*You should read the following discussion and analysis with our audited consolidated financial information as of and for the Track Record Period), including the notes thereto, included in the Accountants' Report in Appendix I to this document. The consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (the "**IFRS Accounting Standards**"). Potential* **[REDACTED]** *should read all the historical financial information and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions, expected future developments and 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. Past performance is no guarantee of future results. In evaluating our business, you should carefully consider the information provided in this document, including, but not limited to, the sections headed "Risk Factors" and "Business."*

OVERVIEW

We are a globally leading industrial PM electric-drive solution provider headquartered in China with nearly two decades of expertise in the industrial electric-drive sector. We specialize in the design, development and commercialization of PM electric-drive products for industrial applications. During the Track Record Period, we achieved sustained and rapid growth, with the shipment volume of our PM motors increasing from 2,107 units in 2023 to 3,061 units in 2025. According to Frost & Sullivan, throughout the Track Record Period, in terms of revenue, we ranked first globally among (i) industrial PM electric-drive solution providers with a market share of over 10%; (ii) industrial PM pulley suppliers with a market share of over 80%; and (iii) providers of PM electric-drive solutions for the mining industry.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Set forth below are certain key factors which have historically affected our results of operations and may continue to impact our results in the future:

Development of Industries Where We and Our Customers Operate

We specialize in the design, development and commercialization of PM electric-drive products across a wide range of downstream sectors. Demand for our products and solutions is closely linked to market acceptance of PM electric-drive products as replacements for traditional transmission system, as well as the continued growth of the industries in which our customers operate. We strategically align ourselves with prevailing industry trends to capture growth opportunities and deliver sustainable performance.

In recent years, the global and Chinese PM electric-drive markets have grown rapidly, benefiting from multiple drivers, including favorable policies and rising global awareness for green manufacturing with sustainable growth and the industrial needs for unmanned operations with higher precision control supported by electric-control systems. According to Frost & Sullivan, the market size of global PM electric-drive solutions in terms of revenue grew from RMB4.7 billion in 2022 to RMB8.1 billion in 2025, representing a CAGR of 19.9% from 2022 to 2025, and is expected to grow to RMB27.2 billion in 2030, representing a CAGR of 26.3% from 2026 to 2030. Within this landscape, the market in which we operate has maintained and is expected to continue to maintain steady and resilient growth. These favorable market dynamics have provided a solid foundation for our continuous business expansion.

Moreover, our sustainable business and financial growth also depend on the growing demand from the industries in which our major downstream customers operate. Our customers currently span a variety of industries, such as mining, manufacturing and renewable energy. Growth in these downstream industries creates greater demand for our products and enhances our ability to attract new customers. Going forward, we intend to both deepen our presence in existing downstream application scenarios and expand into emerging industries where we can leverage our experience to create a second growth engine.

Our Abilities to Reinforce Our Customer Relationship and Develop Our Customer Base

Our products are made to order and cater to the different needs of our customers. Therefore, our results of operations have been, and are expected to continue to be, affected by our ability to solidify our relationships with our customers. As of the Latest Practicable Date, we had established 18 regional sales offices responsible for different geographic markets to provide customized solutions addressing the various needs of our downstream customers. During the Track Record Period, our primary customer group consisted of enterprise-level customers to whom we sell directly, many of which were large-scale state-owned enterprises. We adopt an approach that spans initial product development and full-scale manufacturing, aligning with customer demands and optimizing our delivery and execution. We expect to further enhance this approach, which enables us to work closely with our customers, address their demands in a satisfactory and agile manner and ultimately anchor their collaboration with us to drive our growth.

Our relationships with customers depend on various factors, including the attractiveness of our products based on their benefits and costs to customers, the availability and relative advantages of alternative products from our competitors and the specific demands of our customers, over which we have limited control. We must continually reinforce our customer relationships in view of these factors to ensure continued procurement from us, maintain our market share and competitive advantages and price our products effectively.

In 2023, 2024 and 2025, revenue generated from our five largest customers in each year during the Track Record Period accounted for 36.3%, 23.8% and 26.1% of our total revenue, respectively. We expect to further expand our customer base alongside the growth of each business line, which will help diversify our revenue streams and improve our resilience.

Our Abilities to Continuously Upgrade Our Products to Address Diverse Customer Needs

During the Track Record Period, we were dedicated to satisfying evolving market needs, sustaining product competitiveness and ensuring solid profitability through product optimization. We have consistently invested in customized PM motors to diverse industrial application scenarios while addressing various pain points faced by our customers. These solutions deliver key benefits, including (i) optimizing energy utilization efficiency by removing intermediate transmission components and enabling direct drive operation with higher transmission efficiency; (ii) reducing installation space and system complexity compared to traditional asynchronous motor and gearbox configurations; and (iii) enhancing product quality and reducing customers' subsequent equipment maintenance and upkeep costs.

Looking forward, we are actively capturing opportunities in emerging sectors. We are strengthening our mass production capabilities in stators and rotors used in wind power generation and expanding our abilities to provide customized marine electric-drive systems to support renewable energy sectors with high demand potential for energy efficiency upgrades. Our abilities to deepen our presence in different downstream sectors while continuously launching innovative products and solutions will remain a key driver of our long-term revenue growth and profitability. According to Frost & Sullivan, various emerging sectors are expected to experience rapid growth in demand for PMDD systems. Our early entry, continuous innovation and expansion of our solution portfolio in these areas position us to capture significant opportunities as these markets scale.

Furthermore, given the sophisticated nature of our products, which involve dedicated technology, know-how and manufacturing techniques, as well as the specific business needs of our customers, our ability to consistently and efficiently deliver satisfactory products is fundamental to our operating results and market competitiveness. Specifically, the perceived benefits of our products are crucial to customers' willingness to purchase from us and to our ability to price effectively. Our efforts have laid a solid foundation for steady revenue growth and long-term profitability. Our sustained success in diversifying our PMDD solutions demonstrates the resilience of our business model and the positive impact of our transition toward more integrated and specialized solutions, which has driven steady growth in our financial performance during the Track Record Period. In 2023, 2024 and 2025, we recorded revenue of RMB761.5 million, RMB872.6 million and RMB936.0 million, with gross profit margin of 24.1%, 25.0% and 25.7%, respectively. The improvement and diversification of our products have resulted in more balanced business and revenue growth and reduced the risk of dependence on any single product type.

Effectiveness of Our R&D Efforts

We believe that R&D is pivotal to our long-term development and serves as one of the critical pillars to sustain our long-term and stable profitability. As the global PM electric-drive solution market in which we specialize rapidly evolves, we remain committed to sustained investment in R&D to maintain our technological leadership and meet the changing needs of our customers. We focus on developing a more diverse range of PM motor series tailored for a wider array of industries and specialized application scenarios and to enhance our capabilities to advance and commercialize new products. Given that a significant portion of our products must be designed and manufactured based on specific customer requirements, we have accumulated advanced product design and precision development capabilities, as well as a suite of key manufacturing technologies that enable us to produce high-precision, premium-quality products across diverse industries. These efforts have contributed to our competitive advantages and, in turn, to our historical performance.

During the Track Record Period, we have steadily invested and remained committed to investing in our R&D efforts to upgrade our products and advance our technological competitive edge. In 2023, 2024 and 2025, our research and development expenses amounted to RMB30.2 million, RMB32.3 million and RMB39.2 million, accounting for 4.0%, 3.7% and 4.2% of our total revenue, respectively. As of December 31, 2025, we had 98 R&D personnel. Going forward, we expect to continue investing in our R&D efforts in a prudent and efficient manner that closely aligns with our business objectives and enables us to capture industry trends.

Cost Control and Operation Efficiency

Our business results, profitability and future growth are closely linked to our ability to enhance operational efficiency and optimize cost management. Our cost of sales amounted to RMB578.0 million, RMB654.3 million and RMB695.6 million, accounting for 75.9%, 75.0% and 74.3% of our revenue, in 2023, 2024 and 2025, respectively. We believe that we have achieved effective cost management during the Track Record Period, as demonstrated by our steadily increasing gross profit margin of 24.1%, 25.0% and 25.7% in 2023, 2024 and 2025, respectively. To secure stable supply of rare earth and industrial-grade copper materials, which are key raw materials for our PM motors, we have formed in-depth joint venture cooperation with one of the largest rare earth materials suppliers and one of the largest copper material suppliers in China. We have also adopted a demand-driven procurement model to minimize inventory buildup and improve capital turnover. Our robust, resilient and efficient supply chain enables us to source key raw materials and components in a timely manner at feasible costs for use in products delivered to downstream customers.

During the Track Record Period, we continuously improved production efficiency through advanced manufacturing technologies, optimized raw material utilization and enhanced waste management practices. To increase automation across our production lines, we have gradually adopted automated manufacturing equipment with higher levels of precision control, as well as implemented intelligent manufacturing software, including MES across batch production lines and ERP system across procurement, warehousing, production and cost management functions. These initiatives have supported our stable gross profit margins during the Track Record Period, reflecting the effectiveness of our operational strategy in sustaining profitability while delivering high-quality and cost-effective solutions.

Our net profit margin is also affected by our operating expenses, which primarily comprised selling and marketing expenses, administrative expenses and R&D expenses during the Track Record Period. We formulate, implement and constantly monitor the execution of financial budgets that enable us to achieve effective control of our operating expenses in parallel with the growth of our business scale. As we continue to expand our business, we expect to maintain our operating expenses at reasonable levels corresponding to our growth and, in the long term, realize greater economies of scale that further optimize our cost structure and improve our profitability.

BASIS OF PREPARATION

Our historical financial information has been prepared consistently in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board. For the purpose of preparing the historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period.

MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions and 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 operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations 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. When reviewing our consolidated financial statements, you should consider, amongst other things: (i) information about our material accounting policy; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Information about our material accounting policies, as well as significant estimates and judgments, which are important for an understanding of our financial condition and results of operations, including any changes in accounting policies and disclosures, is set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Revenue and Other Income

Income is classified by us as revenue when it arises from the sale of goods.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of our revenue and other income recognition policies are as follows:

Revenue from Contracts with Customers

Sales of Products

Revenue is recognized when we transfer the control over the products to customers or satisfies the performance obligation in the contract, generally on delivery or installation and acceptance of the products.

Revenue from Other Sources and Other Income

Rental Income from Operating Leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

Interest Income

Interest income is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Government Grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them.

Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants related to assets shall be recognized as deferred income in the balance sheet and recorded in other income in a reasonable and systematic manner within the service life of the relevant assets. Government grants related to income, those to be used as compensation for future expense or loss shall be recognized as deferred income and shall be recorded in other income in the period in which the relevant expense or loss are recognized; other government grants shall be recorded in other income directly.

DESCRIPTION OF KEY CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss for the years indicated:

	Year ended December 31,					
	2023		**2024**		**2025**	
	(RMB in thousands, except for percentages)					
Revenue	**761,501**	**100.0**	**872,634**	**100.0**	**935,966**	**100.0**
Cost of sales	(578,036)	(75.9)	(654,320)	(75.0)	(695,570)	(74.3)
Other income	8,698	1.1	20,213	2.3	13,533	1.4
Selling and marketing expenses	(61,438)	(8.1)	(69,329)	(7.9)	(73,486)	(7.9)
Administrative expenses	(64,331)	(8.4)	(72,218)	(8.3)	(69,806)	(7.5)
Research and development expenses	(30,186)	(4.0)	(32,281)	(3.7)	(39,200)	(4.2)
Impairment loss on trade receivables, other receivables and contract assets	(3,749)	(0.5)	(8,464)	(1.0)	(10,081)	(1.1)
Profit from operations	**32,459**	**4.3**	**56,235**	**6.5**	**61,356**	**6.6**
Finance costs	(10,517)	(1.4)	(11,753)	(1.3)	(15,898)	(1.7)
Share of profits/(losses) of associates	55	0.0	635	0.1	(688)	(0.1)
Profit before taxation	**21,997**	**2.9**	**45,117**	**5.2**	**44,770**	**4.8**
Income tax	(987)	(0.1)	(4,279)	(0.5)	(3,198)	(0.3)
Profit for the year	**21,010**	**2.8**	**40,838**	**4.7**	**41,572**	**4.4**

Revenue

We generate our revenue primarily from the sales of our (i) PMDD pulleys; (ii) internal-rotor PM motors; (iii) VFDs; and (iv) wind turbine generator components.

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

	Year ended December 31,					
	2023		2024		2025	
	(RMB in thousands, except for percentages)					
PMDD pulleys	483,846	63.6	568,517	65.2	488,386	52.1
Internal-rotor PM motors	45,977	6.0	72,200	8.3	143,692	15.4
VFDs	161,528	21.2	184,439	21.1	205,043	21.9
Wind turbine generator components	41,107	5.4	18,312	2.1	68,149	7.3
Other products[1]	29,043	3.8	29,166	3.3	30,696	3.3
Total	**761,501**	**100.0**	**872,634**	**100.0**	**935,966**	**100.0**

Note:

(1) Primarily included spare parts and auxiliary components.

The table below sets forth our sales volume and price range by product line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales Volume	**Price Range[1]**	**Sales Volume**	**Price Range[1]**	**Sales Volume**	**Price Range[1]**
	(Units)	*(RMB in thousands)*	*(Units)*	*(RMB in thousands)*	*(Units)*	*(RMB in thousands)*
PMDD pulleys	1,302	61.4-2,785.3	1,664	25.4-3,191.6	1,711	24.5-2,044.3
Internal-rotor PM motors	752	1.0-877.9	781	0.6-1,177.0	1,638	1.0-903.5
VFDs	1,115	0.5-1,415.9	1,375	1.4-840.2	2,014	1.4-608.8
Wind turbine generator components	522[2]	72.4-86.1	298[2]	57.9-80.9	870[2]	52.6-131.2

Notes:

(1) Due to the customized nature of our products, each product line comprises a wide range of sub-product lines with varying specifications and a wide range of technical parameters designed to meet customers requirements under diverse application scenarios, with different levels of manufacturing complexity and cost. As a result, there is a wide pricing range within each product line.

(2) The substantial increase in sales volume for wind turbine generator components in 2025 compared to 2023 and 2024 was primarily due to the expansion of our product portfolio to include wind turbine generator rotors and wind turbine pitch control systems in 2025, whereas the product line in 2023 and 2024 comprised only wind turbine generator stators.

Our revenue increased by 14.6% from RMB761.5 million in 2023 to RMB872.6 million in 2024, and further increased by 7.3% to RMB936.0 million in 2025, primarily because (i) the sales of our PMDD pulleys increased from RMB483.8 million in 2023 to RMB568.5 million in 2024 as its market demand grew; (ii) in 2025, we transformed the composition of our product portfolio, strategically shifting our sales focus to internal-rotor PM motors, the sales of which nearly doubled from RMB72.2 million in 2024 to RMB143.7 million in 2025; (iii) the sales of our VFDs and other products steadily increased during the Track Record Period; and (iv) despite a decrease in sales from RMB41.1 million in 2023 to RMB18.3 million in 2024 due to limited production capacity, the sales of our wind turbine generator components increased from RMB18.3 million in 2024 to RMB68.1 million in 2025 as we completed the installation of a new production line that unlocked additional production capacity for wind turbine generator components.

Cost of Sales

Our cost of sales mainly comprised (i) raw material costs; and (ii) technical service, installation and commissioning fees. In 2023, 2024 and 2025, our cost of sales represented 75.9%, 75.0% and 74.3% of our total revenue, respectively.

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

	Year ended December 31,					
	2023		2024		2025	
	(RMB in thousands, except for percentages)					
Raw materials	449,854	77.8	507,299	77.5	625,306	89.9
Technical service, installation and commissioning fees	106,669	18.5	120,619	18.4	46,884	6.7
Others[(1)]	21,513	3.7	26,402	4.1	23,380	3.4
Total	**578,036**	**100.0**	**654,320**	**100.0**	**695,570**	**100.0**

Note:

(1) Primarily included write-down of inventories, freight costs, warranty costs, maintenance costs and contractual energy management costs.

Our technical service, installation and commissioning fees declined from RMB120.6 million in 2024 to RMB46.9 million in 2025, primarily due to (i) our existing customers' reduced demand for our complementary technical and installation support as they have grown relatively familiar with our solutions, leading to a corresponding decrease in our expenses in this regard; and (ii) a substantial growth in sales of our wind turbine generator components that do not require us to provide installation or commissioning for our customers.

The following table sets forth our cost of sales by product line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	(RMB in thousands, except for percentages)					
PMDD pulleys	353,281	61.1	392,137	59.9	309,065	44.4
Internal-rotor PM motors	45,245	7.8	69,199	10.6	126,629	18.2
VFDs	120,972	20.9	143,039	21.9	160,931	23.1
Wind turbine generator components	34,996	6.1	17,866	2.7	69,966	10.1
Other products[1]	16,178	2.8	21,310	3.3	24,165	3.5
Subtotal	**570,672**	**98.7**	**643,551**	**98.4**	**690,756**	**99.3**
Write-down of inventories	7,364	1.3	10,769	1.6	4,814	0.7
Total	**578,036**	**100.0**	**654,320**	**100.0**	**695,570**	**100.0**

Note:

(1) Primarily included spare parts and auxiliary components.

Our cost of sales increased by 13.2% from RMB578.0 million in 2023 to RMB654.3 million in 2024, and further increased by 6.3% to RMB695.6 million in 2025, generally in line with our revenue growth during the Track Record Period.

Gross Profit and Gross Profit Margin

In 2023, 2024 and 2025, our gross profit margin increased steadily from 24.1% in 2023 to 25.0% in 2024, and further to 25.7% in 2025.

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

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)					
PMDD pulleys	130,565	27.0	176,380	31.0	179,321	36.7
Internal-rotor PM motors	732	1.6	3,001	4.2	17,063	11.9
VFDs	40,556	25.1	41,400	22.4	44,112	21.5
Wind turbine generator components	6,111	14.9	446	2.4	(1,817)	(2.7)
Other products[1]	12,865	44.3	7,856	26.9	6,531	21.3
Subtotal	**190,829**	**25.1**	**229,083**	**26.3**	**245,210**	**26.2**
Write-down of inventories	(7,364)		(10,769)		(4,814)	
Total	**183,465**	**24.1**	**218,314**	**25.0**	**240,396**	**25.7**

Note:

(1) Primarily included spare parts and auxiliary components.

Our gross profit increased by 19.0% from RMB183.5 million in 2023 to RMB218.3 million in 2024, and further increased by 10.1% to RMB240.4 million in 2025, primarily in line with our overall business growth.

Other Income

Our other income mainly comprised government grants, value-added tax deduction and bank interest income, with one-off net gains or losses arising from the disposal of investment property and property, plant and equipment and right-of-use assets. In 2023, 2024 and 2025, our other income amounted to RMB8.7 million, RMB20.2 million and RMB13.5 million, representing 1.1%, 2.3% and 1.4% of our total revenue, respectively.

The following table sets forth our other income by nature for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Government grants	3,323	8,273	6,292
Value-added tax deduction	4,068	3,919	4,750
Interest income	1,243	1,111	1,542
Net (losses)/gains on disposal of investment property and property, plant and equipment	(8)	6,568	(158)
Others	72	342	1,107
Total	**8,698**	**20,213**	**13,533**

Our other income increased substantially from RMB8.7 million in 2023 to RMB20.2 million in 2024, and subsequently decreased to RMB13.5 million in 2025, primarily attributable to (i) the relatively high government grants that we received in 2024; and (ii) our one-off net gains arising from the disposal of investment property and property, plant and equipment in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses mainly comprised employee remuneration, travel expenses, business development expenses, advertising and promotion expenses and tendering service expenses. In 2023, 2024 and 2025, our selling and marketing expenses represented 8.1%, 7.9% and 7.9% of our total revenue, respectively.

The following table sets forth our selling and marketing expenses by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	(RMB in thousands, except for percentages)					
Employee remuneration	17,465	28.4	21,310	30.7	21,689	29.5
Travel expenses	12,092	19.7	14,632	21.1	19,233	26.2
Business development expenses	10,882	17.7	16,394	23.6	17,708	24.1
Advertising and promotion expenses	13,085	21.3	10,746	15.5	9,142	12.4
Tendering service expenses	5,716	9.3	3,818	5.5	3,040	4.1
Others[(1)]	2,198	3.6	2,429	3.5	2,674	3.6
Total	**61,438**	**100.0**	**69,329**	**100.0**	**73,486**	**100.0**

Note:

(1) Primarily included office expenses, depreciation and amortization and share-based payment.

Our selling and marketing expenses increased from RMB61.4 million in 2023 to RMB69.3 million in 2024, primarily attributable to increases in business development expenses, employee remuneration and travel expenses in line with our business expansion. Our selling and marketing expenses further increased to RMB73.5 million in 2025, mainly due to higher travel expenses incurred in connection with our overseas business development efforts and as we participated in more international exhibitions.

Administrative Expenses

Our administrative expenses mainly comprised employee remuneration, depreciation and amortization, office expenses, professional service fees, tax and surcharges, business development expenses and travel expenses. In 2023, 2024 and 2025, our administrative expenses represented 8.4%, 8.3% and 7.5% of our total revenue, respectively.

The following table sets forth our administrative expenses by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	(RMB in thousands, except for percentages)					
Employee remuneration	36,209	56.3	41,176	57.0	41,820	59.9
Depreciation and amortization	2,538	3.9	4,280	5.9	8,082	11.6
Office expenses	3,008	4.7	5,794	8.0	5,442	7.8
Professional service fees	7,296	11.3	6,630	9.2	5,596	8.0
Tax and surcharges	6,649	10.3	6,831	9.5	4,254	6.1
Business development expenses	4,056	6.3	3,450	4.8	2,223	3.2
Travel expenses	3,582	5.6	2,199	3.0	1,091	1.6
Others[(1)]	993	1.6	1,858	2.6	1,298	1.9
Total	**64,331**	**100.0**	**72,218**	**100.0**	**69,806**	**100.0**

Note:

(1) Primarily included transportation fees, handling charge and share-based payment.

Our administrative expenses increased by 12.3% from RMB64.3 million in 2023 to RMB72.2 million in 2024, primarily due to (i) increases in our employee remuneration and office expenses, mainly driven by our business expansion; and (ii) increase in depreciation and amortization as depreciation commenced upon the completion of construction of Phase I of our production facility in Changzhou. Our administrative expenses then decreased slightly from RMB72.2 million in 2024 to RMB69.8 million in 2025.

Research and Development Expenses

Our research and development expenses mainly comprised employee remuneration, material costs, trial and pilot production expenses, commissioned research and development costs as well as travel expenses. In 2023, 2024 and 2025, our research and development expenses represented 4.0%, 3.7% and 4.2% of our total revenue, respectively.

The following table sets forth our research and development expenses by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	(RMB in thousands, except for percentages)					
Employee remuneration	14,616	48.4	18,297	56.7	21,275	54.3
Material costs	8,044	26.6	6,837	21.2	7,774	19.8
Trial and pilot production expenses	2,983	9.9	4,307	13.3	4,559	11.6
Commissioned research and development[1]	1,809	6.0	564	1.7	1,653	4.2
Travel expenses	1,439	4.8	765	2.4	851	2.2
Others[2]	1,295	4.3	1,511	4.7	3,088	7.9
Total	**30,186**	**100.0**	**32,281**	**100.0**	**39,200**	**100.0**

Notes:

(1) During the Track Record Period, we commissioned renowned education institutes to assist us with the development of certain ancillary hardware and software, such as photovoltaic inverters, maglev blowers and deep learning-based fault diagnosis system for PM pulleys. The payments to the education institutes were typically scheduled based on development progress, which led to the fluctuations in commissioned research and development expenses.

(2) Primarily included depreciation and amortization, share-based payment, administrative and office expenses, professional and services fees, business development and corporate activities expenses as well as property and facilities related expenses.

Our research and development expenses increased by 6.9% from RMB30.2 million in 2023 to RMB32.3 million in 2024, primarily due to increases in employee remuneration and trial and pilot production expenses. Our research and development expenses further increased by 21.4% to RMB39.2 million in 2025, primarily due to increases in (i) employee remuneration; and (ii) material costs in line with our increased R&D investments in renewable energy vessels and construction machinery.

Impairment Loss on Trade Receivables, Other Receivables and Contract Assets

Our impairment loss on trade receivables, other receivables and contract assets mainly comprised expected credit loss allowances recognized on trade receivables, other receivables and contract assets in accordance with our credit risk assessment and provisioning policies. In 2023, 2024 and 2025, our impairment loss on trade receivables, other receivables and contract assets amounted to RMB3.7 million, RMB8.5 million and RMB10.1 million, representing 0.5%, 1.0% and 1.1% of our total revenue, respectively.

Finance Costs

Our finance costs comprised interest on bank loans and other borrowings and lease liabilities. In 2023, 2024 and 2025, our finance costs represented 1.4%, 1.3% and 1.7% of our total revenue, respectively.

The following table sets forth our finance costs by nature for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Interest on:			
– bank loans and other borrowings	10,239	11,640	15,884
– lease liabilities	278	113	14
Total	**10,517**	**11,753**	**15,898**

Our finance costs increased by 11.8% from RMB10.5 million in 2023 to RMB11.8 million in 2024, and further increased by 35.3% to RMB15.9 million in 2025, primarily due to increased interest expenses on bank loans and other borrowings as a result of the additional bank loans that we borrowed.

Share of Profits/(Losses) of Associates

Our share of profits or losses of associates mainly comprised our share of results from investments in associates accounted for using the equity method. During the Track Record Period, we recorded a share of profits of associates of RMB0.1 million and RMB0.6 million in 2023 and 2024, respectively, and a share of losses of associates of RMB0.7 million in 2025.

Income Tax

Our income tax increased from RMB1.0 million in 2023 to RMB4.3 million in 2024, primarily attributable to an increase in our profit as our business expanded. Our income tax expenses subsequently decreased to RMB3.2 million in 2025, primarily attributable to the super-deduction for R&D expenses, which reduced our tax payable in 2025. In 2023, 2024 and 2025, our effective tax rates were 4.5%, 9.5% and 7.1%, respectively, which were lower than the statutory PRC enterprise income tax rate, primarily due to preferential tax treatments such as the reduced enterprise income tax rates for high and new technology enterprises, and additional super-deduction of R&D expenses.

Pursuant to the Corporate Income Tax Law of the PRC effective from January 1, 2008, companies in the Chinese Mainland are subject to income tax of 25% unless preferential rate is applicable. We are subject to a tax rate of 15% during the Track Record Period as we were eligible for the tax concession granted by the PRC government as a high-tech enterprise, subject to renewal upon expiry.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

2025 as Compared to 2024

Revenue

Our revenue increased by 7.3% from RMB872.6 million in 2024 to RMB936.0 million in 2025, primarily due to the significant growth in revenue from our internal-rotor PM motors and wind turbine generator components, which was offset by a decline in revenue from our PMDD pulleys. In addition, the stable growth of our VFDs and other products also contributed to the overall increase in revenue during the year.

- Revenue from our PMDD pulleys decreased by 14.1% from RMB568.5 million in 2024 to RMB488.4 million in 2025, primarily because as we expanded in the manufacturing and renewable energy sectors, the demand for our standardized, low-power PMDD pulleys that command lower selling prices on average than their high-power variants increased, resulting in a decrease in our overall revenue from this product line for the year;

- Revenue from our internal-rotor PM motors increased by 99.0% from RMB72.2 million in 2024 to RMB143.7 million in 2025, primarily due to (i) the continued high demand from the metallurgy and non-ferrous metal industry, which led to a high demand for high-voltage, low-speed, high-power motors; and (ii) a high demand for low-voltage, low-speed motors arising from manufacturing customers' energy-saving and carbon-reduction initiatives, resulting in higher sales volume of our internal-rotor PM motors;

- Revenue from our VFDs increased by 11.2% from RMB184.4 million in 2024 to RMB205.0 million in 2025, primarily because our VFDs are typically sold in bundle with our PMDD pulleys and internal-rotor PM motors, and as such, the sales of our VFDs grew in tandem with that of our internal-rotor PM motors, partially offset by the decrease in sales of our PMDD pulleys, in 2025;

- Revenue from our wind turbine generator components increased significantly from RMB18.3 million in 2024 to RMB68.1 million in 2025, primarily due to (i) the installation of a new production line that unlocked additional production capacity for wind turbine generator components in 2025; and (ii) the establishment of our renewable energy business division as well as a dedicated professional renewable energy product team in 2025, which enabled a substantial scale-up of revenue from our wind turbine generator components; and

- Revenue from other products remained relatively stable at RMB29.2 million and RMB30.7 million in 2024 and 2025, respectively.

Cost of Sales

Our cost of sales increased by 6.3% from RMB654.3 million in 2024 to RMB695.6 million in 2025, primarily due to an increase in our raw material costs, reflecting the ongoing expansion in sales volume of our internal-rotor PM motors, VFDs and wind turbine generator components.

Gross Profit and Gross Profit Margin

Our gross profits increased by 10.1% from RMB218.3 million in 2024 to RMB240.4 million in 2025, and our gross profit margin increased from 25.0% in 2024 to 25.7% in 2025.

- Although our expansion efforts in the manufacturing and renewable energy sectors where demand skewed towards standardized, low-power PMDD pulleys led to a decline in revenue from PMDD pulleys in 2025, the gross margin of this product line still improved from 31.0% in 2024 to 36.7% in 2025, primarily due to (i) our enhanced product modularization; and (ii) higher sales of low-power PMDD pulleys that command higher gross profit margins;

- The gross profit margin of our internal-rotor PM motors increased substantially from 4.2% in 2024 to 11.9% in 2025, primarily because (i) our fixed costs were diluted as we realized greater economies of scale and our production processes became more matured; and (ii) our sales of high-voltage internal-rotor PM motors, which generally command higher selling prices and gross profit margins than their low-voltage counterparts, continued to grow in 2025;

- The gross profit margin of our VFDs remained relatively stable at 22.4% in 2024 and 21.5% in 2025;

- With respect to our wind turbine generator components, we recorded a gross profit margin of 2.4% in 2024 and a gross loss margin of 2.7% in 2025, primarily because (i) the gross profit margins of the products in our newly awarded contracts were lower than those in the contracts awarded to us in 2024 and (ii) our new production line for wind turbine generator components was newly installed and commissioned in 2025, which remained in the capacity ramp-up phase throughout the year; and

- The gross profit margin of our other products decreased from 26.9% in 2024 to 21.3% in 2025, primarily due to an increased proportion of lower-margin spare parts and auxiliary components in our sales mix in 2025.

Other Income

Our other income decreased from RMB20.2 million in 2024 to RMB13.5 million in 2025, primarily attributable to (i) the one-off government subsidies for our designation as a Specialized, Refined, Differential and Innovative "Little Giant" Enterprise and government incentives for our settlement in an industrial park in Changzhou in 2024; and (ii) our one-off net gains arising from the disposal of our obsolete production facility in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB69.3 million in 2024 to RMB73.5 million in 2025, primarily attributable to higher travel expenses, which was in line with our overseas business development efforts and as we participated in more international exhibitions.

Administrative Expenses

Our administrative expenses decreased slightly from RMB72.2 million in 2024 to RMB69.8 million in 2025, primarily due to the slightly lower tax and surcharges in 2025.

Research and Development Expenses

Our research and development expenses increased by 21.4% from RMB32.3 million in 2024 to RMB39.2 million in 2025, primarily due to increases in (i) employee remuneration; and (ii) material costs in line with our increased R&D investments in renewable energy vessels and construction machinery.

Impairment Loss on Trade Receivables, Other Receivables and Contract Assets

Our impairment loss on trade receivables, other receivables and contract assets increased by 19.1% from RMB8.5 million in 2024 to RMB10.1 million in 2025, primarily because we increased our provisions for trade receivables, other receivables and contract assets amid our business expansion and growing customer base for the sake of prudence.

Finance Costs

Our finance costs increased by 35.3% from RMB11.8 million in 2024 to RMB15.9 million in 2025, primarily due to an increase in interest expenses on bank loans and other borrowings as a result of the additional bank loans that we borrowed.

Share of Profits/(Losses) of Associates

We recorded a share of profits of associates of RMB0.6 million in 2024 and a share of losses of associates of RMB0.7 million in 2025.

Income Tax

Our income tax decreased from RMB4.3 million in 2024 to RMB3.2 million in 2025, primarily due to the super-deduction for R&D expenses, which reduced our tax payable in 2025.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB40.8 million in 2024 to RMB41.6 million in 2025, and our net profit margin remained relatively stable at 4.7% and 4.4% in 2024 and 2025, respectively.

2024 as Compared to 2023

Revenue

Our revenue increased by 14.6% from RMB761.5 million in 2023 to RMB872.6 million in 2024, primarily due to our increased sales volume, including a higher number of PM motors and VFDs sold.

- Revenue from our PMDD pulleys increased by 17.5% from RMB483.8 million in 2023 to RMB568.5 million in 2024, primarily due to expansion of market demand and growth in orders from existing customers, which led to an increase in sales volume of our PMDD pulleys;

- Revenue from our internal-rotor PM motors increased by 57.0% from RMB46.0 million in 2023 to RMB72.2 million in 2024, primarily due to (i) the strong demand from the metallurgy and non-ferrous metal industry amid a favorable industry cycle, which increased the demand for high-voltage, low-speed, high-power motors; and (ii) a high demand for low-voltage, low-speed motors arising from manufacturing customers' energy-saving and carbon-reduction initiatives, resulting in higher sales volume of our internal-rotor PM motors;

- Revenue from our VFDs increased by 14.2%, from RMB161.5 million in 2023 to RMB184.4 million in 2024, primarily because our VFDs are typically sold in bundle with our PMDD pulleys and internal-rotor PM motors, and as such, the sales of our VFDs grew in tandem with those of our PMDD pulleys and internal-rotor PM motors in 2024;

- Revenue from our wind turbine generator components decreased by 55.5% from RMB41.1 million in 2023 to RMB18.3 million in 2024, primarily due to limited production capacity for this product line in 2024 as a result of space constraints in our production facility; and

- Revenue from other products remained relatively stable at RMB29.0 million and RMB29.2 million in 2023 and 2024, respectively.

Cost of Sales

Our cost of sales increased by 13.2% from RMB578.0 million in 2023 to RMB654.3 million in 2024, primarily due to increases in raw material costs and technical service, installation and commissioning fees in tandem with with our business expansion.

Gross Profit and Gross Profit Margin

Our gross profit increased by 19.0% from RMB183.5 million in 2023 to RMB218.3 million in 2024, and our gross profit margin increased steadily from 24.1% in 2023 to 25.0% in 2024, respectively.

- The gross profit margin of our PMDD pulleys increased from 27.0% in 2023 to 31.0% in 2024, primarily because, as we deepened our industry knowledge and enhanced our product modularization, we reduced both our unit manufacturing costs and post-sales installation and commissioning costs;

- The gross profit margin of our internal-rotor PM motors increased from 1.6% in 2023 to 4.2% in 2024, primarily due to our sales of high-voltage, low-speed, high-power internal-rotor PM motors, which command higher selling prices and gross profit margins than their low-voltage, low-speed counterparts, grew in 2024;

- The gross profit margin of our VFDs decreased from 25.1% in 2023 to 22.4% in 2024, primarily because the prices on average of our VFDs, as supporting products, decreased in tandem with those of our PMDD pulleys as we strategically charged lower prices on average to seize higher market shares in the non-ferrous metal industry;

- The gross profit margin of our wind turbine generator components decreased from 14.9% in 2023 to 2.4% in 2024, primarily because (i) our winning bid prices for wind turbine generator components decreased in 2024; and (ii) limited by our production capacity as a result of space constraints in our production facility, we reduced the production volume of our wind turbine generator components in 2024, which in turn drove up their unit production costs, further driving down our gross profit margins; and

- The gross profit margin of our other products decreased from 44.3% in 2023 to 26.9% in 2024, primarily due to an increased proportion of lower-margin spare parts and auxiliary components in our sales mix in 2024.

Other Income

Our other income increased from RMB8.7 million in 2023 to RMB20.2 million in 2024, primarily due to (i) RMB2.9 million in government subsidies for our designation as a Key Specialized, Refined, Differential and Innovative "Little Giant" Enterprise; (ii) RMB3.6 million in government incentives for our settlement in an industrial park in Changzhou; and (iii) our one-off net gains arising from the disposal of our obsolete production facility in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB61.4 million in 2023 to RMB69.3 million in 2024, primarily attributable to (i) higher employee remuneration and business development expenses due to the expansion of our sales team to support business development; and (ii) increased travel expenses in line with the expansion of our operations.

Administrative Expenses

Our administrative expenses increased by 12.3%, from RMB64.3 million in 2023 to RMB72.2 million in 2024, primarily due to (i) increase in employee remuneration as a result of our recruitment of high-caliber talent to support our business expansion; (ii) increase in office expenses, which was primarily attributable to the commissioning of Phase I of our production facility in Changzhou in 2024, resulting in higher security, cleaning, utility and rental expenses as well as additional inspection and testing fees; and (iii) increase in depreciation and amortization expenses as Phase I of our production facility in Changzhou was capitalized in 2024 and commenced depreciation and amortization charges.

Research and Development Expenses

Our research and development expenses increased by 6.9% from RMB30.2 million in 2023 to RMB32.3 million in 2024, primarily due to increases in (i) employee remuneration as we recruited more R&D personnel; and (ii) trial and pilot production expenses, which were in line with the expansion of our R&D activities.

Impairment Loss on Trade Receivables, Other Receivables and Contract Assets

Our impairment loss on trade receivables, other receivables and contract assets increased from RMB3.7 million in 2023 to RMB8.5 million in 2024, primarily because we increased our provisions for trade receivables, other receivables and contract assets amid our business expansion and growing customer base for the sake of prudence.

Finance Costs

Our finance costs increased by 11.8% from RMB10.5 million in 2023 to RMB11.8 million in 2024, primarily due to higher interest expenses on bank loans and other borrowings as a result of additional bank loans that we borrowed.

Share of Profits of Associates

We recorded a share of profits of associates of RMB0.1 million and RMB0.6 million in 2023 and 2024, respectively.

Income Tax

Our income tax increased from RMB1.0 million in 2023 to RMB4.3 million in 2024 primarily attributable to an increase in our profit as our business expanded.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 94.4% from RMB21.0 million in 2023 to RMB40.8 million in 2024, and our net profit margin increased from 2.8% in 2023 to 4.7% in 2024.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

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

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
		(RMB in thousands)		
				(unaudited)
Current assets				
Inventories	429,411	449,454	510,871	492,042
Contract assets	7,425	18,414	32,470	32,470
Trade and bills receivables	638,009	607,182	771,373	886,707
Prepayments and other receivables	50,696	57,180	65,547	61,988
Restricted bank deposits	67,750	122,468	112,326	81,387
Cash and cash equivalents	56,084	104,858	78,482	54,265
Total current assets	**1,249,375**	**1,359,556**	**1,571,069**	**1,608,859**
Current liabilities				
Trade and bills payables	560,489	537,408	601,387	603,604
Contract liabilities	162,519	151,179	112,913	182,500
Other payables and accruals	87,702	70,926	55,047	57,207
Bank loans and other borrowings	259,405	393,512	391,016	451,726
Lease liabilities	3,938	1,498	124	92
Provision	6,919	8,256	9,073	9,073
Total current liabilities	**1,080,972**	**1,162,779**	**1,169,560**	**1,304,202**
Net current assets	**168,403**	**196,777**	**401,509**	**304,667**

Our net current assets increased moderately from RMB168.4 million as of December 31, 2023 to RMB196.8 million as of December 31, 2024. Such improvement was mainly driven by an increase in total current assets of RMB110.2 million, which was primarily attributable to (i) an increase in restricted bank deposits of RMB54.7 million; (ii) an increase in cash and cash equivalents to RMB48.8 million; (iii) an increase in inventories of RMB20.0 million; and (iv) an increase in contract assets of RMB11.0 million, which were in line with our business expansion, partially offset by a decrease in trade and bills receivable of RMB30.8 million. At the same time, total current liabilities increased by RMB81.8 million, mainly due to an increase in bank loans and other borrowings of RMB134.1 million. Despite the higher current liabilities, the growth in liquid and near-liquid current assets contributed to a net improvement in our working capital position.

Our net current assets increased significantly from RMB196.8 million as of December 31, 2024 to RMB401.5 million as of December 31, 2025, marking a substantial strengthening of our liquidity position. This was primarily attributable to a further rise in total current assets of RMB211.5 million, driven by (i) an increase in trade and bills receivable of RMB164.2 million; and (ii) an increase in inventories of RMB61.4 million, reflecting our business growth and expanded operating scale. At the same time, total current liabilities increased slightly by RMB6.8 million, with increases in trade and bills payables, notwithstanding reductions in contract liabilities, other payables and accruals, bank loans and other borrowings and lease liabilities. The combined effect contributed to the marked improvement in our net current asset position in 2025.

Our net current assets decreased from RMB401.5 million as of December 31, 2025 to RMB304.7 million as of April 30, 2026, mainly driven by an increase in total current liabilities of RMB134.6 million, which was primarily attributable to an increase in contract liabilities of RMB69.6 million, partially offset by an increase in total current assets of RMB37.8 million, which was primarily attributable to an increase in trade and bills receivables of RMB115.3 million, notwithstanding (i) a decrease in inventory of RMB18.8 million; and (ii) a decrease in restricted bank deposits of RMB30.9 million; and (iii) a decrease in in cash and cash equivalents of RMB24.2 million.

Inventories

Our inventories comprised goods in transit, finished goods, raw materials and work in progress. The following table sets forth a summary of our inventories:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Goods in transit	227,500	277,589	263,413
Finished goods	135,773	109,021	148,605
Raw materials	44,260	41,868	50,881
Work in progress	37,069	46,936	78,746
Subtotal	**444,602**	**475,414**	**541,645**
Write-down of inventories	(15,191)	(25,960)	(30,774)
Total	**429,411**	**449,454**	**510,871**

Our inventories increased by 4.7% from RMB429.4 million as of December 31, 2023 to RMB449.5 million as of December 31, 2024, primarily because in 2024 there was an increase in goods in transit and work in progress as we strived to fulfill orders from our customers, which was in line with our business expansion. Our inventories subsequently increased by 13.7% to RMB510.9 million as of December 31, 2025, primarily because we recorded more inventory of raw materials and finished goods at the year end amid the rapid growth of our sales of internal-rotor PM motors.

Our inventory turnover days, which is calculated by dividing the arithmetic mean of to the beginning and closing balance of our inventory (net of write-down of inventories) in a given year by the cost of sales in the same year, multiplied by 365 days, was mainly affected by fluctuations in inventory levels and cost of sales. Our inventory turnover days in 2023, 2024 and 2025 was 233 days, 245 days and 252 days, respectively. The moderate rise in our inventory turnover days during the Track Record Period was primarily due to our deliberate build-up of buffer inventory to ensure high order fulfillment rates as we scaled.

As of April 30, 2026, RMB216.0 million, or 42.3%, of our inventory as of December 31, 2025, had been subsequently sold or utilized.

Trade and Bills Receivables

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Trade receivables	321,697	380,531	505,568
Bills receivables	316,312	226,651	265,805
Trade and bills receivables	**638,009**	**607,182**	**771,373**

Our trade and bills receivables primarily represented amounts due from customers arising from the sale of goods in the ordinary course of business. Trade receivables are generally non-interest bearing, while bills receivables mainly comprise bank-accepted bills received from customers. Both trade and bills receivables are typically settled within credit periods granted to customers, which vary depending on customer profile, transaction size and historical relationship with us.

Our trade and bills receivables decreased by 4.8% from RMB638.0 million as of December 31, 2023 to RMB607.2 million as of December 31, 2024, primarily due to our strengthened collection efforts and accelerated collection of outstanding bills receivables in 2024. Our trade and bills receivables subsequently increased by 27.0% from RMB607.2 million as of December 31, 2024 to RMB771.4 million as of December 31, 2025, primarily because (i) as we actively expanded into new industries in 2025, there was an increase in the number of new customers, resulting in a higher proportion of sales settled under credit terms; and (ii) our sales of wind turbine generator components increased as our production capacity increased with additional production line.

The aging of our trade and bills receivables as of December 31, 2023, 2024 and 2025 was influenced primarily by customer payment behavior and settlement cycles. The following table sets forth an aging analysis of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within 1 year	588,838	536,994	694,502
Over 1 year but less than 2 years	41,491	60,608	62,020
Over 2 years but less than 3 years	6,423	7,766	12,881
Over 3 years but less than 4 years	1,257	1,814	1,970
	638,009	**607,182**	**771,373**

Changes in trade and bills receivables turnover days, which is calculated by dividing the arithmetic mean of the opening and closing balance of our trade and bills receivables (net of allowance for credit losses) in a given year by the revenue in the same year, multiplied by 365 days, were mainly attributable to variations in sales growth, credit terms offered to customers and the timing of customer settlements relative to period end. Our trade and bills receivables turnover days in 2023, 2024 and 2025 was 298 days, 260 days and 269 days, respectively.

To better manage our outstanding trade and bills receivables, we implemented the Rules on Sales Operations Risk Control (《銷售業務風險控制規則》) (the "**Rules**") in January 2026. Pursuant to the Rules, for existing customers who fail to strictly perform their repayment obligations, our responsible sales personnel, sales director, commercial manager and legal department will convene a joint review meeting to formulate specific credit restriction or constraint plans, which include, but are not limited to, setting a cap on total accounts receivable, setting a cap on overdue accounts receivable, requiring the customer to issue a formal repayment plan and granting rolling repayment credit lines subject to performance. Additionally, we define clear criteria for identifying high-risk customers, including those who are judgment debtors, those with overdue aging exceeding two years, those whose rolling repayment amount in the past year is less than 10% of our outstanding receivables and those with ineffective sales communications. For such high-risk customers, upon joint approval by our designated senior management, our legal department may, depending on the risk level, proactively initiate reminder letters, lawyer's letters or litigation proceedings.

As of April 30, 2026, RMB168.5 million, or 31.0%, of our trade receivables as of December 31, 2025 had been subsequently settled.

Prepayments and Other Receivables

Our prepayments and other receivables primarily comprised value-added tax recoverable, prepayments for materials and expenses made in the ordinary course of business, as well as other miscellaneous receivables, the majority of which are current in nature. The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Current			
Prepayments for materials and expenses	8,713	8,413	13,849
Other receivables	6,013	10,241	9,216
Value-added tax recoverable	35,970	38,526	42,482
	50,696	**57,180**	**65,547**
Non-current			
Prepayments for property, plant and equipment	2,996	1,971	1,413
	53,692	**59,151**	**66,960**

Our current prepayments and other receivables increased by 12.8% from RMB50.7 million as of December 31, 2023 to RMB57.2 million as of December 31, 2024, primarily attributable to (i) an increase in other receivables of RMB4.2 million, primarily due to higher deposits paid to suppliers as our procurement needs increased with our business expansion; and (ii) an increase in value-added tax recoverable of RMB2.6 million. At the same time, non-current prepayments for property, plant and equipment decreased from RMB3.0 million as of December 31, 2023 to RMB2.0 million as of December 31, 2024, primarily reflecting the settlement or reclassification of certain advance payments following the commencement or completion of construction of Phase I of our production facility in Changzhou.

Our current prepayments and other receivables further increased by 14.6% from RMB57.2 million as of December 31, 2024 to RMB65.5 million as of December 31, 2025, primarily attributable to a significant rise in prepayments for materials and expenses of RMB5.4 million, mainly reflecting increased advance payments made to support continued operational growth. In addition, our non-current prepayments for property, plant and equipment decreased from RMB2.0 million as of December 31, 2024 to RMB1.4 million as of December 31, 2025, mainly due to the completion or delivery of certain assets for which advance payments had been made in prior periods.

Trade and Bills Payables

Our trade and bills payables primarily represented amounts payable to suppliers for the purchase of raw materials, components and services in our ordinary course of business. Trade payables are generally settled in accordance with credit terms agreed with suppliers, while bill payables mainly comprise bank-accepted bills issued to suppliers as an alternative settlement method.

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Trade payables	265,709	265,730	298,437
Bills payable	294,780	271,678	302,950
Total	**560,489**	**537,408**	**601,387**

Our trade and bills payables decreased slightly from RMB560.5 million as of December 31, 2023 to RMB537.4 million as of December 31, 2024, primarily because our strengthened bargaining power with our suppliers enabled us to adjust payment terms and settlement methods, reducing our issuance of bills payable in 2024.

Our trade and bills payables increased by 11.9% from RMB537.4 million as of December 31, 2024 to RMB601.4 million as of December 31, 2025, mainly attributable to an increase in our bills payable as we built up buffer inventory in line with our business expansion and in response to rising raw material prices in 2025.

The aging of our trade and bills payables as of December 31, 2023, 2024 and 2025, was influenced primarily by our settlement cycles. The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within 1 year	551,551	525,319	590,902
After 1 year but within 2 years	6,764	6,197	5,058
After 2 years but within 3 years	900	3,964	2,902
After 3 years but within 4 years	922	785	1,110
Over 4 years	352	1,143	1,415
	560,489	**537,408**	**601,387**

Our trade and bills payables turnover days, which is calculated by dividing the arithmetic mean of the opening and closing balance of our trade and bills payables in a given year by the cost of sales in the same year, multiplied by 365 days, was mainly affected by fluctuations in settlement cycles and the timing of payments to counterparties. Our trade and bills payables turnover days in 2023, 2024 and 2025 was 343 days, 306 days and 299 days, respectively.

As of April 30, 2026, RMB189.7 million, or 63.6%, of our trade payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily represented advance payments received from customers in connection with the sale of goods, which were recognized as revenue upon the transfer of control of the relevant products in accordance with our revenue recognition policy. Our contract liabilities decreased slightly from RMB162.5 million as of December 31, 2023 to RMB151.2 million as of December 31, 2024, and further decreased to RMB112.9 million as of December 31, 2025, primarily due to decreases in advance payments received from customers, including the recognition of revenue upon fulfilment of performance obligations, partially offset by advance payments received from new customer orders during the year.

Other Payables and Accruals

Our other payables and accruals primarily comprised accrual payroll, income and other taxes and surcharges payables and other payables and accrued charges arising from our day-to-day business operations.

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Accrual payroll	15,384	16,955	15,980
Income and other taxes and surcharges payables	14,046	13,141	4,942
Other payables and accrued charges	58,272	40,830	34,125
Total	**87,702**	**70,926**	**55,047**

Our other payables and accruals decreased by 19.1% from RMB87.7 million as of December 31, 2023 to RMB70.9 million as of December 31, 2024, primarily attributable to a decrease in other payables and accrued charges, which primarily consisted of amounts payable to contractors for the construction of our production facility in Changzhou.

Our other payables and accruals subsequently decreased by 22.4% to RMB55.0 million as of December 31, 2025, primarily due to decreases in income and other taxes and surcharges as well as other payables and accrual charges.

Non-current Assets and Non-current Liabilities

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	114,043	187,467	204,905
Investment property	3,804	–	–
Right-of-use assets	47,714	43,252	40,721
Intangible assets	2,826	2,856	3,803
Interests in associates	10,054	10,689	20,000
Equity securities designated at fair value through other comprehensive income ("**FVOCI**")	–	–	4,527
Prepayments and other receivables	2,996	1,971	1,413
Deferred tax assets	10,261	15,472	17,141
Contract assets	3,528	12,400	19,377
Total non-current assets	**195,226**	**274,107**	**311,887**
Non-current liabilities			
Bank loans and other borrowings	66,030	54,101	236,664
Lease liabilities	1,590	330	78
Deferred income	16,230	33,173	27,207
Total non-current liabilities	**83,850**	**87,604**	**263,949**
Net non-current assets	**111,376**	**186,503**	**47,938**

Investment Property and Property, Plant and Equipment

Investment property and property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The estimated useful lives for the Track Record Period are 20 years for buildings, ten years for machinery and equipment and three to four years for motor vehicles, office equipment and others.

The following table sets forth the net carrying value of our investment property and property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Investment property	3,804	–	–
Buildings	934	110,268	148,192
Machinery and equipment	14,772	30,481	39,497
Motor vehicles, office equipment and others	3,501	3,778	5,117
Construction in process	94,836	42,940	12,099
Total	**117,847**	**187,467**	**204,905**

The net carrying value of our investment property and property, plant and equipment increased from RMB117.8 million as of December 31, 2023 to RMB187.5 million as of December 31, 2024, primarily attributable to the transfer of construction in process to completed assets in 2024, particularly buildings and machinery and equipment, following the completion and commissioning of previously capitalized projects. As a result, the net carrying value of buildings increased significantly. Depreciation charges recognized in 2024 partially offset the increase arising from capitalization, but overall investment property and property, plant and equipment expanded due to the scale of completed investments.

The net carrying value of our investment property and property, plant and equipment further increased from RMB187.5 million as of December 31, 2024 to RMB204.9 million as of December 31, 2025, reflecting continued capital expenditure and the commissioning of additional assets in 2025. The increase was mainly driven by further growth in buildings and machinery and equipment, indicating continued expansion of production capacity and upgrading of facilities. Construction in process decreased further as more projects were completed and transferred to fixed assets, while depreciation charges continued to be recognized on a larger asset base. Overall, the increase in investment property and property, plant and equipment during 2025 reflected our ongoing investment in production infrastructure to support business growth.

Right-of-use Assets

Right-of-use assets represented our land use rights and rights to use leased warehouses and office premises, which were recognized at the commencement date of the relevant leases during the Track Record Period. Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses and are adjusted for remeasurement of lease liabilities.

Our right-of-use assets decreased from RMB47.7 million as of December 31, 2023 to RMB43.3 million as of December 31, 2024, primarily attributable to depreciation charges recognized in 2024, which exceeded additions arising from the new leases that we entered into during the year.

Our right-of-use assets further decreased from RMB43.3 million as of December 31, 2024 to RMB40.7 million as of December 31, 2025, primarily attributable to depreciation charges recognized on our existing leases in 2025, which outweighed new lease additions, indicating a more stable leased premises footprint compared to earlier expansion phases.

LIQUIDITY AND CAPITAL RESOURCES

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

Sufficiency of Working Capital

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

Cash Flows Analysis

The table below sets forth selected cash flow statement information from our consolidated cash flow statements for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Net cash used in operating activities	(79,632)	(23,953)	(131,388)
Net cash used in investing activities	(42,956)	(95,858)	(81,692)
Net cash generated from financing activities	86,583	168,585	186,704
Net (decrease)/increase in cash and cash equivalents	**(36,005)**	**48,774**	**(26,376)**
Cash and cash equivalents at beginning of the year	92,089	56,084	104,858
Cash and cash equivalents at end of the year	**56,084**	**104,858**	**78,482**

Net Cash Used in Operating Activities

Net cash used in operating activities primarily reflect cash flows arising from our core operations, adjusted for non-cash items such as depreciation and amortization, finance costs and other non-cash expenses, as well as changes in working capital, including inventories, trade and bills receivables, prepayments and other receivables, trade and bills payables and other payables and accruals. Net cash used in operating activities is also affected by income tax payments made in a year.

In 2023, we recorded net cash used in operating activities of RMB79.6 million, primarily due to profit before taxation of RMB22.0 million, as adjusted for (i) certain non-cash and non-operating items, primarily including finance costs of RMB10.5 million; and (ii) changes in working capital that negatively affected the operating cash flows, primarily including (a) an increase in inventories of RMB134.9 million; (b) an increase in trade and bills receivables of RMB56.6 million; and (c) a decrease in other payables and accruals of RMB42.9 million, partially offset by (iii) changes in working capital that positively affected the operating cash flows, primarily including (a) a decrease in restricted bank deposit of RMB52.7 million and (b) an increase in contract liabilities of RMB55.7 million.

In 2024, we recorded net cash used in operating activities of RMB24.0 million, primarily due to profit before taxation of RMB45.1 million, as adjusted for (i) certain non-cash and non-operating items, primarily including (a) write-down of inventories of RMB10.8 million and (b) finance costs of RMB11.8 million; and (ii) changes in working capital that negatively affected the operating cash flows, primarily including (a) an increase in inventories of RMB30.8 million; (b) an increase in restricted bank deposit of RMB54.7 million; and (c) a decrease in trade and bills payables of RMB23.1 million, partially offset by (iii) changes in working capital that positively affected the operating cash flows, primarily including (a) a decrease in trade and bills receivables of RMB30.8 million and (b) an increase in deferred income of RMB19.6 million.

In 2025, we recorded net cash used in operating activities of RMB131.4 million, primarily due to profit before taxation of RMB44.8 million, as adjusted for (i) certain non-cash and non-operating items, primarily including (a) depreciation of investment property and property, plant and equipment of RMB13.4 million; (b) impairment loss on trade receivables, other receivables and contract assets of RMB10.1 million; and (c) finance costs of RMB15.9 million; and (ii) changes in working capital that negatively affected the operating cash flows, primarily including (a) an increase in inventories of RMB66.2 million; (b) an increase in trade and bills receivables of RMB164.2 million; and (c) a decrease in contract liabilities of RMB38.3 million, partially offset by (iii) changes in working capital that positively affected the operating cash flows, primarily including an increase in trade and bills payables of RMB64.0 million.

Net Cash Used in Investing Activities

In 2023, we recorded net cash used in investing activities of RMB43.0 million, which was primarily attributable to our payment for the purchase of property, plant and equipment of RMB42.7 million in connection with the expansion of our production capacity and operations.

In 2024, we recorded net cash used in investing activities of RMB95.9 million, which was primarily attributable to our payment for the purchase of property, plant and equipment of RMB106.4 million, indicating that in 2024 we remained focused on supporting our ongoing operational needs and capacity expansion.

In 2025, we recorded net cash used in investing activities of RMB81.7 million, which was primarily attributable to our payment for the purchase of property, plant and equipment of RMB65.5 million and payment for purchase of interests in associates of RMB10.0 million.

Net Cash Generated from Financing Activities

In 2023, we recorded net cash generated from financing activities of RMB86.6 million, which was primarily attributable to proceeds from bank loans and other borrowing of RMB289.5 million, partially offset by our repayment of bank loans and other borrowings of RMB204.1 million.

In 2024, we recorded net cash generated from financing activities of RMB168.6 million, which was primarily attributable proceeds from bank loans and other borrowings of RMB392.0 million, partially offset by our repayments of bank loans and other borrowings of RMB269.9 million.

In 2025, we recorded net cash generated from financing activities of RMB186.7 million, which was primarily attributable to proceeds from bank loans and other borrowings of RMB290.7 million, partially offset by our repayments of bank loans and other borrowings of RMB110.5 million.

CAPITAL EXPENDITURE

Our capital expenditure comprised payments for purchase of property, plant and equipment and intangible assets. We may incur additional capital expenditure from time to time as we pursue opportunities to expand our business and enhance our operational capabilities. During the Track Record Period, our capital expenditure primarily reflected investments in production facility, machinery and supporting infrastructure, with a smaller portion attributable to intangible assets, which comprised software during the same year.

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Payment for the purchase of property, plant and equipment	42,659	106,410	65,537
Payment for the purchase of intangible assets	297	489	1,505
Total capital expenditure	**42,956**	**106,899**	**67,042**

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, we had RMB78.4 million, RMB27.8 million and RMB4.5 million of capital commitments, respectively, for the acquisition of property, plant and equipment.

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 in thousands)			
				(unaudited)
Current				
Bank loans and other borrowings	259,405	393,512	391,016	451,726
Lease liabilities	3,938	1,498	124	92
Sub-total	**263,343**	**395,010**	**391,140**	**451,818**
Non-current				
Bank loans and other borrowings	66,030	54,101	236,664	168,175
Lease liabilities	1,590	330	78	79
Sub-total	**67,620**	**54,431**	**236,742**	**168,254**
Total	**330,963**	**449,442**	**627,882**	**620,072**

Our bank loans and other borrowings during the Track Record Period mainly represented (i) bank loans from commercial banks in the Chinese Mainland; and (ii) other borrowings from the equipment sales and leaseback arrangements with finance leasing companies as well as factoring arrangements with banks. Our bank loans and other borrowings were primarily used for production facility construction, equipment purchases and working capital.

As of December 31, 2023, 2024 and 2025, we had bank loans and other borrowings of RMB325.4 million, RMB447.6 million and RMB627.7 million, respectively, which were all denominated in RMB. As of December 31, 2023, 2024 and 2025, we had (i) bank loans of RMB70.2 million, RMB120.3 million and RMB112.5 million, respectively, which were secured by our property, plant and equipment and right-of-use assets, and guaranteed by one of our Controlling Shareholders; (ii) unsecured bank loans of RMB202.5 million, RMB155.5 million and RMB0.5 million, respectively, which were guaranteed by one of our Controlling Shareholders; (iii) unsecured and unguaranteed bank loans of RMB42.6 million, RMB166.6 million and RMB513.9 million, respectively; and (iv) bank loans and other borrowings of RMB10.1 million, RMB5.2 million and RMB0.8 million, respectively, which were secured by our property, plant and equipment as well as trade receivables. Our bank loans bore interest ranging from 3.10% to 4.50% per annum, 2.70% to 4.50% per annum and 2.24% to 4.15% per annum, respectively, as of December 31, 2023, 2024 and 2025. Our equipment sales and leaseback arrangements bore an interest rate of 6.60% per annum as of December 31, 2023 and 2024 and our other borrowings from our factoring arrangements bore interest ranging from 9.31% to 12.78% per annum as of December 31, 2025. See Note 24(a) to the Accountant's Report in Appendix I to this document. As of April 30, 2026, we had unutilized banking facilities of RMB708.9 million.

Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that, as of the Latest Practicable Date, 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, and there was no default in our payment of bank loans and other borrowings, or breach of covenants, during the Track Record Period and up to the Latest Practicable Date.

Contingent Liabilities

As of December 31, 2023, 2024 and 2025 and April 30, 2026, we did not have any material contingent liabilities. Our Directors confirm that there had been no material change in our contingent liabilities since April 30, 2026 and up to the Latest Practicable Date.

Indebtedness Statement

Except as disclosed in the subsection titled "– Indebtedness" in this section, as of April 30, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance (other than normal trade bills payables) or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since April 30, 2026 and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had transactions with certain related parties on terms of conditions similar to terms with other parties that are not related parties. See Note 33 to the Accountants' Report included in Appendix I to this document. Our Directors confirm that these transactions were conducted on arm's length basis and entered into in the ordinary course of business and would not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2023	2024	2025
Gross profit margin[1] *(%)*	24.1	25.0	25.7
Return on assets[2] *(%)*	1.5	2.5	2.2
Return on equity[3] *(%)*	7.5	10.7	9.2
Current ratio[4] *(times)*	1.2	1.2	1.3
Quick ratio[5] *(times)*	0.8	0.8	0.9

Notes:

(1) Gross profit margin is calculated by dividing our gross profit in a given year by our revenue in the same year and multiplied by 100%.

(2) Return on assets is calculated based on our profit for a given year divided by the closing balance of our total assets at the end of the same year and multiplied by 100%.

(3) Return on equity is calculated based on our profit for a given year divided by the closing balance of our total equity at the end of the same year and multiplied by 100%.

(4) Current ratio is calculated by dividing our total current assets by our total current liabilities.

(5) Quick ratio is calculated by dividing our total current assets less inventories by our total current liabilities.

Return on Assets

Our return on assets increased from 1.5% in 2023 to 2.5% in 2024, mainly due to a substantial increase in our profit from RMB21.0 million in 2023 to RMB40.8 million in 2024. It then slightly decreased to 2.2% in 2025, mainly due to the installation and commissioning of our new production line for wind turbine generator components in 2025, which remained in the capacity ramp-up phase throughout the year. As a result, our total assets registered a 15.3% growth from 2024 to 2025, outpacing our profit growth in the same year.

Return on Equity

Our return on equity increased from 7.5% in 2023 to 10.7% in 2024, mainly due to a substantial increase in our profit from RMB21.0 million in 2023 to RMB40.8 million in 2024. It then slightly decreased to 9.2% in 2025, mainly due to our asset expansion in 2025 alongside our retention of substantial reserves, which registered a 17.3% growth in our total equity from 2024 to 2025, outpacing our profit growth in the same year.

Current Ratio

Our current ratio remained relatively stable at 1.2 times, 1.2 times and 1.3 times, respectively, in 2023, 2024 and 2025.

Quick Ratio

Our quick ratio remained relatively stable at 0.8 times, 0.8 times and 0.9 times, respectively, in 2023, 2024 and 2025.

OFF-BALANCE SHEET ARRANGEMENTS

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

DIVIDEND

No dividend was declared or paid by our Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period. Our Group currently does not have a pre-determined dividend payout ratio. We may declare and pay dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as we may deem relevant. We may distribute dividends by way of cash or stock. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant PRC laws and regulations. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had no distributable reserves.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]**. We expect to incur **[REDACTED]** of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), representing approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]** (based on the mid-point of the indicative **[REDACTED]** and assuming the **[REDACTED]** is not exercised). The **[REDACTED]** we incurred in the Track Record Period and expect to incur would consist of approximately RMB**[REDACTED]** (HK$**[REDACTED]**) **[REDACTED]** fees and approximately RMB**[REDACTED]** (HK$**[REDACTED]**) non-**[REDACTED]** fees (including fees and expenses of legal advisors and the reporting accountant of approximately RMB**[REDACTED]** (HK$**[REDACTED]**) and other fees and expenses of approximately RMB**[REDACTED]** (HK$**[REDACTED]**). Among the total **[REDACTED]** which we expect to incur, approximately RMB**[REDACTED]** (HK$**[REDACTED]**) will be directly attributable to the **[REDACTED]** of our **[REDACTED]** and deducted from equity and the remaining RMB**[REDACTED]** (HK$**[REDACTED]**) will be expensed upon **[REDACTED]**. The **[REDACTED]** above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from such estimate.

FINANCIAL RISK MANAGEMENT

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. These risks and the manner in which we seek to mitigate them are summarized below and described in more details in Note 31 to the Accountants' Report included in Appendix I to this document for more details. Thereto, please also see section headed "Risk Factors."

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 receivables and contract assets. Our exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which we consider to have low credit risk. We do not provide any guarantees which would expose us to credit risk. See Note 31 of the Accountants' Report in Appendix I to this document for the tables showing our exposure to credit risk and expected credit losses for trade receivables and contract assets and analysis for movement in the loss allowance account in respect of trade receivables during the year.

Liquidity Risk

Individual operating entities within us are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, 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. See Note 31 of the Accountants' Report in Appendix I to this document for the tables showing the remaining contractual maturities at the end of the reporting period of our financial liabilities.

Interest Rate Risk

Interest-bearing financial instruments at variable rates and at fixed rates expose us to fair value interest rate risk and cash flow interest rate risk, respectively. We determine the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and perform regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The fair value interest rate risk and cash flow interest rate risk that we are exposed to are not significant. See Note 31 of the Accountants' Report in Appendix I to this document, as reported to the management of us, detailing our interest rate risk profile.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm 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.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.