The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in "Accountants' Report" as set out in Appendix I to this document. The financial information as set out in the Accountant's Report incorporates the financial statements of our Company during the Track Record Period. You should read the whole Accountant's Report as set out in Appendix I to this document and not rely merely on the information in this section. Our consolidated financial information has been prepared in accordance with HKFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a PRC comprehensive power engineering service provider, focusing on renewable energy. We engage in the following businesses:

- **EPC services:** provision of general contracting services encompassing procurement, construction, installation, acceptance testing, subcontractor selection, and overall project management.

- **Construction design and consultancy services:** provision of comprehensive feasibility studies, preliminary design documents, construction drawings, and technical support tailored to our customers' specific needs.

- **Other services:** provision of construction supervision and construction operation and maintenance services to ensure project quality, safety, and efficient facility operations.

For the years ended 31 December 2023, 2024 and 2025, our total revenue was approximately RMB581.6 million, RMB678.1 million and RMB810.7 million, respectively; and our gross profit was approximately RMB58.6 million, RMB77.9 million and RMB112.0 million, respectively.

BASIS OF PREPARATION

Our financial information includes the financial statements of our Company and its subsidiaries during the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting periods as our Company, with consistent accounting policies. The results of subsidiaries are consolidated from the date on which our Group obtained control, and continue to be consolidated until the date on which such control ceases.

Our financial information has been prepared in accordance with HKFRS Accounting Standards. The Group has adopted all HKFRS Accounting Standards that are effective for the year ended 31 December 2025. Our financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of the relevant Track Record Period.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

Ability to attract new customers and retain existing customers

Our results of operations depend significantly on customer demand. Our business performance has been, and we expect will continue to be, affected by our ability to attract new customers and maintain our relationships with existing customers. Our ability to maintain stable relationships with major customers has positioned us as an important service provider, as evidenced by the fact that our five largest customers accounted for approximately 59.2%, 76.9%, and 73.9% of our total revenue for the years ended 31 December 2023, 2024, and 2025, respectively.

The power engineering and infrastructure industries are characterised by intense competition and fluctuating capital expenditure plans. As our customers seek to execute large-scale projects at competitive prices, we must in turn (i) advance our engineering design capabilities to meet rigid project specifications, and (ii) optimise our procurement and subcontracting efficiency to manage delivery costs, which will in turn affect our profit margins. Furthermore, demand for our services is heavily driven by our customers' performance and project pipelines in their respective end markets.

Moving forward, our financial performance will depend on our capacity to (i) continually secure a diversified pipeline of domestic contracts, and (ii) expand our network of new clients across both domestic and overseas markets to suit evolving regional demands.

Our ability to expand our business operations outside the PRC and capture higher-margin opportunities

Our ability to expand our business operations outside the PRC and capture international project pipelines represents a key driver for our future growth. During the Track Record Period, the revenue contribution from our overseas operations was relatively small, accounting for approximately 0.9%, 0.1%, and 2.3% of our total revenue for FY2023, FY2024 and FY2025, respectively.

Despite this limited historical track record, we view international markets as a strategic opportunity to enhance our profitability, as our overseas projects generally yielded higher gross profit margins than our projects in the PRC during the Track Record Period.

Successfully scaling our presence in overseas markets will depend on our capacity to leverage our technological expertise and cost advantages to overcome competition from established international players, adapt to local project requirements, and navigate foreign regulatory regimes and technical standards.

General economic conditions in China and government policies related to the PRC engineering industry

General economic conditions in the PRC have affected and will continue to affect our business and results of operations. Our revenue directly correlates with the level of engineering activities in the PRC. During the Track Record Period, most of our projects were located in the PRC. Revenue from our projects located in the PRC accounted for approximately 99.1%, 99.9%, and 97.7% of our total revenue in FY2023, FY2024 and FY2025, respectively.

Changes in national or local policies related to the PRC engineering industry may affect the level of activities in this industry, as well as the supply of land for property development, project financing, taxation, local government budgets and regulation on private sector participation in the infrastructure and auxiliary construction projects.

Timing of collection on engineering projects and retention amounts

During the Track Record Period, a substantial amount of our revenue was derived from our EPC services, and construction design and consultancy services, which feature distinct payment and collection structures based on the nature of their performance obligations.

In FY2023, FY2024 and FY2025, our revenue derived from our EPC services segment was approximately RMB485.1 million, RMB552.0 million and RMB651.0 million, respectively, representing approximately 83.4%, 81.4% and 80.3% of our total revenue for the corresponding year. Most of our EPC contracts include payment schedules which require progressive milestone payments to be made over the project execution period. Under these agreements, our clients generally retain 3% to 5% of the contract value as a warranty for the completed EPC works for a period of 12 to 24 months. This retained amount is recognised within our contract assets and is only released and collected upon the expiration of the defect liability or retention period.

Meanwhile, our revenue derived from our construction design and consultancy services segment amounted to approximately RMB92.6 million, RMB124.1 million and RMB158.1 million, respectively, representing approximately 15.9%, 18.3% and 19.5% of our total revenue for the corresponding year. Because our performance obligations for construction design and consultancy services are transferred at a point in time, we generally collect our service fees upon the complete fulfillment and final delivery of the contract deliverables rather than through progressive ongoing billings.

Cost fluctuations in engineering projects

The major components of our costs of services are equipment and materials, and construction and installation costs. In FY2023, FY2024 and FY2025, equipment and materials accounted for approximately 46.0%, 34.5% and 46.2% of our cost of services, respectively, and construction and installation costs accounted for approximately 34.3%, 44.2% and 31.4% of our cost of services, respectively.

We price our engineering projects based on cost estimates, and under the terms of certain of our contracts, the prices we submit in our bid or negotiate in our contracts are fixed. Our cost estimate is based primarily on the availability and costs of raw materials and equipment, subcontracting costs, project schedule, labour costs, the geographical location and environmental conditions of the project site, as well as the complexity and scale of the engineering project, among other factors. If we are unable to accurately estimate our costs when bidding or negotiating our contracts, our profitability may be adversely affected. In addition, the actual costs are likely to fluctuate during the course of implementation. While most of our contracts build in price adjustment clauses, we may not be able to pass the full amount of any cost increase to our customers and our results of operations may be adversely affected.

Business lines and project mix

The business lines of our business segments have different profit margins and growth prospects and, as a result, any material changes in our project mix, whether due to changes in our growth strategies, project investment scale, market conditions, customer demand or otherwise, may affect our financial condition and results of operations.

For FY2025, our gross profit margin of business segments (namely, EPC services, construction design and consultancy services and other services) was approximately 9.1%, 33.2% and 6.0%, respectively. Of which:

- the gross profit of EPC services was approximately RMB59.4 million, accounting for approximately 53.0% of the total gross profit;

- the gross profit of construction design and consultancy services was approximately RMB52.6 million, accounting for approximately 47.0% of the total gross profit; and

- the gross profit of other services was approximately RMB90,000, accounting for approximately 0.080% of the total gross profit.

MATERIAL ACCOUNTING POLICY INFORMATION, JUDGMENTS AND ESTIMATES

Our material accounting policies and estimates are set forth in notes 4 to the Accountants' Report set out in Appendix I in this document. HKFRSs require that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purpose of giving a true and fair view of our results and financial position. Material accounting policies, judgments and estimates are those that require management to exercise judgments, estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities, their accompanying disclosures and the disclosure of contingent liabilities. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates.

We have identified below the accounting policies and estimates that we believe are the most material to our financial information and that involve the most significant estimates and judgments. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the future.

Revenue recognition

Construction service

Contract of construction service generally includes promises to provide labours and materials, as well as a guarantee that the constructed asset is free from defects for a period of two years after completion ("**defect liability period**"). The Group has determined that these contracts generally contain only a single performance obligation as there is significant integration of different promised goods or services underlying the contract. The Group acts as a principal in these transactions.

The Group has assessed that these contracts qualify for over time revenue recognition as either the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. The progress towards complete satisfaction of a performance obligation is measured based on the input method, assessed by reference to the contract costs incurred to date in proportion to the total estimated contract costs of each contract.

The Group normally receives progress payment from customers with reference to the value of works performed. The Group also agrees 3% to 5% of the total contract sum as retention money, which generally will be paid after the expiry of the defect liability period. A contract asset is recognised when the value of the promised goods or services transferred exceeds payments received, but the Group's right to consideration is not yet unconditional. Contract assets are reclassified to trade receivables when the right to consideration becomes unconditional, usually when the defect liability period expires.

Design and consultancy services

Consulting projects mainly consist of the development of a comprehensive study to assist clients in assessing the viability of a capital project. Design projects mainly consist of the preparation of construction drawings, and the customer will hire a separate contractor to carry out the construction work. As the Group does not have an enforceable right to payment at all times and the customers cannot simultaneously receive and consume the benefits as the Group performs, revenue is recognised at the point in time, and when the deliverables are accepted by customers.

Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts. Customers are either required to pay in full upon acceptance or to provide upfront payment with final payment to be paid within a specified period after acceptance.

Significant Accounting Estimates

Revenue and costs of constructions service

The Group applies input method to measure the progress of constructions service provided by the Group, which is based on the entity's inputs to the satisfaction of constructions service relative to the total expected inputs to the satisfaction of constructions service. Because of the nature of the activity undertaken in constructions, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. In the contract progress, the management of the Group regularly reviews the transaction price and contract modification, contract costs in the budget prepared for each contract, the progress of the contract performance and the accumulatively actual cost. If there are circumstances that there are changes in the transaction price, the contract costs in the budget or the progress of the contract performance, estimates are revised. These revisions may result in increasing or decreasing in estimated revenues and are reflected in profit or loss in the current period. Where the actual contract revenue is less than actual contract costs, an expected loss may arise.

Provision of expected credit loss ("ECL") for financial assets at amortised cost, contract assets and financial assets at fair value through other comprehensive income ("FVOCI")

The Group calculates ECL for trade and other receivables, note receivables, restricted bank deposits and cash and cash equivalent under HKFRS 9. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. For details of the key assumptions and inputs used are set out in note 36.1(b) to the Accountants' Report set out in Appendix I in this document. Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of their fair value less cost of disposal and its value-in-use which requires the use of assumptions and estimates.

Income tax and deferred tax

The Group is mainly subject to income tax in the PRC. Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Fair value measurement

A number of assets and liabilities included in the Group's Historical Financial Information require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: observable inputs other than quoted prices included within Level 1; and
- Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair value:

- Financial assets at FVOCI.

For more detailed information in relation to the fair value measurement of the item above, please refer to note 36.3 to the Accountants' Report set out in Appendix I in this document.

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

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years/periods indicated.

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	581,629	678,079	810,656
Cost of services	(523,076)	(600,179)	(698,683)
Gross profit	58,553	77,900	111,973
Other income	313	138	859
Other gains/(losses), net	1,492	1,286	306
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	3,984	5,333	(1,832)
Selling expenses	(7,753)	(5,716)	(7,071)
Administrative expenses	(34,548)	(30,018)	(30,892)
Research and development expenses	(8,545)	(8,644)	(9,597)
Operating profit	13,496	40,279	63,746
Finance income	1,284	1,494	1,494
Finance cost	(2,279)	(3,428)	(2,434)
Finance costs – net	(995)	(1,934)	(940)
Profit before income tax	12,501	38,345	62,806
Income tax expense	(1,012)	(5,532)	(8,727)
Profit for the year	11,489	32,813	54,079
Profit/(loss) for the year attributable to:			
Owners of the Company	11,836	34,469	55,470
Non-controlling interests	(347)	(1,656)	(1,391)
	11,489	32,813	54,079

Revenue

Revenue by business segment

During the Track Record Period, we derive our revenue primarily from three business segments: (i) EPC services; (ii) construction design and consultancy services; and (iii) other services (construction supervision, operation and maintenance). The following table sets forth our revenue by business segment for the years/periods indicated:

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Business segment						
EPC services	485,070	83.4	551,968	81.4	651,032	80.3
Construction design and consultancy services	92,589	15.9	124,059	18.3	158,118	19.5
Other services	3,970	0.7	2,052	0.3	1,506	0.2
Total	**581,629**	**100.0**	**678,079**	**100.0**	**810,656**	**100.0**

EPC services. This business generates revenue primarily from provision of general contracting services encompassing procurement, construction, installation, acceptance testing, subcontractor selection, and overall project management. For the years ended 31 December 2023, 2024 and 2025, the revenue from this segment accounted for approximately 83.4%, 81.4% and 80.3% of our revenue, respectively.

Construction design and consultancy services. This business generates revenue primarily from provision of comprehensive feasibility studies, preliminary design documents, construction drawings, and technical support tailored to our customers' specific needs. For the years ended 31 December 2023, 2024 and 2025, the revenue from this segment accounted for approximately 15.9%, 18.3% and 19.5% of our revenue, respectively.

Other services. This business generates revenue primarily from provision of construction supervision and construction operation and maintenance services to ensure project quality, safety, and efficient facility operations. For the years ended 31 December 2023, 2024 and 2025, the revenue from this segment accounted for approximately 0.7%, 0.3% and 0.2% of our revenue, respectively.

For reasons of the fluctuations of our revenue during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Revenue by type of projects

During the Track Record Period, our projects were primarily categorised into four types: (i) power engineering – renewable energy; (ii) power engineering – traditional energy; (iii) municipal and construction; and (iv) environmental protection engineering. The following table sets forth a breakdown of our revenue by type of projects for the years indicated:

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Type of projects						
Power engineering – renewable energy	386,671	66.4	505,093	74.5	531,064	65.5
Power engineering – traditional energy	141,639	24.4	67,551	10.0	102,072	12.6
Municipal and construction	33,789	5.8	58,593	8.6	32,540	4.0
Environmental protection engineering	19,530	3.4	46,842	6.9	144,980	17.9
Total	**581,629**	**100.0**	**678,079**	**100.0**	**810,656**	**100.0**

Power engineering – renewable energy

Revenue generated from our power engineering – renewable energy projects increased from approximately RMB386.7 million for FY2023 to approximately RMB505.1 million for FY2024, representing a 30.6% change, then further increased to approximately RMB531.1 million (a 5.1% increase) in FY2025. This was mainly driven by our EPC services provided to our largest EPC project in terms of revenue derived in both FY2024 and FY2025, where the revenue recognised increased significantly from approximately RMB141.2 million for FY2023 to approximately RMB332.6 million for FY2024, and then to approximately RMB402.9 million for FY2025, as the project entered a more advanced construction stage with more work performed during the year.

Power engineering – traditional energy

Revenue generated from our power engineering – traditional energy projects decreased from approximately RMB141.6 million for FY2023 to approximately RMB67.6 million for FY2024, representing a 52.3% change. This was primarily attributable to the fact that we had focused more of our resources on renewable energy projects during FY2024, particularly to support our largest EPC project in terms of revenue derived in FY2024 and no major project was initiated for this segment.

Our revenue from this project type subsequently increased to approximately RMB102.1 million for FY2025, representing a 51.0% change compared to FY2024. This was mainly driven by (i) our services for our second largest EPC project in terms of revenue derived in FY2025 in this project type, which generated revenue of approximately RMB11.5 million; and (ii) our services for our largest construction design and consultancy project in terms of revenue derived in FY2025 and contributed approximately RMB12.5 million as we recognised the revenue upon completion and final acceptance.

Municipal and construction

Revenue generated from our municipal and construction projects increased from approximately RMB33.8 million for FY2023 to approximately RMB58.6 million for FY2024, representing a 73.4% change. This was primarily attributable to (i) our completion of six construction design and consultancy projects that individually recognised over RMB1.0 million in revenue during the year, which collectively contributed approximately RMB14.9 million as we recognised the revenue upon completion and final acceptance, including our services for our second largest construction design and consultancy project in terms of revenue derived in FY2024; (ii) our execution of two newly signed EPC contracts in FY2024, which in aggregate generated approximately RMB8.5 million in revenue as we performed substantial work for these projects during the year; and (iii) our execution of one newly signed construction design and consultancy contract in FY2024, which generated approximately RMB2.0 million in revenue, for which revenue was recognised upon its completion and final acceptance.

Our revenue from this project type subsequently decreased to approximately RMB32.5 million for FY2025, representing a 44.5% change compared to FY2024. This fluctuation was mainly driven by the completion of our major projects from the prior year, meaning fewer projects reached substantial completion to recognise revenue. Furthermore, fewer new projects were signed in FY2025, and those newly signed projects also derived a relatively low amount of revenue during the period.

Environmental protection engineering

Revenue generated from our environmental protection engineering projects increased from approximately RMB19.5 million for FY2023 to approximately RMB46.8 million for FY2024, representing a 140.0% change. This was primarily driven by a key project newly obtained and undertaken by us, which was our fourth largest EPC project in terms of revenue derived in FY2024, contributing approximately RMB34.6 million to our revenue in FY2024 as we commenced construction work during the same period.

Our revenue from this project type further increased to approximately RMB145.0 million for FY2025, representing a 209.8% change compared to FY2024. This fluctuation was mainly driven by the significant construction progress on a project, which was our second largest EPC project in terms of revenue derived in FY2025 and contributed approximately RMB50.5 million.

Revenue by geographical locations

The following table sets forth our revenue by geographical locations for the years/periods indicated:

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Geographical region						
PRC						
Eastern China(Note 1)	265,015	45.6	160,541	23.7	181,894	22.4
Northeastern China(Note 2)	143,719	24.7	336,250	49.6	437,812	54.0
Northern China(Note 3)	100,766	17.3	45,589	6.7	70,821	8.7
Western China(Note 4)	60,955	10.5	132,060	19.5	88,994	11.0
Central and Southern China(Note 5)	5,754	1.0	3,051	0.4	12,517	1.5
Sub-total	**576,209**	**99.1**	**677,491**	**99.9**	**792,038**	**97.7**
Others(Note 6)	5,420	0.9	588	0.1	18,618	2.3
Total	**581,629**	**100.0**	**678,079**	**100.0**	**810,656**	**100.0**

Notes:

1. Covers Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province.

2. Covers Liaoning Province, Jilin Province and Heilongjiang Province.

3. Covers Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Province.

4. Covers Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Province, Xinjiang Autonomous Region, Chongqing, Sichuan Province, Guizhou Province, Yunnan Province and Tibet Autonomous Region.

5. Covers Henan Province, Hubei Province and Hunan Province, Guangdong Province, Guangxi Province and Hainan Province.

6. Other locations include Mongolia, Cambodia, Gambia, Nigeria and Mozambique.

Our sales in the PRC comprised over 97.0% of our total revenue for each year during the Track Record Period. Our revenue generated from the PRC increased from approximately RMB576.2 million for FY2023 to approximately RMB677.5 million for FY2024. This increase was primarily driven by strong year-over-year revenue growth from FY2023 to FY2024 in Northeastern China, which increased from RMB143.7 million to RMB336.3 million, representing an increase of RMB192.6 million, and Western China, which increased from approximately RMB61.0 million to RMB132.1 million, representing an increase of approximately RMB71.1 million.

Revenue generated from the PRC further increased from approximately RMB677.5 million for FY2024 to approximately RMB792.0 million for FY2025. This increase was primarily driven by continued year-over-year revenue growth from FY2024 to FY2025 in Northeastern China, which increased from RMB336.3 million to RMB437.8 million, representing an increase of RMB101.5 million, and Northern China, which increased from RMB45.6 million to RMB70.8 million, representing an increase of RMB25.2 million.

Our revenue generated from overseas projects decreased from approximately RMB5.4 million for FY2023 to approximately RMB0.6 million for FY2024, and subsequently increased to approximately RMB18.6 million for FY2025.

Revenue by type of customer

The table below sets forth the breakdown of revenue by type of customer:

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customer type						
State-owned and stateholding enterprises/government authorities (excluding listed companies)	505,278	86.9	476,180	70.3	629,024	77.6
Listed companies	50,791	8.7	157,593	23.2	128,207	15.8
Private enterprises (excluding listed companies)	25,560	4.4	44,306	6.5	53,425	6.6
Total	**581,629**	**100.0**	**678,079**	**100.0**	**810,656**	**100.0**

Our revenue generated from state-owned and stateholding enterprises/government authorities (excluding listed companies) decreased from approximately RMB505.3 million for FY2023 to approximately RMB476.2 million for FY2024, representing a decrease of approximately RMB29.1 million, which was mainly attributable to the substantial completion of two EPC projects, being our second and third largest EPC projects in terms of revenue derived in FY2023 with an aggregate revenue recognised of approximately RMB106.3 million in FY2023, and was partially offset by the acceleration of substantial works for our largest EPC project in terms of revenue derived in both FY2023 and FY2024, which recognised revenue of approximately RMB332.6 million for FY2024 compared to approximately RMB141.2 million for FY2023. Revenue generated from state-owned and stateholding enterprises/government authorities (excluding listed companies) increased to approximately RMB629.0 million for FY2025 as compared to RMB476.2 million for FY2024, representing an increase of approximately RMB152.8 million, which was primarily driven by (i) the continuous progress of our largest EPC project in terms of revenue derived in FY2025, where the revenue recognised increased from approximately RMB332.6 million for FY2024 to approximately RMB403.0 million for FY2025 as more work was performed during that year; and (ii) our services for our second largest EPC project in terms of revenue derived in FY2025 and generated revenue of approximately RMB50.5 million.

Our revenue generated from listed companies increased from approximately RMB50.8 million for FY2023 to approximately RMB157.6 million for FY2024, representing an increase of approximately RMB106.8 million, which was mainly attributable to our EPC services provided to Customer Group F across three projects, which collectively contributed approximately RMB126.0 million as substantial work was performed during FY2024; these three projects subsequently ranked as our second, third, and fourth largest EPC projects in terms of revenue derived in FY2024. Revenue generated from listed companies decreased to approximately RMB128.2 million for FY2025 as compared to RMB157.6 million for FY2024, representing a decrease of approximately RMB29.4 million, which was primarily driven by the progressive completion of a substantial portion of the work for our three projects with Customer Group F during FY2023 and FY2024, which led to a subsequent slowdown in project execution and a decrease in revenue recognised from these projects in FY2025.

Our revenue generated from private enterprises (excluding listed companies) increased from approximately RMB25.6 million for FY2023 to approximately RMB44.3 million for FY2024, representing an increase of approximately RMB18.7 million, which was mainly attributable to (i) our signing of two new EPC project contracts with a relatively high aggregate contractual value of approximately RMB41.1 million, which collectively contributed approximately RMB9.5 million during FY2024; and (ii) a construction design and consultancy project provided to our second largest construction design and consultancy customer in terms of revenue derived in FY2024, which generated revenue of approximately RMB4.6 million during the same year upon its completion and final acceptance during FY2024. Revenue generated from private enterprises (excluding listed companies) increased to approximately RMB53.4 million for FY2025 as compared to RMB44.3 million for FY2024, representing an increase of approximately RMB9.1 million, which was primarily driven by revenue recognised from an EPC customer – Customer Group J, amounting to approximately RMB11.5 million during FY2025, which generated no revenue in FY2024, as we proceeded with the work in FY2025 following the initial setup and completion of preliminary civil engineering foundation works.

Cost of Services

Our cost of services consists primarily of equipment and materials, construction and installation costs, subcontracted labour costs, staff costs, taxes and surcharges, provisions for impairment of contract costs, and other expenses.

The following table sets forth a breakdown of our cost of services by nature for the years/periods indicated during the Track Record Period.

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Equipment and materials	240,575	46.0	207,111	34.5	323,593	46.2
Construction and installation costs	179,448	34.3	265,871	44.2	219,049	31.4
Subcontracted labour costs	41,232	7.9	44,131	7.4	44,482	6.4
Staff costs	34,176	6.5	42,058	7.0	62,281	8.9
Taxes and surcharges	976	0.2	1,132	0.2	1,104	0.2
Provision for impairment of contract costs	1,419	0.3	535	0.1	47	0.0[1]
Others expenses[2]	25,250	4.8	39,341	6.6	48,127	6.9
Total	**523,076**	**100.0**	**600,179**	**100.0**	**698,683**	**100.0**

Notes:

(1) Our provision for impairment of contract costs represented approximately 0.007% of our total cost of services for FY2025.

(2) Other expenses primarily include project-specific execution expenses (such as land requisition fees, crane rentals, and machinery lease expenses) and operational project expenses (such as traveling, printing, and miscellaneous office expenses).

Equipment and materials

Equipment and materials mainly represent the procurement costs of primary equipment, structural components, and essential hardware used in our EPC projects.

Our equipment and material costs decreased from approximately RMB240.6 million for FY2023 to approximately RMB207.1 million for FY2024, which was mainly due to the substantial completion in FY2023 of our two solar photovoltaic EPC projects, which were our second and third largest EPC projects in terms of revenue derived in FY2023. Because solar photovoltaic projects typically require highly capital-intensive equipment and materials, their completion resulted in a reduction in such expenses during FY2024. Subsequently, our equipment and material costs significantly increased to approximately RMB323.6 million for FY2025, which was driven by our business growth and was in line with the increase in our EPC revenue for the same period.

Construction and installation costs

Construction and installation costs mainly represent our fees paid for civil engineering, structural installation, and on-site construction works for our EPC projects.

Our construction and installation costs increased from approximately RMB179.4 million for FY2023 to approximately RMB265.9 million for FY2024, which was mainly due to our business growth and was in line with the increase in our EPC revenue. Subsequently, our construction and installation costs decreased to approximately RMB219.0 million for FY2025, which was primarily due to our efforts to control overall project costs that following a higher expenditure on equipment and materials during FY2025, we tightened our management of construction and installation activities to optimise our expenses.

Subcontracted labour costs

Subcontracted labour costs mainly represent the service fees paid to external third-party service providers for assisting with various technical and operational support tasks within our construction design and consultancy services segment.

Our subcontracted labour costs demonstrated an increasing trend over the Track Record Period, rising from approximately RMB41.2 million for FY2023 to approximately RMB44.1 million for FY2024, and further to approximately RMB44.5 million for FY2025. This overall increase was primarily driven by our business growth and was generally in line with the revenue expansion of our construction design and consultancy services segment during the same period.

Staff costs

Staff costs mainly represent the salaries, bonuses, social insurance contributions, and housing provident fund contributions for our employees who are assigned and allocated to our projects on a demand basis.

Our staff costs increased from approximately RMB34.2 million for FY2023 to approximately RMB42.1 million for FY2024, and further increased to approximately RMB62.3 million for FY2025. This continuous increase was primarily driven by our overall revenue growth and business expansion over the Track Record Period, which led to an increase in project activities and required the allocation of additional project personnel to support our projects.

Taxes and surcharges

Our taxes and surcharges remained relatively stable at approximately RMB1.0 million, RMB1.1 million, and RMB1.1 million for FY2023, FY2024 and FY2025, respectively.

Provision for impairment of contract costs

Our provision for impairment of inventories mainly relate to our construction design and consultancy services contracts. These provisions decreased from approximately RMB1.4 million for FY2023, to approximately RMB0.5 million for FY2024, and further to approximately RMB47,000 for FY2025.

This downward trend was primarily due to the increasing contract value and higher gross profit margins of our design and consultancy projects over the Track Record Period, which enhanced the recoverability of our contract costs and minimised the need for impairment provisions.

Others expenses

Other expenses primarily comprise project-specific execution expenses (such as land requisition fees, crane rentals, and machinery lease charges) for our EPC services segment, and operational project expenses (such as travelling, printing, and miscellaneous office expenses) for our construction design and consultancy services segment.

Our other expenses increased from approximately RMB25.3 million for FY2023 to approximately RMB39.3 million for FY2024, which was in line with the growth of our business and overall revenue increase during the same period. Our other expenses further increased to approximately RMB48.1 million for FY2025, which was primarily driven by the continuous expansion of our business and revenue growth.

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our equipment and materials, and construction and installation costs, being the major components of our cost of services, on our profit before taxation during the Track Record Period. The percentage adopted in the analysis below is based on the reasonable change in the cost variable with reference to the historical year-on-year fluctuation of our equipment and materials, and construction and installation costs.

	Increase/(decrease) in profit before taxation for the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Hypothetical change in equipment and materials			
+5%	(12,029)	(10,356)	(16,180)
+10%	(24,058)	(20,711)	(32,359)
-5%	12,029	10,356	16,180
-10%	24,058	20,711	32,359

	Increase/(decrease) in profit before taxation for the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Hypothetical change in construction and installation costs			
+5%	(8,972)	(13,294)	(10,952)
+10%	(17,945)	(26,587)	(21,905)
-5%	8,972	13,294	10,952
-10%	17,945	26,587	21,905

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the years/periods indicated.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Business segment						
EPC services	36,626	7.6	37,927	6.9	59,365	9.1
Construction design and consultancy services	21,636	23.4	39,498	31.8	52,518	33.2
Other services	291	7.3	475	23.1	90	6.0
Total	**58,553**	**10.1**	**77,900**	**11.5**	**111,973**	**13.8**

For the reasons of the fluctuations of our gross profit and gross profit margin during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

The following table sets forth a breakdown of our gross profit and gross profit margin by type of projects for the years indicated.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Type of projects						
Power engineering – renewable energy	31,925	8.3	38,295	7.6	50,838	9.6
Power engineering – traditional energy	19,699	13.9	11,695	17.3	38,992	38.2
Municipal and construction	4,933	14.6	15,867	27.1	5,191	16.0
Environmental protection engineering	1,996	10.2	12,043	25.7	16,952	11.7
Total	**58,553**	**10.1**	**77,900**	**11.5**	**111,973**	**13.8**

Power engineering – renewable energy

Gross profit margin generated from our power engineering – renewable energy projects decreased from approximately 8.3% for FY2023 to approximately 7.6% for FY2024, mainly because we substantially completed our second largest EPC project in terms of revenue derived in FY2023 (which was also our second largest project in this project type in terms of revenue derived in FY2023), which generated a relatively high gross profit margin of approximately 11.0% and led to a higher overall gross profit margin for FY2023. Subsequently, our gross profit margin increased to approximately 9.6% for FY2025, mainly due to our second, third and fourth largest projects in this project type in terms of revenue derived in FY2025, which generated a relatively high combined gross profit margin of approximately 11.9%.

Power engineering – traditional energy

Gross profit margin generated from our power engineering – traditional energy projects increased from approximately 13.9% for FY2023 to approximately 17.3% for FY2024, which was mainly attributable to our fourth and fifth largest projects in this project type in terms of revenue derived in FY2024 being construction design and consultancy projects, which generated relatively high gross profit margins of approximately 41.8% and 38.5%, respectively. Our gross profit margin for this project type further increased to approximately 38.2% for FY2025, which was primarily attributable to our largest construction design and consultancy project in terms of revenue derived in FY2025 (which was also our largest project in this project type in terms of revenue derived in FY2025), which generated a relatively high gross profit margin of approximately 44.5%.

Municipal and construction

Gross profit margin generated from our municipal and construction projects increased from approximately 14.6% for FY2023 to approximately 27.1% for FY2024, which was mainly attributable to our second largest construction design and consultancy project in terms of revenue derived in FY2024 (which was also our largest project in this project type in terms of revenue derived in FY2024), which generated a relatively high gross profit margin of approximately 35.0%. Our gross profit margin for this project type subsequently decreased to approximately 15.9% for FY2025, which was primarily attributable to the completion and final acceptance of the aforementioned high-margin construction design and consultancy project in FY2024, resulting in our gross profit margin returning to a normalised level in FY2025.

Environmental protection engineering

Gross profit margin generated from environmental protection engineering projects increased from approximately 10.2% for FY2023 to approximately 25.7% for FY2024, which was mainly attributable to our fourth largest EPC project in terms of revenue derived in FY2024 (which was also our largest project in this project type in terms of revenue derived in FY2024), which generated a relatively high gross profit margin of approximately 34.3%. Our gross profit margin for this project type subsequently decreased to approximately 11.7% for FY2025, which was primarily attributable to a decrease in the proportion of construction design and consultancy projects (which generally generate higher gross profit margins) within our environmental protection engineering project type.

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical locations for the years/periods indicated.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Geographical region						
PRC	56,045	9.7	77,663	11.5	104,241	13.2
Others[(1)]	2,508	46.3	237	40.3	7,732	41.5
Total	**58,553**	**10.1**	**77,900**	**11.5**	**111,973**	**13.8**

Notes:

(1) Other locations included Mongolia, Cambodia, Gambia and Mozambique.

During the Track Record Period, the gross profit generated from the PRC amounted to approximately RMB56.0 million, RMB77.7 million and RMB104.2 million, respectively, while the gross profit margin amounted to approximately 9.7%, 11.5% and 13.2%, respectively. Further, the gross profit generated from others amounted to approximately RMB2.5 million, RMB0.2 million and RMB7.7 million, respectively while the gross profit margin amounted to approximately 46.3%, 40.3% and 41.5%, respectively.

Our gross profit margins for overseas projects were generally higher than those in the PRC during the Track Record Period. This was primarily because our overseas operations during the Track Record Period were entirely comprised of construction design and consultancy services, which inherently yielded a higher profit margin compared to EPC and other business segments. According to Frost & Sullivan, this was also supported by the market demand to address power infrastructure shortfalls and pursue energy transitions in emerging markets, allowing us to leverage our technological expertise and cost advantages.

The following table sets forth a breakdown of our gross profit and gross profit margin by type of customers for the years/periods indicated.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customer type						
State-owned and stateholding enterprises/government authorities (excluding listed companies)	39,022	7.7	28,908	6.1	57,111	9.1
Listed companies	12,921	25.4	40,891	25.9	28,684	22.4
Private enterprises (excluding listed companies)	6,610	25.9	8,101	18.3	26,178	49.0
Total	**58,553**	**10.1**	**77,900**	**11.5**	**111,973**	**13.8**

State owned and stateholding enterprises and government authorities (excluding listed companies)

During the Track Record Period, the gross profit generated from state owned and stateholding enterprises and government authorities (excluding listed companies) amounted to approximately RMB39.0 million, RMB28.9 million and RMB57.1 million, respectively, while the gross profit margin amounted to approximately 7.7%, 6.1% and 9.1%, respectively.

Listed companies

During the Track Record Period, the gross profit generated from listed companies amounted to approximately RMB12.9 million, RMB40.9 million and RMB28.7 million, respectively, while the gross profit margin amounted to approximately 25.4%, 25.9% and 22.4%, respectively.

Private enterprises (excluding listed companies)

During the Track Record Period, the gross profit generated from private enterprises (excluding listed companies) amounted to approximately RMB6.6 million, RMB8.1 million and RMB26.2 million, respectively, while the gross profit margin amounted to approximately 25.9%, 18.3% and 49.0%, respectively.

Other Income and Other Gains/(losses), net

Our other income consist primarily of government grants. The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives to reward the Group's support and contribution for the development of local economies. There are no unfulfilled obligations for the recognised income at the end of the each Track Record Period.

Our other gains/(losses), net consist primarily of net gains or losses on the disposal and write-off of property, plant, equipment, and intangible assets.

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

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants	304	111	821
Others	9	27	38
Total other income	313	138	859
Other Gains/(losses), Net			
Gain/(loss) on disposal of/written off of property, plant and equipment and intangible assets, net	344	–	(56)
Rental income	527	397	412
Others	621	889	(50)
Total other gains, net	1,492	1,286	306

Our other income decreased from approximately RMB0.3 million for FY2023 to approximately RMB0.1 million for FY2024, and subsequently increased to approximately RMB0.9 million for FY2025.

Our other gains, net decreased from approximately RMB1.5 million for FY2023 to approximately RMB1.3 million for FY2024, and further decreased to approximately RMB0.3 million for FY2025.

For the reasons of the fluctuations of our other income and gains during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal represented the expected credit losses or reversal of the expected credit loss on our trade receivables, contract assets and other receivables. Please refer to note 12 to the Accountants' Report as set out in Appendix I to this document for further details. Our impairment losses under ECL model, net of reversal amounted to a net reversal of approximately RMB4.0 million and RMB5.3 million for FY2023 and FY2024, respectively, while we recorded a net impairment loss under ECL model of approximately RMB1.8 million for FY2025.

Selling expenses

Our selling expenses consist primarily of staff costs, agency and service fees, operational and marketing expenses, and other selling expenses.

The following table sets forth a breakdown of our selling expenses by nature for the years/periods indicated.

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	2,784	35.9	2,373	41.5	2,680	37.9
Agency and service fees	2,125	27.4	1,544	27.0	2,297	32.5
Operational and marketing expense	2,706	34.9	1,755	30.7	1,930	27.3
Other selling expenses	138	1.8	44	0.8	164	2.3
Total	**7,753**	**100.0**	**5,716**	**100.0**	**7,071**	**100.0**

Our selling expenses decreased from approximately RMB7.8 million for FY2023 to approximately RMB5.7 million for FY2024. For FY2025, our selling expenses subsequently increased to approximately RMB7.1 million.

For the reasons of the fluctuations of our selling and distribution expenses during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Administrative expenses

Our administrative expenses primarily consist of staff costs, office and administrative expenses, depreciation and amortisation, travel and entertainment expenses, professional and consultancy fees, and others, which mainly include finance handling fees, litigation costs, guarantee fees, and insurance expenses.

The following table sets forth a breakdown of our administrative expenses by nature for the years/periods indicated.

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	16,661	48.2	14,097	46.9	12,684	41.0
Office and administrative expenses	5,027	14.6	4,001	13.3	5,911	19.1
Depreciation and amortisation	4,850	14.0	5,067	16.9	5,054	16.4
Travel and entertainment expenses	3,365	9.7	3,681	12.3	3,312	10.7
Professional and consultancy fees	3,100	9.0	1,578	5.3	2,336	7.6
Others	1,545	4.5	1,594	5.3	1,594	5.2
Total	**34,548**	**100.0**	**30,018**	**100.0**	**30,892**	**100.0**

Our administrative expenses decreased from approximately RMB34.5 million for FY2023 to approximately RMB30.0 million for FY2024. For FY2025, our administrative expenses increased to approximately RMB30.9 million, compared to approximately RMB30.0 million for FY2024.

For the reasons of the fluctuations of our administrative expenses during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Research and development expenses

Our research and development expenses consisted of staff costs, depreciation and amortisation, and operational and other expenses.

The following table sets forth a breakdown of our R&D expenses during the Track Record Period:

	Years ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	7,827	91.6	8,189	94.7	9,231	96.2
Depreciation and amortisation	287	3.4	352	4.1	366	3.8
Operational and other expenses	431	5.0	103	1.2	–	–
Total	**8,545**	**100.0**	**8,644**	**100.0**	**9,597**	**100.0**

For the FY2023, FY2024 and FY2025, our research and development expenses represented approximately 1.5%, 1.3% and 1.2% of our revenue, respectively.

For the reasons of the fluctuations of our R&D expenses during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Finance income

The following table sets forth a breakdown of our finance income by nature for the Track Record Period:

	Years ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	4	505	814
Interest income from customers*(note)*	1,280	989	680
Total	**1,284**	**1,494**	**1,494**

Note: Representing interest income generated from certain customers who were granted longer credit terms and required to make periodic interest payments on their outstanding trade balances.

Our finance income primarily represented bank interest income and interest income from customers, which in total amounted to approximately RMB1.3 million, RMB1.5 million, and RMB1.5 million for FY2023, FY2024, and FY2025, respectively. For the reasons of the fluctuations of our finance income during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Finance costs

The following table sets forth a breakdown of our finance costs by nature for the Track Record Period:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank and other borrowings	2,228	3,380	2,434
Interest expenses on discounted note receivables	51	48	–
Total	**2,279**	**3,428**	**2,434**

Our finance costs represented interest expenses on bank and other borrowings and interest expenses on discounted note receivables, and amounted to approximately RMB2.3 million, RMB3.4 million and RMB2.4 million, for FY2023, FY2024 and FY2025, respectively. For the reasons of the fluctuations of our finance costs during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Income tax expense

Our Group's major components of income tax expenses in each year/period of the Track Record Period were as follows:

	Years ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	–	–	6,596
Deferred income tax	1,012	5,532	2,131
Total	**1,012**	**5,532**	**8,727**

Our income tax expense was approximately RMB1.0 million, RMB5.5 million and RMB8.7 million for FY2023, FY2024 and FY2025, respectively. This represents an effective tax rate of approximately 8.10%, 14.43% and 13.90%, respectively, for the corresponding years.

We and our subsidiary established in the PRC are generally subject to statutory income tax at a rate of 25% in accordance with the relevant PRC income tax laws, subject to preferential tax treatments available to certain qualified enterprises. We benefit from a preferential tax rate of 15% under the EIT Law for being qualified as "High and New Technology Enterprises" under relevant regulations or are located in applicable PRC regions, such as certain western regions and special economic zones, as specified in the relevant catalogue of encouraged industries, subject to certain general restrictions described in the EIT Law and the related regulations.

For the reasons of the fluctuations of our income tax expenses during the Track Record Period, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

COMPARISONS OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by approximately 19.6% from approximately RMB678.1 million for FY2024 to approximately RMB810.7 million for FY2025, mainly due to an increase in revenue generated from (i) EPC services; and (ii) construction design and consultancy services.

(i) *EPC services*

Our revenue from EPC services increased from approximately RMB552.0 million for FY2024 to approximately RMB651.0 million for FY2025, which was mainly attributable to the significant construction progress achieved on (i) a project, which was our second largest EPC project in terms of revenue derived in FY2025 and contributed approximately RMB50.5 million for the same year, and (ii) a project, which was our fourth largest EPC project in terms of revenue derived in FY2025 and contributed approximately RMB18.3 million for the same year.

(ii) *Construction design and consultancy services*

Our revenue from construction design and consultancy services increased from approximately RMB124.1 million for FY2024 to approximately RMB158.1 million for FY2025, which was mainly attributable to the completion and acceptance of project milestones for (i) a project, which was our largest construction design and consultancy project in terms of revenue derived in FY2025 and contributed approximately RMB12.5 million for the same year, and (ii) a project, which was our second largest construction design and consultancy project in terms of revenue derived in FY2025 and contributed approximately RMB9.6 million for the same year.

(iii) Other services

Our revenue from other services decreased from approximately RMB2.1 million for FY2024 to approximately RMB1.5 million for FY2025, which was mainly attributable to the fact that our largest project for other services in terms of revenue derived in FY2024, which had a total contract value of approximately RMB1.2 million, had already recognised approximately RMB1.1 million of its revenue in FY2024 as the majority of the work had been performed. Concurrently, the total number of projects for other services that recognised revenue in FY2025 was less than that in FY2024, and no individual project in this segment contributed more than RMB0.6 million in FY2025.

Cost of Services

Our cost of services increased by approximately 16.4% from approximately RMB600.2 million for FY2024 to approximately RMB698.7 million for FY2025, which was mainly due to the increase in equipment and materials of approximately RMB116.5 million and the increase in staff costs of approximately RMB20.2 million, both of which were driven by business growth and are in line with the increase in revenue, and partially offset by the decrease in construction and installation costs of approximately RMB46.9 million because of our efforts to control overall project costs, whereby following a higher expenditure on equipment and materials during FY2025, we tightened our management of construction and installation activities to optimise our expenses.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 43.8% from approximately RMB77.9 million for FY2024 to approximately RMB112.0 million for FY2025, which was in line with the growth in revenue over the same period. Our gross profit margin increased from approximately 11.5% for FY2024 to approximately 13.8% for FY2025, which was mainly due to (i) the increase in gross profit margin of EPC services from approximately 6.9% to 9.1%, and (ii) the increase in gross profit margin of construction design and consultancy services from approximately 31.8% to 33.2%, which was partially offset by the decrease in gross profit margin of other services from approximately 23.1% to 6.0%.

(i) EPC services

Our gross profit margin of EPC services increased from approximately 6.9% for FY2024 to approximately 9.1% for FY2025, which was mainly attributable to a newly signed EPC project in FY2025, which was our fourth largest EPC project in terms of revenue derived in FY2025 and generated a relatively high gross profit margin of approximately 10.9%.

(ii) Construction design and consultancy services

Our gross profit margin of construction design and consultancy services increased from approximately 31.8% for FY2024 to approximately 33.2% for FY2025, which was mainly attributable to our largest construction design and consultancy project in terms of revenue derived in FY2025, which generated a relatively high gross profit margin of approximately 44.5%.

(iii) Other services

Our gross profit margin of other services decreased from approximately 23.1% for FY2024 to approximately 6.0% for FY2025, which was mainly attributable to our largest project for other services in terms of revenue derived in FY2024, which was a construction supervision project that generated a high gross profit margin of approximately 38.8% because this kind of project management and technical services generally generate higher margins as manpower costs are the primary expenses. Our gross profit margin for this segment subsequently returned to normal standards for FY2025.

Other Income and Other Gains/(Losses), net

Our other income increased from approximately RMB0.1 million for FY2024 to approximately RMB0.9 million for FY2025. This increase was primarily attributable to the increase in government grants from approximately RMB0.1 million for FY2024 to approximately RMB0.8 million for FY2025.

Our other gains, net decreased from approximately RMB1.3 million for FY2024 to approximately RMB0.3 million for FY2025. This decrease was primarily driven by a decrease in other items, which is mainly consist of income from the provision of other consultancy services outside the power engineering industry to other customers, from a gain of approximately RMB0.9 million for FY2024 to a loss of approximately RMB50,000 for FY2025.

Selling Expenses

Our selling expenses increased by approximately 24.6% from approximately RMB5.7 million for FY2024 to approximately RMB7.1 million for FY2025, primarily due to an increase in (i) agency and service fees of approximately RMB0.8 million; and (ii) staff costs of approximately RMB0.3 million.

Administrative Expenses

Our administrative expenses remained relatively stable, increasing slightly by approximately 3.0% from approximately RMB30.0 million for FY2024 to approximately RMB30.9 million for FY2025.

Research and development expenses

Our research and development expenses increased by approximately 11.6% from approximately RMB8.6 million for FY2024 to approximately RMB9.6 million for FY2025, which was primarily attributable to an increase in staff costs of approximately RMB1.0 million as we expanded our R&D initiatives to strengthen our technical capabilities to support our business growth.

Finance Income

Our finance income remained stable at approximately RMB1.5 million for both FY2024 and FY2025, which was mainly due to an increase in bank interest income from our cash and cash equivalents, including bank balances, of approximately RMB0.3 million from FY2024 to FY2025, being fully offset by a decrease in interest income from customers of approximately RMB0.3 million over the same period.

Finance Costs

Our finance costs decreased by approximately 29.4% from approximately RMB3.4 million for FY2024 to approximately RMB2.4 million for FY2025, primarily attributable to a decrease in interest expenses on our bank and other borrowings and discounted note receivables, which was driven by a lower average effective interest rate on our bank and other borrowings during FY2025.

Income Tax Expenses

Our income tax expenses increased by approximately 58.2% from approximately RMB5.5 million for FY2024 to approximately RMB8.7 million for FY2025, primarily attributable to the increase in our profit before tax over the same period.

Profit for the year attributable to owners of the Company and net profit margin

As a result of the foregoing, our profit for the year attributable to owners of the Company increased by approximately RMB21.0 million, or 60.9%, from approximately RMB34.5 million for FY2024 to approximately RMB55.5 million for FY2025. Our net profit margin was approximately 4.8% and 6.7% for FY2024 and FY2025, respectively.

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

Revenue

Our revenue increased by approximately 16.6% from approximately RMB581.6 million for FY2023 to approximately RMB678.1 million for FY2024, mainly due to an increase in revenue generated from (i) EPC services; and (ii) construction design and consultancy services.

(i) *EPC services*

Our revenue for EPC services increased from approximately RMB485.1 million for FY2023 to approximately RMB552.0 million for FY2024. This was primarily driven by our largest EPC project in terms of revenue derived in FY2024, where the revenue recognised increased significantly from approximately RMB141.2 million for FY2023 to approximately RMB332.6 million for FY2024 as the project entered a more advanced construction stage with more work performed during the year.

(ii) *Construction design and consultancy services*

Our revenue for construction design and consultancy services increased from approximately RMB92.6 million for FY2023 to approximately RMB124.1 million for FY2024, which was mainly due to an overall higher value of construction design and consultancy projects that achieved completion and final acceptance. Specifically, the aggregate revenue derived from our top 10 construction design and consultancy projects in FY2024 amounted to approximately RMB30.3 million, compared to approximately RMB21.8 million from our top 10 construction design and consultancy projects in FY2023 in terms of revenue derived.

(iii) Other services

Our revenue for other services decreased from approximately RMB4.0 million for FY2023 to approximately RMB2.1 million for FY2024, which was mainly due to an overall lower value of revenue recognised in FY2024 for other services projects as we performed less work in this segment. Specifically, the aggregate revenue derived from our top 15 other services projects in FY2023 amounted to approximately RMB3.3 million, compared to approximately RMB2.1 million from our top 15 other services projects in terms of revenue derived in FY2024.

Cost of Services

Our cost of services increased by approximately 14.7% from approximately RMB523.1 million for FY2023 to approximately RMB600.2 million for FY2024, which was mainly due to the increase in construction and installation costs of approximately RMB86.5 million, the increase in other expenses of approximately RMB14.0 million, and the increase in staff costs of approximately RMB7.9 million, which were driven by business growth and are in line with the increase in revenue, and partially offset by the decrease in equipment and materials of approximately RMB33.5 million because of the substantial completion in FY2023 of our second and third largest EPC projects in terms of revenue derived in FY2023, which were solar photovoltaic projects that typically require highly capital-intensive equipment and materials.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 32.9% from approximately RMB58.6 million for FY2023 to approximately RMB77.9 million for FY2024, growing at a faster rate than our revenue over the same period, primarily because our cost of services grew at a slower rate relative to our revenue growth due to our effective cost management measures.

Our gross profit margin increased from approximately 10.1% for FY2023 to approximately 11.5% for FY2024, which was mainly due to the increase in gross profit margin of construction design and consultancy services from approximately 23.4% to 31.8% and other services from approximately 7.3% to 23.1%, which was partially offset by the decrease in gross profit margin of EPC services from approximately 7.6% to 6.9%.

(i) EPC services

Our gross profit margin of EPC services remained relatively stable at approximately 7.6% for FY2023 and approximately 6.9% for FY2024.

(ii) Construction design and consultancy services

Our gross profit margin of construction design and consultancy services increased from approximately 23.4% for FY2023 to approximately 31.8% for FY2024, which was mainly attributable to our second and third largest construction design and consultancy projects in terms of revenue derived in FY2024, which generated relatively high gross profit margins of approximately 35.0% and 33.6%, respectively.

(iii) Other services

Our gross profit margin of other services increased from approximately 7.3% for FY2023 to approximately 23.1% for FY2024, which was mainly due to our largest project for other services in terms of revenue derived in FY2024, which was a construction supervision project that generated a high gross profit margin of approximately 38.8% because this kind of project management and technical services generally generate higher margins as manpower costs are the primary expenses.

Other Income and Other Gains/(Losses), net

Our other income decreased from approximately RMB0.3 million for FY2023 to approximately RMB0.1 million for FY2024. This decrease was primarily attributable to the decrease in government grants from approximately RMB0.3 million for FY2023 to approximately RMB0.1 million for FY2024.

Our other gains, net decreased from approximately RMB1.5 million for FY2023 to approximately RMB1.3 million for FY2024. This change was primarily due to a decrease in our net gain on disposal or write-off of property, plant and equipment and intangible assets from approximately RMB0.3 million for FY2023 to nil for FY2024.

Selling Expenses

Our selling expenses decreased by approximately 26.9% from approximately RMB7.8 million for FY2023 to approximately RMB5.7 million for FY2024, primarily due to a decrease in (i) operational and marketing expenses of approximately RMB0.9 million; (ii) agency and service fees of approximately RMB0.6 million; and (iii) staff costs of approximately RMB0.4 million.

Administrative Expenses

Our administrative expenses decreased by approximately 13.0% from approximately RMB34.5 million for FY2023 to approximately RMB30.0 million for FY2024, primarily attributable to a decrease in staff costs for our management and administrative personnel of approximately RMB2.6 million because of a higher allocation of our staff to our projects such that their costs were recognised in cost of services rather than administrative expenses, as we had more works in FY2024 which was evidenced by our higher revenue during the same year, and a decrease in professional and consultancy fees of approximately RMB1.5 million because of the one-off professional service fees incurred in FY2023 for the preparation of upgrading our Electric Power Engineering Construction EPC qualifications, which did not recur in FY2024.

Research and development expenses

Our research and development expenses remained relatively stable at approximately RMB8.5 million and RMB8.6 million for FY2023 and FY2024, respectively.

Finance Income

Our finance income increased by approximately 15.4% from approximately RMB1.3 million for FY2023 to approximately RMB1.5 million for FY2024, primarily attributable to an increase in bank interest income from our cash and cash equivalents, including bank balances, of approximately RMB0.5 million, and partially offset by a decrease in interest income from customers of approximately RMB0.3 million.

Finance Costs

Our finance costs increased by approximately 47.8% from approximately RMB2.3 million for FY2023 to approximately RMB3.4 million for FY2024, primarily attributable to an increase in interest expenses on our bank and other borrowings from approximately RMB2.2 million for FY2023 to approximately RMB3.4 million for FY2024, which was driven by an increase in our bank and other borrowings during the year.

Income Tax Expenses

Our income tax expenses increased by approximately 450% from approximately RMB1.0 million for FY2023 to approximately RMB5.5 million for FY2024, primarily attributable to the increase in our profit before tax over the same period.

Profit for the year attributable to owners of the Company and net profit margin

As a result of the foregoing, our profit for the year attributable to owners of the Company increased by approximately RMB22.7 million, or 192.4%, from approximately RMB11.8 million for FY2023 to approximately RMB34.5 million for FY2024. Our net profit margin was approximately 2.0% and 4.8% for FY2023 and FY2024, respectively.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment primarily consist of buildings, machinery and equipment, transportation vehicles, office equipment and others, leasehold improvements. The following table sets forth the net carrying amount of our property, plant and equipment as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	51,163	46,465	43,586
Machinery and equipment	218	214	187
Transportation vehicles	2,072	2,985	2,031
Office equipment and others	636	786	671
Leasehold improvements	1,302	651	–
Total	**55,391**	**51,101**	**46,475**

The carrying amount of our property, plant and equipment decreased from approximately RMB55.4 million as at 31 December 2023 to approximately RMB51.1 million as at 31 December 2024. This decrease was primarily due to a decrease in the carrying amount of our buildings of approximately RMB4.7 million which was mostly driven by depreciation, and a decrease in leasehold improvements of approximately RMB0.6 million, which was partially offset by an increase in transportation vehicles of approximately RMB0.9 million.

The carrying amount further decreased to approximately RMB46.5 million as at 31 December 2025. This decrease was primarily due to a decrease in the carrying amount of our buildings of approximately RMB2.9 million and a decrease in transportation vehicles of approximately RMB1.0 million.

Investment properties

Our investment properties are mainly our properties held for generating rental income and/or for capital appreciation.

The carrying amount of our investment properties increased from approximately RMB0.3 million as of 31 December 2023 to approximately RMB1.8 million as of 31 December 2024, primarily due to the transfers from property, plant and equipment of approximately RMB1.7 million as we leased out a previously held property to a third-party to generate rental income.

The carrying amount of our investment properties subsequently decreased to approximately RMB1.6 million as of 31 December 2025, primarily due to depreciation.

Intangible assets

Our intangible assets consisted of software. Our intangible assets decreased by approximately RMB0.1 million, from approximately RMB1.8 million as at 31 December 2023 to approximately RMB1.7 million as at 31 December 2024. This decrease was primarily due to amortisation charges during the year.

Our intangible assets further decreased to approximately RMB1.6 million as at 31 December 2025, primarily due to amortisation charges and disposals during the year.

Trade receivables

During the Track Record Period, our trade receivables primarily represent billed and outstanding amount of our services owed by our customers for our services. The credit period granted to our customers was generally within 90 days from the date of invoice. The following table sets forth our trade receivables as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Third parties	260,264	226,226	266,144
Gross carrying amount	260,264	226,226	266,144
Less: provision for impairment	(120,318)	(112,275)	(113,991)
Total	**139,946**	**113,951**	**152,153**

Our trade receivables decreased from approximately RMB139.9 million as at 31 December 2023 to approximately RMB114.0 million as at 31 December 2024, reflecting our accelerated collection efforts and speedier settlements from our customers during the year. Subsequently, our trade receivables increased to approximately RMB152.2 million as at 31 December 2025, which was mainly driven by our growth in revenue resulting in an increase in trade receivables.

The following is an aging analysis of trade receivables based on invoice date of gross trade receivables:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	88,277	49,585	96,736
1 to 2 years	33,538	51,918	28,785
2 to 3 years	64,081	15,019	37,631
3 to 4 years	22,870	49,312	12,912
4 to 5 years	41,478	16,895	32,899
Over 5 years	10,020	43,497	57,181
Total	**260,264**	**226,226**	**266,144**

We perform an impairment analysis at the end of each of the Track Record Period using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customers with similar loss patterns. These include customers in the PRC. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As at Latest Practicable Date, approximately RMB39.2 million or 14.7% of our gross trade receivables as at 31 December 2025 had been subsequently settled.

The table below sets forth the turnover days of our trade receivables for the periods indicated:

	As at/for the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Average trade receivables balance[(1)]	155,061	126,949	133,052
Trade receivables turnover days[(2)]	97.3	68.3	59.9

Notes:

(1) Average trade receivables balance is the sum of beginning and ending trade receivables balances for the respective year/period divided by two.

(2) Trade receivables turnover days were calculated based on the average of opening and closing trade receivables balance divided by revenue for the relevant year, and multiplied by the number of days in the relevant year, being 365.

Our trade receivables turnover days decreased from approximately 97.3 days for FY2023 to approximately 68.3 days for FY2024, which was primarily due to our accelerated collection efforts and a higher proportion of prompt payments from our customers during the year.

Subsequently, our trade turnover days further decreased to approximately 59.9 days for FY2025, which was primarily due to the continuation of our collection efforts and timely settlements from our customers.

The Group maintains a collection policy for trade credits which requires our finance department to conduct regular monthly reconciliations with relevant departments and personnel to promptly track outstanding balances and identify overdue payments. For trade receivables that are long overdue, the policy mandates intensive and coordinated collection efforts jointly undertaken by our finance, legal, and operations departments, with a strict emphasis placed on monitoring and preserving the relevant statutory limitation period to ensure the Group retains its legal rights to litigation and prevent the expiration of such rights, which could otherwise render the outstanding trade receivables unrecoverable. Furthermore, potential uncollectible trade receivables must be formally reported by the relevant handling department with reasons specified, and are subject to a strict internal review and approval process prior to any write-off. In addition, a comprehensive aging analysis is conducted prior to the year-end financial closing to ensure adequate provisions for expected credit losses are made in accordance with our financial management policies.

Note receivables

During the Track Record Period, our note receivables primarily represent bank acceptance bills and commercial acceptance bills. Our note receivables decreased significantly from approximately RMB74.6 million as at 31 December 2023 to approximately RMB1.3 million as at 31 December 2024. This decrease was primarily because a major customer heavily utilised notes for settlement in 2023, which were subsequently settled upon maturity in 2024.

Subsequently, our note receivables increased to approximately RMB4.7 million as at 31 December 2025, which was primarily driven by an increase in the use of notes for settlement by certain customers during the year.

As at the Latest Practicable Date, (i) approximately RMB4.7 million, or 100.0% of our note receivables, as at 31 December 2025, had been subsequently settled.

Further details on our credit policy and credit risk arising from note receivables are set forth in Note 36.1(b)(iii) to the Accountants' Report set out in Appendix I in this document.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consisted of prepayment made to third-party suppliers to cover upfront expenses for our projects. The following table sets forth our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments made to the third-party suppliers	142,985	217,944	224,045
Amounts due from related parties	–	1,500	2,471
VAT recoverable	2,009	318	781
Deposits and other receivables	32,545	32,355	31,280
	177,539	252,117	258,577
Less: provision for impairment	(13,484)	(15,079)	(15,990)
Total	**164,055**	**237,038**	**242,587**

Our prepayments, deposits and other receivables increased from approximately RMB164.1 million as at 31 December 2023 to approximately RMB237.0 million as at 31 December 2024, which was mainly due to an increase in prepayments made to third-party suppliers from approximately RMB143.0 million as at 31 December 2023 to approximately RMB217.9 million as at 31 December 2024 to cover the upfront expenses for our largest EPC project in terms of revenue derived in FY2024.

Our prepayments, deposits and other receivables increased from approximately RMB237.0 million as at 31 December 2024 to approximately RMB242.6 million as at 31 December 2025, which was mainly due to the continued procurement and operational support for our largest EPC projects in terms of revenue derived in FY2025.

As at the Latest Practicable Date, (i) approximately RMB166.4 million, or 74.3% of our prepayments made to third-party suppliers; (ii) approximately RMB2.0 million, or 80.0% of our amounts due from related parties; (iii) approximately RMB0.8 million, or 100.0% of our VAT recoverable; and (iv) approximately RMB3.4 million, or 10.9% of our deposits and other receivables, as at 31 December 2025, had been subsequently utilised, settled or recovered.

Contract assets

Our contract assets represent our unbilled revenue for completed projects and deposits paid for certain projects.

As at 31 December 2023, 2024, and 2025, we recorded contract assets of approximately RMB27.5 million, RMB61.8 million, and RMB39.5 million, respectively. The increase in our contract assets from approximately RMB27.5 million as at 31 December 2023 to approximately RMB61.8 million as at 31 December 2024 was mainly due to our second and third largest EPC projects in terms of revenue derived in FY2024, where we had performed substantial work but it was not yet the time for progress billing as at 31 December 2024. Subsequently, our contract assets decreased to approximately RMB39.5 million as at 31 December 2025, which was primarily attributable to the subsequent progress billings issued for the aforesaid unbilled amounts in FY2025.

The following table sets forth an ageing analysis of our contract assets based on the expected date of release:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Due within one year	23,670	54,582	28,855
Due more than one year	3,850	7,229	10,673
	27,520	**61,811**	**39,528**

The following table sets forth our average contract assets turnover days as at the dates as indicated:

	2023	**2024**	**2025**
	days	*days*	*days*
Average contract assets turnover days*(Note)*	12.7	24.0	22.8

Note: Average contract assets turnover days were calculated based on the average of opening and closing contract assets balance divided by revenue for the relevant year, and multiplied by the number of days in the relevant year, being 365 days.

Our contract assets turnover days increased from approximately 12.7 days for FY2023 to approximately 24.0 days for FY2024, which was mainly attributable to our second and third largest EPC projects in terms of revenue derived in FY2024, where we had performed substantial work but it was not yet the time for progress billing as at 31 December 2024.

Subsequently, our contract assets turnover days remained relatively stable at a similarly elevated level of approximately 22.8 days for FY2025, which was likewise due to our second largest EPC project in terms of revenue derived in FY2025, where we had performed substantial work but it was not yet the time for progress billing as at 31 December 2025.

As at the Latest Practicable Date, approximately RMB7.8 million, or 19.7% of our contract assets as at 31 December 2025, had been subsequently settled.

Cash and cash equivalents, and restricted bank deposits

Our cash and cash equivalents amounted to approximately RMB55.9 million, RMB56.4 million, and RMB94.2 million as at 31 December 2023, 2024, and 2025, respectively. Our cash and cash equivalents comprised bank balances and cash held. These bank balances carried interest at prevailing market rates ranging from 0.16% to 0.37%, 0.61% to 1.14%, and 0.95% to 1.31% per annum as at 31 December 2023, 2024, and 2025, respectively. Our Directors confirm that our bank and cash balances were maintained at a prudent level for the purpose of satisfying the requirements for our daily business operations.

Our restricted bank deposits amounted to approximately RMB10.6 million, RMB66.8 million, and RMB37.0 million as at 31 December 2023, 2024, and 2025, respectively. During the Track Record Period, our restricted bank deposits mainly consist of deposits pledged as security for bank acceptance bills, deposits pledged as security for guarantees and frozen bank balances arising from legal cases. These restricted bank deposits carried interest at prevailing market rates ranging from 0.03% to 0.68%, 0.04% to 0.51%, and 0.95% to 1.31% per annum as at 31 December 2023, 2024, and 2025, respectively.

Trade payables

Our trade payables primarily represent payables to third parties for the procurement of equipment and materials, as well as subcontracting costs.

The following table sets forth the breakdown of our trade payables as at the dates as indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Third parties	227,119	191,072	204,817
Total	**227,119**	**191,072**	**204,817**

Our trade payables decreased from approximately RMB227.1 million as at 31 December 2023 to approximately RMB191.1 million as at 31 December 2024, which was primary due to an improved liquidity position driven by a decrease in our trade receivables and shorter trade receivables turnover days, allowing us to accelerate payments to our suppliers. Subsequently, the balance increased to approximately RMB204.8 million as at 31 December 2025, primarily due to our revenue growth and the corresponding increase in procurement needs.

The following table sets forth an ageing analysis of our trade payables based on the invoice date as at the dates as indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Up to 1 year	227,119	191,072	204,817
	227,119	**191,072**	**204,817**

The table below sets forth our average trade payable turnover days as at the dates as indicated:

	As at 31 December		
	2023	**2024**	**2025**
Average trade payable turnover days[(1)]	154.3	127.2	103.4

Notes:

(1) Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the cost of services for that year, multiplied by 365 days.

Our trade payable turnover days decreased continuously from approximately 154.3 days for FY2023 to approximately 127.2 days for FY2024, and subsequently to approximately 103.4 days for FY2025, which was primarily driven by the continuous improvement in our trade receivables collection, allowing us to enhance our liquidity and accelerate our settlement cycles with suppliers over the same period.

As at the Latest Practicable Date, approximately RMB64.1 million (or approximately 31.3%) of our trade payables outstanding as at 31 December 2025, had been subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Note payables

During the Track Record Period, our note payables primarily represent bank acceptance bills issued to our suppliers for the settlement of our trade payables. Under the note payables arrangements, our suppliers can obtain the invoice amounts from the relevant banks on the maturity dates of the bills. Our note payables increased significantly from approximately RMB4.6 million as at 31 December 2023 to approximately RMB28.5 million as at 31 December 2024, which was primarily due to an increase in procurement settled through bank acceptance bills to support our revenue growth, while optimising our working capital. As at 31 December 2025, our note payables decreased to RMB nil as these bills matured and were fully settled.

As at 31 December 2023, 2024 and 2025, certain of our note payables were secured by certain of our restricted bank deposits.

As our note payables balance as at 31 December 2025 was RMB nil, no subsequent settlement was recorded as at the Latest Practicable Date.

Other payables and accruals

Our other payables and accruals primarily consisted of payroll and welfare payables, payables for purchase of equipment and property, amounts due to related companies, other tax payables, and others which mainly comprised payables for the acquisition of our office properties and tender deposits received from subcontractors.

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

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	26,275	26,798	36,638
Payables for purchase of equipment and property	11,489	4,118	4,007
Amounts due to related companies	–	776	776
Other tax payables	24,155	34,708	38,586
Others	17,081	17,828	16,323
Total	**79,000**	**84,228**	**96,330**

Our other payables and accruals increased from approximately RMB79.0 million as at 31 December 2023 to approximately RMB84.2 million as at 31 December 2024, which was primarily due to an increase in our other tax payables from approximately RMB24.2 million as at 31 December 2023 to approximately RMB34.7 million as at 31 December 2024, reflecting our revenue growth during the same period and increased taxable income.

Subsequently, the balance further increased to approximately RMB96.3 million as at 31 December 2025, primarily due to an increase in our payroll and welfare payables from approximately RMB26.8 million as at 31 December 2024 to approximately RMB36.6 million as at 31 December 2025, mainly driven by the increase in performance-based bonuses and staff incentives in line with our revenue growth.

As at the Latest Practicable Date, approximately RMB38.8 million (or approximately 40.3%) of our other payables and accruals outstanding as at 31 December 2025, had been subsequently settled.

Contract liabilities

Our contract liabilities primarily consisted of unsatisfied performance obligation for payment in advance for our projects where the relevant services have yet to be completed.

Our contract liabilities increased from approximately RMB283.2 million as at 31 December 2023 to approximately RMB317.5 million as at 31 December 2024, which was primary due to increased payments received in advance for our largest EPC project in terms of revenue derived in both FY2023 and FY2024. This was in line with the progress of the project, which also drove an increase in our revenue derived from this project from approximately RMB141.2 million for FY2023 to approximately RMB332.6 million for FY2024.

Subsequently, our contract liabilities decreased to approximately RMB251.3 million as at 31 December 2025, primarily due to the continuous progress and milestone completions of our existing projects during the year.

As at the Latest Practicable Date, approximately RMB184.9 million (or approximately 73.6%) of our contract liabilities outstanding as at 31 December 2025, had been recognised as revenue.

NET CURRENT ASSETS AND NET CURRENT LIABILITIES

	As at 31 December			As at 30 April
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
CURRENT ASSETS				
Contract costs	56,758	61,243	46,637	37,400
Trade receivables	139,946	113,951	152,153	134,129
Note receivables	74,638	1,320	4,716	2,041
Prepayments, deposits and other receivables	164,055	237,038	242,587	186,631
Contract assets	27,520	61,811	39,528	164,436
Current tax assets	18	127	152	5,809
Restricted bank deposits	10,599	66,772	36,961	36,986
Cash and cash equivalents	55,861	56,387	94,175	40,716
Total current assets	529,395	598,649	616,909	608,148
CURRENT LIABILITIES				
Trade payables	227,119	191,072	204,817	371,808
Note payables	4,588	28,500	–	–
Other payables and accruals	79,000	84,228	96,330	23,603
Contract liabilities	283,218	317,455	251,292	102,217
Borrowings	49,579	46,274	61,306	35,324
Current tax liabilities	–	–	6,585	16,112
Total current liabilities	643,504	667,529	620,330	549,064
NET CURRENT (LIABILITIES)	**(114,109)**	**(68,880)**	**(3,421)**	**59,084**

Our net current liabilities decreased from approximately RMB114.1 million as at 31 December 2023 to approximately RMB68.9 million as at 31 December 2024, mainly due to (i) the increase in prepayments, deposits and other receivables of approximately RMB72.9 million; (ii) the increase in restricted bank deposits of approximately RMB56.2 million; (iii) the decrease in trade payables of approximately RMB36.0 million; and (iv) the increase in contract assets of approximately RMB34.3 million; and partially offset by (i) a sharp decrease in note receivables of approximately RMB73.3 million; and (ii) the increase in contract liabilities of approximately RMB34.3 million.

Our net current liabilities further decreased to approximately RMB3.4 million as at 31 December 2025, mainly due to (i) the decrease in contract liabilities of approximately RMB66.2 million; (ii) the increase in cash and cash equivalents of approximately RMB37.8 million; and (iii) the increase in trade receivables of approximately RMB38.2 million; and partially offset by (i) the decrease in restricted bank deposits of approximately RMB29.8 million; (ii) the decrease in contract assets of approximately RMB22.3 million; and (iii) the increase in borrowings of approximately RMB15.0 million.

Going forward, we seek to improve our net current assets position by (i) drawing down on our available unutilised banking facilities to support our ongoing working capital needs; (ii) optimising our debt structure through the replacement of short-term borrowings with long-term facilities; and (iii) allocating 10.0% of the **[REDACTED]** from the **[REDACTED]** to working capital and general corporate purpose to immediately increase our current assets.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital requirements through cash flows from operations and borrowings. Our primary liquidity requirements are to finance working capital, fund the payment of interest and principal due on our indebtedness, and growth of our operations. We expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the **[REDACTED]** from the **[REDACTED]** to finance a portion of our working capital requirements.

We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our account payables and receivables as well as amounts of contract assets, receivables under service concession arrangements and contract liabilities; and (ii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules, and if necessary, adjust our investment, financing and dividend payout plans to ensure we maintain sufficient working capital.

Taking into account the estimated **[REDACTED]** from the **[REDACTED]**, our available banking facilities and cash flows from our operations, our Directors are of the opinion that we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this document.

Consolidated Statement of Cash Flows

The following table sets forth a summary of our consolidated statement of cash flows for the years/periods indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	38,859	67,978	(9,590)
Net cash generated from/(used in) investing activities	(7,986)	(64,711)	30,476
Net cash generated from/(used in) financing activities	9,118	(2,741)	16,902
Net increase/(decrease) in cash and cash equivalents	39,991	526	37,788
Cash and cash equivalents at the beginning of the year	15,870	55,861	56,387
Cash and cash equivalents at the end of the year	**55,861**	**56,387**	**94,175**

Cash generated from operating activities

During the Track Record Period, our Group derives its cash inflows from operating activities principally from the receipt of payments from customers for the provision of our EPC services and construction design and consultancy projects. Our Group's cash outflow from operating activities is principally for the procurement of equipment and materials, construction and installation costs, subcontracting costs, and general staff costs.

For FY2023, our net cash generated from operating activities was approximately RMB38.9 million, which was primarily due to our profit before tax of approximately RMB12.5 million, as adjusted by: (i) the net effect of non-cash items, including depreciation of property, plant and equipment of approximately RMB4.8 million and a reversal of impairment of trade receivables of approximately RMB5.0 million; and (ii) changes in working capital, which primarily included (a) a decrease in contract liabilities of approximately RMB229.4 million; and (b) a decrease in trade receivables of approximately RMB35.2 million; and partially offset by (a) an increase in prepayments, deposits and other receivables of approximately RMB139.4 million; (b) an increase in note receivables of approximately RMB73.0 million; and (c) an increase in contract costs of approximately RMB26.0 million.

For FY2024, our net cash generated from operating activities was approximately RMB68.0 million, which was primarily due to our profit before tax of approximately RMB38.3 million, as adjusted by: (i) the net effect of non-cash items, including a reversal of impairment of trade receivables of approximately RMB8.0 million and depreciation of property, plant and equipment of approximately RMB5.0 million; and (ii) changes in working capital, which primarily included (a) a decrease in note receivables of approximately RMB73.3 million; (b) a decrease in contract liabilities of approximately RMB34.2 million; and (c) a decrease in trade receivables of approximately RMB34.0 million; and partially offset by (a) an increase in prepayments, deposits and other receivables of approximately RMB74.6 million; (b) an increase in trade payables of approximately RMB36.0 million; and (c) an increase in contract assets of approximately RMB35.4 million.

For FY2025, our net cash used in operating activities was approximately RMB9.6 million, which was primarily due to our profit before tax of approximately RMB62.8 million, as adjusted by: (i) the net effect of non-cash items, including depreciation of property, plant and equipment of approximately RMB5.0 million and an impairment of trade receivables of approximately RMB1.7 million; and (ii) changes in working capital, which primarily consisted of a decrease in contract assets of approximately RMB23.1 million; and partially offset by (a) a decrease in contract liabilities of approximately RMB66.2 million; and (b) an increase in trade receivables of approximately RMB39.9 million.

Our net cash used in operating activities for FY2025 was primarily due to a temporary timing mismatch between our cash outflows for upfront project expenditures and the subsequent billing and receipt of payments from our customers, as reflected by the increase in our trade receivables and contract assets during the same year, rather than any structural deterioration in our operating cash generation capability.

Cash flows generated/(used in) investing activities

During the Track Record Period, our cash inflows from investing activities primarily consisted of repayment of loans advanced to third parties. During the same period, our cash flows used in investing activities primarily consisted of the purchase of property, plant and equipment, such as construction machinery and engineering equipment.

For FY2023, our net cash used in investing activities was approximately RMB8.0 million, which was primarily due to: (i) placement of restricted bank deposits of approximately RMB9.3 million; and (ii) payments for property, plant and equipment of approximately RMB3.6 million, which was partially offset by: (i) interest income received of approximately RMB1.3 million; and (ii) release of restricted bank deposits of approximately RMB3.5 million.

For FY2024, our net cash used in investing activities was approximately RMB64.7 million, which was primarily due to: (i) placement of restricted bank deposits of approximately RMB115.2 million; and (ii) payments for property, plant and equipment of approximately RMB9.8 million, which was partially offset by: (i) release of restricted bank deposits of approximately RMB59.1 million; and (ii) interest income received of approximately RMB1.5 million.

For FY2025, our net cash generated from investing activities was approximately RMB30.5 million, which was primarily due to: (i) release of restricted bank deposits of approximately RMB82.3 million; and (ii) interest income received of approximately RMB1.5 million, which was partially offset by placement of restricted bank deposits of approximately RMB52.5 million.

Cash flows generated/(used in) in financing activities

During the Track Record Period, our cash inflows from financing activities primarily consisted of proceeds from borrowings. During the same period, our cash flows used in financing activities primarily consisted of repayments of borrowings and interest paid.

For FY2023, our net cash generated from financing activities was approximately RMB9.1 million, which was primarily due to: proceeds from borrowings of approximately RMB51.3 million, which was partially offset by: (i) repayments of borrowings of approximately RMB40.0 million; and (ii) interest paid of approximately RMB2.2 million.

For FY2024, our net cash used in financing activities was approximately RMB2.7 million, which was primarily due to: (i) repayments of borrowings of approximately RMB60.5 million; and (ii) interest paid of approximately RMB3.1 million, which was partially offset by proceeds from borrowings of approximately RMB60.9 million.

For FY2025, our net cash generated from financing activities was approximately RMB16.9 million, which was primarily due to the proceeds from borrowings of approximately RMB65.6 million; which was partially offset by: (i) repayments of borrowings of approximately RMB46.0 million; and (ii) interest paid of approximately RMB2.7 million.

INDEBTEDNESS

Our indebtedness primarily consist of borrowings. The following table sets forth a breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 April
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Bank borrowings				
Secured and guaranteed	21,631	21,630	–	10,358
Unsecured and guaranteed	24,067	6,007	42,881	31,000
Unsecured and unguaranteed	–	3,806	3,405	3,628
	45,698	31,443	46,286	44,986
Other borrowings				
Secured and guaranteed	3,652	8,672	23,468	18,801
Secured and unguaranteed	468	259	39	–
Unsecured and guaranteed	–	10,083	–	–
	4,120	19,014	23,507	18,801
Total	**49,818**	**50,457**	**69,793**	**63,787**

Borrowings

Our Group had borrowings of approximately RMB49.8 million, RMB50.5 million, RMB69.8 million and RMB[63.8] million as at 31 December 2023, 2024 and 2025, and 30 April 2026 (being the most recent practicable date for the purpose of this indebtedness statement), respectively. We primarily use our borrowings for our operational needs, including but not limited to payments to our suppliers. The general increase in our borrowings during the Track Record Period was primarily driven by our increased working capital requirements and the allocation of greater operational resources required for the execution of our projects, which was in line with our revenue growth over the same period.

As at 31 December 2023, 2024 and 2025, and the Latest Practicable Date, certain of our borrowings were guaranteed by our Controlling Shareholders. For further details, please refer to the section headed "Relationship with our Controlling Shareholders – Financial independence" in this document.

The borrowings are repayable, based on scheduled repayment date set out in the loan agreements, as follows:

	As at 31 December			As at 30 April
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Carrying amount repayable:				
On demand or within one year	49,579	46,274	61,306	35,324
More than one year, but not exceeding two years	201	3,689	1,152	924
More than two year, but not exceeding five years	38	494	7,335	8,511
Total	**49,818**	**50,457**	**69,793**	**44,759**

During the Track Record Period, the borrowing agreements were entered into with the lenders under normal, standard, committed and unrestricted terms and conditions. During the Track Record Period and up to the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the borrowing agreements. As at 30 April 2026, being the latest practicable date for the purpose of indebtedness statement, we had banking facilities of approximately RMB20.0 million, of which approximately RMB20.0 million was unutilised.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not experience any delay, default in repayment of bank borrowings or breach of covenant nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

Indebtedness statement

Our Directors confirm that there was no material covenant on any of our outstanding debts and there was no breach of covenant during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that there has not been any material change in our indebtedness since 30 April 2026 up to the date of this document.

Save as disclosed above, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenants and undertakings in connection therewith as at 30 April 2026, being the indebtedness statement date.

SUFFICIENCY OF WORKING CAPITAL

As at 31 December 2023, 2024 and 2025, our Group recorded net current liabilities of approximately RMB114.1 million, RMB68.9 million and RMB3.4 million, respectively. This was primarily driven by our recording of relatively high contract liabilities throughout the Track Record Period, which amounted to approximately RMB283.2 million, RMB317.5 million and RMB251.3 million as at those respective dates. Our contract liabilities primarily consisted of unsatisfied performance obligations for payments in advance for our projects where the relevant services have yet to be completed. These balances will be progressively recognised as revenue over time upon the fulfilment of our performance obligations, and will be settled through the delivery of our services and project milestones rather than through future cash outflows. Consequently, this net current liabilities position does not reflect an operational liquidity deficit or an unmanageable liquidity risk. As at 30 April 2026, our Group recorded net current asset of approximately RMB59.1 million.

In addition to our net current liabilities position, we recorded negative cash flows from operating activities of approximately RMB9.6 million for the year ended 31 December 2025. This was primarily due to a temporary timing mismatch between our cash outflows for upfront project expenditures and the subsequent billing and receipt of payments from our customers.

To manage our overall liquidity position, we have secured alternative financial resources. As at 30 April 2026, being the latest practicable date for the purpose of indebtedness statement, we had unutilised banking facilities of approximately RMB20.0 million available to fund our daily operations. We also intend to allocate approximately 10.0% of the **[REDACTED]** from the **[REDACTED]** for general working capital, which will immediately improve our current asset position. Furthermore, we have implemented continuous measures to enhance our cash management by accelerating customer billing and collection, which successfully reduced our trade receivables turnover days during the Track Record Period, which effectively shortens our working capital cycle and optimises our overall liquid resources.

Our gearing ratio was relatively high at 183.8% as at 31 December 2025. This was primarily because our total equity base remained relatively low as a result of historical accumulated losses. However, our financial position has been steadily improving, with a continuous reduction in our accumulated losses over the Track Record Period. As we continue to generate net profits, our total equity is expected to increase further, which will continue to lower our gearing ratio.

Taking into account the financial resources available to our Group, including the available cash and cash equivalents, available banking facilities, cash flows generated from our operations and the estimated **[REDACTED]** from the **[REDACTED]**, and in the absence of unforeseen circumstances, our Directors are of the opinion, and the Sole Sponsor concurs, that our Group has available sufficient working capital for our present requirements for at least 12 months from the date of this document.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our capital expenditures during the Track Record Period consist of additions to property, plant and equipment, and intangible assets. Our capital expenditures amounted to approximately RMB2.3 million, RMB2.7 million, and RMB0.7 million for FY2023, FY2024 and FY2025, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, and bank borrowings and other borrowings.

To support our expected business growth and expansion plans, we anticipate continuing to make capital expenditures in the future. These future expenditures will be utilised to support our continued revenue growth and business expansion, such as through expanding and upgrading our office facilities to accommodate our growing workforce. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the **[REDACTED]** from the **[REDACTED]**.

Capital commitments

Our capital commitments were RMB nil, RMB nil and RMB nil as at 31 December 2023, 2024 and 2025, respectively.

KEY FINANCIAL RATIOS

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

	Years ended 31 December		
	2023	**2024**	**2025**
Gross profit margin[1]	10.1%	11.5%	13.8%
Net profit margin[2]	2.0%	4.8%	6.7%
Return on equity[3]	N/A – negative equity	1,066.7%	94.6%
Return on total assets[4]	1.9%	4.9%	7.9%
Current ratio[5]	0.82	0.90	0.99
Quick ratio[6]	0.82	0.90	0.99
Gearing ratio[7]	N/A – negative equity	1,640.3%	122.1%
Debt to equity ratio[8]	N/A – negative equity	Net cash position	Net cash position
Interest coverage[9]	6.5	12.2	26.8

Notes:

(1) Gross profit margin is calculated using gross profit for the year/period by total revenue for the year/period and multiplied by 100%.

(2) Net profit margin is calculated using profit and total comprehensive income for the year/period divided by total revenue for the year/period and multiplied by 100%.

(3) Return on equity is calculated based on profit and total comprehensive income for the year/period divided by the total equity for that year/period and multiplied by 100%.

(4) Return on total assets is calculated based on the profit and total comprehensive income for the year/period divided by the total assets for that year/period and multiplied by 100%.

(5) Current ratio is calculated by dividing current assets by current liabilities.

(6) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

(7) Gearing ratio is calculated based on our debt (being our borrowings) divided by our total equity as at the respective dates and multiplied by 100%.

(8) Debt to equity ratio is calculated based on our net debt (being our borrowings, net of cash and cash equivalents) divided by our total equity as at the respective dates and multiplied by 100%.

(9) Interest coverage is calculated using profit before interest and tax divided by finance costs.

Gross Profit Margin

Our gross profit margin was approximately 10.1%, 11.5% and 13.8% for FY2023, FY2024 and FY2025, respectively. For further analysis of our gross profit margin, please refer to the paragraphs headed "Comparison of Results of Operations" in this section.

Net Profit Margin

Our net profit margin was approximately 2.0%, 4.8% and 6.7% for FY2023, FY2024 and FY2025, respectively. For further analysis of our net profit margin, see paragraph headed "Comparison of Results of Operations" in this section.

Return on Equity

Our return on equity was not applicable for FY2023 as we recorded a negative total equity of approximately RMB29.7 million as at 31 December 2023, which was primarily due to our accumulated losses of approximately RMB106.9 million as at the respective date.

For FY2024, our return on equity was approximately 1,066.7%, which was distortedly high primarily due to a low positive total equity base of approximately RMB3.1 million as at 31 December 2024, reflecting our narrowing accumulated losses of approximately RMB72.4 million.

For FY2025, our return on equity was approximately 94.6% as our total equity base strengthened to approximately RMB57.2 million as at 31 December 2025, driven by our continued improvement of profits for the year during the Track Record Period, which reduced our accumulated losses further to approximately RMB17.0 million.

Return on Total Assets

Our return on total assets was approximately 1.9%, 4.9% and 7.9% for FY2023, FY2024 and FY2025, respectively. This steady upward trend was mainly driven by the continuous growth in our profit and total comprehensive income for the year, which increased by approximately RMB21.3 million from FY2023 to FY2024, and further increased by approximately RMB21.3 million from FY2024 to FY2025, outpacing the growth rate of our total asset base over the same period.

Current Ratio

Our current ratio was approximately 0.82 times, 0.90 times and 0.99 times as at 31 December 2023, 2024 and 2025, respectively.

The current ratio increased from approximately 0.82 times as at 31 December 2023 to approximately 0.90 times as at 31 December 2024. This improvement was mainly attributable to the expansion of our current asset base outpacing the growth of our current liabilities, driven primarily by (i) an increase in prepayments, deposits and other receivables of approximately RMB72.9 million, due mainly to an increase in prepayments made to third-party suppliers to cover upfront expenses for our largest EPC project in terms of revenue derived in FY2024; (ii) an increase in restricted bank deposits of approximately RMB56.2 million, due mainly to deposits frozen in connection with certain contract disputes arising from our business, as well as an increase in restricted funds required for the issuance of bank acceptance bills during the year; and (iii) a decrease in trade payables of approximately RMB36.0 million due to an improved liquidity position driven by a decrease in our trade receivables and shorter trade receivables turnover days, allowing us to accelerate payments to our suppliers, which was partially offset by a sharp decrease in note receivables of approximately RMB73.3 million as a major customer heavily utilised notes for settlement in 2023, which were subsequently settled upon maturity in 2024.

Our current ratio further increased to approximately 0.99 times as at 31 December 2025. This improvement was mainly attributable to a substantial reduction in our current liabilities concurrently with the growth in our cash position, driven primarily by (i) a significant decrease in contract liabilities of approximately RMB66.2 million, due mainly to revenue recognition following the continuous progress and milestone completions of our existing projects; (ii) an increase in trade receivables of approximately RMB38.2 million, driven by a revenue growth of approximately RMB132.6 million in FY2025 compared to FY2024; and (iii) a increase in cash and cash equivalents of approximately RMB37.8 million as at 31 December 2025 compared to 31 December 2024, which was driven by our revenue growth likewise.

Quick Ratio

As we did not hold any inventories during the Track Record Period, our quick ratio was identical to our current ratio, which was approximately 0.82 times, 0.90 times and 0.99 times as at 31 December 2023, 2024 and 2025, respectively. The steady upward trend over the same period was driven by the exact same factors discussed in the section headed "Financial Information – Current Ratio" in this document.

Gearing ratio

Our gearing ratio was not applicable as at 31 December 2023 as we recorded a negative total equity of approximately RMB29.7 million as at 31 December 2023, which was primarily due to our accumulated losses of approximately RMB106.9 million as at the respective date.

As at 31 December 2024, our gearing ratio was approximately 1,640.3%, which was distortedly high primarily due to a low positive total equity base of approximately RMB3.1 million as at 31 December 2024, reflecting our narrowing accumulated losses of approximately RMB72.4 million.

As at 31 December 2025, our gearing ratio was approximately 122.1% as our total equity base strengthened to approximately RMB57.2 million as at 31 December 2025, driven by our continued improvement of profits for the year during the Track Record Period, which reduced our accumulated losses further to approximately RMB17.0 million. Concurrently, our total borrowings (comprising current and non-current borrowings) amounted to approximately RMB69.8 million as at 31 December 2025 to support our ongoing business operations.

Debt to Equity Ratio

Our debt to equity ratio was not applicable as at 31 December 2023 as we recorded a negative total equity of approximately RMB29.7 million as at 31 December 2023, which was primarily due to our accumulated losses of approximately RMB106.9 million as at the respective date.

Our debt to equity ratio was at a net cash position as at 31 December 2024 and 2025.

Interest coverage ratio

Our interest coverage ratio was approximately 6.5 times, 12.2 times and 26.8 times for FY2023, FY2024 and FY2025, respectively.

Our interest coverage ratio increased from approximately 6.5 times for FY2023 to approximately 12.2 times for FY2024, driven by primarily by the substantial increase in our profit before income tax of approximately RMB25.8 million, which outpaced the increase in our finance costs of approximately RMB1.1 million.

Our interest coverage ratio continued to increase to approximately 26.8 times for FY2025. This further improvement was mainly attributable to an increase in our profit before income tax of approximately RMB24.5 million for FY2025 compared to FY2024, coupled with a decrease in our finance costs of approximately RMB1.0 million resulting from lower interest expenses on bank and other borrowings, which was driven primarily by a lower average effective interest rate on our bank borrowings during the year.

CONTINGENT LIABILITIES

As at 31 December 2023, 2024 and 2025, we did not have any significant contingent liabilities. If we were involved in material legal proceedings, our Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. As at the Latest Practicable Date, we had no material contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions concern about (i) key management compensation; and (ii) amounts due from/to Jinan Huanneng, our Controlling Shareholder. For details of our related party transactions, please refer to Note 37 to the Accountants' Report set out in Appendix I to this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Directors confirm that we had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

PROPERTY INTERESTS AND VALUATION OF PROPERTY

As at the Latest Practicable Date, (i) no single property interest that forms part of our property activities had a carrying amount of 1% or more of our total assets, and the aggregate carrying amount of such property interests did not exceed 10% of our total assets; and (ii) no single property interest that forms part of our non-property activities had a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report on all of our interests in land or buildings.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks: mainly market risk, credit risk and liquidity risk. The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

Market risk

For foreign exchange risk, the Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. As at the Latest Practicable Date, we do not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For interest rate risk, it primarily arises from borrowings, cash and cash equivalents, and restricted bank deposits. Those carried at floating rates expose us to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in note 32 to the Accountants' Report set out in Appendix I in this document.

Credit risk

We are exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade receivables, note receivables and deposits and other receivables. The carrying amount of each class of the above assets represents our maximum exposure to credit risk in relation to the corresponding class of assets.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. Liquidity risk is centrally managed by our finance department. The finance department ensures that we maintain sufficient funding to meet its debt obligations under reasonably foreseeable scenarios by monitoring cash balances, marketable securities, and rolling 12-months cash flow forecasts.

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant.

As advised by our PRC Legal Advisor, any future net profit that we make shall be used to pay or declare dividends after our Board has formulated a profit distribution plan and approved by our Shareholders in a general meeting. However, such net profit must be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such statutory common reserve fund has reached more than 50% of our registered capital.

DISTRIBUTABLE RESERVES

As at 31 December 2025, our Group had no reserves available for distribution to our Shareholders.

[REDACTED]

Based on the mid-point **[REDACTED]** of **[REDACTED]**, the total estimated **[REDACTED]** in relation to the **[REDACTED]** are approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**), assuming the **[REDACTED]** is not exercised. Our total **[REDACTED]** consist of (i) **[REDACTED]**-related expenses of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**); and (ii) non-**[REDACTED]**-related expenses of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**), comprising (a) fees and expenses of legal advisers and accountants of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**); and (b) other fees and expenses of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**).

During the Track Record Period, we incurred **[REDACTED]** of approximately **[REDACTED]** for FY2025, of which approximately **[REDACTED]** were recognised in our statements of profit or loss for FY2025, and approximately **[REDACTED]** were recognised as prepayments in our statements of financial position as at 31 December 2025, respectively, to be accounted for as a deduction from equity upon the **[REDACTED]**.

Subsequent to the Track Record Period, we expect to incur further **[REDACTED]** of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) prior to and upon completion of the **[REDACTED]**, of which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) is expected to be recognised as expenses in our statements of profit or loss, and approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) is expected to be accounted for as a deduction from equity upon the **[REDACTED]**.

The **[REDACTED]** to be incurred subsequent to the Track Record Period consist of (i) **[REDACTED]**-related expenses of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**); and (ii) **[REDACTED]**-related expenses of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**), comprising (a) fees and expenses of legal advisers and accountants of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**); and (b) other fees and expenses of approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**).

The **[REDACTED]** described above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save for the estimated non-recurring **[REDACTED]** as disclosed in the paragraph headed "**[REDACTED]**" in this section, since 31 December 2025 and up to the date of this document: (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, profitability, cost structure, financial and trading position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in the Accountants' Report in Appendix I to this document materially and adversely.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances 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

For details of our unaudited **[REDACTED]** adjusted consolidated net tangible assets, please refer to the section headed "Unaudited **[REDACTED]** Financial Information" in Appendix II to this document.