You should read the following discussion and analysis in conjunction with historical financial information included in the Accountants' Report set forth in Appendix I to this Document. Our historical financial information have been prepared in accordance with IFRS Accounting Standards, 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 contain forward-looking statements that reflect the 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 all of the information provided in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading provider in the PRC of intelligent equipment and solutions to lithium-ion battery manufacturers, enabled by our machine vision and AI algorithms technologies. According to Frost & Sullivan, in terms of revenue in 2025, we ranked second in the Chinese domestic market for lithium-ion battery machine vision inspection solutions and ranked first in the global market for integrated wide electrode calendering & slitting integrated machines.

We work closely with top clients to offer machine vision capabilities across the entire lithium-ion battery manufacturing process through a wide range of custom-designed solutions and intelligent equipment offerings, including single process inspection systems, stand-alone machines, and multi-function, fully-integrated intelligent equipment. Our business primarily includes manufacture and sale of: (i) machine vision inspection solutions; and (ii) integrated intelligent equipment (such as integrated calendering & slitting machines and high-speed automatic assembly line for full-tab cylindrical cells).

Our revenue and profitability grew during the Track Record Period. For the years ended December 31, 2023, 2024 and 2025, our revenue was RMB294.0 million, RMB393.9 million, and RMB552.1 million, respectively. Our profit for the year also grew from RMB0.7 million for the year ended December 31, 2023, to RMB51.3 million for the year ended December 31, 2024 and to RMB69.7 million for the year ended December 31, 2025.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition, results of operations and the period-to-period comparability of our financial results have been and are expected to continue to be affected by several factors, primarily including those set out below:

Macroeconomic Conditions and Demand Dynamics from Downstream Industries

Our financial performance is significantly influenced by macroeconomic conditions and the development trajectory of the downstream lithium-ion battery manufacturing and new energy industries. As a provider of intelligent equipment and machine vision inspection solutions primarily serving battery manufacturers, our revenue is closely tied to the capital expenditure cycles of lithium-ion battery manufacturers, EV manufacturers and energy storage system operators. During periods of rapid industry expansion, driven by government policies promoting new energy vehicles, energy storage deployment and carbon neutrality goals, battery manufacturers tend to accelerate their capacity expansion plans, thereby generating higher demand for our equipment and inspection solutions. Conversely, during periods of industry consolidation, overcapacity concerns or macroeconomic downturns may lead our customers to defer or reduce capital investment, adversely affecting our order intake and revenue. The significant improvement in our financial performance from a loss before tax of RMB8.2 million in 2023 to a profit before tax of RMB79.3 million in 2025 reflected, in part, the recovery and expansion of downstream demand during the Track Record Period. Going forward, we expect our business to remain sensitive to the pace of global EV adoption, the build-out of large-scale energy storage facilities, and any structural shifts in battery technology (such as the transition from liquid electrolyte to solid-state batteries), all of which may alter the specifications, volume and timing of equipment orders we receive.

Our Ability to Control Cost of Key Materials and Optimize Gross Profit Margin

Materials and components account for a significant portion of our cost of sales, and are primarily comprised of precision mechanical components, optical elements, electronic control systems, and servo motors. The prices of such materials and components are subject to fluctuation based on global supply chain dynamics. To maintain competitive gross margins, we focus on negotiating favorable procurement terms, standardizing bills of materials, managing inventory in line with delivery timelines, and passing through material cost increases to customer through pricing adjustment where contractually permissible.

In addition to input cost control, gross profit margin optimization is a central financial objective influenced by product mix, the proportion of standardized versus customized solutions, economies of scale, and vertical integration. Our two main business lines have followed distinct margin trajectories over the Track Record Period:

- lithium-ion battery intelligent equipment margins were comparatively low in 2023 due to high early-stage costs, before improving progressively through 2024 and significantly in 2025 as scale effects, higher capacity utilization, and improved workforce productivity materialized;

- machine vision inspection solutions, while benefiting from elevated overseas margins in 2024, faced intensifying competition in 2025 that compressed margins and contracted revenue.

According to Frost & Sullivan, our overall blended gross margin remained within the industry benchmark range. Sustaining operational efficiency improvements and optimizing product mix remain key priorities going forward.

Breadth and Technical Sophistication of Our Product Portfolio

Our competitiveness and revenue growth potential are directly linked to the breadth and technical sophistication of our product and solution offerings. As battery manufacturers continuously push for higher production speeds, greater cell consistency, more stringent defect detection accuracy and lower per-unit manufacturing costs, the technical requirements placed on equipment suppliers have risen substantially. Our product portfolio spans intelligent assembly equipment, formation and grading systems, and machine vision inspection solutions, enabling us to serve customers across multiple stages of the battery manufacturing process. The ability to offer integrated, end-to-end production line solutions — as well as stand-alone pieces of equipment — enhances our value proposition and increases our market share. In addition, our ability to sell larger, more integrated types of equipment generally has a positive effect on average selling prices and margins. Furthermore, as the industry transitions toward next-generation battery formats (such as large cylindrical cells and solid-state batteries), our ability to develop compatible equipment ahead of or concurrent with the commercialization of these new formats will be critical to retaining and expanding our customer relationships.

Failure to keep pace with evolving product requirements, or loss of technological differentiation relative to domestic and international competitors, could result in pricing pressure, loss of orders and reduced revenue.

Relationships with Key Customers and Expansion of Our Customer Base

Given the capital-intensive and customized nature of our products, our revenue is concentrated among a relatively limited number of key customers, primarily consisting of top-tier, large-scale battery manufacturers. Deep, long-standing customer relationships support repeat orders, referrals, and our ability to participate in customers' multi-year capacity expansion programs. The significant increase in our revenue and profit during the Track Record Period was underpinned by our ability to maintain stable customer relationships with leading battery manufacturers and to secure repeat orders, as well as the continued adoption of our integrated intelligent equipment across an expanding customer base. Going forward, sustaining and deepening relationships with tier-one battery manufacturers, while simultaneously diversifying our customer base to include emerging battery producers, overseas manufacturers and adjacent industries (such as photovoltaic equipment and semiconductor inspection), will be essential to reducing customer concentration risk and supporting long-term revenue growth. Any deterioration in relationships with key customers, loss of preferred supplier status, or failure to win new customers in targeted growth segments could materially affect our financial performance.

Continued Investment to Increase Production Capabilities

Our ability to fulfil large-scale, time-sensitive orders is contingent upon having sufficient manufacturing capabilities and an efficient production footprint. As evidenced by our purchases of items of property, plant and equipment, intangible assets and other non-current assets of RMB159.4 million in 2025, compared to RMB4.3 million in 2024 and RMB12.3 million in 2023, we have significantly accelerated our investment in production capabilities during the Track Record Period, reflecting our confidence in the medium-term demand outlook and our commitment to meet growing customer requirements. Similarly, the purchases of leasehold land of RMB36.6 million in 2024 further reflects our ongoing efforts to establish a more permanent and scalable manufacturing base in Changzhou. As battery companies across the globe continue to expand their production capacities, we plan to better support our customers' production line construction needs through production capability enhancement and optimization. To achieve this, we plan to use 40% of the [REDACTED] from the [REDACTED] for the upgrade and expansion of our East China headquarters (Changzhou) manufacturing base. Optimizing capacity utilization rates, managing the ramp-up of new production facilities efficiently, and aligning capacity investment with order visibility will be key operational priorities that directly impact our unit production costs and overall profitability.

Continued Investment in Research and Development and Technology Advancement

Innovation is at the core of our business model, and sustained investment in research and development is fundamental to maintain our technological competitiveness in the lithium-ion battery intelligent equipment and machine vision inspection solutions markets. The battery manufacturing industry is characterized by rapid technological evolution, with customers demanding increasingly precise, faster and more intelligent production systems. Our R&D activities focus on, among other things, advancing our machine vision algorithms, improving the speed and accuracy of defect detection systems, developing automation solutions compatible with new battery form factors, and integrating artificial intelligence into our equipment platforms. While R&D represents a significant expenditure that impacts our short-term profitability, we view such investment as essential for sustaining our competitive differentiation, protecting our intellectual property portfolio and enabling entry into potential higher-margin solution segments. Our ability to convert R&D investment into commercially viable products within a reasonable timeframe, and to protect the resulting intellectual property from infringement, will be a key determinant of our long-term competitive positioning and financial returns. Our research and development expenses for the years ended December 31, 2023, 2024 and 2025 were RMB37.6 million, RMB41.5 million and RMB49.4 million, respectively. We expect to continue to invest significant amounts in research and development going forward.

BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated and registered in the PRC as a limited liability company on April 11, 2014, and converted into a joint stock limited company on July 12, 2023.

The historical financial information of our Group has been prepared with the results of operations of both our Company and its subsidiaries consolidated, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2023, 2024 and 2025, and the consolidated statements of financial position of our Group and the statements of financial position of our Company as at December 31, 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**").

The consolidated financial statements of our Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with IFRSs Accounting Standards issued by the International Accounting Standards Board ("**IASB**") and were audited by our Reporting Accountants in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. We have adopted all IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions in the preparation of our historical financial information during the Track Record Period. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

For details of the basis of preparation, see Note 2.1 to the Accountants' Report included in Appendix I to this document. Further details of the material accounting policy information adopted are set out in Note 2.3 of the Accountants' Report included in Appendix I to this document.

MATERIAL ACCOUNTING POLICIES AND KEY ESTIMATES

The preparation of our Historical Financial Information requires our management to make judgements, estimates and assumptions that affect the reported amounts of our revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our material accounting policy information, judgements, estimates and assumptions, which are important for understanding our financial condition and results of operations, are set forth in further detail in Note 2.3 and Note 3 to the Accountants' Report included in Appendix I to this document.

The following discussion summarizes what we believe to be the most critical accounting policies and estimates that have significant impact on our financial condition and results of operations.

Material Accounting Policies

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customer at an amount that reflects the consideration to which we expect to be entitled in exchange for the goods or services.

For sale of intelligent equipment, revenue is generally recognized upon the receipt of customer acceptance. Such acceptance is formally acknowledged through a signed document verifying that the equipment meets the specified requirements and is fully operational to the customer's satisfaction. Typically, upon signing of a sales contract, the customer is obligated to remit a deposit of approximately 30%~40% of the total contract amount. Upon shipment of the equipment, the customer is required to settle approximately 30% of the total contract amount. Subsequently, upon the completion of installation and commissioning of the equipment, and upon receipt of the customer's signed acceptance confirmation, the customer is obliged to pay an additional approximately 20%~40% of the total contract amount. Finally, approximately 0%~10% of the contract amount is withheld by the customers and is released upon expiry of a one-year warranty period during which maintenance service will be provided to ensure the equipment will be operational as designed and is accounted for in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

For rendering services, revenue is recognized at a point in time when the service is completed and accepted by the customer, in accordance with the contractual terms.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Key Sources of Estimation Uncertainty

Provision for expected credit losses on trade receivables and contract assets

For trade receivables and contract assets from debtors individually significant to us, we has established a credit risk assessment under which individual credit evaluations for such debtors/customer are performed. The provision rates are based on credit rating of these individually significant and 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.

For trade receivables and contract assets from debtors not individually significant to us, we uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days from recognition date for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables and contract assets is disclosed in Note 21 and Note 23 to the Historical Financial Information, respectively.

Write-down of inventories to net realizable value

We review the carrying amounts of the inventories at the end of each accounting period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect our financial position.

RESULTS OF OPERATIONS

The table below presents a summary of our consolidated statements of profit or loss for the years indicated:

	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
REVENUE	294,048	393,939	552,096
Cost of sales	(236,439)	(272,081)	(407,534)
Gross profit	57,609	121,858	144,562
Other income and gains	21,035	4,370	19,394
Selling and marketing expenses	(11,929)	(10,594)	(13,230)
Administrative expenses	(35,411)	(28,997)	(28,877)
Research and development expenses	(37,553)	(41,463)	(49,365)
(Impairment)/reversal of impairment losses on financial and contract assets under expected credit loss model ("ECL"), net	1,357	(1,881)	1,799
Fair value gains on investments measured at FVTPL, net	167	13,218	8,345
Other expenses	(700)	(2,071)	(1,226)
Finance costs	(2,752)	(2,316)	(2,053)
(LOSS)/PROFIT BEFORE TAX	(8,177)	52,124	79,349
Income tax credit/(expense)	8,886	(849)	(9,683)
PROFIT FOR THE YEAR	709	51,275	69,666
Attributable to:			
Owners of the parent	879	53,027	69,353
Non-controlling interests	(170)	(1,752)	313
	709	51,275	69,666

DESCRIPTION OF MAJOR COMPONENTS OF OUR STATEMENTS OF PROFIT OR LOSS

Revenue

Revenue by business line

During the Track Record Period, our revenue was primarily derived from the sales of lithium-ion battery intelligent equipment and machine vision inspection solutions. We also generated limited revenue from sales of supplementary parts and provision of technical services. For details, see "Business — Our Products and Solutions" in this document. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our total revenue, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Types of goods or services						
Lithium-ion Battery Intelligent Equipment	96,161	32.7	180,958	45.9	461,499	83.6
Machine Vision Inspection Solutions	173,647	59.1	182,714	46.4	71,479	12.9
Services and others	24,240	8.2	30,267	7.7	19,118	3.5
Total	**294,048**	**100.0**	**393,939**	**100.0**	**552,096**	**100.0**

The following table sets forth units sold and average selling price of our products by business line for the years indicated.

	For the year ended December 31,								
	2023			2024			2025		
	Revenue	**Quantity**	**Average Unit Price**	**Revenue**	**Quantity**	**Average Unit Price**	**Revenue**	**Quantity**	**Averae Unit Price**
	RMB'000	*(Units)*	*RMB'000*	*RMB'000*	*(Units)*	*RMB'000*	*RMB'000*	*(Units)*	*RMB'000*
Lithium-ion battery intelligent equipment	96,161	80	1,202	180,958	116	1,560	461,499	309	1,494
— Core parts	2,760	6	460	28,612	51	561	107,070	162	661
— Equipment	93,401	74	1,262	152,346	65	2,344	354,429	147	2,411
Machine vision inspection solutions	173,647	1,103	157	182,714	610	300	71,479	281	254
— AOI equipment	8,699	19	458	77,450	46	1,684	19,123	17	1,125
— Machine vision inspection systems	164,948	1,084	152	105,264	564	187	52,356	264	198
Services and others	24,240	7,621	3	30,267	10,783	3	19,118	4,142	5
Total	**294,048**	**8,804**		**393,939**	**11,509**		**552,096**	**4,732**	

Revenue by geographic region

During the Track Record Period, a majority of our revenue was generated from domestic sales. The following table sets forth a breakdown of our total revenue by geographical region, in an absolute amount and as a percentage of our total revenue, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Geographical markets						
Chinese mainland	293,054	99.7	249,821	63.4	543,929	98.5
Other countries/regions	994	0.3	144,118	36.6	8,167	1.5
Total	**294,048**	**100.0%**	**393,939**	**100.0%**	**552,096**	**100.0%**

Note: (1) Revenue from other countries/regions primarily included revenue from Germany.

Cost of Sales

Our cost of sales primarily consisted of raw material cost, which primarily consisted of cost of purchase of precision mechanical components, optical elements, electronic control systems, and servo motors from our suppliers, labor costs, which primarily represented compensation paid to our workers involved in production of our products and others, which primarily represented other costs incurred in the production of our products such as utilities and depreciation.

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

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material costs	156,627	66.2	204,898	75.3	295,163	72.4
Labor costs	34,956	14.8	24,792	9.1	53,186	13.1
Others	30,803	13.1	22,864	8.4	48,313	11.9
Impairment losses on inventories, net	14,053	5.9	19,527	7.2	10,872	2.7
Total	**236,439**	**100.0**	**272,081**	**100.0**	**407,534**	**100.0**

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

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Types of goods or services						
Lithium-ion Battery Intelligent Equipment	93,219	39.4%	144,428	53.0%	337,110	82.7%
Machine Vision Inspection Solutions	125,930	53.3%	108,193	39.8%	61,215	15.0%
Services and others	17,290	7.3%	19,460	7.2%	9,209	2.3%
Total	**236,439**	**100.0%**	**272,081**	**100.0%**	**407,534**	**100.0%**

Gross Profit and Gross Profit Margin

Gross profit is equal to our total revenue less cost of sales. We recorded gross profit of RMB57.6 million, RMB121.9 million and RMB144.6 million, respectively, for the years ended December 31, 2023, 2024 and 2025. Our gross profit margin for the same years was 19.6%, 30.9% and 26.2%, respectively.

The following table sets forth our gross profit and gross profit margin by business line for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Types of goods or services						
Lithium-ion Battery Intelligent Equipment	2,942	3.1	36,530	20.2	124,389	27.0
Machine Vision Inspection Solutions	47,717	27.5	74,521	40.8	10,264	14.4
Services and others	6,950	28.7	10,807	35.7	9,909	51.8
Total	**57,609**	**19.6**	**121,858**	**30.9**	**144,562**	**26.2**

Other Income and Gains

During the Track Record Period, our other income and gains primarily consisted of (i) government grants, (ii) bank interest income, (iii) gains on disposal of an investment measured at FVTPL, which primarily related to our disposal of shares in a solid-state battery company in 2023, and (iv) others.

The following table sets forth the breakdown of our other income and gains, net, in absolute amounts and as a percentage of our total other income and gains, net, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other income						
Government grants[1]	7,745	36.8	1,253	28.7	14,625	75.4
Additional VAT deduction[2]	1,799	8.6	918	21.0	3,614	18.6
Bank interest income	3,668	17.4	996	22.8	621	3.2
Rental income	1	0.0	—	0.0	106	0.5
Total other income	**13,213**	**62.8**	**3,167**	**72.5**	**18,966**	**97.8**
Other gains						
Gains on disposal of property, plant and equipment, and termination of leases	164	0.8	618	14.1	1	0.0
Gains on disposal of financial assets at financial assets at FVTPL	847	4.0	545	12.5	370	1.9
Gains on disposal of an investment measured at FVTPL	6,597	31.4	—	0.0	—	0.0
Fair value gains on financial assets at FVTPL	—	0.0	—	0.0	28	0.1
Others	214	1.0	40	0.9	29	0.1
Total other gains	**7,822**	**37.2**	**1,203**	**27.5**	**428**	**2.2**
Total other income and gains	**21,035**	**100.0**	**4,370**	**100.0**	**19,394**	**100.0**

Notes:

(1) Government grants related to income that is received or receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to our Group with no future related costs recognized in profit or loss in the period upon actual receipt.

In accordance with the Notice of Ministry of Finance and State Administration of Taxation on Value-added Tax Policies for Software Products which was promulgated by the Ministry of Finance and the State Administration of Taxation on October 13, 2011 and came into effect on January 2011, enterprises engaged in the sales of self-developed software in the PRC are entitled to the value added tax refund to the portion of value-added tax actually paid which exceeds 3% of the related sale amounts.

(2) According to the regulations of the Ministry of Finance and the State Administration of Taxation, an entity within our Group can enjoy an additional 5% deduction calculated based on the input value-added tax from the VAT payable since January 1, 2023. The amount of additional deduction was recognised in profit or loss when the entities declared and enjoyed the preferential tax treatment.

Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses primarily consisted of (i) employee compensation in relation to sales and marketing personnel, (ii) business development expenses, which primarily included exhibition expenses, advertising expenses, hospitality expenses and consulting fees, (iii) office expenses, which primarily included daily office expenses, travel expenses, and depreciation with respect to right-of-use assets, and (iv) others, which primarily included insurance expenses, training expenses, and transportation expenses.

The following table sets forth the breakdown of our selling and marketing expenses, in absolute amounts, and as a percentage of our total selling and marketing expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Selling and marketing expenses						
Employee compensation	6,190	51.9	5,418	51.1	5,885	44.5
Business development expenses	4,403	36.9	3,951	37.3	5,795	43.8
Office expenses	1,306	10.9	1,220	11.5	1,474	11.1
Others	30	0.3	5	0.1	76	0.6
Total	**11,929**	**100.0**	**10,594**	**100.0**	**13,230**	**100.0**

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) employee compensation in relation to administrative personnel, (ii) office expenses, which primarily included daily office expenses, stamp duties, consulting expenses, and administrative expenses, (iii) depreciation and amortization with respect to right-of-use assets and fixed assets, and (iv) travel expenses and others, which primarily included transportation expenses and accommodation expenses.

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

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Administrative expenses						
Employee compensation	22,788	64.4	17,465	60.2	15,984	55.4
Office expenses	4,675	13.2	3,717	12.8	5,048	17.5
Depreciation and amortization	4,484	12.7	5,158	17.8	4,517	15.6
Travel expenses and others	3,464	9.7	2,657	9.2	3,328	11.5
Total	**35,411**	**100.0**	**28,997**	**100.0**	**28,877**	**100.0**

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily include (i) employee compensation, which primarily consisted of salaries, bonuses, social insurance, housing provident fund, and employee welfare expenses for R&D personnel, (ii) materials, which primarily represented raw materials directly consumed in R&D, samples and prototypes, reagents and consumables, testing and inspection fees, and pilot trial expenses, (iii) amortization and depreciation, which primarily represented current period depreciation of fixed assets, instruments and equipment, and buildings dedicated to R&D and (iv) others, which primarily represented ancillary expenses including patent application and maintenance fees, R&D travel expenses, office expenses, and expert consulting fees, among others.

The following table sets forth the breakdown of our research and development expenses, in an absolute amount and as a percentage of our total research and development expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Research and development expenses						
Employee Compensation	32,505	86.6	31,517	76.0	33,607	68.1
Materials	2,612	7.0	6,094	14.7	11,967	24.2
Amortization & Depreciation	1,371	3.7	1,600	3.9	1,489	3.0
Others	1,065	2.7	2,252	5.4	2,302	4.7
Total	**37,553**	**100.0**	**41,463**	**100.0**	**49,365**	**100.0**

Finance Costs

During the Track Record Period, our finance costs primarily include (i) interest on interest-bearing bank and other borrowings, (ii) interest on lease liabilities.

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

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Finance costs						
Interest on interest-bearing bank and other borrowings	10	0.4	104	4.5	818	28.9
Interest on lease liabilities	2,742	99.6	2,212	95.5	2,017	71.1
	2,752	100.0	2,316	100.0	2,835	100.0
Less: interest capitalised	—	—	—	—	(782)	(27.6)
Total	**2,752**	**100.0**	**2,316**	**100.0**	**2,053**	**72.4**

Other Expenses

During the Track Record Period, our other expenses primarily included (i) donations, which represented external donations to charitable organizations, foundations and poverty alleviation initiatives; (ii) net losses on disposal of items of property, plant and equipment; (iii) net foreign exchange differences; (iv) loss on derecognition of financial assets measured at FVOCI; and (v) certain other non-operating expenses.

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

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Donations	50	7.1	130	6.3	150	12.2
Losses on disposal of items of property, plant and equipment, net	211	30.1	969	46.8	4	0.3
Foreign exchange differences, net	—	0.0	—	0.0	15	1.2
Loss on derecognition of financial assets measured at FVOCI	370	52.9	578	27.9	1,022	83.4
Others	69	9.9	394	19.0	35	2.9
Total	**700**	**100.0%**	**2,071**	**100.0%**	**1,226**	**100.0%**

Income Tax Expense

Income tax expense primarily represents (i) current PRC enterprise income tax ("**EIT**") and (ii) deferred tax (credit) expense, which comprises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit.

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

	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	(8,292)	(747)	(1,748)
Deferred income tax	17,178	(102)	(7,935)
Total	**8,886**	**(849)**	**(9,683)**

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions where we operate.

China

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries was 25% during the Track Record Period unless subject to tax concession as set out below.

According to the Administrative Measures for Determination of High and New Tech Enterprises ("**HNTE**"), which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation and became effective on January 1, 2016 an enterprise recognised as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the EIT Law. Our Company, was subject to a preferential income tax rate of 15% for the financial years ended December 31, 2023, 2024 and 2025 as we were accredited as an HNTE in 2023.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementing regulations, as well as the relevant provisions of the Announcement on Further Tax and Fee Policies to Support the Development of Small and Micro Enterprises and Individual Businesses (Announcement No. 12 [2023] of the Ministry of Finance and the State Taxation Administration), the preferential corporate income tax policy, whereby qualified small and micro enterprises are subject to a tax rate on 25% of their taxable income at a reduced rate of 20%, has been extended until December 31, 2027. Guangzhou Zhicheng, EHolly Changzhou and Changzhou Yizhong, Changzhou Yizhan, met the criteria for small and micro enterprises and thus enjoyed the aforementioned corporate income tax incentives.

Guangzhou Dingfeng, our subsidiary, was accredited as an HNTE in 2023 and is subject to a preferential income tax rate of 15%. In 2025, Guangzhou Dingfeng met the criteria for small and micro enterprises and thus enjoyed corporate income tax incentives, and was subject to a tax rate on 25% of its taxable income at a 20% reduction in income tax rate.

Hong Kong

No provision for profits tax in Hong Kong was made as we did not have any assessable income subject to profits tax in Hong Kong during the Track Record Period.

Hungary

No provision for profits tax in Hungary was made as we did not have any assessable income subject to profits tax in Hungary during the Track Record Period.

The United Kingdom

No provision for profits tax in The United Kingdom was made as we did not have any assessable income subject to profits tax in The United Kingdom during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to the Year Ended December 31, 2024

Revenue

Our revenue increased RMB158.2 million, or 40.2%, from RMB393.9 million in 2024 to RMB552.1 million in 2025, primarily due to a combination of the following changes:

Our revenue generated from sales of lithium-ion battery intelligent equipment increased RMB280.5 million, or 155.0%, from RMB181.0 million in 2024 to RMB461.5 million in 2025, primarily due to a significant increase in unit sales of such intelligent equipment from 116 units in 2024 to 309 units in 2025 as more types of key pieces of equipment were qualified by our customers, allowing for increased sales, while prices remained relatively stable.

Our revenue generated from sales of machine vision inspection solutions decreased RMB111.2 million, or 60.9%, from RMB182.7 million in 2024 to RMB71.5 million in 2025, primarily due to (i) a decrease in units sold from 610 units in 2024 to 281 units in 2025, consistent with the change in our strategic focus away from solutions and towards comprehensive pieces of intelligent equipment and (ii) a decrease in average selling price from RMB300 thousand in 2024 to RMB254 thousand in 2025, driven by intensified competition in the machine vision market, particularly in relation to AOI equipment.

Our revenue generated from services and others decreased RMB11.2 million, or 37.0%, from RMB30.3 million in 2024 to RMB19.1 million in 2025, primarily due to a decrease in units sold, consistent with the decrease in machine vision inspection solutions , partially offset by an increase in average unit price due to a change in product mix towards higher value-added software services in 2025.

Cost of Sales

Our cost of sales increased RMB135.4 million, or 49.8%, from RMB272.1 million in 2024 to RMB407.5 million in 2025. The increase was mainly attributable to increases in raw material costs and labor costs driven by increased production and revenue in 2025.

Cost of sales attributable to our lithium-ion battery intelligent equipment business increased RMB192.7 million, or 133.4%, from RMB144.4 million in 2024 to RMB337.1 million in 2025, driven by a change in our strategic focus to high-end intelligent equipment and a significant increase in our orders from that segment.

Cost of sales from our machine vision inspection solutions business decreased RMB47.0 million, or 43.4%, from RMB108.2 million in 2024 to RMB61.2 million in 2025, reflecting the corresponding decrease in orders from this segment in line with our strategic shift in focus.

The cost of sales attributable to services and others decreased RMB10.3 million, or 52.8%, from RMB19.5 million in 2024 to RMB9.2 million in 2025.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB22.7 million, or 18.6%, from RMB121.9 million in 2024 to RMB144.6 million in 2025. This increase was primarily driven by a significant increase in revenue, particularly related to our intelligent equipment business. Our gross profit margin decreased from 30.9% in 2024 to 26.2% in 2025, primarily due to (i) a decline in revenue contribution from our machine vision inspection solutions business, which had comparatively higher margins in 2024 and (ii) a decrease in gross profit margin from that business line, partially offset by margin improvement in our lithium-ion battery intelligent equipment business.

Specifically, gross profit derived from our lithium-ion battery intelligent equipment business increased by RMB87.9 million, or 240.8%, from RMB36.5 million in 2024 to RMB124.4 million in 2025, primarily due to a change in our strategic focus to high-end intelligent equipment. Our gross profit margin from our lithium-ion battery intelligent equipment business increased significantly from 20.2% in 2024 to 27.0% in 2025. This was primarily due to increased economies of scale and improvement in capacity utilization and personnel utilization as we scaled up this business in line with the shift in our strategic focus, as well as improvement in our bargaining power because of our development of our high-end intelligent equipment.

Gross profit from our lithium-ion battery machine vision inspection solutions business decreased by RMB64.2 million, or 86.2%, from RMB74.5 million in 2024 to RMB10.3 million in 2025, primarily due to decreased sales in line with the change in our strategic focus to high-end intelligent equipment as well as a decrease in average selling price driven by intensified competition in the machine vision market. The gross profit margin from our lithium-ion battery machine vision inspection solutions business decreased from 40.8% in 2024 to 14.4% in 2025. This was primarily due the decrease in average selling price driven by intensified competition in the market.

Gross profit from services and others business decreased by RMB0.9 million, or 8.3%, from RMB10.8 million in 2024 to RMB9.9 million in 2025. The gross profit margin from our other business increased from 35.7% in 2024 to 51.8% in 2025. This was primarily due to variation in types of supplemental parts we sold during such periods and our aggressive pricing strategy on supplemental parts in 2025.

Other Income and Gains

Our other income and gains increased by RMB15.0 million, or 340.9%, from RMB4.4 million in 2024 to RMB19.4 million in 2025. The increase was primarily driven by a significant increase of RMB13.3 million in government grants, from RMB1.3 million in 2024 to RMB14.6 million in 2025, reflecting various new grants and awards received during 2025, and an increase of RMB2.7 million in additional VAT deduction.

Selling and Marketing Expenses

Our selling and marketing expenses increased RMB2.6 million, or 24.5%, from RMB10.6 million in 2024 to RMB13.2 million in 2025, primarily in connection with the growth in sales order volumes.

Administrative Expenses

Our administrative expenses remained relatively stable, decreasing slightly from RMB29.0 million in 2024 to RMB28.9 million in 2025, reflecting the effectiveness of our cost control strategies, even during periods of business expansion.

Research and Development Expenses

Our research and development expenses increased RMB7.9 million, or 19.0%, from RMB41.5 million in 2024 to RMB49.4 million in 2025, primarily due to our sustained commitment to technological innovation and growing investment in product upgrades and core technology development. The increase was primarily driven by the expansion of our R&D project portfolio, resulting in enlargement of the R&D team, increased direct expenditure on research materials, testing, and prototype manufacturing.

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

Our net impairment losses/reversals on financial assets and contract assets under ECL changed from a net impairment loss of RMB1.9 million in 2024 to a net reversal of impairment loss of RMB1.8 million in 2025, an improvement of RMB3.7 million, primarily due to an improvement in credit worthiness of our customer and our collection of long-aging receivables.

Other Expenses

Our other expenses decreased RMB0.9 million, or 42.9%, from RMB2.1 million in 2024 to RMB1.2 million in 2025, primarily due to a decrease of RMB0.9 million in net losses on disposal of items of property, plant and equipment, primarily due to the non-recurrence of the lease termination charges of the Company and Guangzhou Dingfeng incurred in 2024.

Finance Costs

Our finance costs remained relatively stable, decreasing slightly from RMB2.3 million in 2024 to RMB2.1 million in 2025.

Profit Before Tax

As a result of the foregoing, our profit before tax increased RMB27.2 million, or 52.2%, from RMB52.1 million in 2024 to RMB79.3 million in 2025.

Income Tax

Our income tax expenses increased RMB8.9 million, or 1,112.5%, from of RMB0.8 million in 2024 to RMB9.7 million in 2025, primarily driven by an increase in taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year increased RMB18.4 million, or 35.9%, from RMB51.3 million in 2024 to RMB69.7 million in 2025.

Year Ended December 31, 2024 Compared to the Year Ended December 31, 2023

Revenue

Our revenue increased RMB99.9 million, or 34.0%, from RMB294.0 million in 2023 to RMB393.9 million in 2024, primarily due to a combination of the following changes:

Our revenue derived from sales of lithium-ion battery intelligent equipment increased RMB84.8 million, or 88.2%, from RMB96.2 million in 2023 to RMB181.0 million in 2024, primarily due to a significant increase in average selling price of the units we sold from RMB1,202 thousand in 2023 to RMB1,560 thousand in 2024 as we upgraded from selling smaller single-process pieces of equipment, such as slitting machines, to selling larger, more integrated equipment, such as integrated calendering & slitting machines.

Our revenue generated from sales of lithium-ion battery machine vision inspection solutions remained relatively stable, increasing RMB9.1 million, or 5.2%, from RMB173.6 million in 2023 to RMB182.7 million in 2024. This reflected an increase in average selling price from RMB157 thousand in 2023 to RMB300 thousand in 2024 primarily due to increased prices in connection with solutions provided in Germany, partially offset by a decrease in units sold from 1,103 units in 2023 to 610 units in 2024, consistent with the change in our strategic focus away from solutions and towards comprehensive pieces of equipment.

Our revenue generated from services and others increased RMB6.1 million, or 25.2%, from RMB24.2 million in 2023 to RMB30.3 million in 2024. This was driven by increased sales of complementary parts.

Cost of Sales

Our cost of sales increased RMB35.7 million, or 15.1%, from RMB236.4 million in 2023 to RMB272.1 million in 2024, primarily due to increase in raw material costs largely driven by the change in our equipment being sold from smaller pieces of less expensive equipment to larger, more complicated and integrated equipment which required significantly more materials to produce in 2024.

The cost of sales attributable to our lithium-ion battery intelligent equipment business increased RMB51.2 million, or 54.9%, from RMB93.2 million in 2023 to RMB144.4 million in 2024, driven by the change in our equipment being sold from smaller pieces of less expensive equipment, to larger, more complicated and integrated equipment which required significantly more materials to produce.

This was partially offset by a decrease in cost of sales from our machine vision inspection solutions business of RMB17.7 million, or 14.1%, from RMB125.9 million in 2023 to RMB108.2 million in 2024, reflecting the corresponding decrease in orders and units produced from that segment.

The cost of sales attributable to services and others increased RMB2.2 million, or 12.7%, from RMB17.3 million in 2023 to RMB19.5 million in 2024, primarily driven by the increased sales.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB64.3 million, or 111.6%, from RMB57.6 million in 2023 to RMB121.9 million in 2024. This increase was primarily driven by expansion in our intelligent equipment business and the overseas orders we received in 2024. Our gross profit margin increased from 19.6% in 2023 to 30.9% in 2024, primarily driven by a significant improvement in gross profit margins for both of our intelligent equipment and machine vision inspection solutions businesses.

Specifically, gross profit derived from our lithium-ion battery intelligent equipment business increased by RMB33.6 million, or 1,158.6%, from RMB2.9 million in 2023 to RMB36.5 million in 2024, primarily due to a change in our strategic focus to high-end intelligent equipment. Gross profit margin from our lithium-ion battery intelligent equipment business increased from 3.1% in 2023 to 20.2% in 2024. This was primarily due to gradual improvements in capacity utilization and personnel utilization as initial start-up inefficiencies were overcome and we scaled up this business in line with the shift in our strategic focus.

Our gross profit from our lithium-ion battery machine vision inspection solutions business increased by RMB26.8 million, or 56.2%, from RMB47.7 million in 2023 to RMB74.5 million in 2024, and gross profit margin from such business increased from 27.5% in 2023 to 40.8% in 2024. This was primarily due to the higher prices and profit margin in relation to our overseas orders.

Our gross profit from others increased by RMB3.8 million, or 54.3%, from RMB7.0 million in 2023 to RMB10.8 million in 2024. The gross profit margin from others increased from 28.7% in 2023 to 35.7% in 2024. This was primarily because of the different categories of supplemental parts and technical services we provided during such periods.

Other Income and Gains

Our other income and gains decreased RMB16.6 million, or 79.1%, from RMB21.0 million in 2023 to RMB4.4 million in 2024. This decrease was primarily due to (i) a decrease of RMB6.6 million in gains on disposal of an investment measured at FVTPL, as we disposed of shares in a solid-state battery company in 2023; (ii) a decrease of RMB6.4 million in government grants, and (iii) a decrease of RMB2.7 million in bank interest income, as a result of lower prevailing bank interest rates and a reduction in time deposit activities as we redirected funds to support our operating activities.

Selling and Marketing Expenses

Our selling and marketing expenses decreased RMB1.3 million, or 10.9%, from RMB11.9 million in 2023 to RMB10.6 million in 2024, primarily due to a reduction in sales headcount, which resulted in lower staff-related costs primarily including salaries. The decrease was further supported by cost control measures that reduced advertising expenditures.

Administrative Expenses

Our administrative expenses decreased RMB6.4 million, or 18.1%, from RMB35.4 million in 2023 to RMB29.0 million in 2024, primarily as a result of cost reduction initiatives, primarily staff-related costs.

Research and Development Expenses

Our research and development expenses increased RMB3.9 million, or 10.4%, from RMB37.6 million in 2023 to RMB41.5 million in 2024, reflecting our sustained commitment to technological innovation and growing investment in product upgrades and core technology development. The increase was driven by the expansion of our R&D project portfolio, increased direct expenditures on research materials, testing, and prototype manufacturing, investment in new R&D equipment and professional software, and greater spending on intellectual property applications, maintenance, and external technology collaboration.

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

Our net impairment losses/reversals on financial and contract assets under ECL changed from a net reversal of impairment loss RMB1.4 million in 2023 to a net impairment loss of RMB1.9 million in 2024. The increase in provision of impairment losses on financial assets and contracts was generally in line with our increase in trade receivables.

Other Expenses

Our other expenses increased from RMB0.7 million in 2023 to RMB2.1 million in 2024, primarily driven by losses arising from the early termination of the lease of our Guangzhou facilities as we progressively transferred our production activities to Yixing in response to growing order volumes.

Finance Costs

Our finance costs slightly decreased from RMB2.8 million in 2023 to RMB2.3 million in 2024 remaining relatively stable. The decrease was primarily due to a decrease in interest on lease liabilities from RMB2.7 million in 2023 to RMB2.2 million in 2024, as such lease liabilities decreased as the remaining lease terms on the Group's factory premises progressively shortened, reducing the outstanding lease liability balances and related financing charges.

Profit/(Loss) Before Tax

As a result of the foregoing, our profit/(loss) before tax improved by RMB60.3 million, from a loss of RMB8.2 million in 2023 to a profit of RMB52.1 million in 2024.

Income Tax

Our income tax credit increased from a credit of RMB8.9 million in 2023 to an expense of RMB0.8 million in 2024, primarily due to the deferred tax credit of RMB17.2 million from the recognition of deferred tax assets mostly arising from unutilized tax losses in 2023. Due to improved profit in 2024, no material tax losses were recognized as deferred tax assets in 2024.

Profit for the Year

As a result of the foregoing, our profit for the year improved by RMB50.6 million, from a profit of RMB0.7 million in 2023 to a profit of RMB51.3 million in 2024.

DESCRIPTION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current Assets and Liabilities

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

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets:				
Inventories	515,883	512,891	678,461	881,660
Trade and bills receivables	69,237	90,258	194,241	150,022
Contract assets	43,095	37,424	101,792	99,902
Prepayments, deposits and other receivables	20,472	21,357	14,777	101,299
Tax recoverable	—	396	—	—
Pledged and restricted deposits	4,148	21,905	92,862	39,060
Financial assets at FVTPL	—	—	4,029	144,029
Cash and cash equivalents	96,527	109,265	261,699	219,632
Total current assets	**749,362**	**793,496**	**1,347,861**	**1,635,604**
Current liabilities:				
Trade and bills payables	153,549	248,849	504,521	554,886
Contract liabilities	279,649	223,973	456,026	359,455
Other payables and accruals	11,818	15,834	36,601	44,997
Interest-bearing bank and other borrowings	3,305	1,670	2,566	480
Lease liabilities	5,156	3,759	4,104	3,028
Income tax payable	4,601	—	1,711	1,588
Provisions	899	1,255	1,716	1,716
Total current liabilities	**458,977**	**495,340**	**1,007,245**	**966,150**
Net current assets	**290,385**	**298,156**	**340,616**	**669,454**

Our net current assets increased by RMB7.8 million, or 2.7%, from RMB290.4 million as of December 31, 2023 to RMB298.2 million as of December 31, 2024, primarily due to our total current assets increasing more than our total current liabilities. The increase in our total current assets was primarily attributable to (i) an increase of RMB21.0 million in trade and bills receivables, (ii) an increase of RMB17.8 million in pledged and restricted deposits, and (iii) an increase of RMB12.7 million in cash and cash equivalents. The increase in our current liabilities was primarily attributable to an increase of RMB95.3 million in trade and bills payables, partially offset by a decrease of RMB55.7 million in contract liabilities.

Our net current assets increased from RMB298.2 million as of December 31, 2024 to RMB340.6 million as of December 31, 2025, primarily due to our total current assets increasing more than our total current liabilities. The increase in our total current assets was primarily attributable to (i) an increase of RMB165.6 million in inventories, (ii) an increase of RMB104.0 million in trade and bills receivables, (iii) an increase of RMB64.4 million in contract assets, (iv) an increase of RMB71.0 million in pledged and restricted deposits, and (v) an increase of RMB152.4 million in cash and cash equivalents. The increase in our current liabilities was primarily attributable to (i) an increase of RMB255.7 million in trade and bills payables and (ii) an increase of RMB232.1 million in contract liabilities.

Our net current assets increased from RMB340.6 million as of December 31, 2025 to RMB669.5 million as of March 31, 2026, primarily due to our total current assets increasing while our total current liabilities decreased. The increase in our total current assets was primarily attributable to (i) an increase of RMB203.2 million in inventories, (ii) an increase of RMB86.5 million in prepayments, deposits and other receivables, and (iii) an increase in financial assets at fair value through profit or loss of RMB140.0 million, partially offset by (i) a decrease of RMB44.2 million in trade and bills receivables, (ii) a decrease of RMB53.8 million in pledged and restricted deposits, and (iii) a decrease of RMB42.1 million in cash and cash equivalents. The decrease in our current liabilities was primarily attributable to a decrease of RMB96.5 million in contract liabilities, partially offset by an increase of RMB50.4 million in trade and bills payables.

Current Assets

Inventories

During the Track Record Period, our inventories primarily include raw materials, work in process, finished goods, goods in transit. The following table sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	140,220	185,651	83,287
Work in process	29,677	95,371	260,509
Finished goods	—	1,893	1,323
Goods in transit	365,480	254,380	349,861
Provision of inventories to net realizable value	(19,494)	(24,404)	(16,519)
Total	**515,883**	**512,891**	**678,461**

Our inventories decreased by RMB3.0 million from RMB515.9 million as of December 31, 2023 to RMB512.9 million as of December 31, 2024, primarily due to a decrease of RMB111.1 million in goods in transit primarily related to our improved inventory turnover efficiency and operating capabilities with the expansion of sales scale and the acceleration of project acceptance timelines, largely offset by (i) an increase of RMB45.4 million in raw materials primarily related to advance stocking and procurement of long lead-time materials; and (ii) an increase of RMB65.7 million in work in process primarily related to more orders.

Our inventories increased by RMB165.6 million from RMB512.9 million as of December 31, 2024 to RMB678.5 million as of December 31, 2025, due to (i) an increase of RMB165.1 million in work in process primarily related to increased production cost inputs ahead of new project mass production launches, leading to a significant rise in work in process balances; and (ii) an increase of RMB95.5 million in goods in transit primarily related to a proactive increase in finished goods inventory to respond to downstream order growth and extended delivery cycles, partially offset by a decrease of RMB102.4 million in raw materials primarily as we improved our efficiency in turning raw materials to work in process and goods in transit.

The following table sets out the aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	315,217	370,226	601,235
One year to two years	170,786	120,007	52,796
Two years to three years	24,390	20,388	21,135
More than three years	5,490	2,270	3,295
Total	**515,883**	**512,891**	**678,461**

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

	For the year ended December 31,		
	2023	**2024**	**2025**
Average inventory turnover days(1)	788	690	534

Note:

(1) The inventory turnover days for each year equals the average of the beginning and ending balances of inventory for that year/period divided by cost of sales of the same year and multiplied by 365 days.

Our average inventory turnover days decreased from 788 days for the year ended December 31, 2023 to 690 days for the year ended December 31, 2024, and further decreased to 534 days for the year ended December 31, 2025. This was primarily because our growth of our cost of sales outpaced the growth rates of average inventory balances during the Track Record Period, as we were in a phase of rapid business expansion driven by our downstream customers' business expansion. As our sales scale expanded and project acceptance progress accelerated, inventory turnover efficiency was significantly improved. While the absolute numbers of inventory turnover days remain relatively high, reflecting the characteristically long acceptance cycles in the equipment industry, the improving trend demonstrates our continuously strengthening operational capabilities.

In particular, the proportion of inventories aged within one year increased during the Track Record Period. This was driven by strong downstream demand that enabled newly stocked inventory to be sold quickly and older inventory aged between one to two years to be efficiently absorbed, as well as our enhanced supply chain management measures, including sales-driven procurement and dynamic inventory monitoring, which effectively reduced the accumulation of aged inventory.

As of March 31, 2026, approximately RMB30.4 million, or 4.5%, of our inventories as of December 31, 2025 had been sold or utilized.

Trade and bills receivables

Our trade and bills receivables primarily consist of (i) bills receivable, representing bank drafts or commercial drafts received from customers upon fulfillment of our contractual obligations; and (ii) trade receivables, representing our unconditional rights to collect payments from customers following the fulfillment of our contractual obligations.

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	49,208	51,209	77,298
Bills receivable, carried at amortized cost	10,266	10,380	20,664
Bills receivable, measured at fair value through other comprehensive income	13,008	33,582	98,952
Less: Allowance for credit losses	(3,245)	(4,913)	(2,673)
Total	**69,237**	**90,258**	**194,241**

Our trade and bills receivables increased from RMB69.2 million as of December 31, 2023 to RMB90.3 million as of December 31, 2024, primarily due to the increase in revenue year to year and the corresponding growth in sales volume resulting from our business expansion, and further increased from RMB90.3 million as of December 31, 2024 to RMB194.2 million as of December 31, 2025, primarily due to the continued increase in revenue year to year and corresponding growth in sales volume resulting from our continued business expansion. Our allowance for credit losses on our trade and bills receivables increased from RMB3.2 million as of December 31, 2023 to RMB4.9 million as of December 31, 2024, in line with increases in our trade and bills receivables. Allowance for credit losses decreased to RMB2.7 million as of December 31, 2025, primarily because we successfully recovered certain large outstanding receivables through enhanced collection efforts, and our strengthened payment collection assessment and management mechanisms resulted in an overall acceleration of collection speed.

Our trading terms with our customers are in accordance with respective sales contract payment schedules. We seek to maintain strict control over our outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following table sets out the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	40,959	43,814	68,338
1 year to 2 years	2,306	1,199	5,339
2 years to 3 years	2,066	1,080	624
Over 3 years	632	203	324
Total	**45,963**	**46,296**	**74,625**

The following table sets forth our average trade and bills receivables turnover days for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Average trade and bills receivables turnover days[1]	126	78	97

Note:

(1) Trade and bills receivables turnover days for each year equals the average of the beginning and ending balances of trade and bills receivables for that year divided by revenue for that year and multiplied by 365 days.

Our average trade and bills receivables turnover days decreased from 126 days in 2023 to 78 days in 2024. This was primarily due to (i) an improvement in the broader industry environment, which led to a general improvement in customers' cash flows and more timely payments; and (ii) our revenue growth and strengthened collection efforts.

Our average trade and bills receivables turnover days increase from 78 days in 2024 to 97 days in 2025, primarily due to an increasing share of orders coming from top-tier battery customers who typically rely on bank acceptance bills or commercial acceptance bills which lengthens our collection period.

As of March 31, 2026, approximately RMB25.2 million, or 32.6%, of our trade receivables outstanding as of December 31, 2025 had been settled.

Contract assets

Contract assets are initially recognized for revenue earned from the sale of intelligent equipment as the receipt of consideration is conditional on successful assurance during the warranty periods. When warranty periods are passed, amounts recognized as contract assets are reclassified as trade receivables. The increase/decrease in contract assets during the Track Record Period was the result of the net effect of increase in the ongoing sale of intelligent equipment and expiry of warranty period of sales at the end of each year during the Track Record Period.

The following table sets forth details of our contract assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Retention receivables	43,309	37,910	103,070
Less: impairment	(214)	(486)	(1,278)
Net carrying amount	43,095	37,424	101,792

Our contract assets decreased from RMB43.1 million as of December 31, 2023 to RMB37.4 million as of December 31, 2024, primarily due to the expiry of warranty periods on certain projects during the year, which resulted in the recovery of the corresponding retention receivables and a consequent reduction in contract assets.

Our contract assets increased from RMB37.4 million as of December 31, 2024 to RMB101.8 million as of December 31, 2025, primarily due to our increased delivery amount during the year, resulting in the accumulation of a substantial amount of retention receivables associated with the warranty periods of these newly accepted projects.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly represent (i) prepayments made to certain suppliers; (ii) deposits on our rental properties; and (iii) VAT amounts we expect to recover in the future. The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current portion			
Prepayments	788	8,214	5,049
Deposits	3,218	2,285	2,324
Value added tax recoverable	15,190	8,901	7,372
Advance to employees	1,382	2,088	173
Less: Impairment losses	(106)	(131)	(141)
Total current portion	20,472	21,357	14,777

Pledged and restricted deposits

As of December 31, 2023, 2024 and 2025, we had RMB4.1 million, RMB21.9 million and RMB92.9 million, respectively, in pledged and restricted deposits. Our pledged and restricted deposits increased over the Track Record Period primarily because of an increase in bank notes issued by us, which led to a corresponding increase in the required acceptance security deposits.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly represent wealth management products we purchased in 2025. The following table sets forth details of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	—	—	4,029

Cash and cash equivalents

As of December 31, 2023 and 2024 and December 31, 2025, the balance of our cash and cash equivalents amounted to RMB96.5 million, RMB109.3 million and RMB261.7 million, respectively. For more details, see "— Liquidity and Capital Resources — Cash Flows Analysis" in this section.

Current Liabilities

Trade and bills payables

Our trade and bills payables primarily consist of (i) trade payables, representing short-term liabilities to suppliers arising from our day-to-day procurement of materials and receipt of services on commercial credit terms; and (ii) bills payables, representing six-month bank acceptance bills issued by us to settle payments for raw material purchases, which we utilize to match the settlement preferences of certain suppliers and to optimize our working capital arrangement through the effective use of bank credit. Suppliers with higher procurement volumes generally prefer to settle with us through bills. Our suppliers typically offer us credit terms of 90 days.

The following table sets forth details of our trade and bills payables as of the dates indicated:

	As of 31 December,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	133,810	177,948	367,882
Bills payable	19,739	70,901	136,639
Total	**153,549**	**248,849**	**504,521**

Our trade and bills payables increased from RMB153.5 million as of December 31, 2023 to RMB248.8 million as of December 31, 2024, and to RMB504.5 million as of December 31, 2025, primarily due to the expansion of our business scale, which drove a substantial increase in total raw material procurement. This growth is consistent with and directly reflective of our revenue growth trend during the same period.

The following table sets out the aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	124,232	162,242	361,160
1 year to 2 years	9,578	12,172	1,437
2 years to 3 years	—	3,534	3,961
Over 3 years	—	—	1,324
Total	**133,810**	**177,948**	**367,882**

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

	For the year ended December 31,		
	2023	**2024**	**2025**
Average trade and bills payables turnover days[1]	238	270	337

Note:

(1) Trade and bills payables turnover days for each year equals the average of the beginning and ending balances of trade and bills payables for that year divided by cost of sales for that year and multiplied by 365 days.

Our average trade and bills payables turnover days increased from approximately 238 days in 2023 to 270 days in 2024, and further increased to 337 days in 2025, primarily due to the significant increase in procurement volume driven by our business expansion, which resulted in a corresponding increase in outstanding trade and bills payables balances, with the growth rate of average trade and bills payables substantially outpacing the growth rate of operating costs during the Track Record Period. This was further supported by our efforts to negotiate extended payment terms with suppliers.

As of March 31, 2026, approximately RMB210.0 million, or 57.0%, of our trade and bills payables outstanding as of December 31, 2025 had been settled.

Contract liabilities

During the Track Record Date, our contract liabilities represent advances received from our customers. Our contract liabilities decreased from RMB279.6 million as of December 31, 2023 to RMB224.0 million as of December 31, 2024, within a relatively normal range of fluctuation. Our contract liabilities increased to RMB456.0 million and RMB359.5 million respectively, as of December 31, 2025 and March 31, 2026, primarily due to our enhanced delivery capabilities resulting from the successful implementation of our proactive capacity expansion plans and the continued optimization of our lean manufacturing system, which drove an acceleration in order fulfilment, kept core production line utilization rates consistently high, and achieved improvement in delivery efficiency and customer satisfaction, thereby attracting advance payments from customers on new orders.

Other payables and accruals

During the Track Record Date, our other payables and accruals consist of (i) payroll and welfare payables, (ii) payable for acquisition of non-current assets, (iii) accruals, (iv) deposits, (v) other tax payables, and (vi) others.

The following table sets forth details of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	6,294	7,791	7,413
Payable for acquisition of non-current assets	1,330	379	5,415
Accruals	2,626	1,546	4,982
Deposits	37	37	50
Other tax payables	1,499	6,081	18,741
Others	32	—	—
Total	**11,818**	**15,834**	**36,601**

Our other payables and accruals increased from RMB11.8 million as of December 31, 2023 to RMB15.8 million as of December 31, 2024, primarily due to an increase in payroll and welfare payables driven by year-end performance bonuses accrued for the research and development team at our subsidiary Changzhou Yizhong, which successfully completed development of the high-speed automatic assembly line for full-tab cylindrical cells and secured orders in 2024, partially offset by a decrease in accruals resulting from strengthened internal controls and more timely expense reimbursements during the year.

Our other payables and accruals further increased to RMB36.6 million as of December 31, 2025, primarily due to (i) a significant increase in payables for acquisition of non-current assets, as our subsidiary EHolly Changzhou commenced trial production towards the end of 2025 and procured substantial production equipment; and (ii) an increase in accruals driven by higher transportation costs resulting from increased order volumes and higher travel expenses incurred by our expanded workforce.

Other tax payables increased from RMB1.5 million as of December 31, 2023 to RMB6.1 million as of December 31, 2024, further to RMB18.7 million as of December 31, 2025, primarily because of the increase of our revenue and order volume during the Track Record Period.

INDEBTEDNESS

Our indebtedness consists of interest-bearing borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Interest-bearing bank and other borrowings	3,305	1,670	2,566	480
Lease liabilities	5,156	3,759	4,104	3,028
Non-current				
Interest-bearing bank and other borrowings	—	—	118,595	174,504
Lease liabilities	49,054	40,496	36,392	40,339
Total	**57,515**	**45,925**	**161,657**	**218,351**

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings consist of secured bank loans and discounted unmatured bills. As of December 31, 2023, 2024 and 2025 and March 31, 2026, we had interest-bearing bank and other borrowings of RMB3.3 million, RMB1.7 million, RMB121.2 million and RMB175.0 million, respectively. As of December 31, 2023, 2024 and 2025 and 31 March 2026, our borrowings bore effective interest rates ranging from 0.76%-4.00%, 0.76%-3.40%, 0.76%-2.89% and 2.70%-2.89% per annum, respectively. Our bank and other loans are all denominated in RMB.

Certain bank loans of our Company with the carrying amount of RMB498,000, and RMB401,000 as at December 31, 2024, and 2025, respectively were guaranteed by the Controlling Shareholders. Our Directors confirm that all such guarantees are expected to be fully released prior to the [REDACTED].

Certain right of use assets (land use right assets) with net carrying amounts of approximately RMB35,310,000 as at December 31, 2025, were pledged as security for bank facilities and other loans granted to us.

The following table sets forth our borrowings as of the dates indicated.

	As of December 31, 2023		
	Effective interest rates	**Maturity**	*RMB'000*
Current			
Bank loans — unsecured	4.00%	2024	2,306
Discounted unmatured bills	0.76%~1.49%	2024	999
Total			3,305

	As of December 31, 2024		
	Effective interest rates	**Maturity**	*RMB'000*
Current			
Bank loans — secured	3.30%~3.40%	2025	498
Discounted unmatured bills	0.76%~1.49%	2025	1,172
Total			1,670

	As at December 31, 2025		
	Effective interest rates	**Maturity**	*RMB'000*
Current			
Bank loans — secured	2.80%~2.89%	2026	401
Current portion of long-term bank loans — secured	2.70%	2026	79
Discounted unmatured bills	0.76%~1.49%	2026	2,086
			2,566
Non-current			
Bank loans — secured	2.70%	2027~2032	118,595
Total			121,161

	As at March 31, 2026		
	Effective interest rates	**Maturity**	*RMB'000*
Current			
Bank loans — secured	2.80%~2.89%	2026	401
Current portion of long-term bank loans — secured	2.70%	2026	79
			480
Non-current			
Bank loans — secured	2.70%	2027~2032	174,504
Total			174,984

As of March 31, 2026, we had banking facilities of RMB420.0 million, among which, RMB245.0 million was unutilized.

Lease Liabilities

During the Track Record Period, we entered into certain long-term lease contracts for buildings which generally have lease terms between three and twenty years. Generally, we are restricted from assigning and subleasing the leased assets outside our Group.

As of December 31, 2023, 2024 and 2025 and March 31, 2026, we recorded non-current lease liabilities of RMB49.1 million, RMB40.5 million, RMB36.4 million and RMB35.3 million, respectively, and current lease liabilities of RMB5.2 million, RMB3.8 million, RMB4.1 million and RMB3.0 million, respectively. The following table sets forth our lease liabilities as of the dates indicated.

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current lease liabilities	5,156	3,759	4,104	3,028
Non-current lease liabilities	49,054	40,496	36,392	40,339
Total	**54,210**	**44,255**	**40,496**	**43,367**

Our lease liabilities decreased as of December 31, 2024, primarily because we terminated the lease of our Guangzhou production facility early in 2023 in order to consolidate resources, as increasing order volumes had necessitated the gradual transfer of production operations to our Yixing facility, which better suited our expanded production requirements. Our lease liabilities decreased as of December 31, 2025, primarily because rental expenses on our existing leases increased in accordance with contractual escalation clauses.

Statement of Indebtedness

Our Directors confirm that save as disclosed above under the section headed "Interest-Bearing Borrowings" in this section, as of the Latest Practicable Date, there were no material covenants on any of our outstanding debt, and there was no breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans or other borrowings, nor any default in repayment or breach of covenant, during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, as of March 31, 2026, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases 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 material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since March 31, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded material contingent liabilities, guarantees, or litigation against us.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

During the Track Record Period, our primary uses of cash were to fund our working capital needs and capital expenditures. We have historically met our working capital needs primarily through cash generated from our operating activities, proceeds from disposal of derivative financial assets and new bank and other borrowings.

Upon the completion of the [REDACTED], we expect to meet our working capital needs primarily through cash flows from operating activities, bank and other borrowings and the [REDACTED] to our Company from the [REDACTED].

The table below sets forth our cash flows for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows (used in)/generated from operating activities	(136,868)	58,953	201,399
Net cash flows generated from/(used in) investing activities	43,565	(39,730)	(162,984)
Net cash flows (used in)/generated from financing activities	(2,971)	(6,485)	114,069
Net (decrease)/increase in cash and cash equivalents	(96,274)	12,738	152,484
Cash and cash equivalents at beginning of year	192,801	96,527	109,265
Effect of foreign exchange rate changes, net	—	—	(50)
Cash and cash equivalents at end of year	96,527	109,265	261,699

Net Cash Flows Generated From/(Used in) Operating Activities

Our net cash flows generated from operating activities in 2025 was RMB201.4 million. This net cash inflow was primarily attributable to profit before tax of RMB79.3 million, as adjusted for (i) depreciation of property, plant and equipment of RMB7.0 million, (ii) depreciation of right-of-use assets of RMB4.9 million and (iii) write-down of inventories to net realisable value of RMB10.9 million. The amount was further adjusted by positive working capital changes, primarily including (i) an increase in trade and bills payables of RMB781.4 million, (ii) an increase in contract liabilities of RMB232.1 million and (iii) an increase in other payables and accruals of RMB25.8 million, partially offset by (i) an increase in inventories of RMB176.4 million, (ii) an increase in contract assets of RMB65.2 million and (iii) an increase in trade and bills receivables of RMB628.3 million.

Our net cash flows generated from operating activities in 2024 was RMB59.0 million. This net cash inflow was primarily attributable to profit before tax of RMB52.1 million, as adjusted for (i) depreciation of property, plant and equipment of RMB7.4 million, (ii) depreciation of right-of-use assets of RMB4.9 million and (iii) write-down of inventories to net realisable value of RMB19.5 million. The amount was further adjusted by negative working capital changes, primarily including (i) an increase in trade and bills receivables of RMB259.3 million, (ii) a decrease in contract liabilities of RMB55.7 million and (iii) an increase in pledged and restricted bank deposits of RMB17.8 million, partially offset by an increase in trade and bills payables of RMB331.0 million.

Our net cash flows used in operating activities in 2023 was RMB136.9 million. This net cash outflow was primarily attributable to a loss before tax of RMB8.2 million, as adjusted for (i) depreciation of property, plant and equipment of RMB7.3 million, (ii) depreciation of right-of-use assets of RMB6.2 million and (iii) write-down of inventories to net realisable value of RMB14.1 million. The amount was further adjusted by negative working capital changes, primarily including (i) an increase in trade and bills receivables of RMB129.4 million, (ii) an increase in prepayments, other receivables and other assets of RMB65.5 million and (iii) a decrease in contract liabilities of RMB118.9 million, partially offset by an increase in trade and bills payables of RMB186.3 million.

Net Cash Flows Generated From/(Used in) in Investing Activities

During the Track Record Period, our investing activities primarily consisted of purchases of property, plant and equipment, purchases of leasehold land, and placement of and proceeds from withdrawal of financial assets at fair value through profit or loss.

Our net cash flows used in investing activities in 2025 was RMB163.0 million. This net cash outflow was primarily attributable to (i) purchases of items of property, plant and equipment of RMB159.4 million, primarily relating to the development of our East China headquarters (Changzhou) manufacturing base and (ii) placement of financial assets at fair value through profit or loss of RMB229.2 million, partially offset by proceeds from withdrawal of financial assets at fair value through profit or loss of RMB225.6 million.

Our net cash flows used in investing activities in 2024 was RMB39.7 million. This net cash outflow was primarily attributable to (i) purchases of leasehold land of RMB36.6 million, primarily relating to the development of our East China headquarters (Changzhou) manufacturing base, and (ii) placement of financial assets at fair value through profit or loss of RMB108.6 million, partially offset by proceeds from withdrawal of financial assets at fair value through profit or loss of RMB109.1 million.

Our net cash flows from investing activities in 2023 was RMB43.6 million. This net cash inflow was primarily attributable to (i) proceeds from withdrawal of financial assets at fair value through profit or loss of RMB76.3 million and (ii) proceeds from disposal of an investment measured at FVTPL of RMB10.0 million, partially offset by (i) purchases of items of property, plant and equipment of RMB12.3 million, (ii) purchases of an investment measured at FVTPL of RMB10.0 million and (iii) placement of financial assets at fair value through profit or loss of RMB20.4 million.

Net Cash Flows (Used in)/Generated From Financing Activities

During the Track Record Period, our financing activities primarily consisted of new bank and other borrowings, repayment of bank and other borrowings and payment of lease liabilities.

Our net cash flows generated from financing activities in 2025 was RMB114.1 million. This net cash inflow was primarily attributable to new bank and other borrowings of RMB121.4 million, partially offset by (i) payment of lease liabilities of RMB5.8 million, (ii) repayment of bank and other borrowings of RMB0.8 million and (iii) interest paid of RMB0.7 million.

Our net cash flows used in financing activities in 2024 was RMB6.5 million. This net cash outflow was primarily attributable to (i) repayment of bank and other borrowings of RMB6.6 million and (ii) payment of lease liabilities of RMB5.7 million, partially offset by new bank and other borrowings of RMB6.0 million.

Our net cash flows used in financing activities in 2023 was RMB3.0 million. This net cash outflow was primarily attributable to payment of lease liabilities of RMB6.3 million, partially offset by new bank and other borrowings of RMB3.3 million.

WORKING CAPITAL SUFFICIENCY

Historically, we financed our working capital needs primarily through cash flows from cash generated from our operating activities, equity financing and bank loans. Taking into account the financial resources available to us, including the cash flow from operating activities, existing borrowings and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that, after due and careful inquiry, we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted of purchases of property, plant and equipment, payments under long-term lease contracts for leasehold land. Our capital expenditures amounted to RMB12.3 million, RMB40.9 million and RMB159.4 million for the years ended December 31, 2023, 2024 and 2025, respectively.

CAPITAL COMMITMENTS

The following chart sets forth our capital commitments as of the end of each period in the Track Record Period:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided:			
Property, plant and equipment	1,106	104,348	31,868

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the Track Record Period, other than the compensation to our key management personnel, we had certain transactions and balances with the related parties during the Track Record Period, the details of which are set out in Note 37 to the Accountants' Report set out in Appendix I to this document.

Our Directors confirm that, all material related party transactions during the Track Record Period were conducted on an arm's length basis and on normal commercial terms and/or that such terms that were no less favorable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2023	**2024**	**2025**
Current ratio(1)	1.6	1.6	1.3
Gearing ratio(2)	14.4%	10.2%	31.1%
Quick ratio(3)	0.5	0.6	0.7

Notes:

(1) Current ratio equals our current assets divided by current liabilities as of the end of the year.

(2) Gearing ratio equals total debt as of the end of the year divided by total equity as of the end of the same year. Total debt includes all interest-bearing borrowings and lease liabilities.

(3) Quick ratio equals our current assets less inventories divided by current liabilities as of the end of the year.

Current Ratio

Our current ratio remained relatively stable at 1.6 as of December 31, 2023 and 1.6 as of December 31, 2024. Our current ratio decreased from 1.6 as of December 31, 2024 to 1.3 as of December 31, 2025, primarily due to a significant increase in orders in 2025 which led to (i) an increase in purchases of raw material and a resulting increase in trade and bills payables as at December 31, 2025 and (ii) an increase in contract liabilities relating to prepayments from our customers.

Gearing Ratio

Our gearing ratios were 14.4%, 10.2% and 31.1%, respectively, as of December 31, 2023, 2024 and December 31, 2025. Our gearing ratio increased to 31.1% as of December 31, 2025, because we incurred significant new long-term bank loans in 2025 in order to finance construction of our East China headquarters (Changzhou) manufacturing base.

Quick Ratio

Our quick ratio remained relatively stable at 0.5 as of December 31, 2023, 0.6 as of December 31, 2024, and 0.7 as of December 31, 2025.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal financial instruments comprise cash and cash equivalents, pledged and restricted deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for our operations. The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. Our Board of Directors reviews and agrees policies for managing each of these risks.

For further details, please see Note 40 to the Accountants' Report set out in Appendix I to this Document.

DIVIDENDS

No dividend was declared or paid by our Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period. Our Group currently does not have a pre-determined dividend policy. The Board may declare, and our Company may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders' interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had RMB78.2 million in retained earnings available for distribution to our Shareholders.

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2025 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of 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.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details on our unaudited [REDACTED] statement of adjusted consolidated net tangible assets.