You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto included in the Accountants' Report set out in Appendix I to this document. You should read the entire Accountants' Report in Appendix I to this document and not rely merely on the information contained in this section. The Accountants' Report has been prepared in accordance with the HKFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

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

OVERVIEW

We are an advanced industrial robotics company in China and were among the early market entrants in developing embodied intelligent robotics. We achieved revenue growth during the Track Record Period. Our revenue increased by 5.2% from RMB222.4 million for the year ended December 31, 2023 to RMB234.0 million for the year ended December 31, 2024, and further increased by 38.5% to RMB324.2 million for the year ended December 31, 2025. For the years ended December 31, 2023, 2024 and 2025, our gross profit margin was 27.1%, 30.4% and 33.0%, respectively. We recorded net profit for the year ended December 31, 2023 at RMB1.7 million, while we incurred net loss for the year ended December 31, 2024 and 2025 at RMB12.9 million and RMB16.1 million, respectively.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as issued by the HKICPA. All HKFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by our Group in the preparation of the Historical Financial Information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value at the end of each of the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Growth Trends in Our Robotic Products or Services as well as the Overall Demand Environment

During the Track Record Period, we specialized in the design, development, and manufacturing of (i) industrial robots, primarily including six-axis industrial robots and four-axis industrial robots, and expanded into a full series of (ii) collaborative robots and (iii) embodied intelligent robots. Our robotics products offer core strengths in welding while also offering multifunctional capabilities such as cutting, grinding, precision machining, stamping, handling and palletizing, assembly and others. Therefore, our future growth is dependent on the continued expansion of the addressable markets for our product offerings, especially for metal and machining, automotive and components, electronics, new energy, consumer goods and healthcare. Market forecasts for these products are based on assumptions regarding macroeconomic conditions, manufacturing industry expansion, technological adoption, and the pace of intelligent manufacturing transformation in China and globally. For further detailed analysis about the industrial robotics market where we operate, please refer to "Industry Overview – Analysis of Industrial Robotics and Intelligent Industrial Robotics Market".

Supportive Regulatory Climate for Industrial Robotics Market

Governments around the world are implementing policies to support the industrial robotics market where we operate, offering policy assurance and resource backing to advance R&D, manufacturing, and industrial applications. For instance, the PRC government in recent years has been implementing a number of preferential policies and development plans to encourage the development of the industrial robotics market, such as the Implementation Plan for "Robot+" Application Action. However, to the extent that any such favorable government policies were discontinued or reduced in the future, the industrial robotics market may be affected, which may also affect our financial performance and growth prospects.

Our R&D Capabilities

The industrial robotics market is characterized by rapid technological advancements, such as innovations in AI, machine vision, automation software, and robotics hardware shaping the competitive landscape. Our ability to sustain technological innovation and advancement through R&D is crucial for sustaining our position in the market, as technological breakthroughs are often the key differentiators in product performance, cost-effectiveness, and operational flexibility. For the years ended December 31, 2023, 2024 and 2025, our research and development expenses were RMB36.0 million, RMB36.0 million and RMB48.9 million, respectively, accounting for 16.2%, 15.4% and 15.1% of our total revenue for the same years, respectively. Our products are the best manifestation of our R&D efforts to enhance user experience and make the most of our products' innovative features. For details of these core technologies, please refer to the section headed "Business – Research and Development" in this document. However, our R&D efforts may not be successful or yield the anticipated level of economic benefits. Even if our R&D efforts are successful, we cannot guarantee that our products incorporating these newly developed technologies will be well accepted by the market or that we will be able to apply them in a timely manner to take advantage of the opportunities presented in the market.

Our Capability in Building Comprehensive Robotic Portfolio to Seize Market Opportunity

Our robotic portfolio is subject to diversified application scenarios and evolving customer demands. To achieve sustainable growth, we must continuously enhance our robotic portfolio to keep pace with these changes in a timely and effective manner. To that end, our ability to efficiently develop and launch new robotic products and enhance our existing robotic portfolio is critical to our growth prospects. We have a proven track record in this regard, as demonstrated by our comprehensive robotic portfolio catering to a wide range of application scenarios. We aspire to continue to leverage our existing advantages in this regard and strengthen our robotic portfolio to drive our growth.

Our investments in R&D of new technologies have driven the continuous launch of new products, addressing customer pain points in various new application scenarios and industry sectors. We equip our customers with advanced robots applicable for various industrial applications. In addition, while we strive to achieve efficiency with our R&D efforts, as similar initiatives in the industrial robotics market are usually associated with uncertainties in the process and outcome, we may experience fluctuations in expenses and we may not predict the results of and return on such investment, which, in turn, may affect our results of operations.

Our Capability in Sales and Marketing to Expand Customer Base

We have made proactive efforts in product commercialization and market expansion, which has contributed significantly to the expansion of our market reach and customer base, and, as a result, the growth of our revenue. We adopt a multi-channel sales model that integrates direct sales to system integrators and end customers as well as distribution to cater to the varying needs of our diverse customer base. For the years ended December 31, 2023, 2024 and 2025, our revenue generated from distribution was RMB12.8 million, RMB21.9 million and RMB9.8 million, respectively, accounting for 5.8%, 9.3% and 3.0% of our total revenue for the same years or period, respectively. However, our active efforts to acquire new customers or launch new products may result in higher initial layout of costs required to meet specific customer needs, including longer on-site implementation lead time required for our robotic products to onboarding customers, and production line adjustments associated with the mass production of our newly launched robotic products.

Ability to Maintain and Improve Cost and Operating Efficiency

Our ability to achieve profitability and sustainable growth depends in part on our management of cost of sales. For the years ended December 31, 2023, 2024 and 2025, our cost of sales was RMB162.1 million, RMB162.8 million and RMB217.4 million, respectively, accounting for 72.9%, 69.6% and 67.0% of our revenue for the same years. Changes in any major component of our cost of sales and our overall cost structure could have an impact on our gross profit and gross profit margin. Our results of operations and profitability are also significantly affected by our operating expenses, which primarily comprised selling and distribution expenses, administrative expenses and research and development expenses during the Track Record Period. Our total operating expenses (consisting of research and development expenses, selling and marketing expenses, administrative expenses) as a percentage of our total revenue fluctuated throughout the Track Record Period at 36.2%, 40.1% and 41.0% for the years ended December 31, 2023, 2024 and 2025, respectively. Looking ahead, we expect that our selling and marketing expenses, administrative expenses and research and development expenses will remain to account for a significant portion of our total operating expenses.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 2.3 to the Accountants' Report in Appendix I to this document sets forth certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management will continually evaluate such estimates, assumptions and judgments based on experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

DESCRIPTION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
REVENUE	**222,365**	**234,039**	**324,228**
Cost of sales	(162,146)	(162,821)	(217,362)
Gross profit	**60,219**	**71,218**	**106,866**
Other income and gains	26,689	16,508	20,722
Research and development expenses	(35,972)	(35,994)	(48,917)
Selling and distribution expenses	(27,080)	(38,129)	(43,661)
Administrative expenses	(17,495)	(19,661)	(40,374)
Other expenses	(516)	(875)	(2,889)
Finance costs	(955)	(1,329)	(868)
Impairment losses on financial assets, net	(3,202)	(4,682)	(7,025)
PROFIT/(LOSS) BEFORE TAX	**1,688**	**(12,944)**	**(16,146)**
Income tax expense	–	–	–
PROFIT/(LOSS) FOR THE YEAR	**1,688**	**(12,944)**	**(16,146)**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	–	115	85
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	1,688	(12,829)	(16,061)

Non-HKFRS Measure

We recorded an adjusted net profit (non-HKFRS measure) of RMB**[REDACTED]** in 2023 (after adjusting for **[REDACTED]** expenses and share-based payment expenses), and an adjusted net loss (non-HKFRS measure) of RMB**[REDACTED]** in 2024. The loss in 2024 was primarily due to a significant increase in selling and distribution expenses as a result of our sales and marketing efforts. In 2025, we recorded an adjusted net profit (non-HKFRS measure) of RMB**[REDACTED]**. This was primarily because customer acquisition costs were effectively controlled due to the sales and marketing efforts in 2024 and the growing reputation of our products, which led to a 38.5% revenue growth. For further details, please refer to " – Year to Year Comparison of Results of Operations" below. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items and provides useful information to **[REDACTED]** and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. We define adjusted net loss (non-HKFRS measure) as loss for the year/period adjusted for share-based payments expenses and **[REDACTED]** expenses. **[REDACTED]** expenses are expenses relating to the **[REDACTED]**; share-based payment expenses are non-cash items arising from granting restricted share units and options to senior management and employees. The following table reconciles our adjusted net loss (non-HKFRS measure) for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of net profit/(loss) to adjusted net profit/(loss) (non-HKFRS measure):			
Profit/(Loss) for the year	1,688	(12,944)	(16,146)
Add:			
– [REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
– Share-based payments	303	1,851	6,638
Adjusted net profit/loss (non-HKFRS measure)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Revenue

Revenue by Product

During the Track Record Period, we generated substantially all of our revenue from sales of our robotic products. During the Track Record Period, we specialized in the design, development, and manufacturing of (i) industrial robots (工業機器人), primarily including six-axis industrial robots (六軸工業機器人) and four-axis industrial robots (四軸工業機器人), and expanded into a full series of (ii) collaborative robots (協作機器人) and (iii) embodied intelligent robots (具身智能機器人). We also provide a limited amount of after-sales services related to our robotic products.

The following table sets forth a breakdown of our revenue by offering type as well as key product and product series for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sale of products						
(i) Industrial robots						
– Six-axis						
– welding						
(1) RH Series	101,254	45.5	71,232	30.4	30,833	9.5
(2) PRO Series	–	–	13,258	5.7	59,189	18.3
(3) Nynhan Series	8,415	3.8	16,490	7.0	40,295	12.4
(4) Laser Welding Series	15,069	6.8	21,084	9.0	36,355	11.2
(5) Spot Welding Series	–	–	210	0.1	3,283	1.0
	124,738	56.1	122,274	52.2	169,955	52.4
– multifunctional						
(1) Light-load Series	69,068	31.1	71,069	30.4	67,793	20.9
(2) Heavy-load Series	3,083	1.3	4,756	2.0	10,796	3.3
(3) All-purpose Series	–	–	–	–	1,407	0.4
	72,151	32.4	75,825	32.4	79,996	24.6
– Four-axis						
(1) Four-axis Palletizing Robots	7,414	3.3	8,310	3.6	10,873	3.4
(2) SCARA Robots	1,922	0.9	2,287	1.0	3,135	1.0

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
	9,336	4.2	10,597	4.6	14,008	4.4
(ii) Collaborative robots	441	0.2	6,229	2.7	24,333	7.5
(iii) Embodied intelligent robots	8,255	3.7	9,881	4.2	24,141	7.4
(iv) Other products	6,618	3.0	8,518	3.6	10,907	3.4
Sub-total	**221,539**	**99.6**	**233,324**	**99.7**	**323,340**	**99.7**
After-sales services	826	0.4	715	0.3	888	0.3
Total revenue	**222,365**	**100.0**	**234,039**	**100.0**	**324,228**	**100.0**

Our revenue generated from other products represented (a) customized robots for specific industries, and components used in our robots which mainly included robot structural parts and robot motion modules, and (b) tailor-made robot control cabinets, and components used in our robot control cabinets which mainly included electrical expansion components and electrical-related accessories. The table sets forth a breakdown of our revenue generated from other products during the Track Record Period.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customized robots for specific industries, and components used in our robots						
(i). five-axis palletizing robots	1,283	19.4	1,446	17.0	156	1.4
(ii). three-axis PCB loading and unloading robots	30	0.5	36	0.4	–	–
(iii). four-axis PCB loading robots	–	–	–	–	–	–
(iv). six-axis PCB loading robots	403	6.1	947	11.1	473	4.3
(v). components used in our robots	1,380	20.9	1,420	16.7	2,389	22.0
Sub-total	**3,096**	**46.9**	**3,849**	**45.2**	**3,018**	**27.7**
Tailor-made robot control cabinets, and components used in our robot control cabinets						
(i). robot control cabinets	1,058	16.0	2,419	28.4	3,240	29.7
(ii). components used in our robot control cabinets	2,464	37.1	2,250	26.4	4,649	42.6
Sub-total	**3,522**	**53.1**	**4,669**	**54.8**	**7,889**	**72.3**
Total revenue from other products	**6,618**	**100.0**	**8,518**	**100.0**	**10,907**	**100.0**

For detailed analysis about our year-to-year fluctuations of sales volume and average selling prices during the Track Record, please see "– Year to Year Comparison of Results of Operations" below.

The table below sets forth the sales volume and average selling prices ("**ASP**") by offering type as well as key products and product series for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	*ASP[1]*	*Sales volume*	*ASP[1]*	*Sales volume*	*ASP[1]*
	Unit	*RMB'000/unit*	*Unit*	*RMB'000/unit*	*Unit*	*RMB'000/unit*
Industrial robots						
– Six-axis welding						
(1) RH Series	1,492	68	1,077	66	461	67
(2) PRO Series	–	–	271	49	1,144	52
(3) Nynhan Series	130	65	241	68	556	72
(4) Laser Welding Series	271	56	383	55	685	53
(5) Spot Welding Series	–	–	1	211	22	149

	Year ended December 31,					
	2023		2024		2025	
	Sales volume Unit	*ASP[1] RMB'000/unit*	*Sales volume Unit*	*ASP[1] RMB'000/unit*	*Sales volume Unit*	*ASP[1] RMB'000/unit*
	1,893	66	1,973	62	2,868	59
– Six-axis multifunctional						
(1) Light-load Series	1,220	57	1,308	54	1,486	46
(2) Heavy-load Series	25	123	40	119	115	94
(3) All-purpose Series	–	–	–	–	22	64
	1,245	58	1,348	56	1,623	49
– Four-axis						
(1) Four-axis Palletizing Robots	202	37	239	35	269	40
(2) SCARA Robots	78	25	92	25	142	22
	280	33	331	32	411	34
Collaborative robots	7	63	94	66	358	68
Embodied intelligent robots	72	115	91	109	300	80
Total	**3,497**		**3,837**		**5,560**	

Note:

(1) The average selling price is calculated by dividing total revenue excluding tax for a product type or series by the sales volume of that product type or series.

Revenue by Industry Sector

The following table sets forth a breakdown of our revenue by application industry sector of our customers for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Metal and machining	170,571	76.7	180,193	77.0	240,787	74.3
Automotive and components	19,461	8.8	26,543	11.3	52,874	16.3
Electronics and new energy	18,241	8.2	19,334	8.3	16,927	5.2
Consumer goods and healthcare	14,092	6.3	7,969	3.4	13,640	4.2
Total	**222,365**	**100.0**	**234,039**	**100.0**	**324,228**	**100.0**

Revenue by Geographic Market

We have built up a broad and geographically diversified customer base both domestically and internationally. During the Track Record Period, our products have been sold to customers located in 40 countries or regions outside the PRC, mainly covering Europe, Southeast Asia, Latin America, South Asia and North America.

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

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
China (including Hong Kong and Taiwan)						
(1) Guangdong Province	43,282	19.5	44,295	18.9	59,355	18.3
(2) Jiangsu Province	30,001	13.5	25,887	11.1	41,861	12.9
(3) Shandong Province	26,282	11.8	27,438	11.7	36,183	11.2
(4) Shanghai	905	0.4	20,579	8.8	10,849	3.3
(5) Other regions or provinces in China	79,749	35.8	91,237	39.0	139,210	43.0
Sub-total	**180,219**	**81.0**	**209,436**	**89.5**	**287,458**	**88.7**
Overseas						
(1) Russia[(1)]	23,108	10.4	–	–	–	–
(2) India	4,264	1.9	4,838	2.1	6,611	2.0
(3) Thailand	3,857	1.7	2,580	1.1	4,918	1.5
(4) Other countries within overseas market[(2)]	10,917	5.0	17,185	7.3	25,241	7.8
Sub-total	**42,146**	**19.0**	**24,603**	**10.5**	**36,770**	**11.3**
Total revenue	**222,365**	**100.0**	**234,039**	**100.0**	**324,228**	**100.0**

Note:

(1) The material year-on-year fluctuation in revenue attributable to customers located in Russia is because we ceased direct sales to the customer in that region since 2024. For further information, please see "Business – Compliance with International Sanctions and Export Control Laws and Regulations".

(2) Other countries within overseas market mainly include Italy, Malaysia, Brazil, Mexico, Indonesia, etc., with not a single country contributing a significant portion of our total revenue.

Revenue by Sales Channel

We adopt a multi-channel sales model to cater to the varying needs of our diverse customer base. Our primary sales models are divided into the following key categories: (a) **direct sales,** including (i) ***direct sales to system integrators,*** who incorporate our robots into their complex, customized robotic solutions to end customers. System integrators play a key role in industries where our products are integrated into broader manufacturing systems; and (ii) ***direct sales to end customers,*** which is predominantly targeted at large enterprises. This model enables us to engage directly with clients, providing customized products and end-to-end support. This approach allows for deeper relationships with clients, particularly in industries such as automotive and components, electronics, and new energy; and (b) ***distribution:*** we work with distributors who help us expand our reach. These distributors are responsible for product sales within their territories, while also offering after-sales service and support. For more information about our sales channel, please refer to "Business – Sales, Marketing and Customers – Sales Models".

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

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales						
(i) Direct sales to system integrators	200,857	90.3	197,842	84.5	285,757	88.2
(ii)Direct sales to end-customers	8,718	3.9	14,337	6.2	28,642	8.8
Sub-total	**209,575**	**94.2**	**212,179**	**90.7**	**314,399**	**97.0**
Distribution	12,790	5.8	21,860	9.3	9,829	3.0
Total revenue	**222,365**	**100.0**	**234,039**	**100.0**	**324,228**	**100.0**

Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of raw materials and components, labor costs, manufacturing expenses and outsourcing costs. For the years ended December 31, 2023, 2024 and 2025, our cost of sales was RMB162.1 million, RMB162.8 million and RMB217.4 million, respectively, accounting for 72.9%, 69.6% and 67.0% of our revenue for the same years, respectively.

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

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials and components	134,955	83.3	135,362	83.1	180,077	82.8
Direct labor costs	4,733	2.9	4,758	2.9	5,936	2.7
Overhead costs	9,007	5.6	9,669	5.9	18,872	8.7
Outsourced production costs[1]	3,969	2.4	3,683	2.3	5,185	2.4
Write-down/(reversal of write-down) of inventories	5,043	3.1	3,855	2.4	(1,180)	(0.5)
Others[2]	4,439	2.7	5,494	3.4	8,472	3.9
Total cost of sales	**162,146**	**100.0**	**162,821**	**100.0**	**217,362**	**100.0**

Notes:

(1) During the Track Record Period, we outsourced production of wiring harnesses and PCBA boards to third-party suppliers. For more information about our outsourced production, please refer to "Business – Our Production – Outsourced Production" in this document.

(2) Mainly included warranty provision, delivery costs, maintenance expenses, and taxes and surcharges.

Cost of Sales by Offering Type

The following table sets forth a breakdown of our cost of sales by offering type for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sale of products						
(i) Industrial robots						
– Six-axis						
– welding	85,225	52.5	81,251	49.9	110,048	50.6
– multifunctional	53,781	33.2	53,664	33.0	59,357	27.3
– Four-axis	8,226	5.1	8,843	5.4	11,406	5.2
(ii) Collaborative robots	329	0.2	4,531	2.8	15,912	7.3
(iii) Embodied intelligent robots	5,143	3.2	4,840	3.0	14,064	6.5
(iv) Others[1]	3,881	2.4	5,293	3.2	6,987	3.2
Sub-total	**156,585**	**96.6**	**158,422**	**97.3**	**217,774**	**100.1**
Write-down/(reversal of write-down) of inventories	5,043	3.1	3,855	2.4	(1,180)	(0.5)
After-sales services	518	0.3	544	0.3	768	0.4
Total	**162,146**	**100.0**	**162,821**	**100.0**	**217,362**	**100.0**

Gross Profit and Gross Profit Margin

For the years ended December 31, 2023, 2024 and 2025, our gross profit was RMB60.2 million, RMB71.2 million and RMB106.9 million, respectively. Gross profit margin represents gross profit divided by revenue, expressed as a percentage. For the years ended December 31, 2023, 2024 and 2025, our gross profit margin was 27.1%, 30.4% and 33.0%, respectively.

Gross Profit and Gross Profit Margin by Offering Type

The following table sets forth a breakdown of our gross profit and gross profit margin by offering type as well as key products and product series 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*	*%*
Sale of products						
(i) Industrial robots						
– Six-axis						
– welding						
(1) RH Series	33,107	32.7	24,743	34.7	11,885	38.5
(2) PRO Series	–	–	3,696	27.9	18,729	31.6
(3) Nynhan Series	2,155	25.6	5,476	33.2	15,349	38.1
(4) Laser Welding Series	4,251	28.2	7,085	33.6	13,950	38.4
(5) Spot Welding Series	–	–	23	11.0	(6)	(0.2)
	39,513	31.7	41,023	33.6	59,907	35.2
– multifunctional						
(1) Light-load Series	18,055	26.1	21,620	30.4	19,728	29.1
(2) Heavy-load Series	315	10.2	541	11.4	664	6.2
(3) All-purpose Series	–	–	–	–	247	17.6
	18,370	25.5	22,161	29.2	20,639	25.8
– Four-axis						
(1) Four-axis Palletizing Robots	683	9.2	1,195	14.4	1,948	17.9
(2) SCARA Robots	427	22.2	559	24.4	654	20.9
	1,110	11.9	1,754	16.6	2,602	18.6
(ii) Collaborative robots	112	25.4	1,698	27.3	8,421	34.6
(iii) Embodied intelligent robots	3,112	37.7	5,041	51.0	10,077	41.7
(iv) Others	2,737	41.4	3,225	37.9	3,920	35.9
Sub-total	**64,954**	**29.3**	**74,902**	**32.1**	**105,566**	**32.6**
Write-down/(reversal of write-down) of inventories	(5,043)	N/A	(3,855)	N/A	1,180	N/A
After-sales services	308	37.3	171	23.9	120	13.5
Total	**60,219**	**27.1**	**71,218**	**30.4**	**106,866**	**33.0**

Gross Profit and Gross Profit Margin by Industry Sector

	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*	*%*
Metal and machining	50,469	29.6	59,093	32.8	82,716	34.4
Automotive and components	5,582	28.7	7,884	29.7	16,050	30.4
Electronics and new energy	5,142	28.2	5,634	29.1	3,304	19.5
Consumer goods and healthcare	4,069	28.9	2,462	30.9	3,616	26.5
Write-down/(reversal of write-down) of inventories	(5,043)	N/A	(3,855)	N/A	1,180	N/A
Total	**60,219**	**27.1**	**71,218**	**30.4**	**106,866**	**33.0**

Other Income and Gains

For the years ended December 31, 2023, 2024 and 2025, our recorded other income and gains amounted to RMB26.7 million, RMB16.5 million and RMB20.7 million, respectively. Our other income during the Track Record Period primarily consists of (i) government grants, and (ii) bank interest income. We also recorded gains during the Track Record Period, which primarily consists of (i) net foreign exchange gains which mainly resulted from fluctuations in the exchange rates between the USD and the RMB; and (ii) fair value gains on financial assets at FVTPL, which primarily represents fair value gains from the wealth management products that we purchased from commercial banks.

The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	4,721	4,549	2,559
Deferred income released	149	162	4,686
Government grants(1)	20,674	10,139	9,785
Additional deductible input tax	36	267	2,324
Rental income	48	98	68
Others	83	250	832
Total other income	25,711	15,465	20,254
Gains			
Gains on disposal of items of property, plant and equipment	77	349	-
Fair value gains on financial assets at FVTPL	901	309	468
Foreign exchange gains, net	–	385	-
Total gains	978	1,043	468
Total other income and gains	**26,689**	**16,508**	**20,722**

Note:

(1) Government grants received and recognized as "other income" during the Track Record Period related to grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. There are no unfulfilled conditions or contingencies relating to these grants. The government grants were mainly used to support our R&D activities and operations as a specialized and innovative enterprise. During the Track Record Period, we received government grants other than deferred income of RMB20.7 million, RMB10.1 million and RMB9.8 million in 2023, 2024 and 2025, respectively. The decrease from 2023 to 2024 was primarily due to the single large grant made by the Chengdu government based on a "one project, one decision" policy in an amount of RMB10.5 million, as a means to support major local companies. Our government grants remained relatively stable in 2024 and 2025.

Research and Development Expenses

For the years ended December 31, 2023, 2024 and 2025, our research and development expenses were RMB36.0 million, RMB36.0 million and RMB48.9 million, respectively, accounting for 16.2%, 15.4% and 15.1% of our total revenue for the same years, respectively. Our research and development expenses primarily consist of (i) employee compensation expenses and share-based payment expenses for our R&D personnel; (ii) material consumption and testing expenses incurred from R&D activities; and (iii) depreciation and amortization.

The following table sets forth a breakdown of our research and development expenses for years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Employee compensation expenses and share-based payment expenses	25,948	72.1	25,383	70.4	31,937	65.3
Material consumption and testing expenses	3,929	10.9	4,452	12.4	7,677	15.7
Depreciation and amortization	2,161	6.0	2,111	5.9	1,995	4.1
Design fees	2,260	6.3	2,257	6.3	2,367	4.8
Others[(1)]	1,674	4.7	1,791	5.0	4,941	10.1
Total	**35,972**	**100.0**	**35,994**	**100.0**	**48,917**	**100.0**

Note:

(1) Mainly represented travel expenses, utilities and offices expenses associated with our R&D activities.

Selling and Distribution Expenses

For the years ended December 31, 2023, 2024 and 2025, our selling and distribution expenses were RMB27.1 million, RMB38.1 million and RMB43.7 million, respectively, accounting for 12.2%, 16.3% and 13.5% of our total revenue for the same years, respectively.

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

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation expenses and share-based payment expenses	15,309	56.5	23,110	60.7	27,097	62.0
Travel expenses	4,322	16.0	6,479	17.0	7,692	17.6
Marketing promotion expenses	3,712	13.7	4,763	12.5	3,765	8.6
Entertainment expenses	987	3.6	1,046	2.7	1,774	4.1
Depreciation expenses	377	1.4	281	0.7	472	1.1
Others[1]	2,373	8.8	2,450	6.4	2,861	6.6
Total	**27,080**	**100.0**	**38,129**	**100.0**	**43,661**	**100.0**

Note:

(1) Mainly comprised utilities, vehicle usage expenses and offices expenses associated with our sales and marketing activities.

Administrative Expenses

For the years ended December 31, 2023, 2024 and 2025, our administrative expenses were RMB17.5 million, RMB19.7 million and RMB40.4 million, respectively, accounting for 7.9%, 8.4% and 12.5% of our total revenue, respectively.

The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation expenses and share-based payment expenses	9,990	57.2	11,124	56.6	14,120	34.9
Utilities, offices and property management expenses	1,238	7.1	1,638	8.3	1,202	3.0
Depreciation and amortization	2,262	12.9	2,156	11.0	1,843	4.6
Professional service fees	918	5.2	1,303	6.6	2,408	6.0
Entertainment expenses	510	2.9	721	3.7	1,386	3.4
Travel expenses	562	3.2	420	2.1	480	1.2
Tax and surcharges	1,032	5.9	1,041	5.3	1,297	3.2
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others[1]	983	5.6	1,258	6.4	1,096	2.7
Total	**17,495**	**100.0**	**19,661**	**100.0**	**40,374**	**100.0**

Note:

(1) Mainly comprised training expenses, vehicle usage expenses and delivery expenses associated with our administrative activities.

Other Expenses

For the years ended December 31, 2023, 2024 and 2025, our other expenses were RMB0.5 million, RMB0.9 million and RMB2.9 million, respectively, and accounted for an immaterial portion of our revenue for each year.

Finance Costs

Our finance costs primarily comprise interest expense on (i) interest-bearing bank loans; and (ii) lease liabilities. Our finance costs amounted to (i) RMB955,000 in 2023, comprising RMB951,000 of interest on bank loans and RMB4,000 of interest on lease liabilities; (ii) RMB1,329,000 in 2024, comprising RMB1,325,000 of interest on bank loans and RMB4,000 of interest on lease liabilities; and (iii) RMB868,000 in 2025, comprising RMB865,000 of interest on bank loans and RMB3,000 of interest on lease liabilities.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets represent provision for expected credit loss allowance for trade receivables and other receivables. The rates applied to measure our expected credit losses on trade receivables are determined with reference to historical payment profiles of our customers, our historical credit loss rates by industry and data published by external credit rating institutions, and are subject to adjustments based on current and forward-looking information about macroeconomic factors which may affect our customers' ability to settle our trade receivables. Our expected credit losses on deposits and other receivables are measured based on historical settlement records and past experiences.

Income Tax Expenses

We did not record any income tax expenses for the years ended December 31, 2023, 2024 and 2025, respectively, primarily because (i) we recorded a loss before tax for the year ended December 31, 2024 and 2025, respectively; and (ii) our Company is entitled to claim an additional deduction for qualified research and development expenses. For more information, please refer to Note 10 to the Accountants' Report in Appendix I to this document. During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with the relevant tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2024 Compared to Year ended December 31, 2025

Revenue

Our revenue increased by 38.5% from RMB234.0 million in 2024 to RMB324.2 million in 2025, which was primarily due to an increase in sales revenue of (i) our six-axis welding industrial robots of RMB47.7 million; (ii) our collaborative robots of RMB18.1 million; (iii) our embodied intelligent robots of RMB14.3 million; (iv) our six-axis multifunctional industrial robots of RMB4.2 million; and (v) our four-axis industrial robots of RMB3.4 million.

Our revenue growth during the Track Record Period was primarily driven by our strategic expansion from a core strength in welding robotics to a fully self-developed product matrix, while continuing to dedicate resources and focus to the welding field: (i) we had established core strengths in the welding field mainly through our six-axis welding industrial robots prior to and in 2022. Beginning in the second half of 2022, we initiated a strategic expansion by launching new series of six-axis multifunctional robots, four-axis industrial robots, collaborative robots, and embodied intelligent robots. This initiative contributed to an overall increase in sales revenue from these products from 2022 to 2024, while revenue from our established six-axis welding robots remained relatively stable; and (ii) these efforts, supported by our sustained R&D and targeted market promotion, culminated in the establishment of our fully self-developed product matrix by June 2024. The expanded matrix enabled us to cover a majority of industrial application scenarios and deepen our presence in high-growth sectors such as automotive components. Concurrently, we launched or upgraded several flagship six-axis welding robots, particularly in 2024, to strengthen our leadership in welding functionality and metal and machining applications. Our fully self-developed product matrix and new flagship six-axis welding robots collectively contributed to the revenue growth from 2024 to 2025.

Our revenue generated from six-axis welding industrial robots increased by 39.0% from RMB122.3 million in 2024 to RMB170.0 million in 2025, primarily attributable to: (1) an increase of 895 units in sales volume from 1,973 units in 2024 to 2,868 units in 2025, notably in the PRO Series, which saw an increase from 271 units in 2024 to 1,144 units in 2025. The sales volume for our Nynhan Series also increased from 241 units in 2024 to 556 units in 2025. This growth was mainly driven by improved performance addressing certain industry pain points, such as our self-developed welding power source; (2) the average selling price for our six-axis welding industrial robots decreased from RMB62 thousand per unit to RMB59 thousand per unit, mainly due to the PRO Series with a sales volume surge in 2025 which has a relevantly lower average selling price compared to the other series.

Our revenue generated from six-axis multifunctional industrial robots increased by 5.5% from RMB75.8 million in 2024 to RMB80.0 million 2025, primarily attributable to the increased sales volume from 1,348 units in 2024 to 1,623 units in 2025, as a result of the natural increase of our light-load series with reduced promotion efforts and the increase in our heavy-load series due to newly onboarded customers in the automotive industry. The average selling price for our six-axis multifunctional industrial robots decreased from RMB56 thousand per unit in 2024 to RMB49 thousand per unit in 2025, because we strategically offered better prices to major clients. Specifically, we proactively adopted a focused market penetration strategy supported by competitive pricing tailored to major clients in key industries and core applications. We offered targeted competitive pricing on our several best-selling robot models to secure higher volume orders, as we believe the increased order volumes allow us to achieve economies of scale in the supply chain and production, effectively lowering unit production costs and enabling us to maintain a stable overall profit level.

Our revenue generated from four-axis industrial robots increased by 32.2% from RMB10.6 million in 2024 to RMB14.0 million 2025, primarily attributable to the increased sales volume from 331 units in 2024 to 411 units in 2025, which was driven by our enhanced sales and promotion efforts for our four-axis palletizing robots. The average selling price for our four-axis industrial robots remained stable at RMB32 thousand per unit and RMB34 thousand per unit in 2024 and 2025, respectively.

Our revenue generated from collaborative robots increased by 290.6% from RMB6.2 million in 2024 to RMB24.3 million in 2025, primarily attributable to the increased sales volume from 94 units in 2024 to 358 units in 2025, which was driven by upgraded product performance through R&D technology and a newly launched series of models in the second half of 2025. The average selling price for our collaborative robots remained stable at RMB66 thousand per unit and RMB68 thousand per unit in 2024 and 2025, respectively.

Our revenue generated from embodied intelligent robots increased by 144.3% from RMB9.9 million in 2024 to RMB24.1 million in 2025, primarily attributable to the increased sales volume from 91 units in 2024 to 300 units in 2025, primarily because we officially launched the LH series in 2025 which sold 63 units in the same year, and continuously improved their performance, developing new application scenarios in the automobile industry. The average selling price for our embodied intelligent robots decreased from RMB109 thousand per unit in 2024 to RMB80 thousand per unit in 2025, because we adjusted our prices to a major Chinese state-owned energy enterprise in response to the volume surge.

Our revenue generated from most industry sectors of application increased in 2025, among which, (i) our revenue generated from the metal and machining industry increased by 33.6% from RMB180.2 million in 2024 to RMB240.8 million in 2025, as we built up a deep foundation in the industry, which resulted in stable revenue growth and relatively stable gross margins; (ii) our revenue generated from the automotive and components industry increased by 99.2% from RMB26.5 million in 2024 to RMB52.9 million in 2025, mainly because starting in 2023, we focused on this industry, with multiple models of our products that were well received by the market and helped us acquire several important clients; and (iii) our revenue generated from the consumer goods and healthcare industry increased by 71.2% from RMB8.0 million in 2024 to RMB13.6 million in 2025, because the robots for grain sampling application we developed finalized pilot production and generated sales revenue in 2025. Our revenue generated from the electronics and new energy industry decreased by 12.4% from RMB19.3 million in 2024 to RMB16.9 million in 2025, because we strategically shifted our focus from smaller customers to medium-to-large sized industrial players in 2025 and onboarded these customers in the same year.

Our revenue generated from both China (including Hong Kong and Taiwan) and overseas geographic markets increased in 2025, among which, (i) our revenue generated from China increased by 37.3% from RMB209.4 million in 2024 to RMB287.5 million in 2025, mainly because of the increased revenue across industries as a result of our enhanced sales efforts, and (ii) our revenue generated from overseas increased by 49.5% from RMB24.6 million in 2024 to RMB36.8 million in 2025, mainly because the local sales and technical support we realized in certain overseas markets.

Our revenue generated from direct sales channels increased by 48.2% from RMB212.2 million in 2024 to RMB314.4 million in 2025, among which, (i) our revenue generated from direct sales to system integrators increased by 44.4% from RMB197.8 million in 2024 to RMB285.8 million in 2025, and (ii) our revenue generated from direct sales to end customers increased significantly by 99.8% from RMB14.3 million in 2024 to RMB28.6 million in 2025, which is in line with our sustained sales and marketing efforts. Our revenue generated from distribution decreased by 55.0% from RMB21.9 million in 2024 to RMB9.8 million in 2025, which accounted for an immaterial portion of 3.0% of our total revenue in 2025.

Cost of sales

Our cost of sales increased by 33.5% from RMB162.8 million in 2024 to RMB217.4 million in 2025, which is due to increases across all major cost components associated with our expanded production activities and higher demand for our products. Such growth was slower than our revenue growth of 38.5% for the same period, reflecting enhanced cost efficiency driven by a favorable product mix, economies of scale, and advanced supply chain management.

Gross profit and gross profit margin

Our gross profit increased by 50.1% from RMB71.2 million in 2024 to RMB106.9 million in 2025, which exceeded our revenue growth of 38.5% during the same period. Our gross profit margin increased from 30.4% in 2024 to 33.0% in 2025.

The continued growth in our gross profit and the overall improvement of our gross profit margin during the Track Record Period were primarily driven by: (i) a favorable product mix shift towards our newly introduced series or flagship models of industrial robots, which carry enhanced functionalities and overall continued improved gross profit margins. For more information about development of our fully self-developed product matrix, please see "– Year to Year Comparison of Results of Operations – Year ended December 31, 2024 Compared to Year ended December 31, 2025 – Revenue" above; (ii) the improvement in gross profit margins mainly attributed to: (a) economies of scale derived from higher sales volumes; (b) our active negotiations with key suppliers for more favorable raw material prices, coupled with continuous improvements in our production technologies; and (c) increased sales volume for high-margin products.

Among which,

(1) our gross profit for six-axis welding industrial robots increased by 46.0% from RMB41.0 million in 2024 to RMB59.9 million in 2025, in line with our increased sales volume. The gross profit margin of our six-axis welding industrial robots remained relatively stable at 33.6% and 35.2% in 2024 and 2025, respectively;

(2) our gross profit for six-axis multifunctional industrial robots decreased by 6.9% from RMB22.2 million in 2024 to RMB20.6 million in 2025, and gross profit margin of our six-axis multifunctional industrial robots decreased from 29.2% in 2024 to 25.8% in 2025, because we strategically offered better prices to major clients;

(3) our gross profit for four-axis industrial robots increased by 48.3% from RMB1.8 million in 2024 to RMB2.6 million in 2025, in line with our increased sales volume. The gross profit margin of our four-axis industrial robots increased from 16.6% in 2024 to 18.6% in 2025, primarily due to our upgraded product performance and reduced costs;

(4) our gross profit for collaborative robots increased by 395.9% from RMB1.7 million in 2024 to RMB8.4 million in 2025, in line with our increased sales volume. The gross profit margin of our collaborative robots increased from 27.3% in 2024 to 34.6% in 2025, which was driven by upgraded product performance through R&D technology and a newly launched series of models in the second half of 2025;

(5) our gross profit for embodied intelligent robots increased by 99.9% from RMB5.0 million in 2024 to RMB10.1 million in 2025, in line with our increased sales volume. The gross profit margin of our embodied intelligent robots decreased from 51.0% in 2024 to 41.7% in 2025, primarily due to more favorable pricing we offered to clients in electronics and new energy industry, aimed at expanding market share and strengthening long-term partnerships.

By industry sector, (i) our gross profit for the metal and machining industry increased by 40.0% from RMB59.1 million in 2024 to RMB82.7 million in 2025, reflecting a stable natural increase in order volumes for our mature business area. The gross profit margin for the metal and machining industry remained relatively stable at 32.8% in 2024 and 34.4% in 2025; (ii) our gross profit for the automotive and components industry increased by 103.6% from RMB7.9 million in 2024 to RMB16.1 million in 2025, reflecting a strong increase in our sales for this industry. The gross profit margin for the automotive and components industry remained relatively stable at 29.7% in 2024 and 30.4% in 2025; (iii) our gross profit for the electronics and new energy industry decreased by 41.4% from RMB5.6 million in 2024 to RMB3.3 million in 2025, primarily we strategically chose to concentrate on major clients in the industry and we were still in early stage of this partnership. The gross profit margin for the electronics and new energy industry decreased from 29.1% in 2024 to 19.5% in 2025 in line with the reduced gross profit in this year; (iv) our gross profit for the consumer goods and healthcare industry increased by 46.9% from RMB2.5 million in 2024 to RMB3.6 million in 2025, primarily due to the mass production of new customer projects in this sector. The gross profit margin for the consumer goods and healthcare industry remained relatively stable at 30.9% in 2024 and 26.5% in 2025.

Other income and gains

Our other income and gains increased by 25.5% from RMB16.5 million in 2024 to RMB20.7 million in 2025, primarily due to an increase in deferred income released from government grants of RMB4.5 million, following the successful completion and acceptance of the related R&D projects. For more information about deferred income, please refer to Note 27 to the Accountants' Report in Appendix I to this document.

Research and development expenses

Our research and development expenses increased from RMB36.0 million in 2024 to RMB48.9 million in 2025. Our research and development expenses as a percentage of revenue remained stable at at 15.4% in 2024 and 15.1% in 2025.

Selling and distribution expenses

Our selling and distribution expenses increased by 14.5% from RMB38.1 million in 2024 to RMB43.7 million in 2025, primarily attributable to (i) an increase of RMB4.0 million in employee compensation expenses and share-based payment expenses; and (ii) an increase of RMB1.2 million in travel expense; and partially offset by (iii) an decrease of RMB1.0 million in marketing promotion expenses. Following the establishment of our fully self-developed product matrix by June 2024, our sales and distribution strategy in 2025 shifted from market penetration to efficiency. As our brand recognition and product offerings became more established, these efforts began to mature, resulting in a slower growth pace of selling and distribution expenses compared to 2024. As such, our marketing promotion expenses decreased from RMB4.8 million in 2024 to RMB3.8 million in 2025.

Administrative expenses

Our administrative expenses increased significantly by 105.4% from RMB19.7 million in 2024 to RMB40.4 million in 2025, primarily due to the **[REDACTED]** expenses of **[REDACTED]** which was incurred in 2025.

Finance costs

Our finance costs decreased by 34.7% from RMB1.3 million in 2024 to RMB0.9 million in 2025, primarily attributable to a decrease of RMB0.5 million in interest on bank loans, mainly as a result of a decrease in total amount of our bank loans as well as the decrease in interest of bank loans in line with the downward adjustment of the loan benchmark interest rate by the People's Bank of China.

Impairment losses on financial assets, net

Our net impairment losses on financial assets increased from RMB4.7 million in 2024 to RMB7.0 million in 2025. This was primarily due to the growth in scale and the aging of certain receivables that were not recovered, which is in line with our business growth.

Income tax expenses

We did not record any income tax expenses for the years ended December 31, 2024 and 2025.

Loss for the year

We recorded loss of RMB12.9 million and RMB16.1 million for the year ended December 31, 2024 and 2025, respectively, primarily because (i) an increase in our administrative expenses by 105.4% from RMB19.7 million in 2024 to RMB40.4 million in 2025, mainly attributable to the **[REDACTED]** expenses as well as the share based payment incurred in 2025; and (ii) an increase in our research and development expenses by 35.9% from RMB36.0 million in 2024 to RMB48.9 million in 2025, which is in line with the pace of our revenue growth.

Year ended December 31, 2023 Compared to Year ended December 31, 2024

Revenue

Our revenue increased by 5.2% from RMB222.4 million in 2023 to RMB234.0 million in 2024, which was primarily due to an increase in sales revenue of (i) our collaborative robots of RMB5.8 million, and (ii) our six-axis multifunctional industrial robots of RMB3.7 million; while sales revenue of our six-axis welding industrial robots remained relatively stable.

Our revenue generated from six-axis welding industrial robots slightly decreased by 2.0% from RMB124.7 million in 2023 to RMB122.3 million in 2024, for which we saw (1) an increase in sales volume from 1,893 units in 2023 to 1,973 units in 2024. This growth was mainly driven by such series that were gradually received by the market by virtue of their improved performance; (2) the average selling price for our six-axis welding industrial robots decreased from RMB66 thousand per unit to RMB62 thousand per unit mainly due to the addition of our PRO Series to our product matrix which has a lower average selling prices compared to other series.

Our revenue generated from six-axis multifunctional industrial robots increased by 5.1% from RMB72.2 million in 2023 to RMB75.8 million 2024, primarily attributable to the increased sales volume from 1,245 units in 2023 to 1,348 units in 2024, as a result of the increase in sales volume of our light-load series due to organic growth, as well as in heavy-load series due to newly onboarded customers in the automotive industry. The average selling price for our six-axis multifunctional industrial robots remained relatively stable at RMB58 thousand and RMB56 thousand in 2023 and 2024, respectively.

Our revenue generated from four-axis industrial robots increased by 13.5% from RMB9.3 million in 2023 to RMB10.6 million 2024, primarily attributable to the increased sales volume from 280 units in 2023 to 331 units in 2024, which was driven by the launch of a model of our four-axis palletizing robots. The average selling price for our four-axis industrial robots remained relatively stable at RMB33 thousand per unit and RMB32 thousand per unit in 2024 and 2025, respectively.

Our revenue generated from collaborative robots increased by 1,312.5% from RMB0.4 million in 2023 to RMB6.2 million 2024, primarily attributable to the increased sales volume from 7 units in 2023 to 94 units in 2024, which was driven by the official launch of our collaborative series in 2024 following our sample sales in 2023. The average selling price for our collaborative robots remained stable at RMB63 thousand per unit and RMB66 thousand per unit in 2023 and 2024, respectively.

Our revenue generated from embodied intelligent robots increased by 19.7% from RMB8.3 million in 2023 to RMB9.9 million in 2024, primarily attributable to the increased sales volume from 72 units in 2023 to 91 units in 2024, primarily because of the sample sales of our LH series in 2024 and the improved performance of our products with laser tracking functions. The average selling price for our embodied intelligent robots remained relatively stable at RMB115 thousand per unit in 2023 and RMB109 thousand per unit in 2024.

In addition, our revenue generated from most industry sectors of application increased in 2024, among which, (i) our revenue generated from the metal and machining industry increased by 5.6% from RMB170.6 million in 2023 to RMB180.2 million in 2024, due to a natural and stable growth of this industry; (ii) our revenue generated from the automotive and components industry increased by 36.4% from RMB19.5 million in 2023 to RMB26.5 million in 2024, mainly due to our scenario-specific development started in 2023 that brought about the subsequent increase in revenue of several heavy-load models in 2024; and (iii) our revenue generated from the electronics and new energy industry increased by 6.0% from RMB18.2 million in 2024 to RMB19.3 million in 2024, due to natural growth. Our revenue generated from the consumer goods and healthcare industry decreased by 43.5% from RMB14.1 million in 2023 to RMB8.0 million in 2024, because the robots with grain sampling application were in pilot production phase and did not generate revenue.

Our revenue generated from China (including Hong Kong and Taiwan) increased by 16.2% from RMB180.2 million in 2023 to RMB209.4 million in 2024, mainly because of the newly launched PRO Series in 2024 that became a new source of revenue; our revenue generated from overseas market decreased by 41.6% from RMB42.1 million in 2023 to RMB24.6 million in 2024, mainly because Customer A (one of our five largest customers in 2023, 2024 and 2025, respectively) starting to transact with us through its distributor entity instead of its system integrator entity in China.

Our revenue generated from direct sales to system integrators remained relatively stable at RMB200.9 million in 2023 and RMB197.8 million in 2024; our revenue generated from direct sales to end customers increased significantly by 64.5% from RMB8.7 million in 2023 to RMB14.3 million in 2024, mainly because we developed some end customers with system integrating capabilities in 2024. Our revenue generated from distribution increased by 70.9% from RMB12.8 million in 2023 to RMB21.9 million in 2024, due to our intensified cooperation with distributors in expansion of our overseas business.

Cost of sales

Our cost of sales remained stable at RMB162.1 million in 2023 to RMB162.8 million in 2024, while we recorded revenue growth of 5.2% for the same years, reflecting enhanced cost efficiency driven by a favorable product mix, economies of scale, and advanced supply chain management.

Gross profit and gross profit margin

Our gross profit increased by 18.3% from RMB60.2 million in 2023 to RMB71.2 million in 2024, which exceeded our revenue growth of 5.2% during the same period. Our gross profit margin increased from 27.1% for the year ended December 31, 2023 to 30.4% for the year ended December 31, 2024, mainly due to our continued cost-reducing efforts.

Among which,

(1) our gross profit for six-axis welding industrial robots remained relatively stable at RMB39.5 million and RMB41.0 million in 2023 and 2024, respectively. The gross profit margin of our six-axis welding industrial robots remained relatively stable at 31.7% and 33.6% in 2023 and 2024, respectively;

(2) our gross profit for six-axis multifunctional industrial robots increased by 20.6% from RMB18.4 million in 2023 to RMB22.2 million in 2024, in line with our increased sales volume. The gross profit margin of our six-axis multifunctional industrial robots increased from 25.5% in 2023 to 29.2% in 2024, primarily due to the cost scale effect brought about by the 54.3% revenue increase in our heavy-load Series;

(3) our gross profit for four-axis industrial robots increased by 58.0% from RMB1.1 million in 2023 to RMB1.8 million in 2024, in line with our increased sales volume. The gross profit margin of our four-axis industrial robots increased from 11.9% in 2023 to 16.6% in 2024, primarily due to the launch of our four-axis palletizing robots with a higher margin;

(4) our gross profit for collaborative robots increased by 1,416.1% from RMB0.1 million in 2023 to RMB1.7 million in 2024, in line with our increased sales volume. The gross profit margin of our collaborative robots remained relatively stable at 25.4% and 27.3% in 2023 and 2024, respectively;

(5) our gross profit for embodied intelligent robots increased by 62.0% from RMB3.1 million in 2023 to RMB5.0 million in 2024, in line with our increased sales volume. The gross profit margin of our embodied intelligent robots increased from 37.7% in 2023 to 51.0% in 2024, respectively, due to the sales of our products with laser tracking functions which have a relatively high margin.

In addition, by industry sector, (i) our gross profit for the metal and machining industry increased by 17.1% from RMB50.5 million in 2023 to RMB59.1 million in 2024; The gross profit margin for the metal and machining industry remained relatively stable at 29.6% and 32.8% in 2023 and 2024; (ii) our gross profit for the automotive and components industry increased by 41.2% from RMB5.6 million in 2023 to RMB7.9 million in 2024. The gross profit margin for the automotive and components industry remained relatively stable at 28.7% and 29.7% in 2023 and 2024; (iii) our gross profit for the electronics and new energy industry increased by 9.6% from RMB5.1 million in 2023 to RMB5.6 million in 2024. The gross profit margin for the electronics and new energy industry remained relatively stable at 28.2% in 2023 and 29.1% in 2024; (iv) our gross profit for the consumer goods and healthcare industry decreased by 39.5% from RMB4.1 million in 2023 to RMB2.5 million in 2024. The gross profit margin for the consumer goods and healthcare industry relatively stable at 28.9% in 2023 and 30.9% in 2024. Our gross profit fluctuations from 2023 to 2024 were all in line with the revenue generated for such sectors.

Other income and gains

Our other income and gains decreased by 38.1% from RMB26.7 million in 2023 to RMB16.5 million in 2024, mainly due to a decrease in government grants recognized during the year of RMB10.5 million.

Research and development expenses

Our research and development expenses remained stable at RMB36.0 million in 2023 to RMB36.0 million in 2024, respectively. And our research and development expenses as a percentage of revenue slightly decreased from 16.2% in 2023 to 15.4% in 2024.

Selling and distribution expenses

Our selling and distribution expenses increased by 40.8% from RMB27.1 million in 2023 to RMB38.1 million in 2024, primarily attributable to (i) an increase of RMB7.8 million in employee compensation expenses and share-based payment expenses; (ii) an increase of RMB2.2 million in travel expenses; and (iii) an increase of RMB1.1 million in marketing promotion expenses.

The significant increase in our selling and distribution expenses from 2023 to 2024 was primarily driven by our sales and marketing efforts to (i) support promoting our new products in parallel with the ongoing development of our self-developed product matrix. For more information, please see "– Year to Year Comparison of Results of Operations – Year ended December 31, 2024 Compared to Year ended December 31, 2025 – Revenue" above. Specifically, a considerable portion of the selling and distribution expenses in 2024 are allocated to acquiring new clients, such as in the automotive and components industry sector, where we actively pursued major new clients among industry leaders; and (ii) maintain relationships with our existing customers to foster organic growth.

Administrative expenses

Our administrative expenses increased by 12.4% from RMB17.5 million in 2023 to RMB19.7 million in 2024. This was primarily attributable to an increase in employee compensation expenses and share-based payment expenses of RMB1.1 million, driven primarily by our grant of employee bonuses in 2024.

Finance costs

Our finance costs increased by 39.2% from RMB1.0 million in 2023 to RMB1.3 million in 2024, primarily attributable to an increase of RMB0.4 million in interest on bank loans. Such increase was mainly attributable to (i) interest payments for the bank loans we obtained in 2023 were predominantly made in 2024, and (ii) the amount of new bank loans we acquired in 2024 exceeded the repayments we made for the loans obtained in 2023.

Impairment losses on financial assets, net

Our net impairment losses on financial assets increased from RMB3.2 million in 2023 to RMB4.7 million in 2024; mainly due to increased provisions for expected credit losses on trade receivables a result of (i) our revenue growth and expanded customer base; and (ii) our offering of more flexible payment terms to support promoting our new products in parallel with the ongoing development of our self-developed product matrix. For further details, please see "– Year to Year Comparison of Results of Operations – Year ended December 31, 2024 Compared to Year ended December 31, 2025 – Revenue" above.

Income tax expenses

We did not record any income tax expenses for the years ended December 31, 2023 and 2024.

Profit/(loss) for the year

Although we have been operating since 2012 and were profitable in 2023 with retained profits as of January 1, 2023, we recorded a net loss in 2024 and 2025, respectively. We recorded profit of RMB1.7 million for the year ended December 31, 2023 and loss of RMB12.9 million for the year ended December 31, 2024, respectively, primarily because (i) our other income and gains decreased by 38.1% from RMB26.7 million in 2023 to RMB16.5 million in 2024, mainly due to a decrease in government grants recognized during the year of RMB10.5 million. Such decrease was primarily due to the single large grant made by the Chengdu government on a "one project, one decision" basis in an amount of RMB10.5 million, as a means to support local major technology projects; and (ii) our selling and distribution expenses increased by 40.8% from RMB27.1 million in 2023 to RMB38.1 million in 2024. The significant increase in our selling and distribution expenses from 2023 to 2024 was primarily driven by the fact that 2024 represented a pivotal year of marketing breakthrough following the establishment of our self-developed product matrix by June 2024. For more information, please see "– Year to Year Comparison of Results of Operations". During this period, we significantly increased our sales and marketing efforts to: (i) support promoting our new products in parallel with the ongoing development of our self-developed product matrix. Specifically, a considerable portion of the selling and distribution expenses in 2024 was allocated to acquiring new clients, such as in the automotive and components industry sector, where we actively pursued major new clients among industry leaders; and (ii) maintain relationships with our existing customers to foster organic growth through refined resource allocation and channel optimization, such as the abolition of the regional system and the adoption of a new industry-based structure.

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth statements of our financial position as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	109,739	103,257	113,755
Right-of-use assets	10,068	9,551	8,828
Intangible assets	2,832	3,580	4,346
Prepayments, other receivables and other assets	2,680	1,965	425
Total non-current assets	**125,319**	**118,353**	**127,354**
CURRENT ASSETS			
Inventories	94,546	82,456	108,712
Trade and bills receivables	101,060	113,940	143,160
Debt investments at fair value through other comprehensive income	6,823	19,133	18,641
Prepayments, other receivables and other assets	18,219	11,504	21,310
Financial assets at fair value through profit or loss ("**FVTPL**")	3,844	–	-
Restricted bank deposits	–	1,406	261
Cash and cash equivalents	162,374	154,272	176,125
Total current assets	**386,866**	**382,711**	**468,209**
CURRENT LIABILITIES			
Trade and bills payables	115,870	111,079	187,940
Contract liabilities	1,693	3,648	6,579
Other payables and accruals	34,115	23,232	36,133
Interest-bearing bank loans	30,746	40,000	50,567
Lease liabilities	27	104	38
Tax payable	1,485	1,483	-
Total current liabilities	**183,936**	**179,546**	**281,257**
NET CURRENT ASSETS	**202,930**	**203,165**	**186,952**
TOTAL ASSETS LESS CURRENT LIABILITIES	**328,249**	**321,518**	**314,306**
NON-CURRENT LIABILITIES			
Lease liabilities	–	35	-
Deferred income	1,786	5,104	5,666
Provision	2,429	3,323	5,007
Total non-current liabilities	**4,215**	**8,462**	**10,673**
Net assets	**324,034**	**313,056**	**303,633**

Certain Items of Non-Current Assets and Non-current Liabilities

Property, plant and equipment

Our property, plant and equipment consist of (i) buildings; (ii) machinery and equipment; (iii) motor vehicles; (iv) other equipment; and (v) construction in progress. The table below sets forth a breakdown of the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	88,236	83,160	78,085
Machinery and equipment	13,170	12,378	31,284
Motor vehicles	322	315	214
Other equipment	6,751	5,338	4,072
Construction in progress	1,260	2,066	100
Total	**109,739**	**103,257**	**113,755**

Our property, plant and equipment slightly decreased from RMB109.7 million as of December 31, 2023 to RMB103.3 million as of December 31, 2024, primarily due to a decrease in net carrying amount of buildings of RMB5.1 million. Such decrease was as a result of continued accumulated depreciation. In addition, we have made adequate provision for expected credit loss for trade and bills receivables in the balance sheet. Our property, plant and equipment increased from RMB103.3 million as of December 31, 2024 to RMB113.8 million as of December 31, 2025, respectively, primarily attributable to additions in our machinery and equipment, mainly representing certain equipment acquired for our production capacity expansion.

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The aggregate value of our right-of-use assets decreased slightly throughout the Track Record Period, with an aggregate value of RMB10.1 million, RMB9.6 million and RMB8.8 million as of December 31, 2023, 2024 and 2025, respectively. Such decrease trend was mainly due to continued amortization charge of our land use rights during the Track Record Period.

Deferred income

Our deferred income consist of government grants. Such grants are credited to profit or loss on a straight-line basis over the expected lives of the related assets, or are recognized as income on a systematic basis over the periods in which the related costs, for which they are intended to compensate, are expensed. Please also refer to "– Description of Key Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Other Income and Gains" above.

The following table sets forth the recognition of government grants assets in our financial statements as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,134	1,786	5,104
Grants received during the year	801	3,480	5,248
Released to profit or loss during the year	(149)	(162)	(4,686)
At end of year	**1,786**	**5,104**	**5,666**

The government grants we received during the Track Record Period were mainly one-off in nature and provided by local government authorities to support our R&D activities and operations as a specialized and innovative enterprise.

Current Assets

Inventories

Our inventories comprise (i) raw materials and components; (ii) finished goods; (iii) materials consigned for processing and work in progress, and (iv) goods in transit. Our materials consigned for processing primarily consisted of certain wiring harnesses and PCBA boards, which were outsourced to third-party suppliers. For more information about our outsourced production, please refer to "Business – Our Production – Outsourced Production". For more information about our types of raw materials and components, please refer to "Business – Raw Materials and Suppliers – Raw Materials and Components".

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and components	68,067	62,153	82,960
Finished goods	14,338	11,745	15,433
Materials consigned for processing and work in progress	9,684	8,057	9,102
Goods in transit	2,457	501	1,217
Total	**94,546**	**82,456**	**108,712**

Our inventories decreased from RMB94.5 million as of December 31, 2023 to RMB82.5 million as of December 31, 2024, primarily attributable to (i) a decrease of RMB5.9 million in raw materials and components, (ii) a decrease in finished goods of RMB2.6 million, and (iii) a decrease of RMB2.0 million in goods in transit.

The aforementioned decrease in our inventory balance is primarily attributable to (i) the progressive enhancement of our inventory management capabilities. For example, we have refined the industry-specific specialization of our marketing team since 2023 to improve customer order demand forecasting; and (ii) the continuous improvement of our supply chain management capabilities has shortened supplier lead times, thereby enabling us to reduce stock. Our inventories increased from RMB82.5 million as of December 31, 2024, to RMB108.7 million as of December 31, 2025, primarily attributable to an increase of RMB20.8 million in raw materials and components. This strategic inventory increase was made in anticipation of both production growth and rising orders from sectors like automotive and electronics, which demand timely delivery and make proactive stocking essential.

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

	Year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days[(1)]	240	211	172

Note:

(1) Calculated as the average of the opening and closing inventory balances for the period, divided by the cost of sales for the relevant period, multiplied by the number of days in the relevant period, which is 365 days for each year.

Our inventory turnover days decreased from 240 days in 2023 to 211 days in 2024 and further decreased to 172 days in 2025, primarily because of the progressive enhancement of our inventory management capabilities. For example, we have refined the industry-specific specialization of our marketing team since 2024 to improve customer order demand forecasting. It was also due to the improved stability in our supply chain and the economies of scale driven by our continued business growth. The following table sets forth an 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	79,384	68,655	102,855
One to two years	14,429	9,312	5,419
Two to three years	4,618	8,256	2,560
Over three years	147	3,793	3,640
Less: Write-down of inventories	(4,032)	(7,560)	(5,762)
Total	**94,546**	**82,456**	**108,712**

As of April 30, 2026, approximately RMB80.5 million, or 70.3% of our inventories as of December 31, 2025 had been subsequently consumed or sold. We have reviewed the condition of inventories as of December 31, 2025, for which allowance is made when the net realizable value of inventories falls below the cost or any of the inventories is identified as obsolete. We assessed the net realizable value of the inventories as well as the required amount of write-down of inventories at the end of each reporting period, which involves significant judgment on determination of the estimated selling price of our products in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on our current market condition, contract price of products if they are held for particular contracts and the historical experience of distributing and selling products of similar nature. In view of the forgoing, we are of the opinion that sufficient inventory impairment provisions have been made.

Trade and bills receivables

Our trade and bills receivables primarily consist of (i) trade receivables, which primarily represent outstanding amounts due from our customers for products sold in the ordinary course of our business; and (ii) bills receivables, primarily relating to the commercial bills received from customers. The following table sets forth a breakdown 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	91,922	95,943	117,404
Less: Impairment of trade receivables	(4,878)	(9,505)	(12,046)
	87,044	86,438	105,358
Bills receivable	14,016	27,502	37,802
Total	**101,060**	**113,940**	**143,160**

The increase in balance of trade and bills receivables from December 31, 2023 to December 31, 2024 of 12.7% outpaced the increase in our revenue of 5.2% during the same periods. The faster growth in receivables was mainly due to the more flexible payment terms we offered as part of customer acquisitions strategies, mainly to support promoting our new products in parallel with the ongoing development of our self-developed product matrix. For further details, please refer to "– Revenue – Period-To-Period Comparison" above. The increase in balance of trade and bills receivables from December 31, 2024 to December 31, 2025 of 25.6% was lower than the increase in our revenue of 38.5% during the same periods. This trend was primarily due to (i) our implementation of more stringent credit approval standards, as our newly launched products gained market recognition and enhanced our overall brand standing; and (ii) continuously enhanced management of our collection of trade and bills receivables. For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at the end of each period throughout the Track Record Period. We have established a provision matrix that is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

We recorded allowance for impairment losses on trade receivables of RMB4.9 million, RMB9.5 million and RMB12.0 million as of December 31, 2023, 2024 and 2025, respectively. The increase in impairment losses on trade receivables was mainly due to our customer acquisitions strategies as mentioned above. Our Directors consider sufficient provision for impairment of trade receivables had been made. We negotiate credit terms with our customers on an individual basis, taking into account factors like cooperation history and creditworthiness, and generally grant a credit period of three months.

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

	Year ended December 31,		
	2023	**2024**	**2025**
Trade receivables turnover days[(1)]	125	146	120

Note:

(1) Calculated as the average of the opening and closing balances of trade receivables for the period, net of loss allowance, divided by revenue for the relevant period, multiplied by the number of days in the relevant period, which is 365 days for each year.

Our trade receivables turnover days increased from 125 days in 2023 to 146 days in 2024, mainly because we offered more flexible payment terms as part of our customer acquisitions strategies as mentioned above. Our trade receivables turnover days then decreased to 120 days for the year ended December 31, 2025, mainly due to our implementation of more stringent credit approval standards, as our newly launched products gained market recognition and enhanced our overall brand standing. The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within three months	46,191	46,199	61,900
Three to six months	19,445	14,838	19,881
Six to 12 months	13,882	16,093	18,681
Over 12 months	7,526	9,308	4,896
Total	**87,044**	**86,438**	**105,358**

As of April 30, 2026, approximately RMB73.3 million, or 47.2% of our trade and bills receivables as of December 31, 2025, had been subsequently settled. We have assessed the recoverability of trade and bills receivables, including those aged over one year. Based on our historical collection experience and ongoing credit monitoring, our Directors consider that there are no material recoverability issues for these receivables. This assessment is supported by the following factors: (i) the subsequent settlement rates for aged receivables are consistent with our historical collection patterns; (ii) there have been no significant changes in the credit risk profiles of our major customers; and (iii) during the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material disputes, claims, or legal proceedings regarding the settlement of long-aged trade and bills receivables.

Debt investments at fair value through other comprehensive income

The following table sets forth a breakdown of our debt investments at fair value through other comprehensive income as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bank acceptance bills	**6,823**	**19,133**	**18,641**

The above bank acceptance bills were issued by qualified banks in PRC. They are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cash flows and selling. The fair value approximates to the carrying value due to the short maturity. The fluctuation in the balance of our bank acceptance bills primarily reflected the normal course of our settlement activities with business partners during the respective periods.

Prepayments, other receivables and other assets

Our current prepayments, other receivables and other assets primarily consist of prepayments, other receivables and deposits and value-added tax recoverable. The following table sets forth a breakdown of our current prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	2,928	3,286	1,635
Deferred **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables and deposits	3,234	1,459	6,118
Value-added tax recoverable	12,075	6,809	11,841
Less: Impairment of other receivables	(18)	(50)	(20)
Total	**18,219**	**11,504**	**21,310**

Our prepayments, other receivables and other assets decreased from RMB18.2 million as of December 31, 2023 to RMB11.5 million as of December 31, 2024, which was mainly attributable to a decrease in value-added tax recoverable of RMB5.3 million. This decrease was mainly due to a reduction in our new procurement of raw materials and components benefiting from our increased inventory management capabilities, which resulted in a corresponding decline in available input VAT credits for offsetting. Our prepayments, other receivables and other assets increased from RMB11.5 million as of December 31, 2024 to RMB21.3 million as of December 31, 2025, primarily due to an increase in value-added tax recoverable of RMB5.0 million. This increase was mainly because (i) we acquired certain equipment and raw materials for our production capacity expansion in 2025, which led to an increase in input VAT credits available for offsetting; and (ii) we incurred **[REDACTED]** expenses in 2025.

Financial assets at fair value through profit or loss

Our current financial assets at fair value through profit or loss comprise wealth management products.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	3,844	–	–

As of the end of each year during the Track Record Period, the wealth management products were issued by qualified banks in the PRC and are not principal-guaranteed, with expected return rates around 2.5% per annum. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows were not solely payments of principal and interest. After making an investment, we closely monitor the performance and fair value of these investments on a regular basis.

We managed and evaluated the performance of investments on a fair value basis in accordance with our business needs and investment strategy. We endeavor to increase the return of idle cash and bank balances by placing investments in wealth management products with high liquidity and low risk such that our risk exposure arising from such investments is controlled. Our investment policy in relation to the purchase of such financial assets is to monitor our level of idle cash and bank balances and, based on the working capital required at the relevant time, utilize such idle cash to increase the return. In addition, in order to monitor and control the investment risks associated with our portfolio of low-risk wealth management products and negotiable certificate of deposits with banks, we have adopted a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of an enterprise's operations. Prior to making any material investments in wealth management products, negotiable certificate of deposits with banks or modifying our existing investment portfolio, the proposal submitted by the finance department shall be approved by the officer responsible for the supervision on our financial matters, the general manager and the Chairperson of our Board. While day-to-day investment decisions are generally delegated to our Board of Directors, short-term or small-sum financial investments that do not meet the standards specified in our Articles of Association do not require prior approval from the Board of Directors. The Board exercises ongoing oversight over the overall investment strategy and risk profile. Our wealth management products are not principally guaranteed. To control our risk exposure, we make investment decisions related to wealth management products and negotiable certificate of deposits with banks after thoroughly considering a number of factors, including, but not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions and the expected profit or potential loss of the investment.

Upon **[REDACTED]**, we intend to continue our investments, such as wealth management products and negotiable certificate of deposits with banks, strictly in accordance with our internal policies (which include approval by the chief financial officer) and Articles of Association, and, to the extent that an investment in wealth management products is a notifiable transaction under Chapter 14 of the Listing Rules, We will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

The carrying amount of our current financial assets at fair value through profit or loss decreased from RMB3.8 million as of December 31, 2023 to nil as of December 31, 2024, and remained nil as of December 31, 2025. This decrease primarily reflected changes in the volume of wealth management products we held at the end of each year during the Track Record Period.

Cash and cash equivalents, time deposits and restricted bank deposits

The following table sets forth our cash and bank balances, restricted cash and time deposits as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	162,374	155,678	171,396
Time deposits	–	–	4,990
Subtotal	162,374	155,678	176,386
Restricted bank deposits	–	(1,406)	(261)
Cash and cash equivalents	**162,374**	**154,272**	**176,125**

Cash and bank balances

As of December 31, 2023, 2024 and 2025, our cash and bank balances amounted to RMB162.4 million, RMB155.7 million and RMB171.4 million, respectively. Our cash and bank balances were primarily denominated in RMB and USD. The RMB is not freely convertible into other currencies; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale, and Payment of Foreign Exchange Regulations, We are permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash

We recorded restricted cash of nil, RMB1.4 million, and RMB0.3 million as of December 31, 2023, 2024 and 2025, respectively. These restricted cash balances during the Track Record Period primarily consisted of deposits for bank acceptance bills and letters of credit, which was mainly as a result of the use of more bank acceptance bills and letters of credit to settle supplier payments to support our business growth and enhance cash management. Our Directors confirm that our cash and cash equivalents are maintained at a prudent level to satisfy the requirements for our daily business operations.

Current Liabilities

Trade and bills payables

Our trade and bills payables primarily consist of payables for the procurement of raw materials and components. During the Track Record Period, our suppliers generally granted us credit periods ranging from one to three months upon receipt of the VAT invoice.

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	37,330	37,409	58,326
Bills payables	78,540	73,670	129,614
Total	**115,870**	**111,079**	**187,940**

Our trade and bills payables remained relatively stable at RMB115.9 million as of December 31, 2023 and RMB111.1 million as of December 31, 2024, respectively. Our trade and bills payables increased from RMB111.1 million as of December 31, 2024 to RMB187.9 million as of December 31, 2025. This increase was primarily due to our increased purchase of raw materials and components and equipment for anticipated. production expansion in line with the increasing needs for our products.

The following table sets forth an aging analysis of our trade and bills payables, based on the invoice date, as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within three months	60,977	62,899	112,190
Three to six months	31,232	28,889	52,087
Six to 12 months	23,445	18,607	23,460
Over 12 months	216	684	203
Total	**115,870**	**111,079**	**187,940**

The following table sets forth the number of our trade payables turnover days for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
Trade payables turnover days[(1)]	72	84	80

Note:

(1) Calculated as the average of the opening and closing balances of trade payables for the period divided by the cost of sales for the relevant period, multiplied by the number of days in the relevant period, which is 365 days for each year.

The increase in our trade payables turnover days from 2023 to 2024 primarily reflecting our enhanced bargaining power with suppliers and our engagement with more established suppliers who are willing to offer longer credit terms as we continued to scale our procurement of raw materials and components. Our trade payables turnover days remained relatively stable at 84 days in 2025.

As of April 30, 2026, approximately RMB93.9 million, or 50.0% of our trade and bills payables as of December 31, 2025, had been subsequently settled.

Contract liabilities

Our contact liabilities increased from RMB1.7 million as of December 31, 2023 to RMB3.6 million as of December 31, 2024, mainly due to advance payments received from new customer acquisitions. Subsequently, our contract liabilities further increased to RMB6.6 million as of December 31, 2025, primarily because our customer are willing prepay us a portion of the contract price as a result of our growing product competitiveness and market influence.

Other payables and accruals

The following table sets forth a breakdown 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 payables	9,726	9,786	13,900
Payables for property, plant and equipment	13,197	2,216	2,151
Other tax payables	611	1,322	2,892
Deposits from credit sales customers	8,617	7,946	8,287
Other payables(1)	1,964	1,962	8,903
Total	**34,115**	**23,232**	**36,133**

Note:

(1) During the Track Record Period, our other payables primarily included payables for airfare, consulting fees and employee reimbursements.

Our other payables and accruals decreased from RMB34.1 million as of December 31, 2023 to RMB23.2 million as of December 31, 2024, primarily due to an additional decrease of RMB11.0 million in payables for property, plant and equipment, as we continued to settle capital expenditure commitments. Our other payables and accruals increased from RMB23.2 million as of December 31, 2024 to RMB36.1 million as of December 31, 2025, mainly due to an increase in other payables of RMB6.9 million, as well as an increase of RMB4.1 million in payroll payables mainly attributable to the new employees hired for our R&D center in 2025.

As of April 30, 2026, RMB21.0 million, or 58.0% of our other payables and accruals as of December 31, 2025, had been settled.

Other payables are non-interest-bearing and have no fixed terms of settlement, except for payables relating to property, plant and equipment, which are normally settled within one month.

Interest-bearing bank loans

The following table sets forth a breakdown and details of our interest-bearing bank loans as of the dates indicated:

	As of December 31,								
	2023			2024			2025		
	Effective interest rate *(%)*	Maturity	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*
Current – repayable within one year									
Bank loans – secured[(1)]	0.51-3.2	2024	30,746	2.5-2.6	2025	40,000	1.1-2.5	2026	12,567
Bank loans – unsecured[(2)]	–	–	–	–	–	–	2.3-2.5	2026	38,000
Total			**30,746**			**40,000**			**50,567**

Notes:

(1) Certain of our bank loans are secured by: (i) the pledge of certain of our bills receivables amounting to RMB746,000 and RMB2,570,000 as of 31 December 2023 and 2025, respectively, for details, Please refer to Note 36(a) to the Accountants' Report in Appendix I to this document; and (ii) a pledge over one of our patents securing loans of RMB10,000,000 as of 31 December 2025. In addition, our bank loans of RMB30,000,000 and RMB40,000,000 as of 31 December 2023 and 2024, respectively, were guaranteed by Messrs. Li Liangjun and Zhu Lusheng, both of which are our Controlling Shareholders. Such guarantees have been released as of the Latest Practicable Date. For further details, please refer to "Relationship with our Controlling Shareholders – Financial Independence".

The changes in our interest-bearing bank loans during the Track Record Period were mainly due to adjustments we made to meet our operating needs and our treasury management plans. Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans in China. Our Directors confirmed that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of April 30, 2026, we had committed unutilized banking facilities of RMB290.4 million.

Lease liabilities

Our current lease liabilities primarily consist of leases of office premises. Our current lease liabilities increased from RMB27,000 as of December 31, 2023 to RMB104,000 as of December 31, 2024, mainly attributable to lease commitments for our newly established Malaysia subsidiary. Our current lease liabilities decreased from RMB104,000 as of December 31, 2024 to RMB38,000 as of December 31, 2025, primarily due to our timely settlement of the rent during this period.

Tax payable

Our tax payable mainly represents the income tax payable for the taxable income in the PRC. We recorded tax payable of RMB1.5 million, RMB1.5 million and nil as of December 31, 2023, 2024 and 2025, respectively.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current Assets				
Inventories	94,546	82,456	108,712	131,117
Trade and bills receivables	101,060	113,940	143,160	157,260
Debt investments at fair value through other comprehensive income	6,823	19,133	18,641	29,960
Prepayments, other receivables and other assets	18,219	11,504	21,310	23,724
Financial assets at fair value through profit or loss ("**FVTPL**")	3,844	–	–	10,000
Restricted bank deposits	–	1,406	261	44
Cash and cash equivalents	162,374	154,272	176,125	94,898
Total current assets	**386,866**	**382,711**	**468,209**	**447,003**
Current Liabilities				
Trade and bills payables	115,870	111,079	187,940	196,396
Contract liabilities	1,693	3,648	6,579	3,438
Other payables and accruals	34,115	23,232	36,133	32,619
Interest-bearing bank loans	30,746	40,000	50,567	28,474
Lease liabilities	27	104	38	343
Tax payable	1,485	1,483	–	–
Total current liabilities	**183,936**	**179,546**	**281,257**	**261,270**
NET CURRENT ASSETS	**202,930**	**203,165**	**186,952**	**185,733**

Our net current assets remained relatively stable at RMB202.9 million as of December 31, 2023 and RMB203.2 million as of December 31, 2024. Our net current assets decreased from RMB203.2 million as of December 31, 2024 to RMB187.0 million as of December 31, 2025, mainly due to an increase in (i) trade and bills payable of RMB76.9 million; and (ii) an increase in other payables and accruals of RMB12.9 million, which was partially offset by an increase in (i) trade and bills receivable of RMB29.2 million; and (ii) an increase in cash and cash equivalent of RMB21.9 million. Our net current assets remained relatively stable at RMB187.0 million as of December 31, 2025 and RMB185.7 million as of April 30, 2026, respectively.

For discussion of items in balanced sheet items under current assets and current liabilities as of end of each year or period during the Track Record Period, please see "– Discussion of Certain Key Consolidated Statements of Financial Position – Current Assets" and "– Discussion of Certain Key Consolidated Statements of Financial Position – Current Liabilities" above.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had historically funded our cash requirements principally from cash generated from our business operations and bank borrowings. After the **[REDACTED]**, we intend to finance our future capital requirements through cash generated from our business operations and the **[REDACTED]** from the **[REDACTED]**. We do not anticipate any changes in the availability of financing to fund our operations in the future.

Cash Flows

The following table sets forth certain selected information from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from/(used in) operating activities	(30,881)	(17,756)	28,275
Net cash flows from/(used in) investing activities	28,366	757	(13,757)
Net cash flows from/(used in) financing activities	(23,371)	8,577	7,852
Net (decrease)/increase in cash and cash equivalents	(25,886)	(8,422)	22,370
Effect of foreign exchange rate changes	(241)	320	(517)
Cash and cash equivalents at the beginning of year	188,501	162,374	154,272
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows at end of year	**162,374**	**154,272**	**176,125**

Operating Activities

For the year ended December 31, 2025, our net cash from operating activities was RMB28.3 million, primarily due to loss before tax of RMB16.1 million, as adjusted by (i) non-cash and non-operating items such as (a) depreciation of property, plant and equipment of RMB11.6 million, (b) impairment losses on trade receivables and other receivables, net of RMB7.0 million and, (c) equity-settled share-based payment expenses of RMB6.6 million; and (ii) changes in working capital, such as (a) an increase in inventories of RMB25.1 million, (b) an increase in trade and bills receivables of RMB41.0 million, which was partially offset by an increase in trade and bills payable of RMB76.8 million.

For the year ended December 31, 2024, our net cash used in operating activities was RMB17.8 million, primarily due to loss before tax of RMB12.9 million, as adjusted by (i) non-cash and non-operating items such as (a) depreciation of property, plant and equipment of RMB10.0 million, (b) impairment losses on trade receivables and other receivables, net of RMB4.7 million, and (c) write-down of inventories to net realizable value of RMB3.9 million; and (ii) changes in working capital, such as (a) an increase in trade and bills receivables of RMB22.9 million, (b) an increase in debt investments at fair value through other comprehensive income of RMB13.8 million.

For the year ended December 31, 2023, our net cash used in operating activities was RMB30.9 million, primarily due to profit before tax of RMB1.7 million, as adjusted by (i) non-cash and non-operating items such as (a) depreciation of property, plant and equipment of RMB9.4 million, (b) write-down of inventories to net realizable value of RMB5.0 million, and (c) impairment losses on trade receivables and other receivables, net of RMB3.2 million; and (ii) changes in working capital, such as (a) an increase in trade and bills receivables of RMB33.7 million, and (b) a decrease in trade and bills payables of RMB21.1 million.

Investing Activities

For the year ended December 31, 2025, our net cash used in investing activities was RMB13.8 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB110.0 million and (ii) purchases of items of property, plant and equipment of RMB40.9 million, which was partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB110.5 million, and (ii) proceeds from disposal of items of property, plant and equipment of RMB25.3 million.

For the year ended December 31, 2024, our net cash from investing activities was RMB0.8 million. This was primarily driven by (i) proceeds from disposal of financial assets at FVTPL of RMB44.2 million and (ii) interest received of RMB4.5 million, which were partially offset by (i) purchases of financial assets at FVTPL of RMB40.0 million, and (ii) purchases of items of property, plant and equipment of RMB7.4 million.

For the year ended December 31, 2023, our net cash from investing activities was RMB28.4 million. This was primarily driven by (i) proceeds from disposal of financial assets at FVTPL of RMB107.8 million, and (ii) proceeds from disposal of debt investments at fair value through other comprehensive income of RMB10.0 million, which were partially offset by (i) purchases of financial assets at FVTPL of RMB90.0 million, and (ii) purchases of items of property, plant and equipment of RMB3.8 million.

Financing Activities

For the year ended December 31, 2025, our net cash from financing activities was RMB7.9 million. This was primarily driven by (i) proceeds from new bank loans of RMB50.6 million, which was partially offset by (ii) repayment of bank loans of RMB40.0 million.

For the year ended December 31, 2024, our net cash from financing activities was RMB8.6 million. This was primarily driven by (i) proceeds from new bank loans of RMB40.0 million, which was partially offset by (ii) repayment of bank loans of RMB30.0 million.

For the year ended December 31, 2023, our net cash used in financing activities was RMB23.4 million. This was mainly due to (i) repayment of bank loans of RMB50.0 million and (ii) dividends paid of RMB3.0 million, which was partially offset by (iii) proceeds from new bank loans of RMB30.7 million.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account of the financial resources available to us, including (i) our future operating cash flows in respective periods; (ii) cash and cash equivalents; (iii) available bank facilities; (iv) financial assets at fair value through profit or loss; and (v) the estimated **[REDACTED]** from the **[REDACTED]**, we have sufficient working capital for our requirements for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities (applicable when we generated net cash used in operating activities during such period), (ii) purchases of property, plant and equipment, (iii) purchases of intangible assets, (iv) payment of lease liabilities. We consider these items to be key indicators of our operational efficiency, reflecting payments which can significantly impact our cashflow, such as our capital expenditures representing significant cash outflows, and our investment in intellectual property or technology, and payments of lease obligations, all of which may occur on a regular basis. Our historical cash burn rate was RMB2.9 million, RMB2.2 million and RMB3.5 million for the years ended December 31, 2023, 2024 and 2025, respectively.

We had cash and cash equivalents, current financial assets at fair value through profit or loss of RMB176.1 million as of December 31, 2025 and unutilized banking facilities of RMB412.4 million as of December 31, 2025. We estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** after deducting the **[REDACTED]** and expenses payable by us in the **[REDACTED]**, assuming no **[REDACTED]** is exercised and based on the mid-point of the indicative **[REDACTED]** in this document. Assuming that the average cash burn rate going forward will be RMB**[REDACTED]**, similar to the cash burn rate level in 2025, although which is subject to change due to various factors including but not limited to the business development, industry trend and clients' requirement, we estimate that our cash and cash equivalents, current financial assets at fair value through profit or loss as of December 31, 2025 and unutilized banking facilities as of December 31, 2025 will be able to maintain our financial viability for approximately **[REDACTED]** months or, if we take into account **[REDACTED]**% of the estimated **[REDACTED]** from the **[REDACTED]** (namely, the portion allocated for our working capital and other general corporate purposes), approximately **[REDACTED]** months or, if we also take into account the estimated **[REDACTED]** from the **[REDACTED]**, approximately **[REDACTED]** months. We will continue to monitor our cash flows from operations closely and maintain our financial viability through a variety of means, including, among others, banking facilities and external financings. See "– Indebtedness and Contingent Liabilities." We do not expect to have next round of financing before the **[REDACTED]**.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Workforce employment(1)	57,316	25.6	62,630	26.6	74,651	24.5
Direct production costs, including materials(2)	134,955	60.4	135,362	57.4	180,077	59.1
Research and development costs(3)	7,863	3.5	8,500	3.6	14,985	4.9
Product marketing(4)	11,394	5.1	14,738	6.3	16,092	5.3
Non-income taxes and other charges	11,969	5.4	14,422	6.1	18,975	6.2
Contingency allowances	–	–	–	–	–	–
Total	**223,497**	**100.0**	**235,652**	**100.0**	**304,780**	**100.0**

Notes:

(1) Cash operating costs relating to workforce employment represent the sum of employee compensation expenses under research and development expenses, administrative expenses, costs of sales and selling and marketing expenses (excluding share-based payments expenses which are non-cash in nature).

(2) Cash operating costs relating to direct service and production costs, including materials, represent the costs of sales (excluding direct labor costs and non-cash items under contract fulfillment costs).

(3) Research and development costs represent research and development expenses, excluding employee compensation, share-based payment expenses and non-cash items under research and development expenses.

(4) Product and solution marketing represents selling and marketing expenses, excluding employee compensation, share-based payment expenses and non-cash items under selling and marketing expenses.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

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

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current				
Interest-bearing bank loans	30,746	40,000	50,567	28,474
Lease liabilities	27	104	38	343
	30,773	**40,104**	**50,605**	**28,817**
Non-current				
Lease liabilities	–	35	–	437
Total	**30,773**	**40,139**	**50,605**	**29,254**

Interest-Bearing Bank Loans

Please see "– Discussion of Certain Key Consolidated Statements of Financial Position – Current Liabilities – Interest-bearing bank loans" above.

Lease Liabilities

Our lease liabilities primarily represent the amounts to be paid for our lease of office premises.

The following table sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current	27	104	38	343
Non-current	–	35	–	437
Total	**27**	**139**	**38**	**780**

For discussion of the current portion of lease liabilities as of end of each period during the Track Record Period, please see "– Discussion of Certain Key Consolidated Statements of Financial Position – Current Liabilities – Lease liabilities" above.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2023, 2024 and 2025 and April 30, 2026, respectively.

Indebtedness Statement

Except as disclosed above, as of April 30, 2026, being the latest practicable date for determining our indebtedness, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any 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 and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that there has not been any material change in our indebtedness since April 30, 2026, and up to the date of this document.

RESEARCH AND DEVELOPMENT EXPENDITURE AND TOTAL OPERATING EXPENDITURE

During the Track Record Period, our research and development expenditure primarily consisted of research and development expenses adjusted by adding back intangible assets acquired from third parties and deducting amortization expenses of capitalized intangible assets included in research and development expenditure. The table below sets forth our annual and total R&D expenditure for the years indicated:

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Research and development expenses	35,972	35,994	48,917
Adjustments:			
Add: intangible assets acquired from third parties[(2)]	673	–	702
Less: amortization expense of capitalized intangible assets included in research and development expenditure	(204)	(204)	(211)
Annual research and development expenditure	**36,441**	**35,790**	**49,408**
Total research and development expenditure			**121,639**[(1)]

Notes:

(1) Total R&D expenditure for the three financial years prior to **[REDACTED]**.

(2) Primarily related to software procured from third parties for our R&D activities.

The following table sets forth our annual and total operating expenditure for the years indicated:

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Research and development expenses	35,972	35,994	48,917
Selling and distribution expenses	27,080	38,129	43,661
Administrative expenses	17,495	19,661	40,374
Adjustments:			
Add: intangible assets acquired from third parties	673	–	702
Less: amortization expense of capitalized intangible assets included in research and development expenditure	(204)	(204)	(211)
Annual operating expenditure	**81,016**	**93,580**	**133,443**
Total operating expenditure			**308,039**[(1)]

Notes:

(1) Total operating expenditure for the three financial years prior to the **[REDACTED]**.

The following table sets forth our annual research and development expenditure ratio and total research and development expenditure ratio for the years indicated:

	Year Ended December 31,		
	2023	**2024**	**2025**
Annual research and development expenditure ratio[(1)]	45.0%	38.2%	37.0%
Total research and development expenditure ratio			39.5%[(2)]

Notes:

(1) Calculated by dividing annual or semi-annual R&D expenditure by annual or semi-annual total operating expenditure.

(2) Calculated by dividing total R&D expenditure for the three financial years prior to the **[REDACTED]** by total operating expenditure for the three financial years prior to the **[REDACTED]**.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures primarily consisted of purchases of property, plant and equipment and intangible assets. The following table sets forth our capital expenditure for the years indicated.

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of property, plant and equipment	3,817	7,425	40,916
Purchases of intangible assets	463	1,486	1,166
Total	**4,280**	**8,911**	**42,082**

We intend to fund our planned capital expenditures mainly through a combination of the **[REDACTED]** from the **[REDACTED]**, cash generated from operating activities and bank loans. See "Future Plans and **[REDACTED]**." Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, financial condition and results of operations, economic conditions in China and changes in the regulatory environment in China. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

Capital Commitments

Capital commitments represent capital expenditure contracted for as of a particular date but not yet incurred. The table below sets forth the capital commitments contracted for during the Track Record Period but not yet incurred:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Machinery and other equipment	243	520	841
Total	**243**	**520**	**841**

RELATED PARTY TRANSACTIONS

During the Track Record Period, we engaged in certain related party transactions from time to time. See Note 34 to the Accountants' Report in Appendix I to this document for more details. These transactions mainly included bank loans guaranteed by Mr. Li and Mr. Zhu, being members of our Controlling Shareholders. Such guarantees have been released as of December 31, 2025. For further details, please refer to "Relationship with our Controlling Shareholders – Financial Independence".

Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distinct our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of and for the year ended December 31,		
	2023	2024	2025
Gross profit margin(1)	27.1%	30.4%	33.0%
Current ratio(2)	2.1	2.1	1.7
Quick ratio(3)	1.6	1.7	1.3
Gearing ratio(4)	9.5%	12.8%	16.7%

Notes:

(1) Calculated by dividing gross profit by total revenue for the year.

(2) Calculated by dividing total current assets by total current liabilities as of the end of the year.

(3) Calculated by dividing total current assets minus inventory by total current liabilities as of the date indicated.

(4) Calculated as total debt (including interest-bearing bank loans and lease liabilities) divided by total equity as of the date indicated.

Gross Profit Margin

For detailed analysis, please see "– Description of Key Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Gross Profit and Gross Profit Margin" above.

Current Ratio and Quick Ratio

Our current ratio remained stable at 2.1 as of December 31, 2024, compared to 2.1 as of December 31, 2023. Our quick ratio remained relatively stable at 1.7 as of December 31, 2024, compared to 1.6 as of December 31, 2023.

Our current ratio decreased from 2.1 as of December 31, 2024 to 1.7 as of December 31, 2025, primarily due to (i) an increase in trade and bills payables; and (ii) an increase in interest-bearing bank loans. As a result, the growth in current assets, mainly in inventories, financial assets at FVTPL and trade and bills receivables, was insufficient to offset the growth in current liabilities. Our quick ratio decreased from 1.7 as of December 31, 2024 to 1.3 as of December 31, 2025, primarily due to the factors mentioned above and an increase in inventories, which resulted in the growth in current liabilities outweighing the growth in related assets.

Gearing Ratio

Our gearing ratio was 9.5%, 12.8% and 16.7% as of December 31, 2023, 2024 and 2025, respectively. The fluctuation of our gearing ratio was primarily as a result of fluctuation of our interest-bearing bank loans. For details, please see "– Discussion of Certain Key Consolidated Statements of Financial Position – Current Liabilities – Interest-bearing bank loans" above.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including foreign currency risk, credit risk and liquidity risk in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For details of the risks to which we are exposed, see note 38 to the Accountant's Report set out in Appendix I in this document.

For foreign currency risk, we have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As our major businesses are in China, the majority of the transactions are conducted in RMB. Most of our assets and liabilities are denominated in RMB. The Group was not exposed to material foreign currency risk during the Track Record Period.

For credit risk, we trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, and our exposure to bad debts is not significant.

For liquidity risk, our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and lease liabilities. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

For capital management, the primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value. We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or **[REDACTED]** new shares.

DIVIDENDS AND DIVIDEND POLICY

For the year ended December 31, 2023, our Company paid a dividend of RMB3.0 million, which had been declared in 2021 (prior to the Track Record Period). The time gap between the dividend declaration in 2021 and its payment in 2023 was primarily due to the time required to complete the standard procedures for outbound dividend remittance by a foreign-invested enterprise under PRC regulations. The overall process, which includes necessary regulatory reviews, was also affected by general administrative measures during the COVID-19 pandemic period. These factors collectively resulted in the completion of the payment process extending into 2023. Save as disclosed above, no dividend was declared or paid by our Company during the Track Record Period.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any dividend policy or fixed dividend pay-out ratio. According to applicable laws and regulations, any future net profit that we make may be used to pay or declare dividends after our Board has formulated a profit distribution plan and approved by our Shareholders in a general meeting. However, such net profit must be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such statutory common reserve fund has reached more than 50% of our registered capital. Future profit distributions may be carried out in the form of cash dividends or stock dividends, or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

DISTRIBUTABLE RESERVE

As of December 31, 2025, our distributable reserves were RMB4.7 million.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**.

Based on the mid-point of the indicative **[REDACTED]** for the **[REDACTED]** and assuming the **[REDACTED]** is not exercised, we estimate that our **[REDACTED]** expenses will be approximately RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**). This amount includes HK$**[REDACTED]** in **[REDACTED]**-related expenses, HK$**[REDACTED]** in fees and expenses of legal advisors and Reporting Accountants, and HK$**[REDACTED]** in other fees and expenses, representing approximately **[REDACTED]**% of the **[REDACTED]** of the **[REDACTED]**. After the Track Record Period, approximately HK$**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and approximately HK$**[REDACTED]** is expected to be accounted for as a deduction from equity upon the **[REDACTED]**.

During the Track Record Period, we recorded **[REDACTED]** expenses of **[REDACTED]**, **[REDACTED]**, and RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**, including deferred **[REDACTED]** expenses) in 2023, 2024 and 2025 respectively.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this document.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

NO MATERIAL ADVERSE CHANGE

Save as disclosed above, our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER 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.