You should read the following discussion and analysis in conjunction with our historical financial information included in the Accountants' Report set out in Appendix I to this Document, together with the accompanying notes. Our historical financial information has been prepared in accordance with all applicable HKFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance and involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties and our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document and you should carefully consider those discussions when evaluating our business.

OVERVIEW

Established in 1995, we are a technology-driven provider of intelligent power distribution equipment and control systems, primarily serving data centers and power grid applications. Leveraging over three decades of deep-rooted industry expertise, we have grown into a leading provider of comprehensive high- and low-voltage switchgears in China. Our continuous technological innovation and extensive industry expertise have been fundamental to our growth. According to Frost & Sullivan, we ranked second in terms of revenue from assembled power distribution equipment solutions for the data center industry in 2025, with a market share of 3.3%. According to the same source, we ranked third in terms of revenue from assembled power distribution equipment solutions for the communication industry in 2025, with a market share of 3.6%.

We generate revenue primarily by selling high-voltage switchgears, low-voltage switchgears and other electrical products. From 2023 to 2025, we have achieved rapid growth, generating revenue of RMB520.8 million, RMB625.1 million and RMB655.1 million, respectively, with gross profit margin of 35.0%, 39.9% and 37.2%, respectively. We recorded profit for the year of RMB98.2 million, RMB149.3 million, and RMB139.9 million during the Track Record Period.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with all applicable HKFRS Accounting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Details regarding the basis of preparation and presentation of the historical financial information of our Group are set out in note 1 of the Accountants' Report in Appendix I to this Document.

The preparation of our historical financial information in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our historical financial information are disclosed in note 3 of the Accountants' Report in the Appendix I to this Document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The results of operations of our Group have been and are expected to continue to be affected by a number of factors, including the key ones set out in the section headed "Risk Factors" in this document and below:

Energy Demand and the Electricity Market in China

We derive most of our revenue from the design, production and sale of electrical switchgears and other electrical products in China. The demand for energy and electricity in China is subject to cyclical fluctuations and to a variety of factors, including macroeconomic trends, population, urbanization, fixed assets investment in China and technology development. In particular, the rapid expansion of data centers, a key end-market for our products, is driving significant demand for reliable power distribution solutions, influenced by growth in cloud computing, artificial intelligence, and digital infrastructure investments. Meanwhile, the rapid development and large-scale deployment of new energy sectors such as photovoltaic and wind power have imposed new and higher demands on power system stability, which in turn has driven upgrades in power systems, whereby creating sustained incremental opportunities for the power distribution solutions market. The demand for our electrical switchgears and other electrical products by our customers may be affected by factors such as their fixed assets investment plan, project budget, government policy and market trends. As a result, an economic slowdown in China may curtail demand for our equipment and solutions, though sustained growth in technology-related sectors may partially offset cyclical declines.

Ability to Secure Contract From Our Key Customers

The growth in our revenue and market share depends largely on our ability to secure long-term customers, especially key customers such as Customer A and Customer B, being our two largest customers during the Track Record Period, and our revenue generated from these two key customers amounted to RMB298.2 million, RMB380.1 million and RMB415.0 million in 2023, 2024 and 2025, respectively, representing 57.3%, 60.8% and 63.3% of our total revenue in the respective years. Customer A and Customer B are both major customers in the industry and a decrease of bidding contracts from these two customers may have significant impacts to our results of operations.

Pricing of Our Projects

A significant part of our revenue is generated from projects acquired through tendering and bidding. The contract price for our tendering and bidding of projects is based on various financial and commercial considerations, including for example production costs, fee estimates of other competitors, business relationship with the customers and the impact of the product on our business as a whole. The pricing of our projects may fluctuate and are subject to our various considerations which enable us to retain our competitiveness in the tender process. The fluctuation in the pricing of our projects will affect our operations and profitability.

Supply of Electrical Components for the Production of Our Products

Our results of operations are affected by the cost of electrical components required to produce our products and in providing solutions to our customers. A significant part of these electrical components is provided by third parties. Our production and project costs are affected by the supply of components and the price and terms of the purchases from our suppliers. The pricing of our projects may fluctuate and is subject to various considerations which enable us to retain our competitiveness in the tender process. The fluctuation in the pricing of our projects will affect our overall operations and profitability.

Change in Prices of Raw Material

Our business relies on sourcing quality raw material. Raw material of metals such as steel and copper-based products are required for the production of all our products. These metal-based raw material are subject to pricing cyclicality and periodic shortages of supply in China. Our contract price is based on our estimated project costs plus a profit margin at the time when we submit our tender for projects, but the actual costs of metal-based raw materials are determined when we make purchases from our suppliers, which are subject to market fluctuation. As our cost of sales primarily consists of raw material cost, any fluctuation in the cost of raw material, including any fluctuation in the cost of metal-based raw material, will affect our profitability.

The Operating Results of Our Business May Fluctuate Due to Seasonality

Our operating results were affected by seasonal patterns in the past. During the Track Record Period, we generally recorded higher revenue in the third and fourth quarters than in the first and second quarters, and our highest revenue were generally recorded in the fourth quarter of the year. We believe that this may be partly due to the spending pattern of many state-owned companies in respect of their capital investment projects where more planning work (including project planning and funding and treasury planning) is carried out in the first half of a year and our customers normally place orders for purchases in the third and fourth quarters.

Our Ability to Control Costs and Improve Operational Efficiency

Our cost of sales primarily consists of raw material cost. We enhance our production efficiency and reduce production costs through technological innovation and supply chain management. In addition, our operating expenses include research and development expenses, administrative and other operational expenses, and selling expenses, among others. Our ability to improve operational efficiency and maintain effective cost control will also affect our results of operations.

Product Quality, Required Certification and Licensing for Our Products

Our operating results are influenced by our ability to obtain and maintain mandatory certifications and key intellectual property licenses. The majority of our products are subject to China's Compulsory Product Certification (CCC) requirements, and we have obtained all relevant certificates for our current product offerings from the China Quality Certification Centre. In addition, we manufacture certain of our core products under a license from third party including, among others, Schneider Electric and ABB, which allows us to incorporate proprietary technology and designs that enhance our product portfolio and market competitiveness. As we continue our global expansion into other international markets, we may also become subject to additional certification and regulatory requirements in those jurisdictions.

The retention of these certifications and licenses is integral to our production and sales activities. Changes in regulatory standards, certification requirements, or licensing terms in China or overseas could affect our ability to manufacture or sell certain products. We proactively monitor regulatory developments and maintain ongoing communications with our licensors and certification bodies to ensure compliance and continuity. Any failure to renew certifications or maintain critical licensing agreements could disrupt production, limit revenue from relevant products, and consequently impact our financial performance.

Market Competition

We face intense competition in China and globally from other market participants. We believe the factors that are critical to maintaining our competitiveness in these markets include our ability of conducting our in-house research and development for our products, the synergies of our various business segments, our ability to customize products and services based on customer preferences and specifications, the relationship with our major customers and suppliers, and the coverage of our marketing channels, as well as our competitive pricing and brand recognition. We believe that our competitive advantages are derived from the aforementioned strengths. However, intensified competition or our inability to sustain this advantage may adversely affect our operational performance.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that are material to the preparation of our historical financial information in accordance with HKFRS Accounting Standards. Some of our accounting policies involve subjective assumptions, estimates and judgments that affected the application of policies and reported amounts of assets, liabilities, income and expenses, as well as their accompanying disclosures and the disclosure of contingent liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis, based on historical experience and various other factors 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.

Our material accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 2 and 3 to the Accountants' Report in Appendix I to this Document.

RESULTS OF OPERATIONS

The following table sets forth 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	520,813	625,128	655,143
Cost of sales	(338,781)	(375,872)	(411,730)
Gross profit	182,032	249,256	243,413
Other net income	5,547	5,497	6,529
Selling expenses	(24,435)	(30,408)	(31,922)
Administrative expenses	(19,389)	(17,470)	(23,406)
Research and development expenses	(19,943)	(23,695)	(23,805)
Impairment loss on trade and other receivables and contract assets	(8,497)	(10,035)	(9,004)
Profit from operations	115,315	173,145	161,805
Finance costs	(3,053)	(1,708)	(1,239)
Profit before taxation	112,262	171,437	160,566
Income tax	(14,077)	(22,103)	(20,640)
Profit and total comprehensive income for the year	98,185	149,334	139,926
Earnings per share			
Basic and diluted (RMB)	0.63	0.96	0.90

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

In 2023, 2024 and 2025, our total revenue amounted to RMB520.8 million, RMB625.1 million and RMB655.1 million, respectively. During the Track Record Period, our revenue is mainly generated in the PRC. We expanded our global presence starting from 2025 and our revenue generated outside the PRC amounted to RMB8.2 million in 2025, representing 1.3% of our total revenue.

During the Track Record Period, our revenue was primarily derived from the sales of (i) low-voltage switchgears; (ii) high-voltage switchgears; and (iii) other electrical products. Other revenue during the Track Record Period primarily include revenue from sale of scrap materials. See "Business — Our products and solutions".

The following table sets forth a breakdown of our revenue by major products and service lines provided both in absolute amount and as a percentage of our total revenue for the years presented.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
High-voltage switchgears	146,990	28.2	143,214	22.9	188,093	28.7
Low-voltage switchgears	346,442	66.5	424,146	67.9	361,589	55.2
Other electrical products	24,054	4.6	51,571	8.2	98,821	15.1
Others	3,327	0.7	6,197	1.0	6,640	1.0
Total	**520,813**	**100.0**	**625,128**	**100.0**	**655,143**	**100.0**

The following table sets forth a breakdown of our revenue by application industry provided both in absolute amount and as a percentage of our total revenue for the years presented.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
New Infrastructure Construction	219,592	42.2	324,071	51.8	371,428	56.7
Including: Communication	218,227	41.9	321,526	51.4	370,312	56.5
Including: Data Center	146,229	28.1	200,188	32.0	223,448	34.1
Power	149,731	28.8	171,714	27.5	177,038	27.0
Construction	66,290	12.7	35,188	5.6	53,198	8.1
Manufacturing	81,931	15.7	87,823	14.1	46,845	7.2
Others	3,269	0.6	6,332	1.0	6,634	1.0
	520,813	**100.0**	**625,128**	**100.0**	**655,143**	**100.0**

Cost of Sales

Our cost of sales primarily consists of raw materials, production costs and staff costs, which in aggregate accounted for 96.7%, 96.2%, and 95.0% of our cost of sales, respectively, in 2023, 2024 and 2025. The following table sets forth a breakdown of our cost of sales in absolute amounts and as percentages of total cost of sales, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	288,329	85.1	320,838	85.4	348,612	84.7
Staff costs	23,476	6.9	26,461	7.0	25,710	6.2
Production costs	15,723	4.7	14,340	3.8	16,720	4.1
Contract performance costs	6,066	1.8	9,121	2.4	15,119	3.7
Taxes and surcharges	4,818	1.4	4,530	1.2	4,966	1.2
Inventory impairment loss	369	0.1	582	0.2	603	0.1
Total	**338,781**	**100.0**	**375,872**	**100.0**	**411,730**	**100.0**

The following table sets forth a breakdown of our cost of sales by products category, expressed in absolute amounts and as percentages of total cost of sales, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
High-voltage switchgears	106,877	31.6	102,234	27.2	139,871	34.0
Low-voltage switchgears	224,750	66.3	239,362	63.7	207,364	50.4
Other electrical products	6,927	2.0	32,070	8.5	63,485	15.4
Other	227	0.1	2,206	0.6	1,010	0.2
Total	**338,781**	**100.0**	**375,872**	**100.0**	**411,730**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit was RMB182.0 million in 2023, RMB249.3 million in 2024 and RMB243.4 million in 2025. Our gross profit margin was 35.0% in 2023, 39.9% in 2024 and 37.2% in 2025. The following table sets forth a breakdown of our gross profit and gross margin by different type of business we offered for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit (RMB'000)	*Gross Profit Margin (%)*	*Gross Profit (RMB'000)*	*Gross Profit Margin (%)*	*Gross Profit (RMB'000)*	*Gross Profit Margin (%)*
High-voltage switchgears	40,113	27.3	40,980	28.6	48,221	25.6
Low-voltage switchgears	121,692	35.1	184,784	43.6	154,225	42.7
Other electrical products	17,127	71.2	19,502	37.8	35,339	35.8
Others	3,100	93.2	3,990	64.4	5,628	84.8
Total	**182,032**	**35.0**	**249,256**	**39.9**	**243,413**	**37.2**

Other Net Income

Our other net income primarily consisted of investment gains and net fair value changes on financial assets measured at fair value through profit or loss, government grants, interest income, additional deduction of input value-added tax and others. Government grants represent the cash received from government after government approval of the applications that meet the requirements of government's policies. There are substantial uncertainties as to whether or not and, if yes, when we will receive government grants. There is no assurance that we will continue to receive government grants in the future. In 2023, 2024 and 2025, our other net income were RMB5.5 million, RMB5.5 million and RMB6.5 million, respectively.

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

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Investment gains and net fair value changes on financial assets measured at FVPL	1,197	21.6	949	17.2	1,319	20.2
Interest income	601	10.8	1,291	23.5	422	6.5
Government grants[(1)]	1,152	20.8	763	13.9	1,533	23.5
Additional deduction of input value-added tax[(2)]	2,781	50.1	3,203	58.3	3,487	53.4
Others	(184)	(3.3)	(709)	(12.9)	(232)	(3.6)
Total	**5,547**	**100.0**	**5,497**	**100.0**	**6,529**	**100.0**

Notes:

1. Government grants were received from several local government authorities as a recognition of the Group's contribution towards the local economies.

2. According to Article 1 of the Announcement of the Ministry of Finance and the State Administration of Taxation on the Policy of Additional Value Added Tax Deduction for Advanced Manufacturing Enterprises (Announcement No. 43 of the Ministry of Finance and the State Administration of Taxation in 2023), from January 1, 2023 to December 31, 2027, the Company was certified as an advanced manufacturing enterprise and allowed to deduct extra 5% of the current deductible input VAT tax amount from the VAT payable.

Selling Expenses

Our selling expenses primarily consisted of staff costs, aftersales service fee and travelling and entertainment expenses. In 2023, 2024 and 2025, our selling expenses amounted to RMB24.4 million, RMB30.4 million and RMB31.9 million, respectively, representing 4.7%, 4.9% and 4.9% of our total revenue of the same years, respectively. The following table sets forth a breakdown of our selling expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	11,615	47.5	14,102	46.4	17,490	54.8
Aftersales service fee	3,838	15.7	5,852	19.2	2,121	6.6
Travelling and entertainment expenses	4,040	16.5	5,137	16.9	5,768	18.1
Tendering expenses	2,578	10.6	2,419	8.0	3,735	11.7
Others	2,364	9.7	2,898	9.5	2,808	8.8
Total	**24,435**	**100.0**	**30,408**	**100.0**	**31,922**	**100.0**

Administrative Expenses

Our administrative expenses primarily consisted of staff costs, depreciation and amortisation, third-party service fees and travelling and entertainment expenses. In 2023, 2024 and 2025, our administrative expenses amounted to RMB19.4 million, RMB17.5 million and RMB23.4 million, respectively, representing 3.7%, 2.8% and 3.6% of our total revenue of the same years, 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*	*%*
Staff costs	8,913	46.0	10,149	58.1	11,859	50.7
Depreciation and amortisation	2,301	11.9	2,381	13.6	2,806	12.0
Third-party service fees	4,575	23.6	1,116	6.4	3,898	16.7
Travelling and entertainment expenses	1,010	5.2	895	5.1	1,114	4.7
Others	2,590	13.3	2,929	16.8	3,729	15.9
Total	**19,389**	**100.0**	**17,470**	**100.0**	**23,406**	**100.0**

Research and Development Expenses

Our research and development expenses consisted of material costs, employee remuneration and experimental fee. In 2023, 2024 and 2025, our research and development expenses amounted to RMB19.9 million, RMB23.7 million and RMB23.8 million, respectively, representing 3.8%, 3.8% and 3.6% of our total revenue of the same years, respectively. The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Material costs	10,506	52.7	7,900	33.3	7,169	30.1
Staff costs	5,992	30.0	9,398	39.7	10,529	44.2
Experimental fee	2,600	13.0	5,147	21.7	5,429	22.9
Others	845	4.3	1,250	5.3	678	2.8
Total	**19,943**	**100.0**	**23,695**	**100.0**	**23,805**	**100.0**

Impairment loss on trade and other receivables and contract assets

Impairment loss on trade and other receivables and contract assets primarily represents provisions for expected credit loss on customers' trade receivable and contract assets. We recorded impairment loss on trade and other receivables and contract assets of RMB8.5 million in 2023, RMB10.0 million in 2024 and RMB9.0 million in 2025.

Finance Costs

Our finance costs primarily consist of interest on interest-bearing borrowings and interest on lease liabilities. In 2023, 2024 and 2025, our finance costs amounted to RMB3.1 million, RMB1.7 million, and RMB1.2 million, respectively.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from jurisdictions in which we operate. In 2023, 2024 and 2025, we recorded income tax of RMB14.1 million, RMB22.1 million and RMB20.6 million, respectively.

Mainland China

The PRC statutory corporate income tax rate is 25%.

The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("**HNTE**") which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Our Company is qualified as a HNTE and entitled to a preferential income tax rate of 15% during the years ended 31 December 2023, 2024 and 2025.

According to the relevant tax rules in the PRC, qualified research and development expenditures are allowed for additional deduction for corporate income tax purpose, an additional 100% of such expenditures is deemed to be deductible from January 1, 2021. The Group applies the above preferential policies during the years ended December 31, 2023, 2024 and 2025.

Certain subsidiaries of the Group have been filed as Small Low-profit Enterprises. The entitled subsidiaries are subject to preferential income tax rates of 5% during the years ended 31 December 2023, 2024 and 2025.

Profit for the Year

We achieved profit for the year of RMB98.2 million, RMB149.3 million and RMB139.9 million in 2023, 2024 and 2025, respectively, with a net profit margin of 18.9%, 23.9% and 21.4% for the same years, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 20.0% from RMB520.8 million in 2023 to RMB625.1 million in 2024.

Revenue from the sales of high-voltage switchgear equipment. Our revenue from the sales of high-voltage switchgears equipment slightly decreased by 2.6% from RMB147.0 million in 2023 to RMB143.2 million in 2024, primarily attributable to normal fluctuations in the procurement demand from our customers.

Revenue from the sales of low-voltage switchgear equipment. Our revenue from the sales of low-voltage switchgears equipment increased by 22.4% from RMB346.4 million in 2023 to RMB424.1 million in 2024, primarily attributable to data centers expansion and an increase in market demand of low-voltage switchgear resulting from a rising demand of internet cloud computing facilities.

Revenue from the sales of other electrical products. Our revenue from the sales of other electrical products increased by 114.4% from RMB24.1 million in 2023 to RMB51.6 million in 2024, primarily attributable to the fact that our densely insulated low-voltage AC busways won the bid for the centralised procurement project, resulting in an increase in the sales revenue.

Cost of sales

Our cost of sales increased by 10.9% from RMB338.8 million in 2023 to RMB375.9 million in 2024, which is generally in line with the increase of revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 36.9% from RMB182.0 million in 2023 to RMB249.3 million in 2024. Our gross profit margin increased from 35.0% in 2023 to 39.9% in 2024, primarily due to an increase in the proportion of revenue generated from our low-voltage switchgears, which has a relatively higher gross profit margin.

- Our gross profit of high-voltage switchgears remained relatively stable at RMB40.1 million in 2023 and RMB41.0 million in 2024. Our gross profit margin slightly increased from 27.3% in 2023 to 28.6% in 2024, primarily due to the slight fluctuations from the differences of our products structure.

- Our gross profit of low-voltage switchgears increased from RMB121.7 million in 2023 to RMB184.8 million in 2024, primarily attributable to expansion of our data center business and rising demand for network cloud computing facilities. Our gross profit margin increased from 35.1% in 2023 to 43.6% in 2024, primarily due to an increase in the proportion of revenue generated from our data center business, which has a relatively higher gross profit margin.

- Our gross profit of other electrical products increased slightly from RMB17.1 million in 2023 to RMB19.5 million in 2024. Our gross profit margin decreased from 71.2% in 2023 to 37.8% in 2024, primarily due to an increase in the proportion of revenue generated from our densely insulated low-voltage AC busways, which has a relatively lower gross profit margin.

Other net income

Our other net income remained stable from RMB5.5 million in 2023 to RMB5.5 million in 2024.

Selling expenses

Our selling expenses increased by 24.4% from RMB24.4 million in 2023 to RMB30.4 million in 2024, primarily due to our business performance growth resulting in a corresponding increase in the number of employees which led to higher staff costs, and an increase in aftersales service fee.

Administrative expenses

Our administrative expenses decreased by 9.9% from RMB19.4 million in 2023 to RMB17.5 million in 2024, primarily due to the third-party service fees we incurred for our listing application on the Beijing Stock Exchange in 2023.

Research and development expenses

Our research and development expenses increased from RMB19.9 million in 2023 to RMB23.7 million in 2024, primarily due to an increase in experimental expenses and employee salaries.

Impairment loss on trade and other receivables and contract assets

We recorded impairment loss on trade and other receivables and contract assets of RMB8.5 million in 2023 and RMB10.0 million in 2024. The increase was primarily due to an increase in contract assets that have not yet reached the payment collection period.

Finance costs

Our finance costs decreased by 44.1% from RMB3.1 million in 2023 to RMB1.7 million in 2024, primarily due to a decrease in the amount of corporate loans.

Income tax

Our income tax expense increased by 57.0% from RMB14.1 million in 2023 to RMB22.1 million in 2024, primarily due to an increase in profit before taxation.

Profit for the year

As a result of the foregoing, we recorded profit for the year of RMB98.2 million in 2023 and RMB149.3 million in 2024.

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

Revenue

Our revenue increased by 4.8% from RMB625.1 million in 2024 to RMB655.1 million in 2025.

Revenue from the sales of high-voltage switchgears. Our revenue from the sales of high-voltage switchgears equipment increased by 31.3% from RMB143.2 million in 2024 to RMB188.1 million in 2025, primarily attributable to the increase in demand of this product from our electricity customers.

Revenue from the sales of low-voltage switchgears. Our revenue from the sales of low-voltage switchgears equipment decreased by 14.7% from RMB424.1 million in 2024 to RMB361.6 million in 2025, primarily attributable to a decrease in demand from our industrial customers.

Revenue from the sales of other electrical products. Our revenue from the sales of other electrical products increased substantially by 91.6% from RMB51.6 million in 2024 to RMB98.8 million in 2025, primarily attributable to an increase in our revenue generated from the sale of our densely insulated low-voltage AC busways.

Cost of sales

Our cost of sales increased by 9.5% from RMB375.9 million in 2024 to RMB411.7 million in 2025, which is consistent with an increase in revenue over the same year.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 2.3% from RMB249.3 million in 2024 to RMB243.4 million in 2025. Our gross profit margin decreased from 39.9% in 2024 to 37.2% in 2025, primarily attributable to a decrease in the proportion of revenue generated from our low-voltage switchgears, which has a relatively higher gross profit margin.

- Our gross profit of high-voltage switchgears increased from RMB41.0 million in 2024 to RMB48.2 million in 2025. Our gross profit margin of high-voltage switchgears decreased from 28.6% in 2024 to 25.6% in 2025, primarily due to an increase in raw materials cost.

- Our gross profit of low-voltage switchgears decreased by 16.5% from RMB184.8 million in 2024 to RMB154.2 million in 2025, primarily due to a decrease in sales of low-voltage switchgears. Our gross profit margin of low-voltage switchgears remained relatively stable from 43.6% in 2024 to 42.7% in 2025.

- Our gross profit of other electrical products increased by 81.2% from RMB19.5 million in 2024 to RMB35.3 million in 2025 and our gross profit margin decreased from 37.8% in 2024 to 35.8% in 2025, primarily due to an increase in the proportion of revenue generated from our densely insulated low-voltage AC busways, which has a relatively lower gross profit margin.

Other net income

Our other net income increased by 18.8% from RMB5.5 million in 2024 to RMB6.5 million in 2025, primarily due to the increase in government grants and investment gains from wealth management products.

Selling expenses

Our selling expenses increased by 5% from RMB30.4 million in 2024 to RMB31.9 million in 2025, primarily due to our business performance growth resulting in a corresponding increase in the number of employees, leading to higher staff costs and an increase in business development expenses.

Administrative expenses

Our administrative expenses increased by 34.0% from RMB17.5 million in 2024 to RMB23.4 million in 2025, primarily due to increase in staff costs and listing related expenses.

Research and development expenses

Our research and development expenses remained stable at RMB23.7 million in 2024 to RMB23.8 million in 2025.

Impairment loss on trade and other receivables and contract assets

We recorded impairment loss on trade and other receivables and contract assets of RMB10.0 million in 2024 and RMB9.0 million in 2025.

Finance costs

Our finance costs decreased by 27.5% from RMB1.7 million in 2024 to RMB1.2 million in 2025, primarily due to the decrease in interest rates of corporate loans.

Income tax

Our income tax expense decreased by 6.6% from RMB22.1 million in 2024 to RMB20.6 million in 2025, primarily due to the decrease in profit before taxation.

Profit for the year

As a result of the foregoing, we recorded profit for the year of RMB149.3 million in 2024 and RMB139.9 million in 2025.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-current Assets and Non-current Liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets:			
Property, plant and equipment	142,211	137,498	156,466
Intangible assets	893	898	2,577
Other non-current assets	—	—	323
Deferred tax assets	6,384	8,122	9,676
	149,488	**146,518**	**169,042**
Non-current liabilities:			
Interest-bearing borrowings	10,307	—	—
Lease liabilities	1,682	3,828	3,280
Provisions	1,722	2,703	2,022
Deferred income	3,017	2,640	2,233
	16,728	**9,171**	**7,535**

Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) ownership interests in leasehold land and buildings held for own use, (ii) other properties leased for own use, (iii) machinery, (iv) motor vehicles, (v) office and other equipment, (vi) leasehold improvements, and (vii) construction in progress. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Ownership interests in leasehold land and buildings held for own use	117,294	112,599	105,607
Other properties leased for own use	2,328	4,604	4,097
Machinery	15,878	14,452	17,395
Motor vehicles	777	848	981
Office and other equipment	4,339	4,004	3,575
Leasehold improvements	1,414	984	2,265
Construction in progress	181	7	22,546
Total	**142,211**	**137,498**	**156,466**

Our property, plant and equipment slightly decreased from RMB142.2 million as of December 31, 2023 to RMB137.5 million as of December 31, 2024, primarily due to depreciation, but increased to RMB156.5 million as of December 31, 2025 as a result of an increase in machinery, leasehold improvements and construction in progress.

Intangible Assets

Our intangible assets primarily consist of (i) patent rights, and (ii) software. The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Patent rights	65	60	335
Software	828	838	2,242
Total	**893**	**898**	**2,577**

Our intangible assets amounted to RMB0.9 million as of December 31, 2023, RMB0.9 million as of December 31, 2024 and RMB2.6 million as of December 31, 2025. The overall increase was primarily due to our acquisition of new software, resulting in an increase in book value of intangible assets.

Deferred tax assets

Our deferred tax assets increased from RMB6.4 million as of December 31, 2023 to RMB8.1 million as of December 31, 2024, and RMB9.7 million as of December 31, 2025. The overall increase during the Track Record Period was primarily due to the increase in the credit loss allowance on trade receivables and contract assets.

Current Assets and Current Liabilities

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

	As at December 31,			As at April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets:				
Inventories and other contract costs	80,643	72,137	114,113	148,579
Contract assets	141,887	176,782	171,059	228,571
Trade and other receivables	198,420	182,998	289,821	283,814
Financial assets at fair value through profit or loss ("FVPL")	—	—	13,578	143,080
Restricted bank deposits	9,535	12,784	33,127	38,904
Cash and cash equivalents	211,874	197,549	187,947	21,722
Total current assets	**642,359**	**642,250**	**809,645**	**864,670**
Current liabilities:				
Trade and other payables	202,491	199,041	348,193	388,464
Contract liabilities	5,724	6,959	16,143	31,890
Interest-bearing borrowings	59,396	18,324	51,254	33,083
Lease liabilities	638	882	957	967
Provisions	—	—	1,538	1,062
Other current liabilities	6,087	3,215	4,189	6,054
Current taxation	8,166	10,025	12,023	10,187
Total current liabilities	**282,502**	**238,446**	**434,297**	**471,707**
Net current assets	**359,857**	**403,804**	**375,348**	**392,963**

Our net current assets increased from RMB359.9 million as of December 31, 2023 to RMB403.8 million as of December 31, 2024, primarily due to a decrease in interest-bearing borrowings of RMB41.1 million.

Our net current assets decreased from RMB403.8 million as of December 31, 2024 to RMB375.3 million as of December 31, 2025, primarily due to (i) an increase in trade and other payables of RMB149.2 million, and (ii) an increase in interest-bearing borrowings of RMB33.0 million which were partially offset by (i) an increase of trade and other receivables of RMB106.8 million and (ii) an increase in inventories and other contract costs of RMB42.0 million.

Our net current assets slightly increased from RMB375.3 million as of December 31, 2025 to RMB393.0 million as of April 30, 2026, primarily due to (i) an increase in contract assets of RMB57.5 million, and (ii) a decrease in interest-bearing borrowings of RMB18.2 million.

Inventories and other contract costs

Our inventories and other contract costs primarily consisted of raw materials, work in progress, and finished goods. The following table sets for the details of our inventories as of the dates indicated:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	44,607	34,799	34,865
Work in progress	22,799	18,657	26,798
Finished goods	5,567	11,224	7,967
Goods in transit	6,721	6,412	43,434
Turnover materials	699	763	709
	80,393	71,855	113,773
Other contract costs	250	282	340
	80,643	**72,137**	**114,113**

Our inventories and other contract costs further decreased from RMB80.6 million as of December 31, 2023 to RMB72.1 million as of December 31, 2024, primarily due to continuous cost optimization and enhanced inventory management resulting in reduced stock volumes. Our inventories and other contract costs increased from RMB72.1 million as of December 31, 2024 to RMB114.1 million as of December 31, 2025, primarily because the large orders of a project were in the process of being delivered at the end of 2025, resulting in an increase in goods in transit as of December 31, 2025.

The following table sets forth a summary on the aging analysis of inventories as at the dates indicated:

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	65,519	58,277	99,539
1 to 2 years	8,042	4,917	3,080
Over 2 years	7,874	10,282	13,358
Less: write down of inventories	(792)	(1,339)	(1,864)
Total	**80,643**	**72,137**	**114,113**

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

	As at December 31,		
	2023	**2024**	**2025**
Inventory turnover days(1)	98	74	83

Note:

(1) We calculate inventory turnover days using the average of the beginning and ending balances of total inventories for a year, divided by the corresponding cost of sales for the same year, multiplied by the number of days in such year.

Our inventory turnover days were 98 days, 74 days, and 83 days in 2023, 2024 and 2025. Our inventory turnover days decreased from 98 days in 2023 to 74 days in 2024, primarily due to improvements in our inventory management and optimization of our supply chain delivery period. Our inventory turnover days increased significantly from 74 days in 2024 to 83 days in 2025, primarily because the large orders of a project were in the process of being delivered at the end of 2025, resulting in an increase in inventory as of December 31, 2025.

Contract Assets

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration becomes unconditional. The following table sets forth our contract assets as of the dates indicated.

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Arising from performance under contracts with customers	154,788	193,030	189,467
Less: loss allowance	(12,901)	(16,248)	(18,408)
Total contract assets	**141,887**	**176,782**	**171,059**

Our contract assets increased from RMB141.9 million as of December 31, 2023 to RMB176.8 million as of December 31, 2024, primarily due to sales growth, and the fact that some projects have not yet reached the acceptance period, and arrangements for the warranty period. Our contract assets decreased slightly from RMB176.8 million as of December 31, 2024 to RMB171.1 million as of December 31, 2025.

Trade and Other Receivables

Our trade and other receivables mainly represent (i) trade receivables, (ii) bills receivables, (iii) other receivables, and (iv) prepayments. The following table sets forth our trade and other receivables as of the dates indicated.

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	201,079	189,795	290,661
Bills receivables measured at amortised cost	13,888	20,531	8,584
Less: allowance for expected credit loss	(28,451)	(34,786)	(41,975)
	186,516	175,540	257,270
Other receivables	3,311	3,844	4,604
Less: allowance for expected credit loss	(1,207)	(1,354)	(1,009)
	2,104	2,490	3,595
Prepayments	3,524	3,284	4,187
Prepaid **[REDACTED]**	—	—	**[REDACTED]**
Bills receivables measured at FVOCI	6,276	1,684	18,853
	198,420	182,998	290,144
Less: Non-current portion			
— Prepayment for purchase of property, plant and equipment	—	—	(323)
Current portion	198,420	182,998	289,821

Our trade and other receivables decreased from RMB198.4 million as of December 31, 2023 to RMB183.0 million as of December 31, 2024, primarily because the sales in 2024 were less seasonal. Our trade and other receivables significantly increased to RMB290.1 million as of December 31, 2025, primarily due to the fact that a large portion of the sales occur in the fourth quarter of 2025 and payment has not yet been received.

We generally grant credit terms ranging from 5 to 184 days to our customers. The following table sets forth the aging analysis of our trade and bills receivables measured at amortised cost, based on the revenue recognition date and net of loss allowance, as of the dates indicated.

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	123,314	134,170	210,278
Over 1 year but within 2 years	41,233	22,919	28,244
Over 2 years but within 3 years	15,051	13,654	13,312
Over 3 years but within 4 years	5,858	3,239	4,700
Over 4 years but within 5 years	1,060	1,558	736
Total	186,516	175,540	257,270

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

	As at December 31,		
	2023	**2024**	**2025**
Trade and bills receivables turnover days[(1)]	142	122	140

Note:

(1) We calculate trade and bills receivables turnover days using the average of the beginning and ending balances of trade and bills receivables measured at amortised cost for a year, divided by the corresponding total revenue for the same year, multiplied by the number of days in such period.

Our trade and bills receivables turnover days were 142 days, 122 days, and 140 days in 2023, 2024 and 2025 respectively. The low trade and bills receivables turnover days in 2024 were primarily because the sales in 2024 were less seasonal.

Restricted Bank Deposits

Our restricted bank deposits were pledged as security for bills payables and letter of guarantee. As of December 31, 2023, 2024 and 2025, our restricted bank deposits increased from RMB9.5 million in 2023 to RMB12.8 million in 2024 and further increased to RMB33.1 million as of December 31, 2025, primarily due to the increase in the balance of bills payables and letters of guarantee, resulting in a corresponding increase in the required collateral margin.

Cash and Cash Equivalents

Our cash and cash equivalents decreased from RMB211.9 million as of December 31, 2023 to RMB197.5 million as of December 31, 2024, and further decreased to RMB187.9 million, primarily due to our dividend distribution to shareholders, leading to a corresponding decrease in overall cash holdings.

Trade and Other Payables

Our trade and other payables primarily represented (i) trade payables, and (ii) bills payables.

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

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	85,544	64,138	138,429
Bills payables	89,481	111,940	186,893
Salary and welfare payables	9,094	11,018	11,446
Other tax payables	11,153	5,012	5,586
Other payables and accruals	7,219	6,933	5,839
Total trade and other payables	**202,491**	**199,041**	**348,193**

Our trade and other payables remained relatively stabled at RMB202.5 million as of December 31, 2023 and RMB199.0 million as of December 31, 2024, and increased to RMB348.2 million as of December 31, 2025, primarily due to the fact that a large portion of the sales occur in the fourth quarter of 2025, resulting in a corresponding increase in purchase of raw materials.

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

	As at December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	165,104	159,780	319,474
Over 1 year but within 2 years	4,688	7,418	1,706
Over 2 years but within 3 years	3,081	3,665	197
Over 3 years	2,152	5,215	3,945
Total	**175,025**	**176,078**	**325,322**

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

	As at December 31,		
	2023	**2024**	**2025**
Trade and bills payables turnover days(1)	203	168	219

Note:

(1) We calculate trade and bills payables turnover days using the average of the opening and closing trade and bills payables balances of a year divided by total cost of sales for that year and multiplied by the number of days for that year.

Our trade and bills payables turnover days were 203 days, 168 days, and 219 days in 2023, 2024 and 2025. The low trade and bills payables turnover days in 2024 were primarily because the sales in 2024 were less seasonal, resulting in a relative decrease in raw material purchases in the fourth quarter of 2024.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our business operations and bank borrowings. Subsequent to the **[REDACTED]**, we intend to finance our future capital requirements through cash generated from our business operations, bank borrowings and the **[REDACTED]** from the **[REDACTED]**. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Cash Flows

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB211.9 million, RMB197.5 million and RMB188.0 million, respectively.

The following table sets forth our cash flows for the periods indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	103,762	144,746	144,135
Net cash used in investing activities	(2,621)	(4,671)	(33,885)
Net cash used in financing activities	(45,803)	(154,400)	(119,852)
Net change in cash and cash equivalents	55,338	(14,325)	(9,602)
Cash and cash equivalents at the beginning of the year	156,536	211,874	197,549
Cash and cash equivalents at the end of the year	**211,874**	**197,549**	**187,947**

Net Cash Generated from Operating Activities

In 2025, we had net cash generated from operating activities of RMB144.1 million, which primarily represents profit before taxation of RMB160.6 million, adjusted by (i) non-cash and non-operating items, which primarily consist of (a) depreciation of RMB10.1 million and (b) impairment loss on trade and other receivables and contract assets of RMB9.0 million, (ii) movements in working capital, mainly consisting of (a) an increase in trade and other receivables of RMB109.0 million, partially offset by an increase in trade and other payables of RMB140.1 million (b) an increase in inventories and other contract costs of RMB42.6 million, (c) an increase in restricted bank deposits of RMB20.3 million, and (iii) payment of income tax of RMB20.2 million.

In 2024, we had net cash generated from operating activities of RMB144.7 million, which primarily represents profit before taxation of RMB171.4 million, adjusted by (i) non-cash and non-operating items, which primarily consist of (a) depreciation of RMB10.0 million and (b) impairment loss on trade and other receivables and contract assets of RMB10.0 million, (ii) movements in working capital, mainly consisting of (a) a decrease in inventories and other contract costs of RMB7.9 million, (b) a decrease in trade and other receivables of RMB9.3 million, (c) an increase in contract assets of RMB38.2 million, and (d) a decrease in trade and other payables of RMB2.7 million, and (iii) payment of income tax of RMB22.0 million.

In 2023, we had net cash generated from operating activities of RMB103.8 million, which primarily represents profit before taxation of RMB112.3 million, adjusted by (i) non-cash and non-operating items, which primarily consist of (a) depreciation of RMB10.3 million and (b) impairment loss on trade and other receivables and contract assets of RMB8.5 million, (ii) movements in working capital, mainly consisting of (a) a decrease in restricted bank deposits of RMB25.9 million, (b) a decrease in inventories and other contract costs of RMB20.6 million, (c) an increase in trade and other receivables of RMB33.9 million, and (d) a decrease in trade and other payables of RMB14.0 million, and (iii) income tax payment of RMB12.6 million.

Net Cash Used in Investing Activities

In 2025, we had net cash used in investing activities of RMB33.9 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB21.8 million and payment for acquisition of financial assets measured at FVPL of RMB1,310.6 million, partially offset by proceeds from redemption of financial assets measured at FVPL of RMB1,298.4 million.

In 2024, we had net cash used in investing activities of RMB4.7 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB5.6 million and payment for acquisition of financial assets measured at FVPL of RMB722.5 million, partially offset by proceeds from redemption of financial assets measured at FVPL of RMB723.4 million.

In 2023, we had net cash used in investing activities of RMB2.6 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB3.8 million and payment for acquisition of financial assets measured at FVPL of RMB675.1 million, partially offset by proceeds from redemption of financial assets measured at FVPL of RMB676.3 million.

Net Cash Used in Financing Activities

In 2025, we had net cash used in financing activities of RMB119.9 million, primarily attributable to dividends paid to the equity shareholders of the Company of RMB144.2 million and repayment of interest-bearing borrowings of RMB64.9 million, partially offset by proceeds from new interest-bearing borrowings of RMB97.6 million.

In 2024, we had net cash used in financing activities of RMB154.5 million, primarily attributable to dividends paid to the equity shareholders of the Company of RMB100.8 million and repayments of interest-bearing borrowings of RMB100.7 million, partially offset by proceeds from interest-bearing borrowings of RMB49.4 million.

In 2023, we had net cash used in financing activities of RMB45.8 million, primarily attributable to repayments of interest-bearing borrowings of RMB49.1 million and dividends paid to the equity shareholders of the Company of RMB31.0 million, partially offset by proceeds from interest-bearing borrowings of RMB38.1 million.

INDEBTEDNESS

As of December 31, 2023, 2024, 2025 and April 30 2026, our indebtedness included interest-bearing borrowings, and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As at December 31,			As at April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Interest-bearing borrowings	59,396	18,324	51,254	33,083
Lease liabilities	638	882	957	967
Non-current				
Interest-bearing borrowings	10,307	—	—	—
Lease liabilities	1,682	3,828	3,280	2,955
Total	**72,023**	**23,034**	**55,491**	**37,005**

Interest-bearing Borrowings

Our interest-bearing borrowings consisted of bank loans and bills payables (financing in nature). As at December 31, 2023, 2024 and 2025 and April 30, 2026, we had bank loans of RMB51.1 million, RMB18.3 million, RMB34.0 million and RMB33.1 million, respectively. During the Track Record Period, the interest rate of bank loans with fixed-rate ranged from 1.55% to 4.7%. The interest rate of bank loans with floating-rate was related to PRC Loan-Prime-Rate. Our bills payables (financing in nature) during the Track Record Period were bills of exchange and letters of credit measured at amortised cost and repayable within one year.

Lease Liabilities

Our lease liabilities represented the present value of the outstanding lease payments primarily in respect of our leased buildings and properties.

The following table sets out our lease liabilities as of the dates indicated.

	As at December 31,			As at April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current portion	638	882	957	967
Non-current portion	1,682	3,828	3,280	2,955
Total	**2,320**	**4,710**	**4,237**	**3,922**

Indebtedness Statement

Save as disclosed above, as of December 31, 2023, 2024 and 2025, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings and other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since April 30, 2026, being the latest practicable date for the purpose of the indebtedness statement, and up to the Latest Practicable Date. As of April 30, 2026, our unutilised banking facilities from financial institutions amounted to RMB198.7 million.

CAPITAL COMMITMENTS

Our capital commitments mainly refer to the purchases of property, plant and equipment that we have authorised or contracted for but not yet paid. As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB0.1 million, RMB5.6 million and RMB2.7 million, respectively.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. See note 30 to the Accountants' Report in Appendix I to this Document. Our Directors believe that these transactions were conducted in the ordinary and usual course of business, and did not distort our results of operations or make our historical results unreflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
Gross profit margin[(1)]	35.0%	39.9%	37.2%
Debt to asset ratio[(2)]	37.8%	31.4%	45.1%
Return on equity[(3)]	21.4%	28.9%	26.0%
Return on assets[(4)].	12.6%	18.9%	15.8%

Notes:

(1) Represents gross profit for the period divided by revenue for the same year, expressed as a percentage.

(2) Debt to asset ratio is calculated based on total liabilities divided by total assets and multiplied by 100%.

(3) Return on equity is calculated by the profit for the year divided by the average of opening and closing balances of the total equity and multiplied by 100%.

(4) Return on assets is calculated based on profit for the year divided by the average of opening and closing balances of the total assets and multiplied by 100%.

Gross Profit Margin

See "— Year-to-Year Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Debt to Asset Ratio

Our debt to asset ratio decreased from 37.8% in 2023 to 31.4% in 2024, primarily because the net profit each year consistently exceeds the dividends paid for that year and repayment of bank borrowings, resulting in retained earnings that increase Shareholders' equity. Our gearing ratio increased to 45.1% in 2025, primarily because a large portion of our sales occurred in the fourth quarter of 2025, resulting in an increase leverage in the end of 2025.

Return on Equity and Return on Assets

Our return on equity increased from 21.4% in 2023 to 28.9% in 2024, primarily due to the continuous improvement in our profitability. Our return on equity decreased slightly to 26.0% in 2025, primarily due to a slight decrease in our net profit.

Our return on assets increased from 12.6% in 2023 to 18.9% in 2024, primarily due to the continuous improvement in our profitability. Our return on assets decreased to 15.8% in 2025, primarily due to an increase in leverage and total assets.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period consisted of purchases of property, plant and equipment and intangible assets. Our capital expenditures were RMB3.8 million, RMB5.6 million and RMB21.8 million as of December 31, 2023 and 2024 and 2025, respectively.

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**". We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operation activities and **[REDACTED]** from the **[REDACTED]**.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit, liquidity and interest rate risks. Our overall risk management strategy seeks to minimize potential adverse effects of the aforesaid risks on our financial performance. For details, see note 28 to the Accountants' Report in Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and bills receivables measured at amortised cost and contract assets. Our exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivables measured at FVOCI is limited because the counterparties are banks and financial institutions for which we consider to represent low credit risk.

We do not provide any guarantees which would expose us to credit risk.

Trade and bills receivables and contract assets

We have established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 5 to 184 days from the date of billing. Normally, we do not obtain collateral from customers.

We have no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. At December 31, 2023, 2024 and 2025, 57.2%, 73.0% and 67.2% of the total trade and bills receivables and contract assets was due from our five largest customer respectively, and 7.7%, 32.1% and 34.9% of the total trade and bills receivables and contract assets, respectively, was due from our largest customers.

We measure loss allowances for trade receivables, bills receivable measured at amortised cost and contract assets at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different type of customer, the loss allowance based on past due status is not distinguished among our different customer types.

Liquidity Risk

We are responsible for cash management, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. Our policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from interest-bearing borrowings. Interest-bearing borrowings issued at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively.

DIVIDENDS

In 2023, 2024 and 2025, dividend of RMB31.0 million, RMB100.8 million, and RMB144.2 million were approved and paid, respectively.

After completion of the **[REDACTED]**, our Shareholders will be entitled to receive any dividends we declare. We may distribute dividends by way of shares or cash, or a combination of both shares and cash. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders.

Our future declarations of dividends may not be in line with our historical declaration of dividends and will be subject to the approval of our Shareholders. See "Risk Factors — Risks Relating to the **[REDACTED]** — Our historical dividends may not be indicative of our future dividend policy, and there is no assurance that we will pay dividends in the future".

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our cash flow from operating activities, cash and cash equivalents on hand, banking facilities and **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** commission and other fees incurred in connection with the **[REDACTED]**. Assuming the **[REDACTED]** is not exercised and based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**), **[REDACTED]** to be borne by us are estimated to be approximately RMB**[REDACTED]** (HK$**[REDACTED]**), comprising: (i) **[REDACTED]** fees of RMB**[REDACTED]** (HK$**[REDACTED]**); and (ii) **[REDACTED]** expenses of RMB**[REDACTED]** (HK$**[REDACTED]**), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB**[REDACTED]** (HK$**[REDACTED]**); and (b) other fees and expenses of RMB**[REDACTED]** (HK$**[REDACTED]**), approximately RMB**[REDACTED]** (HK$**[REDACTED]**) of which was charged or is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB**[REDACTED]** (HK$**[REDACTED]**) of which is expected to be deducted from equity upon the completion of the **[REDACTED]**. The **[REDACTED]** are expected to represent approximately **[REDACTED]**% of the **[REDACTED]** of the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**) and that the **[REDACTED]** is not exercised. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We 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.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in "Summary — Recent Developments", our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2025, which is the end date of the years reported on in the Accountants' Report as set out in Appendix I to this document, and there is no event since December 31, 2025 which would materially affect the information in the Accountants' Report as set out in Appendix I to this document.