You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report in Appendix I to this document which has been prepared in accordance with IFRS, and the selected historical financial information and operating data included elsewhere in this document.

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 trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a leading energy management solutions provider in China focusing on the data center sector. We offer full life-cycle energy management solutions spanning consulting services, solution design, equipment selection and procurement, project integration and implementation, as well as system maintenance. Our solutions are widely applied in data centers, including AI computing data centers and edge data centers, smart industrial parks, intelligent factories and multi-use commercial complexes. Our solutions are also individually tailored based on project location, applicable energy efficiency standards, and the capital and operating expenditure objectives of our customers, which drive differentiated project characteristics and technical specifications. During the Track Record Period, we primarily engaged in the provision of energy management solutions and the sales of air conditioning products and ICT equipment. The provision of energy management solutions is comprised primarily of data center energy management solutions and, to a lesser extent, commercial and industrial building energy management solutions.

According to Frost & Sullivan, we were the ninth largest data center energy management solutions and the fifth largest carrier-neutral data center energy management solutions provider in China in terms of revenue in 2025, with a market share of 1.5% and 3.5%, respectively.

We focus on the R&D and sales of energy-saving technologies and systems, with a presence in four key areas of data center energy management solutions: AI computing data centers, edge data centers, high-performance computing clusters, and integrated energy management.

During the Track Record Period, we achieved robust growth in our business and results of operations, and maintained profitability throughout. Our revenue increased from RMB858.2 million in 2023 to RMB1,179.0 million in 2025, representing a CAGR of 17.2%. In particular, our revenue generated from provision of data center energy management solutions increased from RMB799.0 million in 2023 to RMB1,154.7 million in 2025, representing a CAGR of 20.2%. Our net profit decreased from RMB70.2 million in 2023 to RMB65.5 million in 2025, representing a CAGR of -3.4%.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

The Data Center Energy Management Solutions Industry in the PRC and PRC Government Policies

Our business and results of operations are closely tied to the growth and development of the data center energy management solutions industry in the PRC, which in turn is influenced by the overall expansion of the data center sector and government policies promoting energy efficiency and carbon neutrality.

According to Frost & Sullivan, the carrier-neutral segment of China's data center energy management solutions market has been expanding significantly in recent years. From 2020 to 2025, the market size of carrier-neutral solutions grew from RMB11.2 billion to RMB32.7 billion, representing a CAGR of 23.9%. Looking ahead, the market is expected to maintain strong growth momentum and reach RMB106.2 billion by 2030. This growth was mainly driven by several factors, including: (i) AI computing demand drives growth of advanced data centers; (ii) continued digital transformation sustains cloud infrastructure expansion; (iii) energy efficiency and liquid cooling support upgrades in high-performance data centers; (iv) data security and regulation trends create opportunities for localized deployment; and (v) low-carbon and green energy transition shapes the industry's long-term direction.

The PRC government has implemented various policies to promote green data centers and energy efficiency. For example, under the national guidelines issued by NDRC, China's data centers should achieve an average PUE of 1.5 by 2025, reflecting a more stringent energy efficiency standard particularly for new data centers. The national "East Data West Computing" initiative has strategically directed investments towards western regions in the PRC that are rich in renewable resources. These favorable policies encourage data center operators and property owners to invest in energy management solutions, which directly benefits our business.

We believe recent growth and development of the data center energy management solutions industry in the PRC has been integral to our own growth and will continue to be critical for our success going forward. Over the Track Record Period, our provision of data center energy management solutions business has been an increasingly critical part of our overall operations and financial results. Revenue contribution from such business grew from 93.1% of the overall revenue in 2023 to 96.8% and 97.9% of our overall revenue in 2024 and 2025, respectively. In particular, our revenue from data center energy management solutions increased from RMB799.0 million in 2023 to RMB1,154.7 million in 2025, representing a CAGR of 20.2%, demonstrating our ability to capitalize on favorable industry trends.

However, our business is subject to risks associated with changes in industry conditions and government policies. For further discussion of these risks, see "Risk Factors — Risks Relating to Our Business and Industry — Our future growth is dependent on the demand for energy management solutions, in particular data center energy management solutions in China" and "Risk Factors — Risks Relating to Our Business and Industry — Our business may be adversely affected if any of the current favorable regulatory policies for the China data center energy management industry adversely change or discontinue, or if we are unable to adapt to the rapidly changing laws and regulations" in this document.

Our Ability to Acquire New Projects with High Total Contract Value and Progress Them Efficiently

As our business is primarily conducted on a project-by-project basis, our ability to secure new projects with substantial contract values and execute them efficiently is critical to our financial performance. The total original contract value of our projects for which we newly signed increased from RMB963.9 million in 2023 to RMB1,106.1 million in 2024. The total original contract value of our projects for which we newly signed including amounted to RMB826.1 million in 2025, which includes strategic cooperation framework agreements for a newly signed cloud computing center industrial park project in the Greater Bay Area and a new data center construction project in Hebei Province in the PRC, demonstrating our continuing market expansion and business growth.

Our project acquisition depends on several factors, including our bidding success rate, market reputation, relationships with customers, technological capabilities, and competitive pricing. During the Track Record Period, our bidding success rates were 87.9%, 89.1% and 93.9% in 2023, 2024 and 2025, respectively. We primarily rely on invitation bidding from existing customers and strategic partners, reflecting the strength of our established relationships and track record. However, we cannot assure you that we will maintain or improve our bidding success rate in the future.

The concentration of our revenue in a limited number of large projects also affects our results of operations. During the Track Record Period, revenue from our major projects, which are the top five projects by revenue recognized during each year, accounted for 78.8%, 87.4% and 83.6% of our total revenue in 2023, 2024 and 2025, respectively. This concentration means that the timing and progress of individual large projects can significantly impact our revenue recognition and profitability in any given period.

Our revenue recognition is based on the percentage of completion method using the input method, whereby revenue is recognized based on the proportion of costs incurred to date relative to the estimated total costs for each project. Therefore, the timing and pace at which we incur costs on our projects directly affects when and how much revenue we recognize. Delays in project commencement, procurement of materials and equipment, construction activities, or customer acceptance can postpone revenue recognition and impact our periodic results.

Project execution efficiency also affects our profitability. Our gross profit margins can vary significantly depending on project-specific factors, such as the complexity of technical requirements, procurement costs and construction conditions. During the Track Record Period, we experienced fluctuations in our gross profit margin, which was approximately 14.9%, 17.9% and 12.3% in 2023, 2024 and 2025, respectively. Our ability to estimate project costs accurately, manage project execution efficiently, control costs, and minimize delays is crucial to maintaining healthy profit margins.

Furthermore, our customer concentration poses risks to our revenue stability. In 2023, 2024 and 2025, revenue from our five largest customers accounted for approximately 81.4%, 94.9% and 97.9% of our total revenue, respectively. For further discussion of these risks, see "Risk Factors — Risks Relating to Our Business and Industry — We made significant sales to our major customers. The loss of any of them or any adverse change to our existing business relationships with them could adversely affect our business, financial condition, results of operations and cash flows" in this document.

Cost of Equipment and Components

Over the Track Record Period, the largest component of our cost of sales and services has been costs associated with equipment and components procured from suppliers and OEMs for use in our energy management solutions. In 2023, 2024 and 2025, equipment costs represented 63.5%, 74.2% and 86.6%, respectively, of our total our cost of sales and services.

The prices of equipment and components, as well as the raw materials used to manufacture them, such as copper and steel, are subject to fluctuation and influenced by factors beyond our control, including market conditions, inflation, supply chain dynamics, and global commodity prices. For example, according to Frost & Sullivan, the price of copper increased from RMB48,899.2 per ton in 2020 to RMB81,075.7 per ton in 2025. While steel prices remained relatively stable during this period, fluctuations in metal prices can still impact our procurement costs.

During the Track Record Period, we purchased equipment and components primarily from our suppliers and OEMs. In 2023, 2024 and 2025, purchases from our five largest suppliers accounted for approximately 56.7%, 74.4% and 48.5% of our total purchases, respectively. This concentration means that changes in pricing or supply availability from our major suppliers can significantly impact our costs.

We typically enter into fixed-price contracts with our customers for our data center energy management solutions. While we factor in anticipated equipment and component costs when determining our contract prices, significant increases in procurement costs after contract execution may compress our profit margins or, in extreme cases, result in losses on specific projects if we are unable to pass on the cost increases to our customers or adjust our procurement strategies.

To mitigate the impact of cost fluctuations, we maintain relationships with multiple suppliers, negotiate favorable payment terms, and seek to optimize our procurement strategies. We also work to improve our project management and cost control capabilities to enhance our ability to absorb cost variations. However, we cannot assure you that we will be able to fully offset the impact of significant increases in equipment and component costs in the future, particularly given the fixed-price nature of many of our customer contracts. Any substantial increase in our cost of services could reduce our profit margins and adversely affect our profitability. For further discussion of these risks, see "Risk Factors — Risks Relating to Our Business and Industry — We may encounter cost increases in equipment or components used in our solutions" in this document.

Our Working Capital Management and Management of Trade Receivables

Our working capital management, particularly our management of trade receivables and contract assets, significantly affects our cash flows and financial condition. Our business model typically requires us to provide upfront capital to procure equipment and materials and to pay subcontractors before receiving full payment from customers. As a result, effective management of our working capital is critical to maintaining adequate liquidity to support our operations and growth.

As of December 31, 2023, 2024 and 2025, our trade receivables amounted to RMB94.7 million, RMB317.3 million and RMB409.1 million, respectively. Our trade receivables turnover days were 64 days, 73 days and 111 days for the respective periods.

Under our typical contract terms, we receive progress payments from customers upon achieving specified milestones, such as contract signing, design completion, equipment delivery, installation completion, and final acceptance. The final settlement price is typically paid upon completion of construction and acceptance by our customers. However, the actual timing of customer payments can vary depending on factors such as customer liquidity, internal approval processes, and disputes over project scope or quality. Delays in customer payments can adversely affect our cash flows and require us to utilize more working capital or seek external financing.

As of December 31, 2023, 2024 and 2025, we also had contract assets amounting to RMB86.7 million, RMB77.5 million and nil, respectively. Contract assets represent our right to consideration for services performed but not yet billed because the rights are conditioned on our future performance in achieving specified milestones. These contract assets are converted to trade receivables when the conditions are satisfied and become unconditional rights to payment.

We recorded net cash used in operating activities of RMB2.6 million and RMB190.0 million for the years ended December 31, 2023 and 2024, respectively, and net cash flows generated from operating activities of RMB126.1 million in 2025. The significant cash outflow in 2024 was primarily attributable to the timing mismatch between our cash payments for project costs and the receipt of payments from customers, resulting in higher levels of trade receivables as of the respective balance sheet dates. Partially due to the net cash outflow from operating activities in 2024, our cash and cash equivalents decreased significantly from RMB229.1 million as of December 31, 2023 to RMB56.6 million as of December 31, 2024.

We have implemented credit control policies and procedures to manage our trade receivables, including credit assessments of customers, setting credit limits, monitoring aging of receivables, and following up on overdue accounts. However, we cannot assure you that we will be able to collect all of our trade receivables in a timely manner or at all. Various factors beyond our control, such as economic downturns and customer insolvency, may hinder or prevent us from collecting our trade receivables. For further discussion of these risks, see "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to credit risk from our customers, and any failure to collect our trade receivables in a timely manner may adversely affect our financial condition and results of operations" and "Risk Factors — Risks Relating to Our Business and Industry — We had net cash outflows from operating activities for the years ended December 31, 2023 and 2024, which we may experience again in the future" in this document.

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Our historical financial information has been prepared in accordance with IFRSs issued by International Accounting Standards Board. The consolidated financial statements of our Group in 2023, 2024 and 2025 were audited by our Reporting Accountants in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

MATERIAL ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most material to the preparation of our combined financial statements. Some of our material accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our material accounting policies and key sources estimation uncertainty are set forth in detail in Notes 3 and 4 of the Accountants' Report included in Appendix I to this document.

RESULTS OF OPERATIONS

The table below presents a summary of our consolidated statement of profit or loss and other comprehensive income for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue	858,237	1,018,035	1,179,045
Cost of sales and services	(730,073)	(835,728)	(1,033,591)
Gross profit	128,164	182,307	145,454
Other income	2,001	1,055	2,224
Other gains and losses	(3,234)	(1,992)	349
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	1,101	(30,135)	2,826
Distribution and selling expenses	(3,345)	(3,914)	(3,267)
Administrative expenses	(9,530)	(11,022)	(13,283)
Research and development expenses	(30,368)	(41,478)	(41,352)
[REDACTED] expenses	—	—	(9,523)
Finance costs	(6,956)	(11,781)	(10,745)
Profit before tax	77,833	83,040	72,683
Income tax expense	(7,650)	(7,171)	(7,161)
Profit (loss) and total comprehensive income (expense) attributable to			
Owners of our Company	70,183	75,869	65,532
Non-controlling interests	—	—	(10)
	70,183	75,869	65,522
[REDACTED] *(RMB)*			
Basic	0.78	0.84	0.72

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted profit and total comprehensive income (our non-IFRS financial measure) in evaluating our operating results and for financial and operational decision-making purposes. We believe that adjusted profit and total comprehensive income (our non-IFRS financial measure) provides useful information about our results of operations and enhances the overall understanding of our past performance and future prospects.

However, adjusted profit and total comprehensive income (our non-IFRS financial measure) should not be considered in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs. Adjusted profit and total comprehensive income (our non-IFRS financial measure) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data.

We define our adjusted profit and total comprehensive income (our non-IFRS financial measure) for the year as profit and total comprehensive income for the year adjusted by adding back the **[REDACTED]** expenses recorded in our consolidated financial statements. We decide to exclude **[REDACTED]** expenses because these expenses relate to **[REDACTED]** and are not expected to recur in future or result in future cash payments.

The following table reconciles adjusted profit and total comprehensive income (our non-IFRS financial measure) with the closest corresponding figure presented in accordance with IFRSs for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit and total comprehensive income	70,183	75,869	65,522
Add:			
[REDACTED] expenses	—	—	9,523
Adjusted profit and total comprehensive income (our non-IFRS financial measure)	70,183	75,869	75,045

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Revenue by Business Line

Our revenue mainly consists of the revenue derived from: (i) provision of energy management solutions, which includes provision of data center energy management solutions and provision of commercial and industrial building energy management solutions; and (ii) sales of temperature control products and ICT equipment. The following table sets forth a breakdown of our revenue by business line for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Provision of energy management solutions:						
Data center energy management solutions	798,975	93.1	984,958	96.7	1,154,707	97.9
Commercial and industrial building energy management solutions	4,160	0.5	951	0.1	4,954	0.4
Subtotal	803,135	93.6	985,909	96.8	1,159,661	98.3
Sales of temperature control products and ICT equipment	55,102	6.4	32,126	3.2	19,384	1.7
Total	**858,237**	**100.0**	**1,018,035**	**100.0**	**1,179,045**	**100.0**

Cost of Sales and Services

Our cost of sales and services primarily represents (i) equipment costs, which mainly consist of procurement costs for equipment used in our data center energy management solutions or sold directly to customers; (ii) construction costs, which mainly represent costs for subcontracting services; and (iii) technical service costs charged by our suppliers and payroll for construction management personnel.

The table below sets forth the components of our cost of sales and services and the components as a percentage of total cost of sales and services for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Equipment costs	463,571	63.5	620,353	74.2	895,189	86.6
Construction costs	264,837	36.3	203,619	24.4	134,271	13.0
Others	1,665	0.2	11,756	1.4	4,131	0.4
Total	**730,073**	**100.0**	**835,728**	**100.0**	**1,033,591**	**100.0**

The table below sets forth a breakdown of our cost of sales and services by business line, both in actual amounts and as a percentage of total cost of sales and services for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Provision of energy management solutions:						
Data center energy management solutions	676,454	92.7	805,803	96.4	1,007,087	97.4
Commercial and industrial building energy management solutions	3,722	0.5	868	0.1	5,262	0.5
Subtotal	**680,176**	**93.2**	**806,671**	**96.5**	**1,012,349**	**97.9**
Sales of temperature control products and ICT equipment	49,897	6.8	29,057	3.5	21,242	2.1
Total	**730,073**	**100.0**	**835,728**	**100.0**	**1,033,591**	**100.0**

Impact of Copper Price on Our Cost of Sales

Copper is a key component of our equipment, such as cables, and the costs of cables accounted for approximately 6.3%, 15.0% and 13.7% of our total cost of sales and services during the Track Record Period. Accordingly, fluctuations in copper prices had an impact on our cost of sales and services.

Partially due to an increase in copper prices, our cable procurement costs increased approximately RMB0.9 million, RMB12.5 million and RMB11.3 million in 2023, 2024 and 2025, respectively.

Gross Profit and Gross Profit Margin

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

	For the year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Provision of energy management solutions						
Data center energy management solutions	122,521	15.3	179,155	18.2	147,620	12.8
Commercial and industrial building energy management solutions	438	10.5	83	8.7	(308)	(6.2)
Subtotal	122,959	15.3	179,238	18.2	147,312	12.7
Sales of temperature control products and ICT equipment	5,205	9.4	3,069	9.6	(1,858)	(9.6)
Total	**128,164**	**14.9**	**182,307**	**17.9**	**145,454**	**12.3**

Other Income

Other income primarily represents (i) interest income from bank deposits; (ii) finance lease income, which represents interest inherent in the finance lease arrangements as a lessor for computing power equipment and facilities; and (iii) government grants, which mainly represented the incentive subsidies provided by the PRC government to encourage business operation in the PRC. Such government grants did not have any condition attached to them and were non-recurring.

The following table sets forth the components of our other income and the components as a percentage of total other income for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest income from bank deposits	1,322	66.1	979	92.8	175	7.9
Finance lease income	370	18.5	—	—	—	—
Government grants	309	15.4	76	7.2	2,049	92.1
Total	**2,001**	**100.0**	**1,055**	**100.0**	**2,224**	**100.0**

Other Gains and Losses

Other gains and losses primarily represents (i) loss on disposal of property, plant and equipment; (ii) gain on changes in fair value of financial assets at FVTPL, which was in relation to the wealth management products purchased from licensed banks in the PRC; (iii) impairment loss recognized on property, plant and equipment, which was in relation to the termination of an artificial ice rink project which was undertaken by our Group in Zhongshan, Guangdong Province, the PRC; (iv) donations to a charity; and (v) others, which primarily represent the gains or losses in relation to the disposal of right-of-use assets.

The following table sets forth the components of our other gains and losses and the components as a percentage of total other gains and losses for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property, plant and equipment	(51)	(2)	(5)
Gain on changes in fair value of financial assets at FVTPL	11	10	—
Impairment loss recognized on property, plant and equipment	(3,194)	—	—
Donations	—	(2,000)	(10)
Others	—	—	364
Total	**(3,234)**	**(1,992)**	**349**

We normally invest in short-term wealth management products to obtain a higher return than regular commercial bank savings deposit yield. We primarily invested in principal-protected structured deposit products issued by licensed banks in China. In order to achieve reasonable returns on our surplus cash, our finance department closely monitors the macroeconomic development and policy changes in China and overseas capital markets, and actively seeks suitable investment opportunities.

Our Investment Policies and Internal Control Measures

We established financial management systems that monitor and govern our investment activities. We have implemented an approval workflow in our office automation system for the purchase of wealth management products. These measures include, among other things, the following:

- According to our cash management plan, we review and evaluate the financial investment projects (such as wealth management products) when we determine our annual budget;

- We set RMB300.0 million as annual investment threshold. We submit our annual investment threshold for review by the general manager and approval by the Board of Directors and at Shareholders' meeting annually;

- For investments of the original book balance of RMB50.0 million or less, such investments shall be considered by the head of our finance department and reviewed and approved at our general manager's office meeting;

- For investments of the original book balance exceeding RMB50.0 million, such investments shall be considered and approved at the general manager's office meeting and reported to the Board of Directors for approval on a case by case basis; and

- A single batch and single financial investment project shall not exceed 12 months (from the purchase date to the date of redemption or maturity). For special financial investments that exceed 12 months, the overall arrangement of the funds and investment plan shall be informed in advance and submitted to the chairman of the Board for approval after consideration at the general manager's office meeting.

Impairment Losses under ECL Model, Net of Reversal

Impairment losses under expected credit loss model, net of reversal primarily represent impairment losses, net of reversal, recognized on (i) trade receivables; (ii) other receivables; (iii) notes receivables; and (iv) contract assets.

The following table sets forth the components of our impairment losses under expected credit loss model, net of reversal, and the components as a percentage of total impairment losses under expected credit loss model, net of reversal, for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Impairment losses under ECL model, net of reversal, recognized on						
Trade receivables allowance for credit losses	14,912	1,354.4	(2,857)	9.5	(3,627)	(128.3)
Other receivables allowance for credit losses	99	9.0	(25,161)	83.5	(350)	(12.4)
Notes receivables allowance for credit losses	690	62.7	(39)	0.1	74	2.6
Contract assets allowance for credit losses	2,317	210.4	(2,078)	6.9	6,729	238.1
Finance lease receivables allowance for credit losses	(16,917)	(1,536.5)	—	—	—	—
Total	**1,101**	**100.0**	**(30,135)**	**100.0**	**2,826**	**100.0**

Distribution and Selling Expenses

Distribution and selling expenses principally represent (i) payroll and welfare expenses in relation to our sales and marketing personnel; (ii) after-sales maintenance fees; (iii) depreciation and amortization, with respect to fixed assets and right-of-use assets of stores for sales and marketing activities; (iv) marketing and promotion fees; and (v) others, which primarily include expenses in relation to the vehicles used by our sales and marketing personnel.

The following table sets forth the components of our distribution and selling expenses and the components as a percentage of total distribution and selling expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Payroll and welfare expenses	1,424	42.6	1,620	41.4	737	22.6
After-sales maintenance fees	363	10.9	1,585	40.5	1,925	58.9
Depreciation and amortization	296	8.8	255	6.5	198	6.1
Marketing and promotion fees	932	27.9	229	5.9	14	0.4
Others	330	9.8	225	5.7	393	12.0
Total	**3,345**	**100.0**	**3,914**	**100.0**	**3,267**	**100.0**

Administrative Expenses

Administrative expenses primarily represent (i) payroll and welfare expenses in relation to our administrative personnel; (ii) lease expenses, which primarily include depreciation of right-of-use assets; (iii) depreciation and amortization in relation to fixed assets and right-of-use assets for office usage; (iv) other tax expenses, which mainly represent stamp duty; (v) professional fees, which primarily include consulting fees for obtaining certifications, engineering inspection fees, notary fees and litigation-related attorney fees; and (vi) others, which primarily include disposable office supplies.

The following table sets forth the components of our administrative expenses and the components as a percentage of total administrative expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Payroll and welfare expenses	3,391	35.6	3,927	35.6	4,073	30.7
Lease expenses	816	8.5	572	5.2	655	4.9
Professional fees	1,019	10.7	1,144	10.4	4,364	32.9
Depreciation and amortization	1,980	20.8	2,805	25.4	1,634	12.3
Other tax expenses	730	7.7	735	6.7	1,003	7.5
Others	1,594	16.7	1,839	16.7	1,554	11.7
Total	**9,530**	**100.0**	**11,022**	**100.0**	**13,283**	**100.0**

Research and Development Expenses

Research and development expenses mainly represent (i) equipment costs for equipment used in R&D activities; (ii) technical service costs for commission of R&D; (iii) payroll and welfare expenses in relation to our R&D personnel; (iv) depreciation and amortization in relation to the equipment used in our R&D activities; and (v) others, which primarily include patent fees, expect fees and travel expenses for R&D personnel.

The following table sets forth the components of our research and development expenses and the components as a percentage of total research and development expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Equipment costs	14,805	48.8	27,729	66.9	28,900	69.9
Technical service costs	11,567	38.1	8,506	20.5	8,396	20.3
Payroll and welfare expenses	2,773	9.1	3,942	9.5	3,334	8.1
Depreciation and amortization	682	2.2	123	0.3	579	1.4
Others	541	1.8	1,178	2.8	143	0.3
Total	**30,368**	**100.0**	**41,478**	**100.0**	**41,352**	**100.0**

[REDACTED] Expenses

Our **[REDACTED]** expenses primarily represent the expenses incurred in relation to the **[REDACTED]**. In 2023, 2024 and 2025, our **[REDACTED]** expenses amounted to **[REDACTED]**, respectively.

Finance Costs

Finance costs principally represent (i) interests on borrowings, which mainly represents the interests incurred from bank loans we obtained; (ii) interest on lease liabilities, which primarily represents property lease; and (iii) interest on redemption liabilities on equity shares, which represents the interests incurred from the special right of redemption granted to a new investor who acquired the equity interest of the Company from the existing Shareholders during the year ended December 31, 2024. The following table sets forth the components of our finance costs and the components as a percentage of total finance costs for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest on borrowings	6,081	87.4	8,936	75.9	8,178	76.1
Interest on lease liabilities	875	12.6	841	7.1	779	7.2
Interest on redemption liabilities on equity shares	—	—	2,004	17.0	1,788	16.7
Total	**6,956**	**100.0**	**11,781**	**100.0**	**10,745**	**100.0**

Income Tax Expense

Income tax expense primarily represents (i) current tax, which comprises the estimated tax payable on the taxable profit for the year; and (ii) deferred tax, which is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. The following table sets forth a breakdown of our income tax expense for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC Enterprise Income Tax ("**EIT**")	6,330	11,965	6,863
Under provision in prior year	—	—	613
Deferred tax	1,320	(4,794)	(315)
Total	7,650	7,171	7,161

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, entities located in the PRC are generally subject to a statutory income tax rate of 25.0%. We and certain of our subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes. Details are as follows:

(i) We have been continuously qualified as a high-tech enterprise and enjoyed a preferential EIT rate of 15% during the Track Record Period.

(ii) According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC ("**SAT**") that have been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that period from January 1, 2023 to December 31, 2025.

During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with the relevant tax authorities. The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	77,833	83,040	72,683
Tax at the EIT tax rate of 25%	19,458	20,760	18,171
Effect of tax concessionary rates granted to the Company and its PRC subsidiaries	(7,751)	(7,978)	(6,032)
Tax effect of expenses not deductible for tax purpose	33	37	102
Tax effect of tax losses not recognized	59	127	79
Utilization of tax losses previously not recognized	(22)	—	—
Under-provision in prior years	—	—	613
Tax effect of super deduction of research and development expenses	(4,127)	(5,775)	(5,772)
Income tax expense	7,650	7,171	7,161

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by RMB161.0 million, or 15.8%, from RMB1,018.0 million in 2024 to RMB1,179.0 million in 2025. This was mainly due to the increased revenue from provision of data center energy management solutions and provision of commercial and industrial building energy management solutions, partially offset by decreased revenue from sales of temperature control products and ICT equipment.

Revenue from provision of data center energy management solutions increased by RMB169.7 million, or 17.2%, from RMB985.0 million in 2024 to RMB1,154.7 million in 2025, primarily because we completed or commenced the construction of several new projects in 2025, which were larger in scale compared to the projects we completed or commenced in 2024, as we continued to develop our data center energy management solutions business. The average original contract value of new data center energy management projects commenced in 2024 and 2025 was RMB122.8 million and RMB152.9 million, respectively. In 2024 and 2025, the number of data center energy management projects for which we recognized revenue during the year was 15 and 13, respectively. During the same years, the total original contract value of data center energy management projects for which we recognized revenue was RMB1,503.0 million and RMB1,578.1 million, respectively. The average original contract value of ongoing data center energy management projects as at December 31, 2024 and 2025 was RMB70.4 million and RMB90.0 million, respectively.

Revenue from provision of commercial and industrial building energy management solutions increased by RMB4.0 million, or 420.9%, from RMB1.0 million in 2024 to RMB5.0 million in 2025, primarily because we completed the construction of several existing projects, leading to project settlement from our customers and corresponding revenue recognition in 2025. In 2024 and 2025, the number of commercial and industrial building energy management projects for which we recognized revenue during the year was one and two, respectively. During the same years, the total original contract value of commercial and industrial building energy management projects for which we recognized revenue was RMB2.7 million and RMB3.9 million, respectively.

Revenue from sales of temperature control products and ICT equipment decreased by RMB12.7 million, or 39.7%, from RMB32.1 million in 2024 to RMB19.4 million in 2025. This decrease was in line with our overall strategy as we maintained a cautious approach to our sales of temperature control products and ICT equipment for use in the commercial and industrial buildings sector, given the current uncertainties in these sectors, including the creditworthiness and payment capabilities of property developer customers in light of the overall downturn in the real estate market.

Cost of Sales and Services

Our cost of sales and services increased by RMB197.9 million, or 23.7%, from RMB835.7 million in 2024 to RMB1,033.6 million in 2025. The increase was mainly attributable to an increase of RMB201.3 million in costs of sales and services in relation to provision of data center energy management solutions, primarily attributable to the increased revenue and business scale of our data center energy management solutions business.

Gross Profit and Gross Profit Margin

Our gross profit decreased by RMB36.9 million, or 20.2%, from RMB182.3 million in 2024 to RMB145.5 million in 2025. Our gross profit margin decreased from 17.9% in 2024 to 12.3% in 2025, primarily due to the decrease in gross profit margin for provision of data center energy management solutions.

Our gross profit for provision of data center energy management solutions decreased by RMB31.6 million, or 17.6%, from RMB179.2 million in 2024 to RMB147.6 million in 2025. Our gross profit margin for provision of data center energy management solutions decreased from 18.2% in 2024 to 12.8% in 2025, primarily because we commenced and completed a significant number of new projects in 2025 with equipment procurement and delivery accounting for higher proportion of the relevant project costs compared to projects completed in 2024. As revenue from equipment procurement and delivery is typically recognized at cost, such early-stage contracts involving equipment procurement and delivery typically exhibit lower gross profit and gross profit margins compared to contracts in the subsequent stages involving system integration and technical services.

We recorded gross profit of RMB83,000 in 2024 gross loss of RMB308,000 in 2025 for provision of commercial and industrial building energy management solutions. We recorded gross profit margin of 8.7% in 2024 and gross loss margin of 6.2% in 2025 for provision of commercial and industrial building energy management solutions. The change from gross profit and gross profit margin in 2024 to gross loss and gross loss margin in 2025 was primarily because we incurred substantial costs for a gas station pilot project in 2025 with a large oil company as one of our repeating customers, which included significant upfront infrastructure costs, with a view to acquiring multiple projects from this customer continuously in the future and maintaining a stable relationship.

We recorded gross profit of RMB3.1 million and gross profit margin of 9.6% for the sales of temperature control products and ICT equipment in 2024. We recorded gross loss of RMB1.9 million and gross loss margin of 9.6% for the sales of temperature control products and ICT equipment in 2025, primarily due to decrease in unit prices for these products as a result of the intensifying industry competition and more aggressive pricing strategies adopted by other market players in these sectors, leading to a gross loss.

Other Income

Our other income increased by RMB1.1 million, or 110.8%, from RMB1.1 million in 2024 to RMB2.2 million in 2025. The increase was mainly due to an increase of RMB2.0 million in government grants from a lump-sum government subsidy we received in 2024. This increase was partially offset by (i) a decrease of RMB0.8 million in interest income from bank deposits, primarily due to increased prepayments to suppliers; and (ii) a decrease in our bank deposits interest rates because we strategically kept our cash in low-risk current deposits accounts with lower interest rates and the overall interest rate of current deposits declined in the market.

Other Gains and Losses

Our other gains and losses changed from losses of RMB2.0 million in 2024 to gains of RMB0.3 million in 2025, primarily due to the interest and late payment penalties recovered through litigation regarding certain amounts of trade receivables that we received in 2025.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal changed from an impairment loss of RMB30.1 million in 2024 to a reversal of RMB2.8 million in 2025, was primarily due to (i) an increase of RMB50.7 million in the reversal of other receivables allowance for credit losses, primarily because the balance of past due other receivables had decreased as of December 31, 2025; and (ii) an increase of RMB0.8 million in impairment loss on trade receivables allowance for credit losses, primarily because the balance of our past due trade receivables that are past due had increased as of December 31, 2025.

Distribution and Selling Expenses

Our distribution and selling expenses decreased by RMB0.6 million, or 16.5%, from RMB3.9 million in 2024 to RMB3.3 million in 2025, which was primarily a result of a decrease in payroll and welfare expenses from RMB1.6 million in 2024 to RMB0.7 million in 2025 million mainly caused by reduced payroll of RMB0.9 million for our sales and marketing personnel following our shift away from selling temperature control products and ICT equipment on credit and toward a cash-on-delivery model. This transition led to adjustments in compensation structure of our sales and marketing personnel.

Administrative Expenses

Our administrative expenses increased by RMB2.3 million, or 20.5%, from RMB11.0 million in 2024 to RMB13.3 million in 2025, mainly due to an increase in professional fees from RMB1.1 million in 2024 to RMB4.4 million in 2025, mainly reflecting professional service fees, which primarily include consulting fees for obtaining certifications, engineering inspection fees, notary fees and litigation-related attorney fees.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB41.5 million in 2024 and RMB41.4 million in 2025 as we remained committed to the R&D of technical solutions related to green power, energy storage, liquid cooling, thermal management and power optimization in data center applications.

[REDACTED] ***Expenses***

Our **[REDACTED]** expenses increased from **[REDACTED]** in 2024 to **[REDACTED]** in 2025, primarily as we initiated our preparation for the **[REDACTED]** and the **[REDACTED]** in 2025.

Finance Costs

Our finance costs decreased by RMB1.1 million, or 8.8%, from RMB11.8 million in 2024 to RMB10.7 million in 2025, primarily due to a decrease of RMB0.8 million in interest on borrowings, primarily attributable to (i) a decrease in effective interest rates of our borrowings; and (ii) a decrease in interest on redemption liabilities on equity shares, which relates to the redemption right we granted to one of our new investors in 2024.

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by RMB10.3 million, or 12.5%, from RMB83.0 million in 2024 to RMB72.7 million in 2025.

Income Tax Expense

Our income tax expense remained stable at RMB7.2 million in 2024 and RMB7.2 million in 2025.

Profit and Total Comprehensive Income

As a result of the foregoing, our profit and total comprehensive income decreased by RMB10.4 million, or 13.6%, from RMB75.9 million in 2024 to RMB65.5 million in 2025. However, our adjusted profit and total comprehensive income (our non-IFRS financial measure) remained relatively stable at RMB75.9 million in 2024 and RMB75.0 million in 2025 because we started to incur **[REDACTED]** expenses in relation to the **[REDACTED]** in 2025, which has been reconciled in arriving at the adjusted profit and total comprehensive income (our non-IFRS financial measure) for the year 2025.

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

Revenue

Our revenue increased by RMB159.8 million, or 18.6%, from RMB858.2 million in 2023 to RMB1,018.0 million in 2024. The increase was mainly due to increased revenue from provision of data center energy management solutions, partially offset by the decreased revenue from provision of commercial and industrial building energy management solutions and sales of temperature control products and ICT equipment.

Revenue from provision of data center energy management solutions increased by RMB186.0 million, or 23.3%, from RMB799.0 million in 2023 to RMB985.0 million in 2024, primarily because we commenced several new projects in 2024, which were larger in scale compared to the projects we commenced in 2023, as we continued to develop our data center energy management solutions business. The average original contract value of new data center energy management projects commenced in 2023 and 2024 was RMB80.0 million and RMB122.8 million, respectively. In 2023 and 2024, the number of data center energy management projects for which we recognized revenue during the year was 17 and 15, respectively. During the same years, the total original contract value of data center energy management projects for which we recognized revenue was RMB1,139.0 million and RMB1,503.0 million, respectively. The average original contract value of ongoing data center energy management projects as at December 31, 2023 and 2024 was RMB98.8 million and RMB70.4 million, respectively.

The revenue from provision of commercial and industrial building energy management solutions decreased by RMB3.2 million, or 77.1%, from RMB4.2 million in 2023 to RMB1.0 million in 2024 primarily because we strategically reduced the scale of this business to better manage our trade receivables and reduce the risk of non-payment or payment delays by certain of our customers under this business. In 2023 and 2024, the number of commercial and industrial building energy management projects for which we recognized revenue during the year was three and one, respectively. During the same years, the total original contract value of commercial and industrial building energy management projects for which we recognized revenue was RMB4.8 million and RMB2.7 million, respectively.

The revenue from sales of temperature control products and ICT equipment decreased by RMB23.0 million, or 41.7%, from RMB55.1 million in 2023 to RMB32.1 million in 2024. The decrease was in line with our overall strategy as we maintained a cautious approach to our sales of temperature control products and ICT equipment for used in the commercial and industrial buildings sector, given the current uncertainties in these sectors, including the creditworthiness and payment capabilities of property developer customers in light of the overall downturn in the real estate market.

Cost of Sales and Services

Our cost of sales and services increased by RMB105.7 million, or 14,5%, from RMB730.1 million in 2023 to RMB835.7 million in 2024. The increase was primarily due to an increase of RMB129.3 million in costs of sales and services in relation to provision of data center energy management solutions, primarily attributable to the increased revenue and business scale of this business line, partially offset by a decrease of RMB20.8 million in costs of sales and services in relation to sales of temperature control products and ICT equipment, primarily due to the decreased business scale as we maintained a cautious approach to our sales of temperature control products and ICT equipment.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB54.1 million, or 42.2%, from RMB128.2 million in 2023 to RMB182.3 million in 2024. Our gross profit margin increased from 14.9% in 2023 to 17.9% in 2024, primarily driven by increased gross profit margin from provision of data center energy management solutions.

Our gross profit for provision of data center energy management solutions increased by RMB56.6 million, or 46.2%, from RMB122.5 million in 2023 to RMB179.2 million in 2024. Our gross profit margin for provision of data center energy management solutions increased from 15.3% in 2023 to 18.2% in 2024, primarily because we did not incur increased equipment costs and additional on-site costs in 2024 as we did in 2023. Such additional costs occurred in 2023 primarily due to (i) the impact of COVID-19 on global supply chain and potential work delays; (ii) the costs for dismantling and reinstalling equipment between two projects we undertook within the same data center cluster; and (iii) the upfront infrastructure costs of power supply facilities relating to multiple projects within a data center cluster. These costs were not passed on to our customers due to (i) the nature of certain additional costs incurred being upfront infrastructure costs for delivering multiple projects across the data center under the framework agreement, the increase of which was expected to be undertaken by us as the industry norm; and (ii) the importance of maintaining our long-term business relationship with the project owner.

Our gross profit for provision of commercial and industrial building energy management solutions decreased by RMB0.4 million, or 81.0%, from RMB0.4 million in 2023 to RMB83,000 in 2024. Our gross profit margin of provision of commercial and industrial building energy management solutions decreased from 10.5% in 2023 to 8.7% in 2024, primarily because certain upgrade projects relating to gas stations for the installation of new electric vehicle charging points and relevant electric vehicle supply equipment had relatively small scales, and certain other projects experienced prolonged construction periods, resulting in increased labor costs for such projects and decreased gross profit margin in 2024.

Our gross profit for sales of temperature control products and ICT equipment decreased by RMB2.1 million, or 41.0%, from RMB5.2 million in 2023 to RMB3.1 million in 2024. Our gross profit margin of sales of temperature control products and ICT equipment remained relatively stable at 9.4% and 9.6% in 2023 and 2024, respectively.

Other Income

Our other income decreased by RMB0.9 million, or 47.3%, from RMB2.0 million in 2023 to RMB1.1 million in 2024. The decrease was mainly due to (i) a decrease of RMB0.3 million in interest income from bank deposits, primarily because of (a) an increase in advances to suppliers as our business scale increased; and (b) a decrease in our bank deposit interest rates; (ii) a decrease of RMB0.4 million in finance lease income, primarily because the remaining value of the finance lease arrangement, where we acted as a lessor for computing power equipment and facilities, decreased year by year over the lease period; and (iii) a decrease RMB0.2 million in government grants, primarily because the one-off government subsidy of RMB0.3 million we received in 2023 was not available in 2024.

Other Gains and Losses

We recorded other losses of RMB3.2 million in 2023 and RMB2.0 million in 2024. The decrease of RMB1.2 million, or 38.4%, was primarily due to a decrease of RMB3.2 million in impairment loss recognized on property, plant and equipment, as we recognized the impairment loss resulting from the termination of an artificial ice rink project in 2023, as partially offset by an increase of RMB2.0 million in donations to a charity.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal changed from a reversal of RMB1.1 million in 2023 to an impairment loss of RMB30.1 million in 2024, which was primarily due to (i) an increase of RMB25.2 million in other receivables allowance for credit losses, mainly because we recognized a full impairment provision of approximately RMB25.0 million against a deposit for an energy management solution project since the first six months of 2024. In 2024, we paid a construction deposit of RMB25.0 million to a contracted customer for the purpose of performing the contract for an energy management solution project with a total contract value of RMB800.0 million. Under the relevant cooperation agreement, we were entitled to recover the deposit if such contracted customer failed to initiate the project in accordance with the contract terms. However, the contracted customer did not commence the project according to the prescribed timeframe, and, despite repeated requests, has not repaid the deposit to the Company. As a result, we considered the credit risk to have increased significantly since initial recognition; (ii) impairment losses on trade receivables increased by RMB17.8 million, primarily due to an increase in the outstanding balance of trade receivables as at 31 December 2024 compared to the prior period end; and (iii) an increase of RMB4.4 million in contract assets allowance for credit losses, primarily due to certain customers included on our credit watch list had contract assets balance of approximately RMB11.5 million as of December 31, 2024, for which we applied higher expected credit loss rates under our ECL model in view of their elevated credit risk profiles, partially offset by a decrease in impairment losses on finance lease receivables decreased by RMB16.9 million, primarily because full impairment allowance had been provided against the finance lease receivables in 2023.

Distribution and Selling Expenses

Our distribution and selling expenses increased by RMB0.6 million, or 17.0%, from RMB3.3 million in 2023 to RMB3.9 million in 2024. The increase was primarily due to an increase of RMB1.2 million in after-sales maintenance expenses, mainly attributable to increased warranty claims, partially offset by a decrease of RMB0.7 million in market development and business promotion expenses as we ceased our promotional activities in connection with the sales of ICT equipment in 2024.

Administrative Expenses

Our administrative expenses increased by RMB1.5 million, or 15.7%, from RMB9.5 million in 2023 to RMB11.0 million in 2024. The increase was primarily due to (i) an increase of RMB0.8 million in depreciation and amortization, primarily because we only recognized depreciation of a leasehold land for a period of eight months in 2023 as we obtained the land use right certificate in August 2023, while we recognized such depreciation for a 12-month period in 2024; and (ii) an increase of RMB0.5 million in payroll expense and welfare, mainly due to an increase in the average salary of our administrative personnel.

Research and Development Expenses

Our research and development expenses increased by RMB11.1 million, or 36.6%, from RMB30.4 million in 2023 to RMB41.5 million in 2024. The increase was primarily due to (i) an increase of RMB9.9 million in research and development expenses, primarily due to an increase in both the number of R&D projects and the amount of investment in each of the R&D projects; and (ii) an increase of RMB1.2 million in payroll expense and welfare, mainly because we increased the salary level of our R&D personnel to attract or retain high-quality talents.

Finance Costs

Our finance costs increased by RMB4.8 million, or 69.4%, from RMB7.0 million in 2023 to RMB11.8 million in 2024. The increase was primarily due to (i) an increase of RMB2.9 million in interest on borrowings, which was attributable to an increase in our borrowings as we needed additional working capital associated with our business expansion; and (ii) an increase of RMB2.0 million in interest on redemption liabilities on equity shares, relating to our granting special right of redemption to a new investor who acquired an equity interest of approximately 3.4% in the Company from the existing Shareholders during the year ended December 31, 2024.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by RMB5.2 million, or 6.7%, from RMB77.8 million in 2023 to RMB83.0 million in 2024.

Income Tax Expense

Our income tax expenses decreased by RMB0.5 million, or 6.3%, from RMB7.7 million in 2023 to RMB7.2 million in 2024. The decrease in our income tax expenses was primarily due to an increase in the tax effect of super deduction of research and development expenses, as partially offset by an increase in our taxable income.

Profit and Comprehensive Income

As a result of the foregoing, our profit and comprehensive income and adjusted profit and comprehensive income both increased by RMB5.7 million, or 8.1%, from RMB70.2 million in 2023 to RMB75.9 million in 2024.

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

Current Assets and Current Liabilities

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets:				
Inventories	21,550	159,687	21,772	11,602
Contract costs	162,826	328,442	278,128	278,128
Contract assets	86,703	77,549	—	—
Trade and other receivables	280,026	606,950	736,251	905,867
Finance lease receivables	—	—	—	—
Restricted bank deposits	33,934	8,365	73,643	34,664
Cash and cash equivalents	229,112	56,565	51,951	201,688
Total current assets	814,151	1,237,558	1,161,745	1,431,949
Current liabilities:				
Trade and other payables	260,217	491,785	514,950	386,126
Contract liabilities	41,504	128,575	54,880	56,175
Income tax payable	8,413	13,309	13,318	13,006
Borrowings	216,805	242,686	142,244	179,327
Lease liabilities	1,138	1,633	1,846	2,155
Total current liabilities	528,077	877,988	727,238	636,789
Net current assets	286,074	359,570	434,507	795,160

Our net current assets increased from RMB286.1 million as of December 31, 2023 to RMB359.6 million as of December 31, 2024, primarily because the increase in our current assets outpaced the increase in our current liabilities. Our current assets increased from RMB814.2 million as of December 31, 2023 to RMB1,237.6 million as of December 31, 2024, primarily due to (i) an increase of RMB326.9 million in trade and other receivables, primarily due to the significant growth in our business scale; (ii) an increase of RMB165.6 million in contract costs, which was mainly attributable to an increase in the number of our new framework agreements entered into with certain of our customers and a corresponding increase in upfront costs incurred in relation to each new framework agreement; and (iii) an increase of RMB138.1 million in inventories, primarily because we entered into a number of new contracts in the fourth quarter of 2024 and made respective procurement, and the customers accepted the equipment in 2025, while the procurement and acceptance of contracts in 2023 were both conducted in 2023, partially offset by a decrease of RMB172.5 million in cash and cash equivalents, primarily due to negative cashflow from operations in 2024, driven by increased trade and other receivables and an increase in our procurement of components and raw materials as our business expanded. Our current liabilities increased from RMB528.1 million as of December 31, 2023 to RMB878.0 million as of December 31, 2024, primarily due to (i) an increase of RMB231.6 million in trade and other payables, primarily due to an increase in our procurement amount as our business expanded; (ii) an increase of RMB87.1 million in contract liabilities, which was mainly attributable to an increase in the total original contract value of the new contracts we entered into with our customers in 2024; and (iii) an increase of RMB25.9 million in borrowings, mainly due to our need for additional working capital associated with our business expansion.

Our net current assets increased from RMB359.6 million as of December 31, 2024 to RMB434.5 million as of December 31, 2025, primarily because the decrease in our current liabilities outpaced the decrease in our current assets. Our current liabilities decreased from RMB878.0 million as of December 31, 2024 to RMB727.2 million as of December 31, 2025, primarily due to (i) a decrease of RMB100.4 million in borrowings as we strategically replaced our short-term borrowings with long-term borrowings; and (ii) a decrease of RMB73.7 million in contract liabilities resulting from the completion of an increased number of contracts we entered into with our customers and the recognition of revenue therefrom, partially offset by an increase of RMB23.2 million in trade and other payables. Our current assets decreased from RMB1,237.6 million as of December 31, 2024 to RMB1,161.7 million as of December 31, 2025, primarily due to (i) a decrease of RMB137.9 million in inventories, mainly as a result of a decrease in the sales of temperature control products and ICT equipment. This was mainly caused by our overall strategy of maintaining a cautious approach to this business; (ii) a decrease of RMB77.5 million in contract assets, which mainly reflected the changes in the number of projects whose milestones were achieved and whose requisite conditions to receive payments have been fulfilled; and (iii) a decrease of RMB50.3 million in contract costs, primarily because we have secured the signing of certain individual projects under the relevant framework agreement, partially offset by (i) an increase of RMB129.3 million in trade and other receivables, primarily because we secured and executed significantly larger-scale data center energy management projects in 2025, generating substantial revenue growth and corresponding trade receivables; and (ii) an increase of RMB65.3 million in restricted bank deposits, as a result of a decrease of RMB65.3 million in deposits held in designated bank accounts for issuance of bank acceptance notes as we settled these notes in 2025.

Our net current assets increased from RMB434.5 million as of December 31, 2025 to RMB795.2 million as of April 30, 2026, mainly because our current assets increased while our current liabilities decreased. Our current assets increased from RMB1,161.7 million as of December 31, 2025 to RMB1,432.0 million as of April 30, 2026, primarily due to (i) an increase of RMB169.6 million in trade and other receivables; and (ii) an increase of RMB149.7 million in cash and cash equivalents. Our current liabilities decreased from RMB727.2 million as of December 31, 2025 to RMB636.8 million as of April 30, 2026, primarily due to a decrease of RMB128.8 million in trade and other payables.

Inventories

Our inventories primarily consist of construction materials and consumables for energy management projects and finished goods, which represent temperature control and HVAC and power distribution equipment. The following table sets forth a summary of our balance of inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Inventories	23,484	161,869	26,632
Less: write-down of inventories	(1,934)	(2,182)	(4,860)
Total	**21,550**	**159,687**	**21,772**

Our inventories increased from RMB21.6 million as of December 31, 2023 to RMB159.7 million as of December 31, 2024, primarily reflecting an increase in construction materials and consumables for energy management projects, primarily because we entered into a number of new contracts in the fourth quarter of 2024 and made respective procurement and the customers accepted the equipment in 2025, while the procurement and acceptance of contract in 2023 were conducted in 2023, partially offset by a decrease in the sales of temperature control products and ICT equipment, mainly attributable to our overall strategy of maintaining a cautious approach to this business.

Our inventories decreased from RMB159.7 million as of December 31, 2024 to RMB21.8 million as of December 31, 2025, primarily due to (i) a decrease in the sales of temperature control products and ICT equipment, which was mainly attributable to our overall strategy of maintaining a cautious approach to this business, and (ii) the aforementioned influx of new contracts in the fourth quarter of 2024, which did not occur in 2025, partially offset by an increase of construction materials and consumables for energy management projects as we strategically stockpiled cables to be used in the provision of our data center energy management solutions.

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

	For the year ended December 31,		
	2023	**2024**	**2025**
Average inventory turnover days(1)	14	39	32

Note:

(1) The average inventory turnover days for a certain period is the average of opening and closing inventory balances divided by the cost of sales and services and multiplied by 360 days for a 12-month period.

Our average inventory turnover days increased from 14 days in 2023 to 39 days in 2024, primarily because we entered into a number of new contracts in the fourth quarter of 2024 and made respective procurement, and the customers accepted the equipment in 2025, while the procurement and acceptance of contracts in 2023 were both conducted in 2023.

Our average inventory turnover days decreased from 39 days in 2024 to 32 days in 2025, primarily because the procurement and acceptance of contracts in 2025 both occurred in 2025.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Up to one year	9,744	146,538	13,378
One year to two years	5,086	4,359	3,716
More than two years	8,654	10,972	9,538
Inventories	23,484	161,869	26,632
Less: write-down of inventories	(1,934)	(2,182)	(4,860)
Total	**21,550**	**159,687**	**21,772**

As of April 30, 2026, approximately RMB14.2 million, or 53.1%, of our inventories as of December 31, 2025 had been sold or utilized. We were not aware of any material impairment issue with respect to our inventories as of April 30, 2026, and sufficient provision for write-down of inventories have been made in view of our sale or utilization of inventories, on the basis that the inventories are being utilized as planned in the ordinary course of business as the inventories have been progressively deployed into projects subsequent to the end of Track Record Period, and such projects are under normal construction.

Contract Costs

During the Track Record Period, we were engaged in the provision of energy management solutions to the digital smart industrial park projects of certain data center operators located in the PRC. These projects are usually split into different phases and contracts are entered into by phases. Our contract costs reflect the upfront costs that will be used in satisfying the contracts of future phases of such projects and are expected to be recovered. As of December 31, 2023, 2024 and 2025, our contract costs were RMB162.8 million, RMB328.4 million and RMB278.1 million, respectively. Contract costs increased from RMB162.8 million as of December 31, 2023 to RMB328.4 million as of December 31, 2024, primarily due to an increased scale of the future phases of our existing projects. Despite the number of projects remaining stable in 2023 and 2024, the nature of our projects involving data center clusters means each individual project comprises multiple modules to be constructed in phases, while the relevant power distribution systems are interconnected across modules and are required to be constructed simultaneously, leading to a corresponding increase in upfront costs incurred in relation to such projects. Contract costs decreased from RMB328.4 million as of December 31, 2024 to RMB278.1 million as of December 31, 2025, primarily because (i) we secured the signing of certain individual projects under the relevant framework agreement; and (ii) our Group assumed the assets and liabilities of Jiangsu Ninghuai, including the contract costs for its relevant projects, following our acquisition of 95% equity interest therein. As of April 30, 2026, none of our contract costs as of December 31, 2025 has been recovered yet.

Contract Assets

Contract assets represent our rights to consideration for the services performed in relation to our provision of energy management solutions. Such rights are conditioned on the timing of specific milestones being achieved. Contract assets are transferred to trade receivables when the rights become unconditional. Contract assets of our Group are expected to be settled within our normal operating cycle. The following table sets forth our contract assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	91,354	84,278	—
Less: allowance for credit losses	(4,651)	(6,729)	—
Total	**86,703**	**77,549**	**—**

Our contracts assets were RMB86.7 million, RMB77.5 million and nil as of December 31, 2023, 2024 and 2025, respectively. The fluctuations mainly reflected the changes in the number of projects whose milestones were achieved and whose requisite conditions to receive payments have been fulfilled.

The following table sets out the aging analysis of contract assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	86,703	77,549	—
Total	**86,703**	**77,549**	**—**

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

	As of December 31,		
	2023	**2024**	**2025**
Average contract assets turnover days[1]	33	29	12

Note:

(1) The average contract assets turnover days for a certain period is the average of opening and closing balance of contract assets of the relevant period divided by revenue and multiplied by 360 days for a 12-month period.

Our average contract assets turnover days remained relatively stable at 33 days in 2023 and 29 days in 2024. Our average contract assets turnover days decreased from 29 days in 2024 to 12 days in 2025, mainly because relevant project milestones were achieved and requisite conditions to receive payments for the relevant contracts have been fulfilled in 2025, as reflected in our contract assets being nil as of December 31, 2025.

Restricted Bank Deposits and Cash and Cash Equivalents

Our restricted bank deposits mainly consist of deposits held in designated bank accounts for issuance of bank acceptance notes, credit notes, letters of credit, reserve deposits for unconditional and irrevocable letter of guarantee and bank deposits frozen pursuant to court orders in litigation proceedings. The restricted bank deposits carry interest rate ranging from 1.70% to 1.90%, 0.10% to

1.15% and 0.05% to 1.10% per annum as at December 31, 2023, 2024 and 2025. Our cash and cash equivalents include demand deposits with original maturity less than three months for the purpose of meeting our short term cash commitments, which carry interest at market rates ranging from 0.20% to 2.00%, 0.10% to 1.15% and 0.05% to 0.45% per annum as at the end of each of Track Record Period.

The balance of our restricted bank deposits decreased from RMB33.9 million as of December 31, 2023 to RMB8.4 million as of December 31, 2024, primarily attributable to a decrease of RMB32.1 million in deposits held in designated bank accounts for issuance of bank acceptance notes as we settled these notes in 2023.

The balance of our restricted bank deposits increased from RMB8.4 million as of December 31, 2024 to RMB73.6 million as of December 31, 2025, primarily due to an increase of RMB65.2 million in deposits held in designated bank accounts for issuance of bank acceptance notes as we settled these notes in 2025.

We had cash and cash equivalents of RMB229.1 million, RMB56.6 million and RMB52.0 million as of December 31, 2023, 2024 and 2025, respectively. See "— Liquidity and Capital Resources — Cash Flow Analysis".

The bank balances are deposited with creditworthy banks with no recent history of default. Our Directors confirm that our cash and cash equivalents were maintained at a prudent level for the purpose of satisfying the requirements for our daily business operations.

Trade and Other Receivables

Our trade and other receivables primarily consist of: (i) trade receivables, which represents receivables from our client; (ii) other receivables, which represents bidding deposits, lease deposits and employee benefit fund contributions; (iii) notes receivables, which are bank acceptance bills received from customers; (iv) advances to suppliers, which are payments to suppliers for the services or products they provided; (v) deferred issue costs, which represent deferred **[REDACTED]** expenses in relation to the **[REDACTED]**; (vi) value-added tax recoverable; and (vii) others. We generally allow credit periods ranging from 0 to 180 days. We will assess the credit quality of each potential customer and define ratings and credit limits for each customer. We do not hold any collateral on our trade receivable balances. Trade receivables are non-interest-bearing.

The following table sets forth trade and other receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	199,600	425,094	520,476
Less: allowance for credit losses	(104,902)	(107,759)	(111,386)
	94,698	317,335	409,090
Other receivables	1,641	32,051	65,535
Less: allowance for credit losses	(9)	(25,170)	(25,520)
	1,632	6,881	40,015
Notes receivables	7,002	321	—
Advances to suppliers	137,805	218,260	233,682
Value-added tax recoverable	38,590	63,666	50,435
Deferred issue costs	—	—	2,564
Others	299	487	465
Total	**280,026**	**606,950**	**736,251**

Our trade and other receivables increased from RMB280.0 million as of December 31, 2023 to RMB607.0 million as of December 31, 2024, primarily due to (i) an increase in trade receivables, because we secured and executed significantly larger-scale data center energy management projects during 2024, which generated substantial revenue growth and corresponding receivables; (ii) an increase in advances to suppliers attributable to increased procurement of equipment and materials to support our growing pipeline of data center energy management projects; (iii) an increase in other receivables, mainly representing the bid deposit paid in connection with a data center energy management project in Guangzhou, Guangdong Province, in 2024; and (iv) an increase in value-added tax recoverable, primarily due to the expansion of our business scale and the cumulative effect of input value-added tax from equipment and material purchases outpacing output value-added tax from revenue recognition.

Our trade and other receivables increased from RMB607.0 million as of December 31, 2024 to RMB736.3 million as of December 31, 2025, primarily due to: (i) an increase in trade receivables, because we secured and executed significantly larger-scale data center energy management projects in 2025, which generated substantial revenue growth and corresponding trade receivables; (ii) an increase in other receivables, mainly because our Group assumed the assets and liabilities of Jiangsu Ninghuai following our acquisition of 95% equity interest therein; and (iii) an increase in advances to suppliers, mainly due to the increased purchases of equipment and materials to support the growth of the data center energy management project pipeline.

Our allowance for credit losses on trade receivables was RMB104.9 million, RMB107.8 million and RMB111.4 million as of December 31, 2023, 2024 and 2025, respectively. Such allowances for credit losses on trade receivables were primarily attributable to our commercial and industrial building energy management solutions segment in 2023 and 2024 and our data center energy management solutions segment in 2025. As of December 31, 2023 and 2024, the allowances relating to commercial and industrial building energy management solutions accounted for 80.1% and 73.9%, respectively, of our total allowance for credit losses on trade receivables. This was primarily due to the overall downturn in the real estate market, which resulted in increased uncertainties regarding the credit performance and payment capabilities of our customers in real estate sector. Following our assessment of the collectability of these receivables, we made credit loss allowances for trade receivables arising from our commercial and industrial building energy management solutions. As of December 31, 2025, the allowances relating to data center energy management solutions accounted for 100.0% of our total allowance for credit losses on trade receivables.

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

	For the year ended December 31,		
	2023	2024	2025
Average trade receivables turnover days[(1)] . . .	64	73	111

Note:

(1) The average trade receivables turnover days for a certain period is the average of opening and closing balance of trade receivables divided by revenue and multiplied by 360 days for a 12-month period.

Our average trade receivables turnover days increased from 64 days in 2023 to 73 days in 2024, primarily because one of our top five customers did not make payments to us before December 31, 2024 as they had in previous years, due to the liquidity issues of the customer at the end of 2024. Subsequent to December 31, 2024, the relevant project owner, such customer and we entered into arrangements according to which the relevant project owner would pay us the outstanding amounts. See "Business — Third-party Payment" for details. However, our trade receivables from such customer continued to increase in 2025 as new trade receivables outpaced the amounts collected pursuant to such arrangements. As a result, our average trade receivables turnover days increased from 73 days in 2024 to 111 days in 2025.

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

	For the year ended December 31,		
	2023	2024	2025
Average turnover days for contract assets and trade receivables combined[1]	97	102	123

Note:

(1) The average turnover days for contract assets and trade receivables combined for a certain period is the average of opening and closing balance of contract assets and trade receivables combined for the relevant period divided by revenue and multiplied by 360 days for a 12-month period.

The average turnover days for contract assets and trade receivables combined increased from 97 days in 2023 to 102 days in 2024, and further to 123 days in 2025, primarily because the continuous increase in average trade receivables turnover days over the Track Record Period for the reasons stated above outpaced the continuous decrease in average contract assets turnover days over the Track Record Period for the reasons stated above.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
0 to 180 days	91,751	232,566	170,681
181 days to one year	1,530	78,744	235,740
One year to two years	962	5,642	2,663
Over two years	455	383	6
Total	94,698	317,335	409,090

As of May 31, 2026, RMB257.7 million, or 49.5%, of our trade receivables as of December 31, 2025 had been subsequently settled. As of the Latest Practicable Date, (i) we were not aware of any material recoverability issue for trade receivables, as our unsettled trade receivables as of May 31, 2026 were primarily from a EPC contractor in relation to our data center energy management solutions, and we expect to settle the remaining unsettled trade receivables as of May 31, 2026 before July 31, 2026; and (ii) sufficient provision for impairment of trade receivables had been made in view of their recoverability, on the basis that we have engaged a professional valuer who is an Independent Third Party and applied assessment methodologies and parameter indicators that are commonly adopted in the market, including the simplified approach and provision matrix methodology, with loss rates incorporating forward-looking macroeconomic factors with best available information and without undue cost or effort, to evaluate the recoverability of trade receivables.

Trade Receivables from Customer A

As of December 31, 2023, 2024 and 2025, trade receivables (gross balance) due from Customer A amounted to RMB15.3 million, RMB209.8 million and RMB231.5 million, and trade receivables (net balance) due from Customer A amounted to RMB14.6 million, RMB204.5 million and RMB217.1 million. As of May 31, 2026, RMB123.4 million, or 53.3%, of our trade receivables due from Customer

A as of December 31, 2025 had been subsequently settled. As of the Latest Practicable Date, RMB215.1 million, or 92.9% of our trade receivables due from Customer A as of December 31, 2025 had been subsequently settled.

We have conducted a comprehensive evaluation of the recoverability of our outstanding trade receivables due from Customer A, taking into account multiple factors, including: (i) the uncertainty relating to going concern and the related financial information disclosed in 2024 Annual Report; (ii) the operational and financial condition of the customers of Customer A, who are project owners to which the projects are being delivered; (iii) Customer A's financial performance, and litigation status contained in its announcements, in particular, improvements in Customer A's financial condition and operational performance as disclosed in Customer A's annual report for the year ended December 31, 2025, which recorded net cash inflows from operating activities as well as overall increase in cash and cash equivalents; (iv) Trilateral Agreements on Payment entered into between our Company, certain entities of Customer A and the project owners; and (v) robust development of the China data center market, which supports the demand for our data center energy management projects.

We consider the financial position of Customer A will not have material impact on or material risk to our business going forward, as (i) our Group has successfully diversified its customer base in 2025. See "Business — Marketing and Sales — Our Major Customers"; (ii) business transactions with Customer A decreased in the year ended December 31, 2025 and only accounted for 27.8% of our total revenue, as compared to 82.8% in 2024; and (iii) as of the Latest Practicable Date, we had subsequently settled 92.9% of our trade receivables due from Customer A as of December 31, 2025. In addition, to the best knowledge of our Directors, none of our other customers encountered similar financial uncertainties. Our trade receivables due from our other customers were incurred in the ordinary course of business with sufficient provision for impairment made in view of their recoverability. Such trade receivables have continuously been settled subsequently in accordance with the expected schedule.

Trade and Other Payables

Our trade and other payables primarily represent: (i) trade payables, which are payables to our equipment suppliers and subcontractors; (ii) bills payables, which represent bills used to settle our payments to equipment suppliers and subcontractors; (iii) construction payables in relation to our construction-in-progress; (iv) payroll payables, which are salaries and welfare payable to our employees; (v) other tax payables, which represent value-added tax payable, taxes and surcharges payable, and output VAT to be transferred; (vi) other payables and accruals, which are payments from a customer which were channeled through us before being disbursed to subcontractor; (vii) accrued issue costs, which are accrued **[REDACTED]** expenses in relation to the **[REDACTED]**; and (viii) consideration payable for acquisition in relation to acquiring 95% equity interest in Jiangsu Ninghuai. The average credit period on purchases of goods is 90 days.

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	120,055	339,951	232,269
Bills payables	31,930	—	90,439
Construction payables	10	—	46,514
Payroll payables	1,042	1,199	1,157
Other tax payables	70,449	111,592	59,095
Accrued issue costs	—	—	4,899
Consideration payable for acquisition	—	—	10,949
Other payables and accruals	36,731	39,043	69,628
Total	**260,217**	**491,785**	**514,950**

As of December 31, 2023, 2024 and 2025, the balance of our trade and other payables amounted to RMB260.2 million, RMB491.8 million and RMB515.0 million, respectively.

Our trade and other payables increased from RMB260.2 million as of December 31, 2023 to RMB491.8 million as of December 31, 2024, primarily due to: (i) an increase of RMB219.9 million in trade payables, which was mainly attributable to the increased procurement of equipment and materials to support our growing pipeline of data center energy management projects in 2024; and (ii) an increase of RMB41.1 million in other tax payables as result of our expanded business scale, partially offset by a decrease of RMB31.9 million in bills payables because we settled the bank acceptance bills which we used to pay our suppliers during 2023.

Our trade and other payables increased from RMB491.8 million as of December 31, 2024 to RMB515.0 million as of December 31, 2025, primarily due to: (i) an increase of RMB90.4 million in bills payables, because of the issuance of the bank acceptance bills for our payment for equipment and related goods; (ii) an increase of RMB46.5 million in construction payables, mainly our assuming the relevant liability of Jiangsu Ninghuai's construction project following our acquisition of 95% equity interest therein; and (iii) an increase of RMB30.6 million in other payables and accruals mainly because our Group assumed the relevant liability of Jiangsu Ninghuai's payables and accruals following our acquisition of 95% equity interest therein; partially offset by: (i) a decrease of RMB107.7 million in trade payables, mainly attributable to our increasing trend of using bank acceptance bills for payment and settlement; and (ii) a decrease of RMB52.5 million in other tax payables, mainly because of a decrease in value-added tax payables.

The following table sets the aging analysis of the trade payables as of each date indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	87,431	274,102	35,165
91 to 180 days	11,118	20,016	134,249
181 to 365 days	7,415	25,644	36,028
Over one years	14,091	20,189	26,827
Total	**120,055**	**339,951**	**232,269**

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

	For the year ended December 31,		
	2023	2024	2025
Trade payables turnover days(1)	61	99	100

Note:

(1) The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables for the relevant period divided by cost of sales and services and multiplied by 360 days for a 12-month period.

Trade payables turnover days indicate the average time we take to make cash payments to suppliers. Our average trade payables turnover days were 61 days, 99 days and 100 days for the years ended December 31, 2023, 2024 and 2025, respectively.

Our trade payables turnover days increased from 61 days in 2023 to 99 days in 2024, mainly due to the faster growth rate of trade payables compared to that of cost of sales and services, as we commenced several major new data center projects in 2024, which were larger in scale compared to the projects we commenced in 2023 that required upfront procurement. This resulted in significant trade payables being recognized before the corresponding costs were reflected in cost of sales and services, constituting a timing difference between when the payables are recorded and when project costs are recognized.

Our average trade payables turnover days remained stable at 99 days in 2024 and 100 days in 2025, mainly due to the prolonged settlement process of our trade receivables with certain of our customers has correspondingly led to a delay in the settlement of our trade payables with certain of our suppliers.

As of April 30, 2026, RMB76.1 million, or 27.1%, of our trade payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities mainly represent upfront deposits and prepayments we receive in relation to provision of energy management solutions and sales of temperature control products and ICT equipment. For provision of energy management solutions, we generally require customers to provide upfront deposits ranging from 10% to 60% of total contract amount. Receipt of a deposit before the service commences gives rise to contract liabilities until revenue recognized on the specific contract equals or exceeds the amount of the deposits. For sales of temperature control products and ICT equipment, we recognize a contract liability in the amount of the prepayment for our performance obligation to transfer, or to be ready to transfer, goods or services in the future when we receive an advance payment from customers for the sales of temperature control products and ICT equipment. The contract liability is derecognized, and revenue is recognized, when the relevant performance obligations are satisfied.

Our contract liabilities were RMB41.5 million, RMB128.6 million and RMB54.9 million as of December 31, 2023, 2024 and 2025, respectively. The fluctuations in our contract liabilities during the Track Record Period were mainly attributable to the fluctuations in the number of contracts where the relevant performance obligations were not satisfied. As of April 30, 2026, approximately RMB0.5 million, or 0.8%, of our contract liabilities as of December 31, 2025 has been settled.

Our Directors confirm that they have no doubt about the genuineness, existence and reasonableness of our contract liabilities as at the end of each of the year comprising the Track Record Period.

Income Tax Payable

Our income tax payable increased from RMB8.4 million as of December 31, 2023 to RMB13.3 million as of December 31, 2024, mainly because our increased taxable income in line with our business expansion. Our income tax payable remained relatively stable at RMB13.3 million as of December 31, 2024 and RMB13.3 million as of December 31, 2025.

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

Property, Plant and Equipment

Our property, plant and equipment primarily represent buildings, leasehold improvements, furniture, fixtures and office equipment, machineries, motor vehicles and construction in progress. As of December 31, 2023, 2024 and 2025, our property, plant and equipment amounted to RMB1.5 million, RMB2.1 million and RMB115.3 million, respectively.

The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings	733	694	655
Leasehold improvements	—	71	127
Electronic and office equipment	67	59	40
Motor vehicles	714	1,236	963
Construction in progress	—	—	113,494
Total	**1,514**	**2,060**	**115,279**

Our property, plant and equipment increased from RMB1.5 million as of December 31, 2023 to RMB2.1 million as of December 31, 2024, primarily because of purchase of an vehicle related to our subsidiary's operations.

Our property, plant and equipment increased from RMB2.1 million as of December 31, 2024 to RMB115.3 million as of December 31, 2025, primarily as a result of the increase in our construction in progress, including our new headquarters, R&D center and intelligent manufacturing center located in Guangzhou, as well as our R&D base for communications equipment and a sustainable digital economy pilot project located in Huaian, Jiangsu Province.

Right-of-Use Assets

Our right-of-use assets represents leasehold land and leased properties. During the Track Record Period, we leased various properties located in Guangdong Province, the PRC, which were primarily used for office, industrial and commercial purposes. Lease contracts are entered into for fixed term of 12 months to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. We have obtained the land use right certificates for all leasehold lands located in Guangdong, PRC and Jiangsu, PRC, as of December 31, 2023, 2024 and 2025. Please see Note 16 of the Accountants' Report set out in Appendix I to this document for details of right-of-use assets.

As of December 31, 2023, 2024 and 2025, our right-of-use assets amounted to RMB45.7 million, RMB43.0 million and RMB43.7 million, respectively. The decrease in our right-of-use assets from RMB45.7 million as of December 31, 2023 to RMB43.0 million as of December 31, 2024 was primarily due to the depreciation in our right-of-use assets. Our right-of-use assets remained relatively stable at RMB43.0 million as of December 31, 2024 and RMB43.7 million as of December 31, 2025.

Deferred Tax Assets

Our deferred tax assets primarily represent all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. As of December 31, 2023, 2024 and 2025, our deferred tax assets amounted to RMB19.2 million, RMB24.0 million and RMB24.3 million, respectively. The fluctuations in our deferred tax assets were primarily due to the fluctuations in deferred tax assets related to impairment provisions, which fluctuated based on the collection status of the corresponding trade and other receivables and other items.

INDEBTEDNESS

Our indebtedness consists of borrowings, lease liabilities and redemption liabilities on equity shares. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Borrowings	216,805	242,686	142,244	179,327
Lease liabilities	1,138	1,633	1,846	2,155
Non-current				
Borrowings	—	—	67,500	89,225
Lease liabilities	17,308	15,910	14,064	13,241
Redemption liabilities on equity shares	—	29,339	—	—
Total	**235,251**	**289,568**	**225,654**	**283,948**

Borrowings

During the Track Record Period, our borrowings consisted of bank loans, advance from banks on discounted notes receivable and advance from banks on letters of credit. The following table sets forth our borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
At amortized cost:				
— Borrowings	209,836	212,752	185,077	262,385
— Advance from banks on discounted notes receivables	6,969	—	—	—
— Advance from banks on letters of credit	—	29,934	24,667	6,167
	216,805	**242,686**	**209,744**	**268,552**
Secured	40,356	64,866	73,543	95,183
Unsecured	176,449	177,820	136,201	173,369
	216,805	**242,686**	**209,744**	**268,552**

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
The carrying amounts of the borrowings are repayable:				
— Within one year	216,805	242,686	142,244	179,327
— Within a period of more than one year but not exceeding two years	—	—	30,375	30,650
— Within a period of more than two years but not exceeding five years	—	—	24,375	27,125
— Within a period of more than five years	—	—	12,750	31,450
	216,805	242,686	209,744	268,552
Less: Amounts due within one year shown under current liabilities	(216,805)	(242,686)	(142,244)	(179,327)
Amounts shown under non-current liabilities	—	—	67,500	89,225

The table below sets forth the range of effective interest rates of our borrowings.

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
				(unaudited)
Effective interest rate:				
— Borrowings	2.68% to 3.85%	3.00% to 4.05%	2.65% to 4.00%	2.60% to 4.00%
— Advance from banks on discounted notes receivables and letters of credit	1.80%	3.43%	2.93%	N/A

As of December 31, 2025, the amount of our borrowings was RMB209.7 million. Such bank loan had an effective interest rate ranging 2.65% to 4.00% due 2026. As of the same date, the amount of advance from banks on letters of credit was RMB24.7 million.

As of December 31, 2024, the amount of our borrowings was RMB242.7 million. Such bank loan had an effective interest rate ranging 3.00% to 4.05% due 2025. As of the same date, the amount of advance from banks on letters of credit was RMB29.9 million.

As of December 31, 2023, the amount of our borrowings was RMB216.8 million. Such bank loan had an effective interest rate ranging 2.68% to 3.85% due 2024. As of the same date, the amount of advance from banks on discounted notes receivables was RMB7.0 million. Such advance has an effective interest rate of 1.80%.

As of December 31, 2023, 2024 and 2025, the borrowings amounting to approximately nil, RMB49,852,000 and RMB73,543,000 were secured by the pledge of our bank balances and internally-generated patents, with no carrying amounts as of December 31, 2023, 2024 and 2025. Our Directors confirm that the pledge of internally-generated patents did not during the Track Record Period and will not have any impact on the business operations of our Group, even in the event of default.

As of December 31, 2023 and 2024 and 2025, the borrowings amounting to approximately RMB209,836,000, RMB239,686,000 and RMB206,741,000 were guaranteed or secured by pledged of assets of our Controlling Shareholders. Our Directors confirm that all such loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates are expected to be fully settled or discharged prior to the **[REDACTED]**. In addition, our Company has entered into two separate letters of intent with commercial banks, pursuant to which the banks have agreed to provide our Group with facilities totaling approximately total RMB500 million. These facilities do not require any guarantees from our Controlling Shareholders, their close associates, or our Directors.

Please refer to Note 25 to the Accountants' Report set out in Appendix I to this document for details of our borrowings.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we had not experienced any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of April 30, 2026, we had banking facilities of RMB495.0 million, among which, RMB235.1 million was unutilized.

Lease Liabilities

Our lease liabilities primarily relate to the leases for our offices and warehouse in our daily operations. During the Track Record Period, we entered into certain long-term lease contracts for building which generally have lease terms between 12 months to 10 years. Generally, sublease is restricted under our lease contracts.

We recorded lease liabilities of RMB18.4 million, RMB17.5 million, RMB15.9 million and RMB15.4 million as of December 31, 2023, 2024 and 2025, and April 30, 2026, respectively. The fluctuation in the amount of lease liabilities was mainly due to our changes in leasehold assets in relation to our offices.

Redemption Liabilities on Equity Shares

We have recognized the equity shares held by an incoming investor in 2024 as redemption liabilities on equity shares, as the investor was granted a redemption right following its acquisition of the Shares in 2024 whereby it could demand Mr. Chen and our Company to repurchase these shares. The redemption liabilities on equity shares increased from nil as of December 2023 to RMB29.3 million as of December 31, 2024, and decreased to nil as of December 31, 2025, primarily because we entered into the share transfer agreement, pursuant to which the new investor was granted the redemption right in 2024, and such redemption right was suspended in October 2025, but may be restored upon certain circumstances. See Note 27 to the Accountants' Report as set out in Appendix I to this document for details.

Statement of Indebtedness

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, and apart from intra-group liabilities and normal trade payables, as of December 31, 2025, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since April 30, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

During the Track Record Period, our principal uses of cash were to fund our working capital requirements and capital expenditures. We have historically met our working capital needs primarily through cash flow from operating activities, cash flow from financing activities and bank loans.

Upon the completion of the **[REDACTED]**, we expect to meet our working capital needs primarily through cash flow from operating activities, cash flows from financing activities, bank loans and the net **[REDACTED]** to our Company from the **[REDACTED]**.

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

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in) from operating activities	(2,553)	(189,960)	126,115
Net cash (used in) from investing activities	(47,778)	25,417	(141,006)
Net cash from (used in) financing activities	64,538	(8,004)	10,277
Net increase (decrease) in cash and cash equivalents	14,207	(172,547)	(4,614)
Cash and cash equivalents at beginning of the year	214,905	229,112	56,565
Cash and cash equivalents at end of the year	**229,112**	**56,565**	**51,951**

Net Cash Used in / from Operating Activities

Net cash from operating activities was RMB126.1 million in 2025. This net cash primarily reflected our profit before tax of RMB72.7 million, mainly adjusted for (i) finance costs of RMB10.7 million; (ii) depreciation of right-of-use assets of RMB2.7 million; and (iii) write down of inventories of RMB2.7 million, partially offset by impairment losses under ECL model, net of reversal of RMB2.8 million. Positive adjustment for movements in working capital primarily consisted of (i) decrease in inventories of RMB135.2 million; (ii) decrease in contract assets of RMB84.3 million; and (iii) decrease in contract costs of RMB50.3 million; partially offset by (i) decrease in trade and other payables of RMB75.7 million; (ii) increase in trade and other receivables of RMB72.7 million; and (iii) decrease in contract liabilities of RMB73.7 million.

Net cash used in operating activities was RMB190.0 million in 2024, This net cash primarily reflected our profit before tax of RMB83.0 million, mainly adjusted for (i) impairment losses under ECL model, net of reversal of RMB30.1 million; (ii) finance costs of RMB11.8 million; and (iii) depreciation of right-of-use assets of RMB2.9 million; partially offset by interest income of negative RMB1.0 million. Negative adjustment for movements in working capital primarily consisted of (i) increase in trade and other receivables of RMB362.0 million; (ii) increase in contract costs of RMB165.6 million; and (iii) increase in inventories of RMB138.4 million; partially offset by (i) increase in trade and other payables of RMB261.5 million; and (ii) increase in contract liabilities or RMB87.1 million.

Net cash used in operating activities was RMB2.6 million in 2023. This net cash primarily reflected our profit before tax of RMB77.8 million, mainly adjusted for (i) finance costs of RMB7.0 million; (ii) impairment loss recognized on property, plant and equipment of RMB3.2 million; and (iii) depreciation of right-of-use assets of RMB2.7 million; partially offset by: (i) interest income of negative RMB1.7 million; and (ii) impairment losses under ECL model, net of reversal of negative RMB1.1 million. Negative adjustment for movements in working capital primarily consisted of (i) increase in contract costs of RMB151.5 million; and (ii) decrease in contract liabilities of RMB64.7 million; partially offset by (i) decrease in trade and other receivables of RMB96.3 million; (ii) decrease in inventories of RMB11.3 million; and (iii) increase in trade and other payables of RMB39.9 million.

Cash Conversion Cycle and Cashflow Fluctuation

Our cash conversion cycle, a metric to measure how efficiently we manage our working capital by tracking the number of days we take to convert our investments in inventory and other resources into cash flows from sales, was 17 days, 13 days and 43 days in 2023, 2024 and 2025, respectively. The cash conversion cycle is calculated by adding inventory turnover days and trade receivables turnover days, then subtracting trade payables turnover days. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to risk related to the prolonged cash conversion cycle." for further details.

In addition, we experienced timing difference in our net operating cash flow during the Track Record Period, which was mainly because: (i) there were time lags between settlements to our suppliers and settlements from our customers. We generally incur costs before or during project execution for procuring materials and equipment; (ii) we incurred upfront costs for contract execution. Our contract costs were RMB162.8 million, RMB328.4 million and RMB278.1 million, as of December 31, 2023, 2024 and 2025, respectively, representing the upfront costs that will be used in satisfying the contracts of future phases of projects in certain digital smart industrial park projects and are expected to be recovered; and (iii) variations in project execution cycles and revenue recognition timing, depending on project complexity and customer requirements.

To manage our liquidity risks, we have implemented the following cash management measures:

- **Cash flow planning.** We prepare monthly cash flow forecasts to monitor our funding requirements and cash balances, which are reviewed and approved by our chief financial officer before implementation.

- **Financial monitoring and risk assessment.** Our Board and management conduct quarterly financial analyses encompassing operational efficiency, profitability, cash flow and solvency indicators to assess our financial performance and enable early identification of potential liquidity risks.

- **Financing management.** When funding gaps are identified, our finance department prepares financing proposals setting out the proposed financing method, amount, tenor and cost, which are subject to approval by our chief financial officer, chief executive officer and Board before execution.

- **Inventory management.** We regularly monitor inventory turnover and aging through our ERP system to identify slow-moving items and adjust procurement plans accordingly.

- **Accounts receivable management.** We assess customer creditworthiness before extending credit terms and monitor accounts receivable aging on a monthly basis. We implement a tiered collection approach based on overdue periods, escalating from direct customer contact to senior management involvement and, where necessary, legal proceedings for long-overdue receivables.

- **Payables management.** We conduct monthly reconciliations between procurement, finance and warehouse departments, and perform regular reconciliations with suppliers to verify quantities and amounts. We manage advance payments and deposits per contractual terms, with periodic reviews of aging and recoverability risks. We escalate abnormal procurement fluctuations to senior management.

Net Cash Used in / from Investing Activities

During the Track Record Period, our investing activities primarily consisted of (i) disposal and purchases of financial assets at FVTPL; (ii) placement and withdrawal of restricted bank deposits; (iii) purchases of property, plant and equipment; (iv) interest received; and (v) payments for right-of-use assets.

Net cash used in investing activities was RMB141.0 million in 2025, which was primarily attributable to (i) purchases of property, plant and equipment of RMB75.9 million; and (ii) placement of restricted bank deposits of RMB65.3 million.

Net cash from investing activities was RMB25.4 million in 2024, which was primarily attributable to (i) withdrawal of restricted bank deposits of RMB34.1 million; and (ii) proceeds from disposal of financial assets at FVTPL of RMB20.0 million; partially offset by: (i) purchases of financial assets at FVTPL of RMB20.0 million; and (ii) placement of restricted bank deposits of RMB8.6 million.

Net cash used in investing activities was RMB47.8 million in 2023, which was primarily attributable to (i) placement of restricted bank deposits of RMB33.8 million; (ii) payments for right-of-use assets of RMB32.1 million; and (iii) purchase of financial assets at FVTPL of RMB5.1 million; partially offset by proceeds from disposal of financial assets at FVTPL of RMB5.1 million.

Net Cash Used in / from Financing Activities

During the Track Record Period, our financing activities primarily related to (i) addition of borrowings; (ii) repayment of borrowings; (iii) proceeds from issuance of new shares; (iv) interest paid; and (v) repayment of lease liabilities.

Net cash from financing activities was RMB10.3 million in 2025, which was primarily attributable to (i) additions of borrowings of RMB186.5 million; and (ii) proceeds from issuance of new shares of RMB80.0 million; largely offset by repayment of borrowings of RMB244.1 million.

Net cash used in financing activities was RMB8.0 million in 2024, which was primarily attributable to (i) repayment of borrowings of RMB259.6 million; (ii) interest paid of RMB10.1 million; and (iii) repayment of lease liabilities of RMB1.1 million; partially offset by additions of borrowings of RMB262.9 million.

Net cash from financing activities was RMB64.5 million in 2023, which was primarily attributable to additions of borrowings of RMB246.3 million, as partially offset by (i) repayment of borrowings of RMB174.4 million; (ii) interest paid of RMB6.6 million; and (iii) repayment of lease liabilities of RMB0.7 million.

WORKING CAPITAL SUFFICIENCY

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

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted of purchases of property, plant and equipment. Our capital expenditures were amounted to RMB0.1 million, RMB1.1 million and RMB75.9 million in 2023, 2024 and 2025, respectively.

We expect to incur RMB231.0 million of capital expenditures in 2026, primarily relating to purchase of property, plant and equipment. We expect to fund these capital expenditures primarily with bank borrowings.

Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors.

CAPITAL COMMITMENTS

Our capital commitments are related to the acquisition of property, plant and equipment. We expect to satisfy our capital commitments using cash from financing activities, net **[REDACTED]** from the **[REDACTED]** and bank borrowings available to us.

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	—	—	233,813

OFF-BALANCE SHEET ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We have certain transactions and balances with the related parties during the Track Record Period, details of which are set out in Note 31 to the Accountants' Report set out in Appendix I to this document.

Our Directors believe that our transaction with related party during the Track Record Period was conducted in the ordinary course of business, and it did 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 certain of our key financial ratios as of the dates and for the years indicated:

	As of/for the year ended December 31,		
	2023	2024	2025
Current ratio[1]	1.5	1.4	1.6
Gearing ratio[2]	64.7%	63.3%	37.5%
Return on equity[3]	23.4%	21.1%	13.9%
Return on assets[4]	8.5%	6.9%	4.9%
Quick ratio[5]	1.5	1.2	1.6
Interest coverage ratio[6]	12.2	8.0	7.8
Net debt to equity ratio[7]	N/M[8]	48.5%	28.2%

Notes:

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

(2) Gearing ratio equals total debt, as of the end of the year divided by total equity as of the end of the same year. Total debt includes all borrowings.

(3) Return on equity equals profit and total comprehensive income for the year divided by average total equity as of the end of the year.

(4) Return on assets equals profit and total comprehensive income for the year divided by average total assets as of the end of the year.

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

(6) Interest coverage ratio equals profit before interest and tax for the year divided by finance cost for the same year.

(7) Net debt to equity ratio equals total interest-bearing borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.

(8) Net debt to equity ratio as of December 31, 2023 was not meaningful as we recorded net cash as of December 31, 2023.

Current Ratio

Our current ratio remained relatively stable at 1.5, 1.4 and 1.6 as of December 31, 2023, 2024 and 2025, respectively.

Gearing Ratio

Our gearing ratio decreased from approximately 64.7% as of December 31, 2023 to 63.3% as of December 31, 2024, mainly because the increase in total equity outpaced the increase in total debt. Our gearing ratio decreased to 37.5% as of December 31, 2025, mainly due to the increase in total equity outpacing the increase in total debt as of the end of the year.

Return on Equity

Our return on equity decreased from approximately 23.4% for the year ended December 31, 2023 to approximately 21.1% for the year ended December 31, 2024, and further to 13.9% for the year ended December 31, 2025, primarily due to the increases in average total equity outpaced the increases in profit and total comprehensive income for the year.

Return on Assets

Our return on assets decreased from approximately 8.5% for the year ended December 31, 2023 to approximately 6.9% for the year ended December 31, 2024, and further to 4.9% for the year ended December 31, 2025, primarily due to the increases in average total assets outpaced the increases in profit and total comprehensive income for the year.

Quick Ratio

Our quick ratio decreased from approximately 1.5 as of December 31, 2023 to approximately 1.2 as of December 31, 2024, primarily due to an increase in current liabilities, coupled with an increase in inventories, outpaced the increase in current assets. Our quick ratio increased to 1.6 as of December 31, 2025, primarily due to the increase in current assets less inventories outpacing the increase in current liabilities as of the end of the year.

Interest Coverage Ratio

Our interest coverage ratio decreased from 12.2 as of December 31, 2023 to 8.0 as of December 31, 2024, primarily because the increase in finance costs outpaced the increase in profit before interest and tax as we took out additional bank loans to fund our operations. Our interest coverage ratio slightly decreased to 7.8 as of December 31, 2025, because the decrease in profit before interest and tax outpaced the decrease in finance costs.

Net Debt to Equity Ratio

Our net debt to equity ratio increased from negative 3.7% as of December 31, 2023 to 48.5% as of December 31, 2024, primarily due to a shift from a net cash position to a net debt position, as cash and cash equivalents decreased while total borrowings increased. Our net debt to equity ratio decreased to 28.2% as of December 31, 2025, mainly because the decrease in our net debt position, which resulted from the increase in cash and cash equivalents outpacing the increased in total borrowings, outpaced the increase in total equity.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our major financial instruments include trade and other receivables, finance lease receivables, amounts due from subsidiaries, restricted bank deposits, cash and cash equivalents, trade and other payables, amounts due to subsidiaries, borrowings, redemption liabilities on equity shares and lease liabilities. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Board reviews and agrees policies for managing each of these risks. For further details, please refer to Note 35 to the Accountants' Report set out in Appendix I to this Document.

DIVIDENDS

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

DISTRIBUTABLE RESERVES

As of December 31, 2025, our reserves available for distribution, which represent our retained profits, amounted to RMB238.2 million.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly include **[REDACTED]** fees and commissions and professional fees paid to legal advisers and service providers for their services rendered in relation to the **[REDACTED]**. We expect to incur a total of HK$**[REDACTED]** million of **[REDACTED]** expenses (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not exercised) until the completion of the **[REDACTED]**. Such **[REDACTED]** expenses comprise **[REDACTED]**-related expenses of HK$**[REDACTED]** million and non-**[REDACTED]** expenses of HK$**[REDACTED]** million, respectively. The non-**[REDACTED]** expenses consist of (i) HK$**[REDACTED]** million of fees and expenses of legal advisors and reporting accountant, and (ii) HK$**[REDACTED]** million of fees and expenses of the Joint Sponsors and other fees and expenses, which primarily represent fees and expenses for other professional services. We estimate that approximately HK$**[REDACTED]** million will be charged to our consolidated income statement after December 31, 2025, and the remaining balance of approximately HK$**[REDACTED]** million is expected to be deducted from equity. In 2025, we incurred **[REDACTED]** expenses of HK$**[REDACTED]** million, of which HK$**[REDACTED]** million will be deducted from equity upon the **[REDACTED]** and HK$**[REDACTED]** million was charged to our profit or loss in 2025. **[REDACTED]** expenses represent professional fees and other fees incurred in connection with the **[REDACTED]**, including **[REDACTED]** commission. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

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