company’s shares sells any shares or other equity securities of the Company held by them within six months after purchase, or repurchases them within six months after sale, any gains derived therefrom shall belong to the Company, and the Board of Directors of the Company shall recover such gains. However, this shall not apply where a securities company holds more than 5% of the shares by purchasing the remaining shares after an [REDACTED], or under such other circumstances as prescribed by the CSRC.

Shares or other securities of an equity nature held by directors, senior management, and natural person shareholders as referred to in the preceding paragraph shall include those held by their spouses, parents, and children, as well as those held through the accounts of others.

If the Board of Directors of the Company fails to act in accordance with the provision in the first paragraph, the shareholders shall have the right to request the Board of Directors to take action within 30 days. If the Board of Directors of the Company fails to take action within the aforementioned time limit, the shareholders shall have the right to initiate litigation directly in the People’s Court in their own names for the benefit of the Company.

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If the Board of Directors of the Company fails to act in accordance with the provisions of the first paragraph, the responsible directors shall be jointly and severally liable in accordance with the law.

In addition to the transfer restrictions and requirements stipulated in these Articles of Association, where other laws and regulations such as the Company Law, the Securities Law, the Trial Administrative Measures, the Guidelines for the Articles of Association of Listed Companies, and the Listing Rules of the Stock Exchange, the regulatory rules of the CSRC, and the securities regulatory rules of the place where the shares are listed provide for other restrictions or requirements, shareholders or persons holding shares of the Company or other securities of an equity nature shall also comply with such restrictions and requirements.

SHAREHOLDERS AND SHAREHOLDERS’ GENERAL MEETING

Shareholders

Article 34 The Company shall establish a register of shareholders based on the documentary proof provided by the securities registration and clearing institution, and the register of shareholders shall be sufficient proof of a shareholder’s holding of the Company’s shares. Shareholders shall enjoy rights and assume obligations in accordance with the class of shares they hold; shareholders holding the same class of shares shall enjoy equal rights and assume the same obligations. The principal part of the register of members for holders of shares listed on the Hong Kong Stock Exchange shall be kept in Hong Kong and shall be open to inspection by shareholders, provided that the Company may suspend the registration of shareholders on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Where applicable laws, administrative regulations, departmental rules, normative documents, and the securities regulatory rules of the place where the Company’s shares are listed contain special provisions regarding the suspension of registration of changes in the register of members, such provisions shall prevail.

Any shareholder registered in the register of shareholders or any person who requests to have his/her name entered in the register of shareholders may, if his/her share certificate is lost, apply to the Company for a replacement share certificate in respect of such shares. An application by a holder of Domestic Shares, who has lost his/her share certificate, for a replacement share certificate shall be dealt with in accordance with the relevant provisions of the Company Law. If a holder of overseas listed foreign shares loses his/her share certificates and applies for a replacement, the matter may be dealt with in accordance with the governing laws, the rules of the stock exchange or other relevant regulations of the place where the principal register of holders of overseas listed foreign shares is kept.

The shareholders of the Company shall have the following rights:

- (1) to receive dividends and other forms of distribution of benefits in proportion to the number of shares held;
- (2) to request, convene, preside over, attend or appoint a proxy to attend a general meeting, and to exercise the corresponding voting rights in accordance with the law;
- (3) to supervise, raise suggestions on or make inquiries about the operations of the Company;
- (4) to transfer, give as a gift, or pledge the shares held by them in accordance with laws, administrative regulations and the provisions of these Articles of Association;

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- (5) to inspect and copy the Company’s Articles of Association, register of shareholders, minutes of shareholders’ general meetings, resolutions of meetings of the Board of Directors, and financial and accounting reports. Shareholders who meet the prescribed conditions may inspect the Company’s accounting books and accounting vouchers;
- (6) in the event of the termination or liquidation of the Company, to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held by them;
- (7) for a shareholder who objects to a resolution on the merger or division of the Company made at a shareholders’ general meeting, to demand that the Company acquire his/her shares;
- (8) other rights as provided for by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s shares are listed or these Articles of Association.

The Company shall, in accordance with the provisions of these Articles of Association, safeguard the shareholders’ rights to information, participation, voting and inquiry in respect of the Company’s affairs.

Where a shareholder requests to inspect or copy relevant materials of the Company, he/she shall comply with the provisions of the Company Law, the Securities Law and other laws and regulations.

Shareholders may request to inspect the accounting books and accounting vouchers of the Company. Where a shareholder requests to inspect the accounting books and accounting vouchers of the Company, a written request shall be submitted to the Company stating the purpose thereof. Where the Company has reasonable grounds to believe that a shareholder’s inspection of the accounting books and accounting vouchers is for an improper purpose and may damage the legitimate interests of the Company, the Company may refuse to provide such inspection, and shall, within 15 days from the date on which the shareholder submits a written request, provide a written response to the shareholder and state the reasons therein. Where the Company refuses to provide access for inspection, the shareholders may initiate legal proceedings in a People’s Court.

Shareholders may entrust intermediary agencies such as accounting firms and law firms to inspect the materials specified in the preceding paragraph. Shareholders and their appointed accounting firms, law firms and other intermediary organisations that inspect and copy the relevant materials shall comply with the provisions of laws and administrative regulations on the protection of state secrets, trade secrets, personal privacy, personal information, etc.

Where a shareholder requests to inspect or copy relevant materials of a wholly-owned subsidiary of the Company, the provisions of the preceding three paragraphs shall apply.

Shareholders of the Company shall assume the following obligations:

- (1) to comply with laws, administrative regulations and the Articles of Association;
- (2) to pay for the shares subscribed for in accordance with the number of shares subscribed and the method of subscription;
- (3) not to withdraw their share capital, except as provided by laws and regulations;

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- (4) not to abuse their shareholder rights to harm the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to harm the interests of the creditors of the Company;
- (5) other obligations imposed by laws, administrative regulations and these Articles of Association.

A shareholder of the Company who abuses his/her/its shareholder rights and causes losses to the Company or other shareholders shall be liable for compensation in accordance with the law.

A shareholder who abuses the Company’s independent legal person status or a shareholder’s limited liability to evade debts, thereby causing serious damage to the interests of the creditors of the Company, shall bear joint and several liability for the Company’s debts.

Shareholders’ General Meeting

The shareholders’ general meeting is the organ of power of the Company and shall exercise the following functions and powers in accordance with the law:

- (1) to decide on the business policies and investment plans of the Company;
- (2) to elect and replace directors who are not employee representatives and to decide on matters relating to their remuneration;
- (3) to consider and approve reports of the Board of Directors;
- (4) to consider and approve the Company’s annual financial budget and final accounts proposals;
- (5) to consider and approve the Company’s profit distribution plans and loss make-up plans;
- (6) to adopt resolutions concerning the increase or decrease of the Company’s registered capital;
- (7) to resolve on the issuance of corporate bonds;
- (8) to pass resolutions on the merger, division, dissolution, liquidation or change in the corporate form of the Company;
- (9) to amend these Articles of Association;
- (10) to adopt resolutions on the appointment or dismissal of the Company’s accounting firm;
- (11) to consider and approve matters relating to guarantees as stipulated in Article 49 of these Articles of Association;
- (12) to consider matters regarding the purchase or sale by the Company within one year of significant assets with a value of more than 30% of the Company’s latest audited total assets;
- (13) Transactions entered into by the Company (excluding the provision of guarantees) that meet any of the following criteria shall be subject to consideration and approval by the shareholders’ general meeting:
 - 1. the total amount of assets involved in the transaction (if such assets have both book value and valuation, whichever is higher) or the transaction amount accounts for more than 50% of the Company’s audited total assets for the latest financial year;

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2. The net asset value or transaction amount involved in the transaction accounts for more than 50% of the absolute value of the audited net assets of the Company for the most recent fiscal year, and exceeds RMB15 million;
 3. any transaction where any of the applicable percentage ratios calculated by the Company in accordance with the provisions of Rule 14.07 of the Listing Rules of the Stock Exchange reaches 25% or more (including a one-off transaction and a series of transactions required to be aggregated for the calculation of percentage ratios, but excluding any transaction that is exempt from shareholders’ approval under the Listing Rules of the Stock Exchange or as approved by the Hong Kong Stock Exchange) or any connected transaction where any of the applicable percentage ratios reaches 5% or more (including a one-off transaction and a series of transactions required to be aggregated for the calculation of percentage ratios, but excluding any connected transaction that is exempt from disclosure or announcement under the Listing Rules of the Stock Exchange or as approved by the Hong Kong Stock Exchange).
- (14) Where the provision of financial assistance to external parties by the Company falls under any of the following circumstances, it shall be subject to consideration and approval by the shareholders’ general meeting:
1. the asset-liability ratio of the entity receiving financial assistance for the most recent period exceeds 70%;
 2. The amount of a single provision of financial assistance or the cumulative amount of financial assistance provided within 12 consecutive months exceeds 10% of the Company’s latest audited net assets;
 3. other circumstances as prescribed by the CSRC, NEEQ, the securities regulatory rules of the place where the Company’s shares are listed or these Articles of Association.
- (15) to consider and approve any change in the use of proceeds;
- (16) to consider equity incentive plans and employee stock ownership plans;
- (17) to consider other matters that are required to be decided by the shareholders’ general meeting as stipulated by laws, administrative regulations, departmental rules, normative documents, business rules of the NEEQ, securities regulatory rules of the place where the shares of the Company are listed and these Articles of Association.

The functions and powers of the general meeting mentioned above shall not be delegated to the Board of Directors or any other body or individual.

The provision of the following external guarantees by the Company shall be subject to consideration and approval by the shareholders’ general meeting:

- (1) a single guarantee with an amount exceeding 10% of the Company’s latest audited net assets;
- (2) any guarantee to be provided after the total amount of external guarantees provided by the Company and its holding subsidiaries exceeds 50% of the Company’s latest audited net assets;
- (3) a guarantee to be provided to a party which has an asset-liability ratio of more than 70%;

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- (4) any guarantee with an amount that, based on the principle of cumulative calculation over 12 consecutive months, exceeds 30% of the Company’s latest audited total assets;
- (5) the estimated amount of guarantees for holding subsidiaries in the next 12 months;
- (6) any guarantee to be provided for connected (related) parties, or for shareholders, the actual controller or their connected (related) parties;
- (7) other guarantees as prescribed by the CSRC, NEEQ, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

Matters concerning external guarantees to be considered by the shareholders’ general meeting must be considered and approved by the Board of Directors before being submitted to the shareholders’ general meeting for consideration.

Where the Company provides a guarantee for a wholly-owned subsidiary, or provides a guarantee for a holding subsidiary and the other shareholders of such holding subsidiary provide guarantees in the same proportion to their respective equity interests, and such guarantee does not prejudice the interests of the Company, the application of the provisions of items (1) to (3) of this Article may be exempted.

When the Board of Directors deliberates on guarantee matters, it must be deliberated and approved by more than two-thirds of the directors attending the Board meeting. When the shareholders’ general meeting considers the guarantee matter mentioned in item (4) of the preceding paragraph, it must be passed by shareholders present at the meeting holding more than two-thirds of the voting rights.

When the shareholders’ general meeting is considering a proposal to provide a guarantee for any shareholder, actual controller or their connected (related) parties, the said shareholder or the shareholders controlled by the said actual controller shall abstain from voting on the proposal, and the proposal shall be passed by more than half of the voting rights held by the other shareholders attending the shareholders’ general meeting. Where the Company provides guarantees to its controlling shareholder, actual controller and their connected (related) parties, the controlling shareholder, actual controller and their connected (related) parties shall provide counter-guarantees.

The provision of external guarantees by the Company shall be executed in strict accordance with the approval authority and deliberation procedures stipulated in these Articles of Association. The accountability mechanism for violations of the approval authority and deliberation procedures shall be implemented in accordance with the relevant management systems of the Company for external guarantees.

Shareholders’ general meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be held once a year within six (6) months after the end of the previous financial year.

An extraordinary general meeting shall be convened within 2 months from the date of occurrence of any of the following events:

- (1) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number stipulated in these Articles of Association;
- (2) the unrecovered losses of the Company reach one-third of its total paid-in share capital;
- (3) upon the request of shareholders individually or jointly holding 10% or more of the shares of the Company;

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- (4) when the Board of Directors deems it necessary;
- (5) when the Audit Committee proposes to convene a meeting;
- (6) other circumstances stipulated by laws, administrative regulations, departmental rules, the Listing Rules of the Stock Exchange, other securities regulatory rules of the place where the Company’s shares are listed or these Articles of Association.

If an extraordinary general meeting is convened in response to the requirements of the securities regulatory rules of the place where the Company’s shares are listed, the actual date of the extraordinary general meeting may be adjusted in accordance with the relevant rules of the stock exchange where the Company’s shares are listed (if applicable).

Convening of Shareholders’ General Meetings

The Board of Directors shall convene the shareholders’ general meeting in a timely manner within the prescribed timeframe. Subject to the consent of more than half of all independent directors (an independent director is equivalent to an independent non-executive director as referred to under the Listing Rules of the Stock Exchange and an independent director as referred to under the Corporate Governance Rules for Listed Companies on the NEEQ), the independent directors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting.

Shareholders’ general meetings shall be convened by the Board of Directors and presided over by the Chairman of the Board; where the Chairman is unable to perform or fails to perform his/her duties of convening a shareholders’ general meeting, the meeting shall be presided over by the Vice Chairman; where the Vice Chairman is unable to perform or fails to perform his/her duties, a director jointly elected by more than half of the directors shall preside over the meeting. Where the Board of Directors is unable to perform or fails to perform its duties to convene a shareholders’ general meeting, the Audit Committee shall convene and preside over the meeting in a timely manner; where the Audit Committee fails to convene and preside over the meeting, shareholders individually or collectively holding 10% or more of the Company’s shares for 90 consecutive days or more may convene and preside over the meeting on their own.

The independent directors and the Audit Committee shall be entitled to propose to the Board of Directors the convening of an extraordinary general meeting, and such proposal shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations and these Articles of Association, give a written reply on whether to convene an extraordinary general meeting within 10 days upon receipt of the proposal.

With respect to a proposal by the independent directors to convene an extraordinary general meeting, if the Board of Directors agrees to convene the extraordinary general meeting, a notice of the general meeting shall be issued within 5 days after the board resolution is made; if the Board of Directors does not agree to convene the extraordinary general meeting, it shall provide an explanation of the reasons and make an announcement.

With respect to the proposal of the Audit Committee to convene an extraordinary general meeting, where the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of the general meeting within 5 days after the resolution of the Board of Directors is made. Any changes to the original proposal in the notice shall be subject to the consent of the Audit Committee. Where the Board of Directors does not agree to convene an extraordinary general meeting or fails to give any

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feedback within 10 days of its receipt of such proposal, the Board of Directors shall be deemed to be incapable of discharging or to have failed to discharge its duty of convening a general meeting, and the Audit Committee may convene and preside over such meeting on its own.

Shareholders who individually or jointly hold 10% or more of the Company’s shares shall have the right to request the board of directors to convene an extraordinary general meeting, and shall submit such request to the board of directors in writing. The Board of Directors shall, within 10 days upon receipt of the request, provide written feedback expressing its agreement or disagreement to convene an extraordinary general meeting.

Where the Board of Directors agrees to convene an extraordinary general meeting, it shall send out a notice of the general meeting within five (5) days after making the board resolution, and any change to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Board of Directors does not agree to convene an extraordinary general meeting or fails to provide a response within 10 days after receiving the request, shareholders singly or jointly holding 10% or more of the Company’s shares shall have the right to propose to the Audit Committee the convening of an extraordinary general meeting, and such request shall be made in writing to the Audit Committee.

Where the Audit Committee agrees to convene an extraordinary general meeting, it shall send out a notice within 5 days upon receipt of the request, and any changes made to the original proposal in the notice shall be subject to the consent of the relevant shareholders.

Failure of the Audit Committee to issue a notice of a general meeting within the stipulated period shall be deemed as the failure of the Audit Committee to convene and preside over a general meeting, and shareholders severally or jointly holding 10% or more of the Company’s shares for 90 consecutive days or more shall be entitled to convene and preside over the meeting on their own.

Where the laws, regulations, rules and relevant rules of the securities regulatory authorities in the place where the Company’s shares are listed provide otherwise, such provisions shall prevail.

The Audit Committee or shareholders deciding to convene a general meeting on their own must notify the Board of Directors in writing. The Audit Committee or the convening shareholders shall, at the time of issuing the notice of the shareholders’ general meeting and the announcement of the resolutions of the shareholders’ general meeting, submit relevant supporting materials to the securities regulatory authority in the place where the Company is registered and the stock exchange where the Company’s shares are listed in accordance with applicable regulations. Prior to the announcement of the resolutions of the shareholders’ general meeting, the shareholding percentage of the convening shareholders shall not be less than 10%.

A shareholders’ general meeting convened by the Audit Committee on its own shall be presided over by the convener of the Audit Committee. Where the convener of the Audit Committee is unable to perform his/her duties or fails to perform his/her duties, a member of the Audit Committee jointly elected by more than half of the members of the Audit Committee shall preside.

A general meeting of shareholders convened by the shareholders themselves shall be presided over by a representative elected by the conveners.

When a shareholders’ general meeting is held, if the chairperson of the meeting violates these rules, making the continuance of the shareholders’ general meeting impossible, with the consent of shareholders holding more than half of the voting rights present at the meeting, the shareholders’ general meeting may elect a person to serve as the chairperson of the meeting and the meeting shall continue.

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Proposals at the Shareholders’ General Meeting

The content of a proposal shall fall within the scope of functions and powers of the shareholders’ general meeting, have a clear topic and specific matters for resolution, and comply with the relevant provisions of laws, administrative regulations, the regulatory rules of the place where the Company’s shares are listed and these Articles of Association.

When the Company convenes a shareholders’ general meeting, the Board of Directors, the Audit Committee and the shareholders holding, singly or jointly, 1% or more of the shares of the Company shall be entitled to submit motions to the Company.

Shareholders that, individually or jointly, hold 1% or more of the shares of the Company may make and deliver temporary proposals to the convener in writing 10 days or more prior to the shareholders’ general meeting. The convener shall, within 2 days of receipt of the proposal, issue a supplementary notice of the shareholders’ general meeting announcing the content of the temporary proposal and submit the temporary proposal to the shareholders’ general meeting for consideration. This is subject to the exception that the temporary proposal violates the provisions of laws, administrative regulations, the Listing Rules of the Stock Exchange, other securities regulatory rules of the place where the Company’s shares are listed, or these Articles of Association, or does not fall within the scope of the functions and powers of the shareholders’ general meeting.

Save for the circumstances specified in the preceding paragraph, the convener shall not, after issuing the notice of a shareholders’ general meeting, modify the proposals listed in the notice or add new proposals.

With respect to the publication of a supplementary notice of a shareholders’ general meeting, where the securities regulatory rules of the place where the Company’s shares are listed contain special provisions, such provisions shall prevail, provided that they do not violate the relevant applicable domestic laws and regulations including the Company Law, the Securities Law, the Trial Administrative Measures, and the Guidelines for the Articles of Association of Listed Companies. If a shareholders’ general meeting is required to be postponed due to the publication of a supplementary notice of the shareholders’ general meeting in accordance with the provisions of the securities regulatory rules of the place where the Company’s shares are listed, the convening of the shareholders’ general meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company’s shares are listed.

The shareholders’ general meeting shall not vote or resolve on any proposal that is not specified in the notice of the shareholders’ general meeting or that does not comply with the requirements of laws, regulations, the Listing Rules of the Stock Exchange, other securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association.

Notice of Shareholders’ General Meeting

To protect the participation and voting rights of shareholders, the convener shall notify all shareholders by way of announcement 21 days prior to the convening of the annual general meeting, and shall notify all shareholders of an extraordinary general meeting by way of announcement 15 days prior to the convening of the meeting, unless all shareholders agree that the notice of such meeting may be exempt from the restrictions on the notice period or the notice system.

In determining the commencement date and the period, the Company shall not include the date on which the meeting is held.

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A notice of a shareholders’ general meeting shall include the following:

- (1) time, place and duration of the meeting;
- (2) the matters and motions submitted to the meeting for consideration;
- (3) a statement in conspicuous words that all shareholders are entitled to attend the general meeting and may appoint a proxy in writing to attend and vote at such meeting, and that such proxy need not be a shareholder of the Company;
- (4) share registration date for shareholders who are entitled to attend the general meeting;
- (5) the name and telephone number of the designated liaison person for the meeting;
- (6) the voting time and voting procedures via the internet or other means;

The interval between the share record date and the date of the shareholders’ general meeting shall not be more than 7 trading days, and the record date shall be later than the disclosure time of the notice of the shareholders’ general meeting. Once the record date is fixed, it shall not be altered.

The notice of general meeting and the supplementary notice shall fully and completely disclose all specific contents of all proposals, as well as all information or explanations required for shareholders to make reasonable judgments on the matters to be discussed.

For issues to be discussed requiring the opinions of independent directors, the notice of general meeting or the supplementary notice shall disclose both the opinions and the reasons of independent directors.

After a notice of shareholders’ general meeting is given, the shareholders’ general meeting shall not be postponed or cancelled, and the proposals set out in the notice of shareholders’ general meeting shall not be cancelled without a valid reason. Where there is a genuine need for postponement or cancellation, the Company shall publish an announcement at least 2 trading days prior to the originally scheduled date of the shareholders’ general meeting and provide detailed reasons; in the event of a postponement, the date of the postponed meeting shall be specified in the announcement. Where the securities regulatory rules of the place where the company’s shares are listed contain special provisions regarding the procedures for postponing or cancelling a general meeting of shareholders, such provisions shall prevail, provided that they do not violate the relevant applicable domestic laws and regulations, including the Company Law, the Securities Law, the Trial Administrative Measures, and the Guidelines for the Articles of Association of Listed Companies.

Holding of Shareholders’ General Meetings

The Board of Directors and other conveners of the Company shall take necessary measures to ensure the normal order of the general meeting. Measures shall be taken to deter any act disturbing the shareholders’ general meeting, picking quarrels and provoking troubles or infringing the lawful rights and interests of any shareholder, and such act shall be reported in a timely manner to the relevant authority for investigation and punishment.

All shareholders whose names appear on the register of members on the record date, or their proxies, shall be entitled to attend the shareholders’ general meeting and exercise their voting rights in accordance with relevant laws, regulations, the Listing Rules of the Stock Exchange, other securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association.

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Regardless of the manner of attendance, shareholders have the right to speak at the general meeting and to vote at the general meeting, except where an individual shareholder is required under the Listing Rules of the Stock Exchange to abstain from voting on a particular matter.

Shareholders may attend a shareholders’ general meeting in person, or may appoint a proxy to attend and vote on their behalf, provided that such appointment complies with the securities regulatory rules of the place where the Company’s shares are listed. If a shareholder is a recognised clearing house (or its nominee) as defined in the relevant ordinances of Hong Kong from time to time, such shareholder may authorise its corporate representative or one or more persons as it thinks fit to act as its representative(s) at any shareholders’ general meeting. Where a shareholder appoints a proxy to attend a general meeting, the matters, scope of authority, and term of the proxy’s appointment shall be clearly specified.

When a shareholders’ general meeting is convened, all directors and the secretary to the Board of Directors of the Company shall attend the meeting, and the manager and other senior management members shall be present at the meeting and accept inquiries from shareholders. Subject to the securities regulatory rules of the place where the Company’s shares are listed, the aforementioned persons may attend or be present at the meeting via the internet, video, telephone or other means with equivalent effect.

At a shareholders’ general meeting, shareholders shall have the right to raise inquiries or suggestions to directors and senior management personnel regarding the business operations of the Company. Directors and senior management personnel shall provide explanations and clarifications in response to the inquiries and suggestions of shareholders, except for matters involving trade secrets of the Company that cannot be disclosed at the shareholders’ general meeting.

The Company shall formulate a system for the shareholders’ general meeting, which shall specify in detail the convening and voting procedures of the shareholders’ general meeting, including notice, registration, deliberation of proposals, voting, counting of votes, announcement of voting results, formation of meeting resolutions, minutes of the meeting and the signing thereof, announcements, and other contents, as well as the principles of authorisation granted by the shareholders’ general meeting to the Board of Directors. The content of such authorisation shall be clear and specific. The rules of procedure for shareholders’ general meetings shall be an appendix to these Articles of Association, and shall be formulated by the Board of Directors and approved by the shareholders’ general meeting.

Voting at Shareholders’ General Meetings

Resolutions of a shareholders’ general meeting are classified as ordinary resolutions and special resolutions.

An ordinary resolution of the shareholders’ general meeting shall be passed by more than half of the voting rights held by the shareholders (including their proxies) attending the meeting.

A special resolution of the shareholders’ general meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including their proxies) attending the meeting.

The following matters shall be passed by ordinary resolution at a shareholders’ general meeting:

- (1) work reports of the Board of Directors;
- (2) profit distribution plans and loss make-up plans formulated by the Board of Directors;

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- (3) appointment and removal of members of the Board of Directors, and their remuneration and method of payment;
- (4) the Company’s annual budgets and final accounts;
- (5) annual reports of the Company;
- (6) other matters other than those required by laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association to be adopted by special resolution.

The following matters shall be passed by special resolution at a shareholders’ general meeting:

- (1) an increase or reduction of the registered capital of the Company;
- (2) the division, merger, dissolution and liquidation of the Company;
- (3) amendments to these Articles of Association;
- (4) applying for the termination of listing of shares or the withdrawal of the termination of listing;
- (5) the purchase or sale of material assets by the Company within one year, or the provision of a guarantee in an amount which exceeds 50% of the Company’s latest audited total assets;
- (6) equity incentive plans;
- (7) issuance and listing or private placement of shares;
- (8) a change to the weighted voting rights arrangements;
- (9) any other matters which are required by laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or these Articles of Association to be passed by special resolution, and matters which are determined by the shareholders’ general meeting by ordinary resolution to have a material impact on the Company and need to be passed by special resolution.

Resolutions involving Rule 2.2 and Rule 2.10 of the Code on Takeovers and Mergers and Rule 3.3 of the Code on Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, and other resolutions involving relevant requirements under the Listing Rules, the Code on Takeovers and Mergers and the Code on Share Buy-backs (as amended from time to time) which shall only be passed by H Share shareholders, shall be passed by and only by an H Share shareholders’ class meeting.

DIRECTORS AND BOARD OF DIRECTORS

Directors

The directors of the Company shall be natural persons. A person may not serve as a director of the Company if any of the following circumstances applies to him/her:

- (1) being a person without or with limited capacity for civil acts;
- (2) having been sentenced to criminal punishment for corruption, bribery, embezzlement of property, misappropriation of property or disrupting the socialist market economic order, where less than 5 years have lapsed since the expiry of the execution period; or having been

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deprived of political rights for a criminal offence, where less than 5 years have lapsed since the expiration of the execution period; or having been sentenced to probation, where less than 2 years have lapsed since the date of the expiry of the probation period;

- (3) having been a director, factory head or manager of a company or an enterprise that went into bankruptcy and liquidation and was personally responsible for the bankruptcy, where less than three years have elapsed since the completion of the bankruptcy and liquidation;
- (4) having been the legal representative of a company or an enterprise which had its business licence revoked and was ordered to close down for violating the law, for which he/she was personally responsible, where less than three years have elapsed since the date of revocation of the business licence;
- (5) having a large amount of personal debt that is overdue and has not been repaid, and being listed as a judgement debtor by a People’s Court;
- (6) being subject to a securities market ban imposed by the CSRC or being identified as an inappropriate person, and the ban has not yet expired;
- (7) being subject to a disciplinary action by NEEQ or a stock exchange that deems him/her unsuitable to serve as a director, supervisor or senior management member of a company, and the term of such action has not yet expired;
- (8) other circumstances as stipulated by laws, administrative regulations, departmental rules, the CSRC, NEEQ and the securities regulatory rules of the place where the Company’s shares are listed.

The election, appointment or engagement of any director in violation of this Article shall be null and void. If any of the circumstances set out in this Article occurs during the term of office of a director, or if an independent director no longer satisfies the conditions for independence, the Company shall remove such person from his or her office.

Directors shall be elected or replaced at the shareholders’ general meeting for a term of three years, and may be removed from office by the shareholders’ general meeting prior to the expiry of their term. Upon expiry of the service term of a director, he/she may be re-elected and re-appointed. The employee representative director shall be elected by the employee representative congress.

Board of Directors

The Company shall establish a Board of Directors, which shall be accountable to the shareholders’ general meeting.

The Board of Directors shall consist of 9 directors, including 5 non-independent directors, 3 independent directors and 1 employee representative director. There shall be 1 chairman and 1 vice chairman. The chairman and vice chairman shall be elected by more than half of all directors of the Board of Directors. The employee representative director shall be elected by more than half of all employee representatives at the employee representative congress.

The Board of Directors shall exercise the following functions and powers:

- (1) to convene shareholders’ general meetings and report on its work to the shareholders’ general meetings;
- (2) to implement the resolutions of shareholders’ general meetings;

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- (3) to decide on the Company’s business plans and investment plans;
- (4) to formulate the Company’s annual financial budget proposals and final accounts proposals;
- (5) to formulate the Company’s profit distribution plans and loss make-up plans;
- (6) to formulate plans for increasing or reducing the registered capital of the Company, and for the issuance of bonds or other securities and their listing;
- (7) subject to compliance with the requirements of the securities regulatory rules of the place where the shares of the Company are listed, to formulate proposals for material acquisitions, the repurchase of the Company’s own shares, or the merger, division, dissolution and change of corporate form of the Company;
- (8) within the scope of authorization granted by the shareholders’ general meeting, to decide on the Company’s external investments, acquisition or sale of assets, asset mortgages, external guarantees, entrusted financial management, connected (related party) transactions, external donations and other matters;
- (9) to determine the establishment of the Company’s internal management structure;
- (10) to appoint or remove the manager and the secretary to the Board of Directors of the Company; to appoint or remove senior management members such as the deputy managers and the person in charge of financial affairs of the Company based on the nomination of the manager; and to decide on the remuneration, rewards and punishments of the senior management members of the Company;
- (11) to formulate the basic management system of the Company;
- (12) to formulate the proposals for any amendment to these Articles of Association;
- (13) to manage the information disclosure of the Company;
- (14) to propose to the general meeting the appointment or replacement of the accounting firms which provide audit services to the Company;
- (15) to listen to the work reports of the manager of the Company and inspect the work of the manager;
- (16) to evaluate the corporate governance mechanism. The Board of Directors shall discuss and evaluate whether the corporate governance mechanism provides appropriate protection and equal rights to all shareholders, and whether the corporate governance structure is reasonable and effective;
- (17) to participate in the formulation of the Company’s strategic objectives and inspect their implementation;
- (18) to evaluate the performance of the management;
- (19) to exercise other powers conferred by laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed and these Articles of Association.

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Independent Directors

The Company shall establish the system of independent directors. An independent director is equivalent to an independent non-executive director as defined under the Listing Rules and an independent director as defined under the Corporate Governance Rules for Listed Companies on the NEEQ. The Board of Directors shall include at least one-third independent directors. There shall be at least three independent directors, of whom at least one shall be a financial or accounting professional as referred to in the Listing Rules, and at least one independent director shall ordinarily reside in Hong Kong. Independent directors shall perform their duties in accordance with the relevant provisions of laws, administrative regulations, departmental rules, the CSRC and the stock exchange(s) where the Company's shares are listed.

Independent directors shall perform their duties diligently in accordance with the provisions of laws, regulations, departmental rules, normative documents, business rules of the NEEQ and these Articles of Association, so as to safeguard the overall interests of the Company and protect the legitimate rights and interests of minority shareholders. The rights, obligations, duties and procedures for the performance of duties of independent directors are specifically provided for in the relevant policies formulated by the Company.

In the event that an independent director fails to meet the qualifications or independence conditions as prescribed by the Listing Rules, or other circumstances arise where it is inappropriate for such person to perform the duties of an independent director, resulting in the number of independent directors of the Company falling below the number required by these Articles of Association, the Company shall immediately notify the Hong Kong Stock Exchange and explain the relevant details and reasons by way of an announcement. The Company shall, within three months of such non-compliance, appoint sufficient number of independent directors to meet the requirements of the Listing Rules.

Special Committees of the Board of Directors

The Board of Directors of the Company shall establish special committees such as the audit, strategy, nomination, and remuneration and appraisal committees, which shall perform their duties in accordance with these Articles of Association and the authorisation of the Board of Directors. Proposals of the special committees shall be submitted to the Board of Directors for consideration and decision. The terms of reference for the special committees shall be formulated by the Board of Directors.

The special committees of the Board of Directors are specialised working bodies of the Board of Directors, and the special committees shall be accountable to the Board of Directors.

The Audit Committee shall exercise the powers and functions of a supervisory committee as stipulated in the Company Law.

The Audit Committee shall consist of 3 members, being directors who do not hold senior management positions in the Company, of whom independent directors shall constitute a majority, and shall include at least 1 independent director who is an accounting professional. Members of the Audit Committee shall be elected by the Board of Directors, and the convener shall be an independent director who is an accounting professional.

The Strategy Committee is primarily responsible for conducting feasibility studies on the Company's long-term strategic planning and major strategic investments, reporting its work to the Board of Directors and being accountable to the Board of Directors.

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The Strategy Committee shall consist of 3 directors, including at least 1 independent director. The Chairman of the Company is an ex-officio member of the Strategy Committee and shall serve as its convener.

The Nomination Committee shall be responsible for formulating the selection criteria and procedures for directors and senior management, selecting and reviewing candidates for directors and senior management and their qualifications for appointment, and making recommendations to the Board of Directors on relevant matters within its scope of authority.

The Nomination Committee shall consist of three directors, of whom independent directors shall constitute a majority, and one of the independent director members shall serve as the convener.

The Remuneration and Appraisal Committee shall be responsible for formulating the assessment criteria for directors and senior management and conducting assessments; formulating and reviewing remuneration policies and plans, such as the remuneration determination mechanism, decision-making process, and payment and clawback arrangements for directors and senior management; and making recommendations to the Board of Directors on relevant matters within its scope of authority.

The Remuneration and Appraisal Committee shall consist of three directors, of whom independent directors shall constitute a majority, and one of the independent director members shall serve as the convener.

Senior Management Personnel

The Company shall have one (1) manager, who shall be nominated by the Chairman of the Board of Directors and appointed or dismissed by the Board of Directors.

The Company shall have 5 deputy managers, 1 person in charge of finance and 1 secretary to the Board of Directors, who shall be appointed or dismissed by the Board of Directors.

The manager, deputy managers, financial controller and secretary to the Board of Directors of the Company are the senior management of the Company.

The provisions of these Articles of Association regarding circumstances which disqualify a person from serving as a director shall also apply to senior management.

In addition to the provisions of the preceding paragraph, the person in charge of finance shall also possess professional and technical qualifications at or above the level of accountant, or have a background in accounting expertise and have been engaged in accounting work for more than three years.

The provisions of these Articles of Association regarding the duties of loyalty and diligence of directors shall also apply to senior management.

Personnel holding positions other than directors in the entities of the controlling shareholders or actual controllers of the Company shall not serve as senior management of the Company.

The manager, deputy managers and other senior management personnel shall serve for a term of three years and may be re-appointed upon expiry of their term.

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The manager shall be accountable to the Board of Directors and exercise the following powers:

- (1) to be in charge of the Company’s production, operation and management, to organise the implementation of resolutions of the Board of Directors and to report to the Board of Directors;
- (2) to organize the implementation of the Company’s annual business plan and investment plan;
- (3) To draft proposals for the establishment of the Company’s internal management structure;
- (4) to draught the Company’s basic management system;
- (5) to formulate the specific rules of the Company;
- (6) to propose to the Board of Directors the appointment or dismissal of the Company’s deputy manager(s), financial controller and other senior management personnel;
- (7) to decide on the appointment or dismissal of management personnel other than those whose appointment or dismissal shall be decided by the Board of Directors;
- (8) to decide on matters involving the Company’s external investments, and the acquisition or disposal of assets, not exceeding 10% of the Company’s latest audited net assets;
- (9) other functions and powers granted by these Articles of Association or the Board of Directors.

The manager shall attend meetings of the Board of Directors.

The deputy managers of the Company shall be nominated by the manager and appointed or dismissed by the Board of Directors.

The deputy manager shall assist the manager in his/her work. In the event that the manager is unable to exercise his/her powers and functions, a deputy manager designated by the manager or the Board of Directors shall exercise such powers and functions on his/her behalf.

The Company shall have a secretary to the Board of Directors, who shall be responsible for the preparation of shareholders’ general meetings and Board of Directors meetings, custody of documents, management of shareholder information, information disclosure matters, investor relations management and other matters. The Secretary to the Board of Directors shall be nominated by the Chairman of the Board of Directors, and appointed or dismissed by the Board of Directors. The secretary to the Board of Directors shall attend meetings of the Board of Directors and shareholders’ general meetings of the Company.

During any vacancy in the office of the secretary to the Board of Directors, the Board of Directors shall designate a director or a member of the senior management to act as the person in charge of information disclosure affairs, and shall determine the candidate for the person in charge of information disclosure affairs within three months. Prior to the designation of an acting person by the Company, the Chairman shall perform the duties of the person in charge of information disclosure affairs on an acting basis.

The secretary to the Board of Directors shall comply with the relevant provisions of laws, administrative regulations, departmental rules, the business rules of the NEEQ and these Articles of Association.

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If a member of the senior management, in the performance of his or her duties for the Company, causes damage to others, the Company shall be liable for compensation; if the member of the senior management has acted with intent or gross negligence, he or she shall also be liable for compensation.

Senior management personnel shall be liable for compensation if losses are caused to the Company due to their violation of laws, administrative regulations, departmental rules or these Articles of Association when performing their duties for the Company.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System

The Company shall formulate its financial and accounting system in accordance with laws, administrative regulations and the requirements of relevant state authorities.

The Company shall disclose its annual report within 4 months from the date of the end of each financial year, and its interim report within 2 months from the date of the end of the first 6 months of each financial year.

The Board of Directors of the Company shall present to the shareholders, at every annual general meeting, such financial reports as the relevant laws, administrative regulations, the Listing Rules, and directives promulgated by local government and competent authorities require the Company to prepare.

The aforementioned annual reports and interim reports shall be prepared in accordance with the provisions of relevant laws, regulations, the CSRC, NEEQ and the securities regulatory rules of the place where the Company's shares are listed.

The Company shall not establish any other books of account in addition to the statutory books of account. The assets of the Company shall not be deposited in an account opened in the name of any individual.

Profit Distribution

When the Company distributes its after-tax profits for the year, it shall set aside 10% of such profits for the Company's statutory common reserve fund. No further allocation is required if the accumulated balance of the statutory common reserve fund has reached 50% or more of the Company's registered capital.

If the Company's statutory common reserve is insufficient to make up for losses from previous years, the Company shall use its profits from the current year to make up for such losses before making an allocation to its statutory common reserve in accordance with the preceding paragraph.

After the Company has set aside the statutory common reserve fund from its after-tax profits, it may, upon a resolution of the shareholders' general meeting, also set aside a discretionary common reserve fund from its after-tax profits.

The remaining after-tax profit after the Company has made up for its losses and set aside the common reserve fund shall be distributed to shareholders in proportion to their shareholdings, unless otherwise provided in these Articles of Association.

APPENDIX VI

SUMMARY OF THE ARTICLES OF ASSOCIATION

If the shareholders’ general meeting, in violation of the Company Law and the preceding paragraph, distributes profits to shareholders before the Company has made up its losses and made allocations to the statutory common reserve fund, the shareholders shall return to the Company the profits distributed in violation of the provisions; if losses are caused to the Company, the shareholders and the responsible directors and senior management shall be liable for compensation.

Shares of the Company held by the Company shall not participate in profit distribution.

Internal Audit

The Company shall establish its internal auditing system and engage full-time professional auditors to undertake internal auditing of its financial income and expenditure and economic activities.

The Company’s internal audit system and the duties of its audit personnel shall be implemented after approval by the Board of Directors. The head of audit shall be accountable and report to the Board of Directors.

Appointment of Accounting Firm

The Company shall appoint an accounting firm that meets the requirements of the Securities Law to conduct business such as auditing financial statements, verifying net assets and providing other related consulting services. The term of appointment shall be one year and may be renewed. The meaning of “accounting firm” in these Articles of Association is consistent with the meaning of “auditor” in the Listing Rules.

The appointment and dismissal of an accounting firm by the Company must be decided by the shareholders’ general meeting. The Board of Directors shall not appoint an accounting firm before a decision is made at the shareholders’ general meeting.

The Company shall provide true and complete accounting vouchers, account books, financial and accounting reports and other accounting data to the accounting firm it engages, and shall not refuse to provide, conceal or make false reports of such information.

The audit fees of the accounting firm shall be decided by the shareholders’ general meeting.

Where the Company dismisses or does not renew the engagement of an accounting firm, it shall notify the accounting firm 10 days in advance. When the dismissal of the accounting firm is voted on at a shareholders’ general meeting, the accounting firm shall be allowed to present its opinions.

If an accounting firm resigns, it shall explain to the shareholders’ general meeting whether the Company has engaged in any improper conduct.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL DECREASE, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

A merger of the Company may take the form of a merger by absorption or a merger by new establishment.

The absorption of one company by another company constitutes a merger by absorption, in which case the absorbed company shall be dissolved. The merger of two or more companies to establish a new company is a merger by new establishment, in which case all parties to the merger shall be dissolved.

APPENDIX VI**SUMMARY OF THE ARTICLES OF ASSOCIATION**

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the resolution on the merger, and shall make an announcement in a newspaper published in the place where the Company is domiciled or on the National Enterprise Credit Information Publicity System within 30 days.

Creditors may, within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement for those who have not received a notice, require the Company to repay its debts or provide a corresponding guarantee.

When a company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established as a result of the merger.

When the Company is divided, its assets shall be split up accordingly.

In the event of a division, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the resolution on the division, and shall make an announcement in a newspaper published in the place where the Company is domiciled or on the National Enterprise Credit Information Publicity System within 30 days. The debts of the Company prior to the division shall be borne by the companies existing after the division with joint and several liability. However, this shall not apply where a written agreement has been entered into by the Company and its creditors in relation to the repayment of debts before the division.

Dissolution and Liquidation

The Company shall be dissolved due to any of the following reasons:

- (1) the term of operation of the Company as specified in these Articles of Association expires, or any other cause for dissolution as specified in these Articles of Association arises;
- (2) a resolution on dissolution is passed by the general meeting;
- (3) the dissolution is necessary for the purpose of any merger or division of the Company;
- (4) its business licence is revoked, or it is ordered to close down or is deregistered in accordance with the law;
- (5) if the Company experiences serious difficulties in its operation and management, and the continuation of its existence would cause significant loss to the interests of its shareholders, and such difficulties cannot be resolved through other means, shareholders holding 10% or more of the total voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

If a cause for dissolution as stipulated in the preceding paragraph arises, the Company shall, within ten days, publicise the cause for dissolution through the National Enterprise Credit Information Publicity System.

Where the Company falls under the circumstances set out in items (1) or (2) of the preceding article and has not yet distributed its property to shareholders, it may continue to exist by amending these Articles of Association or by a resolution of the shareholders' general meeting.

Any amendment to these Articles of Association or resolution of the shareholders' general meeting made pursuant to the preceding paragraph shall be passed by shareholders present at the shareholders' general meeting holding more than two-thirds of the voting rights.

APPENDIX VI**SUMMARY OF THE ARTICLES OF ASSOCIATION**

Where the Company is dissolved pursuant to the provisions of items (1), (2), (4) or (5), it shall be liquidated. The directors are the liquidation obligors of the Company and shall establish a liquidation committee to carry out liquidation within 15 days from the date on which the cause for dissolution arises.

The liquidation committee shall be composed of directors or persons determined by the shareholders’ general meeting. If a liquidation committee is not established to conduct liquidation within the time limit, creditors may apply to the People’s Court to designate relevant personnel to form a liquidation committee to conduct liquidation.

The liquidation obligors shall be liable for compensation if they fail to fulfil their obligations of liquidation in a timely manner and cause losses to the Company or the creditors.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend its Articles of Association in any of the following circumstances:

- (1) after an amendment to the Company Law or relevant laws or administrative regulations, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws or administrative regulations;
- (2) the circumstances of the Company have changed, resulting in an inconsistency with the matters recorded in the Articles of Association;
- (3) the shareholders’ general meeting resolves to amend the Articles of Association.

Where amendments to the Articles of Association passed by a resolution of the shareholders’ general meeting are subject to the approval of the competent authorities, they shall be submitted to the competent authorities for approval. Where the amendments involve matters of company registration, the change of registration shall be handled in accordance with the law.

The Board of Directors shall amend these Articles of Association in accordance with the resolution of the shareholders’ general meeting to amend the Articles of Association and the approval opinions of the relevant competent authorities.

Amendments to the Articles of Association that are required to be disclosed by laws and regulations shall be announced in accordance with such regulations.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was established as a joint stock limited company in the PRC on 22 May 1995. Since September 2022, our Shares have been quoted on the NEEQ with the stock code of 873936.

Our registered office is located at 999 West Jinqing Avenue, Jinqing Town, Luqiao District, Taizhou City, Zhejiang Province, PRC. Our registered place of business in Hong Kong is Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We [have been registered] as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Siow Grace Yuet Chew (蕭月秋) will be our authorised representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in “Regulatory Overview” and “Appendix VI — Summary of the Articles of Association” to this document, respectively.

2. Changes in the share capital of our Company

As at the date of incorporation, our Company had a registered capital of RMB36,010,000.

Save as disclosed in the section headed “History, Development and Corporate Structure — Establishment and Development of our Company” and the below, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I to this document.

The following sets out the changes in the share capital of the Company’s subsidiaries during the two years immediately preceding the date of this document:

- On 13 September 2024, JLEM USA Inc., registered in the state of Georgia in the United States, was deregistered.
- On 29 June 2025, JLEM USA Inc., a wholly-owned subsidiary of our Company, was established as a limited liability company in the state of Texas in the United States, authorised to issue 1,000 shares with no par value.

Save as disclosed above, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this document.

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STATUTORY AND GENERAL INFORMATION

4. Resolutions of our Shareholders

Pursuant to the Shareholders’ meeting held on 29 April 2026, the following resolutions, among others, were duly passed:

- (a) the issue by our Company of H Shares of nominal value of 1.00 each and such H Shares be [REDACTED] on the Hong Kong Stock Exchange;
- (b) the number of H Shares to be issued before the exercise of the [REDACTED] shall not be more than 25% of the total issued share capital of our Company as enlarged by the [REDACTED], and granting the [REDACTED] the [REDACTED] of no more than 15% of the number of H Shares issued pursuant to the [REDACTED];
- (c) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on the [REDACTED], and the authorisation to the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Hong Kong Stock Exchange and relevant PRC regulatory authorities; and
- (d) authorisation to the Board and its authorised person(s) to handle all matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

- (a) [the Deed of Indemnity;
- (b) the Deed of Non-Competition; and
- (c) the [REDACTED].]

2. Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

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(i) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered owner	Class	Registration No.	Registration Date	Expiry Date
1.		PRC	Our Company	7	1005142	14 May 1997	13 May 2027
2.		PRC	Our Company	7	4373368	7 August 2007	6 August 2027
3.		PRC	Our Company	7	4373365	7 August 2007	6 August 2027
4.		United States	Our Company	7	3324955	6 November 2006	6 November 2026

As of the Latest Practicable Date, we had applied for registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered owner	Class	Registration No.	Registration Date
1.		Hong Kong	Our Company	7, 16	307228260	26 March 2026
2.		Hong Kong	Our Company	7, 16	307230339	27 March 2026

(ii) Patents

As of the Latest Practicable Date, we had registered the ownership of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Patent owner	Patent category	Place of registration	Patent Number	Application Date	Expiry Date
1.	A rotor winding structure for motor processing* (一種電機加工的轉子繞線結構)	Our Company	Utility Model	PRC	ZL 2025 2 0286944.3.	21 February 2025	20 February 2045
2.	A grinding device for motor shaft processing* (一種電機軸加工用打磨設備)	Our Company	Invention Patent	PRC	ZL 2025 1 0198003.9.	21 February 2025	20 February 2045
3.	An optimised control method for YE5 motors* (一種用於YE5電機的最佳化控制方法)	Our Company	Invention Patent	PRC	ZL 2025 1 0137760.5.	7 February 2025	6 February 2045
4.	A safety control system for construction vehicles and control method thereof* (一種工程車輛安全控制系統及其控制方法)	Our Company	Invention Patent	PRC	ZL 2024 1 1775589.2.	5 December 2024	4 December 2044
5.	A sirocco fan backpack driver* (一種蝸殼風機背負式驅動器)	Our Company	Utility Model	PRC	ZL 2024 2 2926536.8.	29 November 2024	28 November 2044

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No.	Patent	Patent owner	Patent category	Place of registration	Patent Number	Application Date	Expiry Date
6.	A Machine Tool Spindle Motor and Method for Controlling It* (一種機床主軸電機及其控制方法)	Our Company	Invention Patent	PRC	ZL 2023 1 1761271.4.	20 December 2023	19 December 2043
7.	A High-Temperature Reflective Insulating Composite Coating, Its Preparation Method, and Its Application in High-Temperature Motors* (一種高溫反射隔熱複合塗料及其製備方法、在高溫電機中的應用)	Our Company	Invention Patent	PRC	ZL 2022 1 1463896.8.	22 November 2022	21 November 2042
8.	A Capacitor Box for High-Power Servo Drives* (一種大功率伺服驅動器電容箱)	Our Company	Invention Patent	PRC	ZL 2022 1 0932245.2.	4 August 2022	3 August 2042
9.	A High-Power Servo Drive Configuration* (一種大功率伺服驅動器結構)	Our Company	Invention Patent	PRC	ZL 2021 1 1494506.9.	8 December 2021	7 December 2041
10.	A Motor Structure and Control Method for Increasing Torque* (一種提高扭矩的電機結構及控制方法)	Our Company	Invention Patent	PRC	ZL 2021 1 0507038.8.	10 May 2021	9 May 2041
11.	A High-Precision Horizontal Rotor-Piston Mechanism* (一種高精度臥式轉子塞軸機構)	Our Company	Invention Patent	PRC	ZL 2020 1 0013725.X.	7 January 2020	6 January 2040
12.	A Fixture for Machining the Stator of a Forklift Motor and a Method for Operating It* (一種叉車電機定子加工工裝及其操作方法)	Our Company	Invention Patent	PRC	ZL 2018 1 1555203.1.	19 December 2018	18 December 2038
13.	A square-frame motor* (一種電機的方形機座)	Our Company	Utility Model	PRC	ZL 2017 2 0079300.2.	22 January 2017	21 January 2037
14.	Machine for Low-Pressure, Low-Temperature Interference Fitting of Cast Aluminum Rotors and Rotor Shafts, and Method Therefor* (鑄鋁轉子與轉子軸低壓低溫過盈裝配機及其裝配方法)	Our Company	Invention Patent	PRC	ZL 2015 1 0600492.2.	21 September 2015	20 September 2035
15.	Insulated Bearing Housing for High-Power Variable-Frequency Motors* (大功率變頻電機絕緣軸承套)	Our Company	Invention Patent	PRC	ZL 2012 1 0545961.1.	17 December 2012	16 December 2032

(iii) Copyrights

As of the Latest Practicable Date, our Group owned the following copyrights which we consider to be material to our business:

No.	Name	Version	Registered owner	Place of registration	Registration Number	First Publication/Registration Date
1.	CNC Machine Tool Servo Drive Control Software (數控機床伺服驅動器控制軟件)	V1.26	the Company	PRC	2019SR1308277	7 December 2019
2.	Dedicated Control Software for Smart Hoist Electromechanical Control Units (智能提升機機電控制一體機專用控制軟件)	V1.0	the Company	PRC	2020SR0037826	8 January 2020
3.	Permanent Magnet Industrial Fan Driver Software (永磁工業風扇驅動器軟件)	V1.0	the Company	PRC	2021SR0326596	2 March 2021
4.	Encoder-less Control Software for Permanent Magnet Synchronous Motors (永磁同步電機無編碼器控制軟件)	V1.0	the Company	PRC	2023SR0442099	6 April 2023

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No.	Name	Version	Registered owner	Place of registration	Registration Number	First Publication/Registration Date
5.	Direct Torque Control Software for Ultra-High-Efficiency Permanent Magnet Synchronous Reluctance Motors (超高效永磁同步磁阻電機直接轉矩控制軟件)	V1.0	the Company	PRC	2025SR1106687	27 June 2025
6.	Direct Torque Control Software for IE5 High-Efficiency Induction Motors (IE5高效異步電機直接轉矩控制軟件)	V1.0	the Company	PRC	2025SR1106667	27 June 2025

(iv) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Registration Date	Expiry Date
1.	china-jinlong.com	Our Company	20 January 2000	20 January 2028

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests and short positions of the Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and our associated corporations*

Save as disclosed below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors and chief executive has any interests and short positions in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the

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register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of [REDACTED] Issuers contained in the Listing Rules:

Name	Position	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding in the Unlisted Shares Immediately after Completion of the [REDACTED] (assuming the [REDACTED] is	Approximate Percentage of Shareholding in the Total Share Capital Immediately after Completion of the [REDACTED] (assuming the [REDACTED] is
				not exercised (%)	not exercised (%)
Mr. Ye Jinwu ⁽²⁾	Chairman of the Board and executive Director	Beneficial owner	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of person acting in concert ⁽⁵⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of spouse	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
Mr. Ye Ye ⁽³⁾⁽⁴⁾	Executive Director	Beneficial owner	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of person acting in concert ⁽⁵⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of spouse	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
Ms. Li Chunlian ⁽²⁾	Non-executive Director	Beneficial owner	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of person acting in concert ⁽⁵⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of spouse	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
Mr. Wang Xiaoyue	Non-executive Director	Beneficial owner	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of person acting in concert ⁽⁵⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
Ms. Ye Huiqin	Non-executive Director	Beneficial owner	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]
		Interest of person acting in concert ⁽⁵⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]	[●]

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Notes:

- (2) Mr. Ye Jinwu and Ms. Li Chunlian are spouses. Accordingly, Mr. Ye Jinwu and Ms. Li Chunlian are deemed to be interested in the Shares held by each other under the SFO.
- (3) Mr. Ye Ye and Ms. Ye Weilei are spouses. Accordingly, Mr. Ye Ye is deemed to be interested in the Shares held by Ms. Ye Weilei under the SFO.
- (4) Jinlong Zhichuang LP is a limited partnership controlled by Ms. Ye Weilei as its sole general partner. By virtue of the SFO, each of Mr. Ye Ye and Ms. Ye Weilei is deemed to be interested in the Shares held by Jinlong Zhichuang LP.
- (5) Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue, Ye Weiqin and Jinlong Zhichuang LP are parties acting in concert, and accordingly each of them are interested in the Shares held by each other under the SFO. Please refer to the section headed “History, Development and Corporate Structure — The Controlling Shareholder Group” for further details.

(b) *Interests and short positions of substantial shareholders in the Shares and underlying Shares of our Company*

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

<u>Name</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares held/interested in immediately following completion of the [REDACTED] and the [REDACTED]</u>	<u>Percentage of shareholding immediately following completion of the [REDACTED] and the [REDACTED]</u>
Jinlong Zhichuang LP	Beneficial owner	[REDACTED] Unlisted Shares (L)	[REDACTED]
	Interest of person acting in concert ⁽¹⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]
Ms. Ye Weilei ⁽²⁾⁽³⁾	Interest in controlled corporation ⁽⁴⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]
	Interest of person acting in concert with spouse and controlled corporation ⁽⁴⁾	[REDACTED] Unlisted Shares (L)	[REDACTED]
	Interest of spouse	[REDACTED] Unlisted Shares (L)	[REDACTED]

Notes:

- (1) Mr. Ye Jinwu, Mr. Ye Ye, Ms. Li Chunlian, Mr. Wang Xiaoyue, Ye Weiqin and Jinlong Zhichuang LP are parties acting in concert, and accordingly each of them are interested in the Shares held by each other under the SFO. Please refer to the section headed “History, Development and Corporate Structure — The Controlling Shareholder Group” for further details.

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- (2) Mr. Ye Ye and Ms. Ye Weilei are spouses. Accordingly, Ms. Ye Weilei is deemed to be interested in the Shares held by Mr. Ye Ye under the SFO.
- (3) Jinlong Zhichuang LP is a limited partnership controlled by Ms. Ye Weilei as its sole general partner. By virtue of the SFO, each of Mr. Ye Ye and Ms. Ye Weilei is deemed to be interested in the Shares held by Jinlong Zhichuang LP.

2. Particulars of Directors’ service contracts

Each of the Directors has entered into a service contract or a letter of appointment with our Company.

Save as disclosed above, we have not entered into, and do not propose to enter into any service contracts with any of our Directors in their respective capacities as Directors (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Directors’ remuneration

Save as disclosed in “Directors and Senior Management” and Note 11 to the Accountants’ Report set out in Appendix I to this document for the three financial years ended 31 December 2023, 2024 and 2025, none of our Directors received other remunerations of benefits in kind from us.

4. Fees or [REDACTED] received

Save as disclosed in this document, none of our Directors or the experts named in the paragraph headed “D. Other Information — 12. Consents of Experts” in this Appendix had received any agency fees, discounts, [REDACTED], brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under Note 47 to the Accountants’ Report set out in Appendix I to this document.

6. Disclaimers

- (a) save as disclosed in this section, none of our Directors or our chief executive has any interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED] on the Stock Exchange;

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- (b) save as disclosed in the section headed “Substantial Shareholders”, none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [REDACTED] (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (c) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest customers or the five largest suppliers of our Group for each year/period during the Track Record Period; and
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole. None of our Directors or any of the parties listed in “Qualifications of Experts” of this Appendix is:
 - (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or
 - (ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business.

D. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities, on a joint and several basis, in connection with, among other things:

- (a) any taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date on which the [REDACTED] becomes unconditional; and
- (b) any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgements, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines and penalties which any member of our Group may incur, suffer or accrue, directly or indirectly from, among others:
 - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the [REDACTED] becomes unconditional;

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- (ii) the implementation of the disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the [REDACTED] becomes unconditional;
- (iii) any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of, the applicable laws, rules, regulations and agreements by any member of our Group on or before the date on which the [REDACTED] becomes unconditional;
- (iv) any failure to obtain the necessary licences, consents or permits under applicable laws and regulations for any member of our Group’s valid and legal establishment and/or operation on or before the date on which the [REDACTED] becomes unconditional; and
- (v) the incidents referred to in the section headed “Business — Legal Proceedings and Compliance” in this document.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

3. Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group’s results of operations or financial conditions, taken as a whole.

4. Compliance Adviser

Our Company has appointed Sunny Fortune Capital Limited as the compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

6. Promoters

The promoters of the Company were Huangyan Motor Factory* (黃岩市電機廠), Huangyan Second Light Industry Cooperative Association* (黃岩市二輕工業合作聯社), and Zhejiang Huangyan Xinqian Casting Factory* (浙江黃岩新前鑄件廠), then shareholders of our Company as of the date of establishment of our Company. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the [REDACTED] and the related transactions described in this document.

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7. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and seller is 0.1% of the consideration for or, if higher, the fair value of the H Shares being sold or transferred.

8. No material adverse change

Save for the expenses expected to be incurred in connection with the [REDACTED]. Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2025 (being the date to which the latest consolidated financial statements of our Group were prepared).

9. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to “Appendix VI — Summary of the Articles of Association” to this document.

10. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in “Appendix I — Accountants’ Report — Note 47 Related Party Transactions”.

11. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this document are as follows:

Name	Qualifications
Sunny Fortune Capital Limited	A corporation licensed under SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
AllBright Law Offices	Legal advisers to our Company as to PRC law
Katten Muchin Rosenman LLP	Legal advisers to our Company as to U.S. export control and sanction law
HLB Hodgson Impey Cheng Limited	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
China Insights Consultancy (Shanghai) Co., Ltd.	Independent industry consultant
Valtech Valuation Advisory Limited	Property Valuer

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As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

12. Consents of Experts

Each of the above experts has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respectively included.

13. Sole Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Sole Sponsor, the Sole Sponsor’s fee payable by us to the Sole Sponsor in respect of its services as sponsor in connection with the [REDACTED] on the Stock Exchange is approximately HK\$[REDACTED].

14. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

15. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

16. Miscellaneous

Save as disclosed in this document:

- (a) within the two years preceding the date of this document:
 - (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
 - (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) we have not issued nor agreed to issue any founder shares, management shares or deferred shares; and

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- (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) there are no arrangements under which future dividends are waived or agreed to be waived;
- (c) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (d) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (e) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (f) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (g) save for the H Shares to be issued in connection with the [REDACTED], none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange, nor is any listing or permission to deal being or proposed to be sought;
- (h) our Company has no outstanding convertible debt securities or debentures;
- (i) our Company is a joint stock limited company and is subject to the PRC Company Law;
- (j) our Company has adopted a code of conduct regarding Directors’ securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules; and
- (k) The English text of this document shall prevail over the Chinese text.

APPENDIX VIII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Appendix VII — Statutory and General Information — D. Other Information — 12. Consents of Experts;” and
- (b) a copy of the material contract referred to in “Appendix VII — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts.”

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at [REDACTED] during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited [REDACTED] financial information prepared by [HLB Hodgson Impey Cheng Limited], the texts of which are set out in Appendices I and II to this document;
- (c) the audited consolidated financial statements of our Company as have been prepared for the companies comprising our Group for FY2023, FY2024 and FY2025;
- (d) the PRC legal opinions issued by our PRC Legal Advisers, in respect of the general matters and property interests of our Company in the PRC;
- (e) the legal opinion issued by our International Sanctions Legal Advisers in respect of U.S. export control and sanction law;
- (f) the CIC Report;
- (g) the property valuation report prepared by Valtech Valuation Advisory Limited, the text of which are set out in “Appendix IV — Property Valuation Report”.
- (h) the material contracts referred to in “Statutory and General Information — B. Further information about our Business — 1. Summary of material contracts” in Appendix VII to this document;
- (i) the written consents referred to in “Statutory and General Information — D. Other information — 12. Consents of experts” in Appendix VII to this document;
- (j) the service agreements with each of our Directors referred to in the paragraph headed “Statutory and General Information — C. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 2. Particulars of Directors’ service agreements” in Appendix VII to this document; and
- (k) PRC Company Law, the PRC Securities Law, the Guidelines for Articles of Association of Listed Companies, the Overseas Listing Trial Measures together with their unofficial English translation.