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Application Proof of

Shandong Huanneng Design Institute Company Limited (山 東 省 環 能 設 計 院 股 份 有 限 公 司) (the “Company”)

(A joint stock company established in the People’s Republic of China with limited liability)

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Shandong Huanneng Design Institute Company Limited 山東省環能設計院股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] (subject to [REDACTED])
under the [REDACTED]
Number of [REDACTED] : [REDACTED] (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] (subject to [REDACTED] and the
[REDACTED])
[REDACTED] : HK\$[REDACTED] per [REDACTED] plus
brokerage of 1.0%, SFC transaction levy of
0.0027%, AFRC transaction levy of 0.00015% and
Stock Exchange trading fee of 0.00565% (payable
in full on application in Hong Kong dollars,
subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [•]

Sole Sponsor



[REDACTED]



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The [REDACTED] is expected to be determined by agreement between us and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or about [REDACTED] (Hong Kong time) or such other date as may be agreed between the parties and, in any event, not later than [REDACTED] (Hong Kong time). The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. If, for any reason, the [REDACTED] is not agreed between us and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or before [REDACTED] (Hong Kong time), the [REDACTED] will not proceed and will lapse immediately.

Applicants for [REDACTED] may be required to pay, on application (subject to application channel), the [REDACTED] of HK\$[REDACTED] per [REDACTED], together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] is less than HK\$[REDACTED] per [REDACTED].

The [REDACTED] (for itself and on behalf of the [REDACTED]), with our consent, may reduce the indicative [REDACTED] below that stated in this document and/or reduce the number of [REDACTED] being offered under the [REDACTED] at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sdhuanneng.com not later than the morning of the last day for [REDACTED] under the [REDACTED]. Further details are set out in the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) at any time prior to 8:00 a.m. on the [REDACTED]. Upon the occurrence of any of the events set forth in the section headed “[REDACTED]” in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION
[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

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You should rely only on the information contained in this document to make your [REDACTED] decision. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED], any of the [REDACTED], any of our or their respective directors, officers or representatives, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] are set out in “Risk Factors” this document. Various expressions used in this section are defined or explained in “Definitions” and “Glossary of Technical Terms” in this document.

OVERVIEW

Founded in 2003, we are a comprehensive power engineering service provider based in Jinan, Shandong Province, China. Our comprehensive engineering solutions cover (i) engineering, procurement and construction (EPC) services; (ii) construction design and consultancy services; and (iii) other services (including construction supervision services, and construction operation and maintenance services) with a focus on power engineering for renewable energy, according to Frost & Sullivan, we ranked third among non-state-owned comprehensive power engineering service enterprises in the PRC comprehensive power engineering services industry, in terms of power industry revenue for 2025.

In terms of project nature, our projects fall into four categories. The first is power engineering – renewable energy, which include power and renewable energy generation, transmission and grid infrastructure projects. The second is power engineering – traditional energy, such as traditional power and energy generation and transmission. The third is municipal and construction, including urban infrastructure and utilities. The fourth is environmental protection engineering, covering environmental pollution control and waste treatment.

Over the years, we have achieved and accumulated a number of qualifications and recognitions for our professional services, including engineering qualifications of the highest category in our core services. Notably, we have obtained Grade A qualification for Engineering Design in the Power Industry in 2018, becoming one of only three non-state-owned enterprises in the PRC to hold such qualification at present. According to Frost & Sullivan, only a very limited number of non-state-owned engineering service providers hold Grade A engineering design qualifications in the power industry across the PRC.

COMPETITIVE STRENGTHS

We believe our competitive strengths lies with, among others, (i) the recognition as an experienced comprehensive power engineering service provider with dedicated and experienced founders, management team and engineers; (ii) receipt of a wide range of qualification coverage, which establishes our design capabilities and our own research and development efforts; (iii) our strong track record in renewable and traditional energy and, environmental protection engineering projects which positions us to benefit from the current industry trend; (iv) our strong core technologies and proven track record on pioneering power engineering projects; and (v) our established long-term relationships with existing customers and stable partnerships with our suppliers and subcontractors. See “Business – Competitive Strengths for more details.

SUMMARY

BUSINESS STRATEGIES

Currently, driven by sustained investment in power infrastructure, renewable energy, and grid construction, according to Frost & Sullivan, the market size of the PRC comprehensive power engineering services industry has increased from RMB194.8 billion in 2020 to RMB398.5 billion in 2024, and is expected to reach RMB678.6 billion by 2030. It is expected that the industry will grow at a CAGR of 10.5% from 2026 to 2030. Besides our core business activities in China, we have expanded, and will continue to expand, our market shares in comprehensive power engineering services in China and further strengthening our design and research and development capabilities.

In view of the industry trend, we shall (i) continue to elevate our market position and enhancing our market share in the comprehensive power engineering industry; and (ii) further strengthen our design and research and development capabilities. See “Business – Business Strategies” for more details.

CUSTOMERS

Our customers mainly include major state-owned power groups and large private enterprises. In terms of the number of customers, we have in total 362, 341 and 298 customers for the years ended 31 December 2023, 2024 and 2025. In terms of revenue, we derived approximately RMB143.4 million, RMB337.0 million and RMB414.7 million respectively from our largest customer, for the years ended 31 December 2023, 2024 and 2025, representing approximately 24.7%, 49.7% and 51.2% of our total revenue for the same periods, respectively. In the same periods, the revenue generated from our top five customers in each year during the Track Record Period amounted to approximately RMB344.6 million, RMB521.3 million and RMB598.7 million, representing approximately 59.2%, 76.9% and 73.9% of our total revenue for the respective periods.

SUPPLIERS, EQUIPMENT AND MATERIALS

Our suppliers mainly include (i) subcontractors for construction services and labour services for our power engineering projects, primarily for our EPC on a project basis; and (ii) suppliers for equipment and materials.

During the Track Record Period, we engaged subcontractors to provide certain construction and installation services and labour services, primarily for our EPC on a project basis. Construction design and consultancy services mainly involve labour subcontracting. When there are too many projects, we usually use labour subcontracting to flexibly adjust internal human resources to ensure timely project delivery and shorten the project delivery period. We mostly engage subcontractors through business negotiations and tender, whilst for design subcontracting, we tend to select subcontractors with long-term working relationships. We select our subcontractors based on several key factors, such as their location, reliability, capacity, quality, and price.

For the years ended 31 December 2023, 2024 and 2025, the purchases from our top five suppliers during the Track Record Period amounted to approximately RMB167.7 million, RMB338.1 million and RMB359.2 million, representing approximately 34.3%, 60.1% and 56.5% of our total purchase amount for the respective year. The purchase from our largest supplier amounted to approximately RMB46.2 million, RMB245.2 million and RMB270.1 million, representing approximately 9.4%, 43.6% and 42.6% of our total purchase amount for the respective year.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of consolidated statement of profits and loss

	Years ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 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

Revenue by segment

During the Track Record Period, we derived 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:

SUMMARY

	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

Gross profit and gross profit margins

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 RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
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

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%.

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 the increase in gross profit margin of EPC services from approximately 6.9% to 9.1% and increase in gross profit margin of construction design and consultancy services from approximately 31.8% to 33.2%, partially offset by decrease of gross profit margin for other services from approximately 23.1% to 6.0%.

SUMMARY

Profit for the year attributable to owners of the Company

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. 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 remained stable at approximately 4.8% and 6.7% for FY2024 and FY2025 respectively.

Summary of Consolidated Statements of Financial Position

	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	<u>529,395</u>	<u>598,649</u>	<u>616,909</u>	<u>608,148</u>
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	<u>643,504</u>	<u>667,529</u>	<u>620,330</u>	<u>549,064</u>
NET CURRENT (LIABILITIES)	<u>(114,109)</u>	<u>(68,880)</u>	<u>(3,421)</u>	<u>59,084</u>

SUMMARY

Summary of Consolidated Statements of Cash Flows

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) improving our operating cash flows; (ii) optimising our debt structure through replacement of short-term debt with long-term ones; and (iii) increase our current assets through receipt of [REDACTED].

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

SUMMARY

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	10.1%	11.5%	13.8%
Net profit margin	2.0%	4.8%	6.7%
Return on equity	N/A – negative equity	1,066.7%	94.6%
Return on total assets	1.9%	4.9%	7.9%
Current ratio	0.82	0.90	0.99
Quick ratio	0.82	0.90	0.99
Gearing ratio	N/A – negative equity	1,640.3%	122.1%
Debt to equity ratio	N/A – negative equity	Net cash position	Net cash position
Interest coverage	6.5	12.2	26.8

Please refer to “Financial information – Key financial ratios” for the calculation formula of the above ratios.

Contract backlog

The following table presents changes in the number of projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			After the Track Record Period and up till the Latest Practicable Date
	2023	2024	2025	Date
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Opening balance (Note 1)	271	476	604	785
Add: new projects (Note 2)	713	544	558	344
Less: projects completed (Note 3)	(508)	(416)	(377)	(118)
Ending backlog for the relevant year (Note 4)	476	604	785	1,027

Notes:

- Opening number of projects represents projects awarded but not yet completed at the beginning of each year/period.
- New projects awarded indicates projects contracted during each respective year/period, where multiple awarded tenders are consolidated into a single project to streamline our internal management and enhance efficiency.

SUMMARY

3. Projects completed refers to projects for which we have completed the project handover, certification and settlement with our customers.
4. Ending number of projects is derived as the opening number plus new projects awarded, minus completed projects for each respective period.

The following table sets out the movement in the value of our project backlog during the Track Record period and up to the Latest Practicable Date:

	For the year ended 31 December			After the Track Record Period and up till the Latest Practicable Date
	2023	2024	2025	
	RMB'000	RMB'000	RMB'000	RMB'000
Opening backlog value (Note 1)	285,758	1,645,899	1,262,442	1,505,947
Add: new contracted projects	1,942,696	377,814	1,029,271	218,776
Add/Less: adjustments (Note 2)	(926)	(83,192)	24,890	811
Less: recognised revenue	(581,629)	(678,079)	(810,656)	(346,400)
Ending backlog value (Note 3)	1,645,899	1,262,442	1,505,947	1,349,134

Notes:

1. The opening backlog value represents the total contract value of projects awarded but not yet completed at the start of each year/period.
2. Adjustments refer to the adjustments made to the total value of contract works awarded taking into account the amount of actual work orders on re-measurement basis.
3. The ending backlog value reflects the portion of estimated revenue for projects that remain uncompleted at the end of each year/period.

COMPETITIVE LANDSCAPE

The PRC comprehensive power engineering services industry is relatively fragmented, with competition mainly driven by service qualifications, project experience, technical capabilities, delivery capacity, and cost control. Large state-owned enterprises and established engineering groups generally hold advantages in major power infrastructure, grid, and large-scale clean energy projects due to their strong track records, financing capabilities, and full-chain service coverage. At the same time, regional and specialized service providers compete in specific segments such as survey and design, consultancy, supervision, and supporting engineering services. As PRC accelerates the construction of a new power system, market demand is increasingly shifting toward comprehensive service providers with expertise in clean energy, grid connection, energy storage, and digitized project management. Power engineering design enterprises need to continue investing in R&D in areas such as renewable energy, energy storage, source-grid-load-storage integration, digital design, AI-assisted design, virtual power plants and carbon asset management. The industry has strong demand for registered electrical engineers, registered structural engineers, project managers and multidisciplinary professionals. A talent pool combining technical expertise, project management experience and digital capabilities forms an important foundation for competitive advantage.

SUMMARY

RISK FACTORS

There are certain risks and uncertainties involved in [REDACTED], some of which are beyond our control. These risks are set out in “Risk Factors” in this document. Some of the major risks we face include:

- Our business and future growth are subject to macroeconomic conditions, and changes in government policies and market demand for our services, which are beyond our control.
- We face intense competition in our industry and largely depend on our ability to win bids for projects. Failure to compete effectively may cause us to lose market share and adversely affect our results of operations.
- We bear ultimate responsibility to project owners for the performance, quality, and timely execution of our suppliers and subcontractors.
- Our revenue is concentrated among a limited number of customers, and we rely on a limited number of suppliers and a number of subcontractors.
- We are exposed to substantial potential risks and liabilities associated with our EPC services.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors and confirmed by legal advisors, there were no litigation, arbitration or administrative proceedings against our Group or any of the Directors which had caused a material and adverse effect on our business, results of operations or financial condition. For details of ongoing litigation, see “Business – Legal Proceedings And Regulatory Compliance – Legal Proceedings”.

SUMMARY

We are subject to various regulatory requirements and guidelines issued by regulatory authorities in PRC. For more information about our certain non-compliance with relevant laws and regulations during the Track Record Period, see “Business – Legal and Regulatory Compliance – Non-compliance events”. During the Track Record Period and as at the Latest Practicable Date, to the best knowledge of our Directors, we did not commit any material non-compliance of the laws and regulations, and we did not experience any material non-compliance incident, which taken as a whole, in the opinion of our Directors, is likely to have a material and adverse effect on our business, results of operations or financial condition.

Our PRC Legal Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, we complied in all material respects with the relevant PRC laws and regulations relating to our business operation and we obtained licences, approvals and permits from the appropriate regulatory authorities that are material for our business operations in the PRC.

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Jinan Huanneng held approximately 78.4% of our issued Shares, and Jinan Huanneng is in turn held as to 51.0% by Mr. Zhang Fuquan, 24.5% by Mr. Zhang Guanzhou and 24.5% by Mr. Yang. As Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang collectively control approximately 78.4% of our issued capital through Jinan Huanneng, accordingly, Mr. Zhang Fuquan, Mr. Zhang Guanzhou, Mr. Yang and Jinan Huanneng constitute a group of Controlling Shareholders. Immediately following the completion of the [REDACTED], and assuming that the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], our Controlling Shareholders will hold in [REDACTED] approximately [REDACTED]% of the issued share capital of our Company.

[REDACTED]

Based on the mid-point [REDACTED] of HK\$[REDACTED] per Share, 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].

SUMMARY

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of the H Shares following the completion of the [REDACTED] ⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [REDACTED] ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of the market capitalisation is based on the assumption that [REDACTED] will be in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised at all).
- (2) Please see “Appendix II – Unaudited [REDACTED] Financial Information” in this document for details regarding the assumptions used and the calculation method.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED], assuming that an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and the [REDACTED] is not exercised, and after deducing the [REDACTED] commissions and other estimated expenses payable by us in connection with [REDACTED]. We intend to use such [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED] (or HK\$[REDACTED]), to be used for elevating our market position and enhancing our market share in the comprehensive power engineering industry, particularly within the renewable energy sector, comprising: [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to fund our upcoming and potential EPC projects; [REDACTED] of the [REDACTED] (or approximately HK\$[REDACTED]) will be allocated to fund our upcoming and potential construction design and consultancy projects; [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to fund the establishment of regional branch companies and subsidiaries in our core target markets and potential geographic areas; and [REDACTED] of the [REDACTED] (or approximately HK\$[REDACTED]) will be allocated to fund our recruitment and talent acquisition initiatives to support our expanding project pipeline;
- approximately [REDACTED] (or HK\$[REDACTED]), to be used for strengthening our design and research and development capabilities; and
- approximately [REDACTED] (or HK\$[REDACTED]), to be used for working capital and general corporate purposes.

SUMMARY

LISTING ON THE NEEQ AND VOLUNTARY DELISTING FROM NEEQ

On 25 July 2016, our Company received approval for our Shares to be listed on the NEEQ in the PRC (stock code: 838602), and our Shares began trading on the NEEQ in the PRC on 10 August 2016. Having taken into account our operation demands and long-term development plans, the listing of our Shares on the NEEQ no longer satisfied the then financing needs of our Company. As such, our Shareholders resolved to voluntarily delist our Shares from the NEEQ. The delisting of our Shares from the NEEQ was completed on 12 October 2023.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

After the Track Record period and up to the Latest Practicable Date, we had been awarded 344 new projects, while 118 projects had been completed. The ending project backlog is 1,027 as at the Latest Practicable Date, compared to that of 785 as at 31 December 2025.

Our Directors confirmed that, save for the [REDACTED] as disclosed in the paragraph headed “[REDACTED]” in this section, since 31 December 2025, being the end of the Track Record Period, and up to the date of this document, there has been no material adverse change in the financial or trading position of our Group, and that there has been no event since 31 December 2025 that would materially affect the information in the Accountants’ Report presented in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings.

“Accountant’s Report”	the accountants’ report on the historical information of the Company and its subsidiaries included in the Accountants’ Report in Appendix I to this document
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company adopted on [•] to take effect on the [REDACTED], as amended or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of directors of our Company
“business day(s)” or “Business Day(s)”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

“China”, “Mainland China” or “PRC”	the People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to “China”, “Mainland China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company Law” or “PRC Company Law” Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time

“Company”, “our Company”, “the Company”, “we” or “us” Shandong Huanneng Design Institute Company Limited (山東省環能設計院股份有限公司), a limited liability company established in the PRC on 29 October 2003 which was converted into a joint stock company with limited liability on 29 December 2015

“connected person(s)” has the meaning ascribed to it under the Listing Rules

“connected transactions(s)” has the meaning ascribed to it under the Listing Rules

D19 “Controlling Shareholders” has the meaning ascribed thereto under the Listing Rules and in this context, refers to Mr. Zhang Fuquan, Mr. Zhang Guanzhou, Mr. Yang and Jinan Huanneng, further details of which are set out in “Relationship with Our Controlling Shareholders” in this document

[REDACTED]

“CSRC” the China Securities Regulatory Commission (中國證券監督管理委員會)

“Director(s)” or “Our Directors” the director(s) of our Company or any one of them

“Domestic Unlisted Share(s)” ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are offered by a domestic company but not listed or quoted for trading on any domestic trading venues;

“EIT Law” the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as enacted by the NPC on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time

“EIT” enterprise income tax

[REDACTED]

“Extreme Conditions” extreme conditions caused by a super typhoon or other natural disaster of a substantial scale seriously affects the working public’s ability to resume work or brings safety concern for a prolonged period as announced by the government of Hong Kong

DEFINITIONS

“Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company

[REDACTED]

“FY2023” the financial year ended 31 December 2023

“FY2024” the financial year ended 31 December 2024

“FY2025” the financial year ended 31 December 2025

[REDACTED]

“Group”, “our Group” or “the Group” our Company and its subsidiary

“Guide” The Guide for New Listing Applicants, as published by the Stock Exchange as amended or supplemented or otherwise modified from time to time

[REDACTED]

“HKFRSs” the Hong Kong Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the Hong Kong Accounting Standards Board (HKASB) and the Hong Kong Accounting Standards (HKAS) and interpretations issued by the Hong Kong Accounting Standards Committee (HKASC)

“HKFRS Accounting Standards” include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants

“H Share(s)” overseas [REDACTED] foreign ordinary share(s) in the share capital of our Company with a nominal value of RMB1.0 each, which are to be subscribed for and traded in Hong Kong dollars and to be [REDACTED]

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong dollar(s)”, “HK dollar(s)”, “HKD” or “HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange”

The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

“Hong Kong” or “HK”

the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”

individual(s) or company(ies) who or which, to the best of our Directors’ knowledge having made all due and careful inquiries, is/are independent from and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

DEFINITIONS

[REDACTED]

“Jinan Huanneng”	Jinan Huanneng Investment Holding Co., Ltd.* (濟南環能投資控股有限公司), a limited liability company established in the PRC on 21 September 2015, which is one of our Controlling Shareholders holding approximately 78.4% of the total issued share capital of our Company as at the Latest Practicable Date
“Latest Practicable Date”	[20 June 2026], being the latest practicable date prior to the printing of this document for ascertaining certain information in this document
“Listing Committee”	the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Mr. Yang”	Mr. Yang Liangbo (楊良波), one of the founders of our Company and Controlling Shareholder of our Company

DEFINITIONS

“Ms. Wang” Ms. Wang Youmei (王友梅), an executive Director and Shareholder of our Company

“NEEQ” National Equities Exchange and Quotations

“Nomination Committee” the nomination committee of our Board

[REDACTED]

“PRC Government” the central government of the PRC, including all government subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them

“PRC Legal Advisor” Jingtian & Gongcheng, our legal advisors as to PRC laws in connection with the [REDACTED]

“[REDACTED] Investment(s)” the investment(s) in our Company undertaken by the [REDACTED] Investors prior to this [REDACTED], details of which are set out in “History, Development and Corporate Structure”

“[REDACTED] Investor(s)” holder(s) of Shares pursuant to the [REDACTED] Investments, details of which are set out in the section headed “History, Development and Corporate Structure”

[REDACTED]

“Remuneration Committee” the remuneration committee of our Board

DEFINITIONS

“Reporting Accountants”	BDO Limited, the reporting accountants of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Zhongneng”	Shandong Zhongneng Engineering Construction Co., Ltd.* (山東省中能工程建設有限公司), a limited liability company established under the laws of the PRC on 30 December 2022, a subsidiary of our Company
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including both Domestic Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)

[REDACTED]

“Sole Sponsor”	Eddid Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the sole sponsor to the Listing

[REDACTED]

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the period comprising the three financial years ended 31 December 2023, 2024 and 2025
“U.S. dollar(s)” or “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

[REDACTED]

“United States”, “U.S.” or “US” the United States of America, its territories, its possessions and all areas subject to its jurisdiction

[REDACTED]

“%” per cent

All dates and times refer to Hong Kong dates and time.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be as arithmetic aggregation of the figures preceding them.

* *For identification purpose only, if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“AI”	artificial intelligence, the science of researching and developing theories, methods, technologies and application system that simulate and extend human intelligence
“Belt and Road Initiative”	the trading policy of the PRC Government aimed at linking China to the world and to facilitate the trading between China and its neighboring Asian and European countries along the new silk road
“BIM”	acronym for building information modelling, the process of generating and managing building data during its design, construction and building life cycle
“CAD”	computer-aided design
“CAGR”	compound annual growth rate
“contract value”	final negotiated or proposed price of a contract before tax
“EPC” or “EPC project”	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor’s own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
“EVTOL”	electric vertical take-off and landing, a technology that enables flying vehicle to take off and land vertically and powered by electricity
“GFA”	gross floor area
“GIS”	Geographic Information System, a technical system that collects, stores, manages, calculates, analyzes, displays and describes the geographical distribution data of the entire or part of the Earth’s surface (including the atmosphere) with the support of computer hardware and software systems

GLOSSARY OF TECHNICAL TERMS

“GNSS”	Global Navigation Satellite System, a space-based radio navigation and positioning system that provides all-weather positioning, navigation, and timing (PNT) for any location on the surface of the Earth or in near-Earth space. In 2007, the United Nations recognised the Global Positioning System (GPS) of the United States, the Global Navigation Satellite System (GLONASS) of Russia, the Galileo Navigation Satellite System (Galileo) of the European Union, and the BeiDou Satellite Navigation System (BeiDou Navigation Satellite System) of China. Navigation Satellite System (BeiDou Navigation Satellite System, BDS) are recognised as the four major global satellite navigation and positioning systems
“GW”	gigawatt
“HVAC”	Heating, Ventilation, and Air Conditioning, referring to the integrated systems and technologies used to regulate indoor environmental comfort in residential, commercial, and industrial buildings by controlling temperature, humidity, air quality and airflow, commonly utilizing copper tubes, coils, and fittings for efficient refrigerant circulation and heat exchange in air conditioning and refrigeration applications
“LiDAR”	a remote sensing technology that uses laser pulses to measure distances and create precise 3D maps, widely used in autonomous vehicles, mapping, and environmental monitoring
“kV”	kilovolt
“kW”	kilowatt
“MW”	megawatt
“new energy”	clean energy that does not emit pollutants and can be directly used for production and daily life, including wind power, solar power, geothermal power, garbage power, straw and other renewable energy
“O&M”	acronym for “operation and maintenance”
“PV” or “photovoltaic”	used to describe the direct conversion of light into power using semi-conductor devices
“sq.m.”	square meters
“UAV”	Unmanned Aerial Vehicle, an aircraft without a human pilot onboard, typically relying on GNSS for navigation and positioning

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiary that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future.

Such statements reflect the current views of our management made as of the date of this document with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operation, business strategies and business prospects;
- the actions of and developments affecting our customers and suppliers;
- general economic political and business conditions, and the industries trend of comprehensive power engineering industry, particularly the new energy sector, and customers’ demand for engineering services;
- future developments, trends, conditions, standards, regulatory requirements and competitive landscape in the industry and markets in which we operate; and
- certain statements included in the sections headed “Risk Factors”, “Industry Overview”, “Regulatory Overview”, “Business”, “Financial Information” and “Future Plans and Use of [REDACTED]” in this document with respect to operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised.

RISK FACTORS

You should carefully consider all of the information in this document including the risks and uncertainties described below before making [REDACTED]. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that most of our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition and operating results could be materially and adversely affected by any of these risks. The [REDACTED] could decline due to any of these risks, and you may lose all or part of [REDACTED]. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we deem to be immaterial, could also have a material adverse effect on our business, financial condition and operating results.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth are subject to macroeconomic conditions, and changes in government policies and market demand for our services, which are beyond our control.

We are a comprehensive power engineering service provider specialising in the provision of EPC, construction design and consultancy services, with a focus on new energy sectors. Our business and future growth prospects depend on general economic conditions and levels of the aforementioned business segments, as well as other construction and infrastructure development in China. The activities in respect of power industry, and other construction and infrastructure development in China are susceptible to global economic fluctuations and market uncertainty. Our revenue may be adversely affected if the global economy, especially the economy of China, experiences slower growth or enter into recession, or if the spending on the power industry, in particular new energy sectors, and other construction projects is reduced, including any reduction in government infrastructure spending.

In addition, we are susceptible to changes in government policies related to the power and engineering industries, including those that affect the development, financing, investment and tax policies of power infrastructure and new energy sector in the fields of our core specialisations. We are also susceptible to changes in local government budgets and the regulation regarding private enterprise’s participation in the infrastructure industry. We cannot assure you that Chinese government’s industry-related policies will not change in the future, any adjustment and change in relevant policies by the government may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We face intense competition in our industry and largely depend on our ability to win bids for projects. Failure to compete effectively may cause us to lose market share and adversely affect our results of operations.

The PRC comprehensive power engineering service market is characterised by varying levels of competition across different segments. According to Frost & Sullivan, the market is led by large state-owned groups, while non-state-owned participants generally operate at a smaller revenue scale but compete through flexible customer response, specialised qualifications, regional coverage and one-stop service capabilities, and the non-state-owned segment is relatively fragmented. In this competitive landscape, we largely depend on our ability to win bids for projects; for the years ended 31 December 2023, 2024 and 2025, our tender success rate was approximately 65.3%, 64.8% and 65.7%, respectively. We cannot assure you that we will be able to maintain our historical tender success rates in the future.

RISK FACTORS

Despite high entry barriers regarding technical qualifications, competition has intensified due to favourable government policies encouraging power infrastructure and new energy alternatives and differentiated technical capabilities and efficient project delivery are key factors for maintaining competitiveness. We face competition from a significant number of peers that provide services or products similar to or substituting for ours. According to Frost & Sullivan, as of 2025, in terms of revenue from power engineering services, we ranked third among non-state-owned enterprises with both Grade A and professional Grade A qualifications in the comprehensive power engineering service market in the PRC.

Some of our competitors may have longer operating histories, greater capital resources, larger customer bases, stronger brand recognition, or more extensive financial, technical, and marketing resources than we do. As a result, these competitors may be better positioned than we are to develop quality services and products or to adapt to changing market trends. Our competitiveness depends on our track record of timely project delivery, the breadth of our service offerings, and our technological capabilities. Competitive pressures may require us to reduce our prices or increase our costs, which could adversely affect our profit margins. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations, and market position.

We bear ultimate responsibility to project owners for the performance, quality, and timely execution of our suppliers and subcontractors.

Our EPC services involves the design, procurement, construction, installation of project infrastructure for a project. We procure materials and organise construction based on various engineering design drawings and is responsible to the owner for the quality, adherence to project timeline, and costs of the project as per the contract. As we are responsible for the quality, safety, timeline, and cost of the contracted project, we undertake to select and recommend qualified and suitable professional subcontractors through bidding to complete the relevant construction tasks. Furthermore, we are responsible for the procurement of related equipment and components, as well as the overall project management and quality control.

There is no guarantee that we will be able to continuously engage suitably qualified subcontractors for our EPC projects and at a reasonable cost, and we may be required to terminate our engagement with our subcontractors at various stages of our projects, which may lead to significant delays in the progress of, or prolonged suspensions to, the projects, and the incurrence of significant wasted costs. Moreover, there is no assurance that the engineering services, raw materials and equipment procured by us, or provided under our supervision, will consistently meet the stringent standards and requirements of the project owners. Our failure to ensure the quality, availability and performance of our subcontractors, as well as the engineering services, raw materials and equipment for, our projects may adversely impact the quality, progress and completion timeline and cost of our projects, and thereby adversely impact our business, reputation, relationship with our customers and financial position.

Our revenue is concentrated among a number of customers, and we rely on a limited number of suppliers.

We rely on a limited number of suppliers for construction services. During the Track Record Period, we procured certain construction services from Customer Group A, which accounted for 24.7%, 49.7% and 51.2% of our total procurement in the corresponding year respectively.

RISK FACTORS

We also rely on a limited number of customers for construction services. During the Track Record Period, our total revenue attributable to our five largest customer in each year during the respective year was 59.2%, 76.9% and 73.9% respectively.

Further, we engaged subcontractors to provide certain construction and installation services and labour services, primarily for our EPC on a project basis. When there are too many projects, we usually use labour subcontracting to flexibly adjust internal human resources to ensure timely project delivery and shorten the project delivery period. During the Track Record Period, we engaged in total 432, 427 and 426 subcontractors, all independent third parties, for the years ended 31 December 2023, 2024 and 2025.

Any interruption in the operation of these suppliers or subcontractors, inability to accommodate our business growth, termination or suspension of supply arrangements, change in procurement terms, deterioration in our relationships, or disputes with them could materially and adversely affect our operations. In addition, supply and project execution could be disrupted by accidents, natural disaster, labour shortages, supply chain bottlenecks, or other unforeseen events beyond our control. If we are unable to identify and secure alternative suppliers and subcontractors on a timely basis and on commercially reasonable terms, we may not be able to deliver projects to our customers in the required quantities, on schedule, or at competitive prices. Any prolonged or significant supply disruption could have a material adverse effect on our business operations, financial condition and results of operations.

We are exposed to substantial potential risks and liabilities associated with our EPC services.

We are exposed to substantial potential risks and liabilities associated with our EPC services, which may be caused by one or several of the following factors: (i) ageing, malfunctioning, inappropriate installation, control or operation of various equipment, systems and facilities; (ii) human error or misconduct or strikes by or disputes with our labour force; (iii) external attacks, such as terrorist attacks and other malicious acts by third parties; and (iv) adverse weather or natural disasters. Any of the above may cause delay in our EPC projects or interruption of our business operation, and cause us to incur civil or criminal liability, material and adversely affect our businesses or cause us to incur significant additional costs or expenses. We may also suffer from claims by project owners or third parties resulting from claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work and their use of the projects and infrastructure we constructed. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realised from project claims could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent that profit has already been accrued on a project contract basis. Charges associated with claims brought against us and write downs associated with claims brought by us could have a material adverse impact on our business, financial position and results of operations.

Given the nature of our business, we cannot assure you that any measures we may take will be sufficient to prevent work-related injuries or deaths of our employees, or the labours of our subcontractors, which may damage our reputation and corporate image, and accordingly have a material adverse effect on our construction qualifications, business, financial position and results of operations. We cannot assure you that the above risks and uncertainties will not affect our operations or lead to any accidents, thus causing harm to people or the environment, leading to suspension or termination of our projects, and resulting in significant liabilities to us. If any of these risks materialises, it could have a material and adverse effect on our business, financial position and results of operations.

RISK FACTORS

Tender price may not reflect the actual costs involved. If we fail to accurately estimate the overall risks or cost of projects, or the time needed to complete the relevant projects, we may experience cost overruns, schedule delays, additional expenses, lower profitability, or losses, or could even encounter events giving rise to contract disputes.

Our contract price is usually based on our estimated project costs (which mainly include labour costs, equipment costs, material costs and sub-contracting costs) at the time when we submit our tenders for projects. We currently generate, and expect to continue to generate, a substantial portion of our revenue from contracts with a pre-agreed price in our EPC services, and construction design and consultancy services in both of our business segments. The terms of these contracts require us to complete a project for a pre-agreed price which is generally established prior to commencement of work and therefore expose us potentially to cost overruns.

Our estimates of the costs for completing a project are subject to a number of assumptions, including market conditions, future economic conditions the cost and availability of labour and raw materials, sub-contractors’ performance, utilisation rates of shield tunnelling machines and construction and technical standards to be applied to the project. However, these assumptions may be inaccurate. To a certain extent, we are exposed to fluctuation risks in raw material price, labour costs and equipment costs in some projects, depending on the terms agreed in specific contracts. Some of our construction contracts include price adjustment clauses, which permit us to negotiate with project owners or clients for compensation under certain circumstances, such as a change in laws, regulations and policies that affect the contract price or price adjustments announced by the authorities overseeing construction costs. However, even for contracts that contain price adjustment clauses, we are generally required to bear a portion of the increased costs. In addition, delays caused by inclement weather, technical issues and an inability to obtain the requisite permits and approvals, or failure by the project owner to fulfill construction conditions or site preparation as scheduled, as well as other variations and risks inherent in the performance of contracts, may cause our actual overall risks and costs to substantially differ from our original estimates despite buffers we may build into our bids for increases in labour, raw materials and other costs. Cost overruns can result in a lower-than-expected profit or a loss on a project.

Similarly, we may be unable to complete a project in accordance with the schedule set forth in the relevant contract. A project can be delayed for a number of reasons, including those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of funding disputes with suppliers and sub-contractors, employees, local governments and communities, natural disasters, and availability of technical or human resources. Our overseas projects may also be affected by factors such as any adverse changes in the relations between the PRC and relevant foreign governments, war or other significant adverse developments in international relations.

From time to time, we may need to perform extra work for our contracts on customers’ requests or adjust the work scope under our contracts (for example, when the project owner changes the design after the design plan is confirmed). This may result in disputes over whether the work performed is beyond the scope of work included in the original project specifications, or what price the customer should pay for the extra work. Although some of our contracts stipulate that the customer should be responsible for costs of the extra work they requested, we may be required to advance the cost of such work for a lengthy period of time until the design change is approved and funded by our customers. We cannot assure you that we will be able to recover the costs arising from change in scope of work caused by a project owner. In addition, any delay caused by the extra work may impact the progress of our projects and our ability to meet specific contract milestone dates. We may not be able to recover all incurred costs if the design

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changes initiated by our customers are subsequently be declined by relevant authorities or result in contract disputes. We cannot assure you that we will be able to recover the cost of the extra work in full or at all, which may lead to business disputes, or may otherwise adversely affect our business, financial position, results of operations and prospects.

For details of our loss-making projects during the Track Record Period, please refer to “Business – Project movement and contract values – Project Movement based on business segment. We cannot guarantee that we will not encounter cost overruns or delays in our current and future projects, which could cause our costs to exceed our budget or cause us to be required to pay liquidated damages in accordance with the terms of our contracts, with a consequent reduction in profits or even loss on our contracts. Cost overruns or delays could therefore have a material adverse effect on our business, financial position, results of operations and prospects.

We may not be able to meet our significant working capital requirements if we experience significant delays in our progress payments and settlement process, or significant delays or defaults in our trade receivables and bills receivable, performance guarantees or retention fees.

Most of our EPC projects take a substantial period of time to complete. Therefore, the contracts for our various construction contracting business generally require our clients to make payments on a regular basis to us in instalments upon our achieving certain project milestones or with regard to the portion of work completed. See “Business – Customers – Contract Terms” for further details. Our contracts for construction services generally include promises to provide labors and materials, as well as a guarantee that the constructed asset is free from defects for a period of 2 years after completion. We have determined that these contracts generally contain only a single performance obligation because there is a significant integration of the different promised goods and services underlying each contract, and we act as a principal in these transactions. We record contract assets when we have performed work that is transferred to customers but remains conditional on certification by supervision engineers or customer representatives before becoming an unconditional right to billing. Our contract assets were approximately RMB27.5 million, RMB61.8 million and RMB39.5 million as at 31 December 2023, 2024 and 2025, respectively, and there is no assurance we will be able to bill them on time or in full. Our trade receivables after deducting provision for impairment were approximately RMB140.0 million, RMB114.0 million and RMB152.2 million as of 31 December 2023, 2024 and 2025, respectively, representing approximately 26.4%, 19.0% and 24.7% of our total current assets at the corresponding dates, respectively. During the years ended 31 December 2023, 2024 and 2025, the provision for expected credit losses on trade receivables were approximately RMB120.3 million, RMB112.2 million and RMB114.0 million, respectively. For more information on our trade receivables and bills receivable, see “Financial Information – Discussion of certain selected items from our consolidated statements of our financial position – Trade receivables” and note 25 to the Accountants’ Report included in Appendix I to this document.

In line with the prevailing market practice adopted and under our typical commercial arrangements, approximately 3%-5% of the contract value is typically withheld by our clients as retention fee against any possible defects in the quality of our work and will only be released after expiration of the defects liability period, which typically lasts for the two-years defects liability period. There is no assurance that the retention monies will be released by our customers to us on a timely basis and in full accordingly. As a result, we are often required to bear some costs and expenditures for projects prior to receiving full payment from our clients to cover such costs and expenditures. Furthermore, our clients generally require us to provide advance payment guarantees and performance guarantees to secure our contractual

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obligations. If our clients claim that we failed to perform our obligations and thus they delay or refuse to repay retention fees, our liquidity could be materially and adversely affected in a direct or indirect way. For more details, see “Business – Customers – Contract Terms”. Any default in payments of receivables and progress payments or delays in payments of retention fees owed to us or any unilateral demands on performance and quality guarantees by our clients may lead to a decrease in working capital available for our business. While we may file claims against clients for uncompensated costs we have incurred pursuant to our contracts, dispute resolutions process requires significant time, financial and other resources, and the outcome is often uncertain.

In addition, we face the risk that our clients may be unable to perform their contractual obligations due to their failure to obtain sufficient funding for project development, general financial difficulties or other reasons. Over the Track Record Period, our trading terms with our customers were mainly on credit. For the three years ended 31 December, 2025, our Group had turnover days of trade receivables of approximately 97.3 days, 68.3 days and 59.9 days, respectively. For the three years ended 31 December 2025, our turnover days of trade payables were approximately 154.3 days, 127.2 days and 103.4 days, respectively. When our clients require bank financing for EPC services, the availability and terms of financing in the market will have a significant impact on clients’ demand for our services. To the extent there is instability in the credit markets, the availability of credit may be limited and it may be difficult or expensive to obtain financing. This situation could negatively impact our clients’ ability to fund their projects and purchase our services. Accordingly, if our clients are unable to obtain financing in a timely manner or at a reasonable cost, the relevant projects may be adversely affected, we may be required to consider alternative sources of financing and/or delay our payment obligations and our financial performance and prospects may be materially and adversely affected.

We also routinely enter into contracts with suppliers and subcontractors, who may be negatively impacted by the credit market. If those counterparties are unable to perform their obligations to us or our clients, we may be required to provide additional services or make alternate arrangements on less favourable terms with other parties to ensure adequate obligation performance and provision of services to our clients. Moreover, we may be subject to disputes brought by clients, subcontractors or suppliers who refuse to make payment to us of costs exceeding forecasted expenditures or who deny their obligations to perform certain duties under their contracts. These circumstances could also lead to disputes and even litigations with our clients or other contractual counterparties, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

Any difficulty or delay in billing or collecting a substantial portion of our trade receivables, bills receivable, and contract assets could materially and adversely affect our cash flows, working capital, and financial positions.

Failure to pay the social insurance and housing provident funds on behalf of our employees may subject us to penalties.

Companies operating in China are required to pay for their employees’ social insurance (in most cases including pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing provident funds in amounts equal to a certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government at locations where they operate their business. Companies who fail to make adequate payments of social insurance and housing provident fund may be subject to late payment fees, fines and/or other penalties.

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During the Track Record Period, we were not in strict compliance with the social insurance and housing provident fund contributions requirements as prescribed by the relevant PRC laws and regulations. In particular, we did not make social insurance and housing provident fund contributions in full for our employees, and aggregate shortfall of social insurance and housing provident fund contributions amounted to approximately RMB5.4 million, RMB7.4 million and RMB7.0 million for the years ended 31 December 2023, 2024 and 2025, respectively.

As at the Latest Practicable Date, we had not been subject to any material administrative action or penalty imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor did we have any outstanding notice or demand from any competent authorities taking the initiative to order us to pay shortfalls for the social insurance and housing provident fund contributions. We were also not aware of any material pending complaint filed by any of our employees regarding our social insurance and housing provident fund policy. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us, thereby adversely affecting our financial condition and results of operations. Please refer to “Business – Legal proceedings and regulatory compliance – Non-compliance events” in this document for more information.

Any reduction, termination, or delay in the government grants or preferential tax treatments available to us could adversely impact our financial condition and results of operations.

During the Track Record Period, our Group received a variety of government grants from local PRC authorities, which were primarily awarded in recognition of our contribution for research and development of technology. For FY2023, FY2024, and FY2025, these government subsidies amounted to approximately RMB0.3 million, RMB0.1 million, and RMB0.9 million, respectively.

Our Company were qualified as new high-tech enterprise and was entitled to a preferential income tax rate of 15% during the Track Record Period, the current recognition is valid until 2027. Furthermore, we were entitled to claim R&D expenses incurred as tax deductible expenses when determining our assessable profits during the Track Record Period.

We cannot assure you that we will continue to qualify for such preferential tax treatments and government grants, or that the policies providing for the preferential tax treatments and government grants will continue to be effective. If we fail to provide requisite materials retained for future reference, we will not be entitled to enjoy the preferential tax treatments, as well as other benefits conferred under the accreditations. If we were not entitled to preferential tax treatments in the future, our effective tax rate may increase to 25%, and our income tax expense would increase accordingly, which will adversely affect our net profit.

Our revenue is generally non-recurring in nature, and most projects do not generate any recurring revenue upon completion.

We mainly provide EPC, construction design and consultancy services in the form of projects, which are non-recurring in nature and most projects do not generate any recurring revenue upon completion. Furthermore, as is customary in the industry in which we operate, we are awarded projects by our customers on a project-by-project basis, primarily through a competitive tendering process. Accordingly, our existing customers are not obligated to award projects to us or to place new orders, and there is no guarantee that we will be able to secure new business from our customers despite the long-term relationships we have established with them.

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As a result, our revenue and the number of projects we are able to secure may vary from period to period, making it difficult to accurately forecast the volume of our future business. We cannot guarantee that we will be able to secure business from our existing customers or develop relationships with new customers, in which case our business, results of operations, and prospects would be materially and adversely affected.

We are subject to various risks relating to Payment Arrangements during the Track Record Period.

During the Track Record Period, as requested by our Relevant Customers, we settled their payments with us through Third-party Payers and Third-party Payment Arrangements. The aggregate amounts of third-party payments we received from Third-party Payers were RMB0.4 million, RMB4.0 million and RMB0.5 million, respectively, representing 0.07%, 0.6% and 0.07% of our total revenue for the corresponding years. For details, please refer to “Business – Third-party Payment Arrangements” in this document.

We may be subject to various risks relating to such Third Party Payment Arrangements during the Track Record Period, including possible claims from third party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third party payors. In the event of any claims from third party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third party payments, we may have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

We are subject to inherent operational risks and occupational hazards at our construction sites that could result in substantial costs, reputational damage, or disruptions to our business.

Our operations are subject to inherent operational risks and occupational hazards, which may incur substantial costs for us, damage our reputation and loss of future business.

Construction sites are potentially dangerous workplaces and our specialised electrical energy engineering, environmental protection engineering, and municipal engineering and construction projects, and other construction projects routinely expose our engineers and other employees, subcontracted workers and other personnel to heavy machinery and equipment, moving motor vehicles, highly regulated and volatile materials. We continue to be subject to risks surrounding these activities, such as equipment failure, work injury accidents, geological catastrophes, fire and explosions. These hazards may cause personal injury or fatalities, as well as damage to or destruction of property and equipment. We cannot assure you that material workplace incidents will not occur in the future. Even if such incidents were not caused by our fault or negligence, such incidents may still cause us to incur substantial costs, damage to our reputation and loss of future business, which may materially and adversely affect our business, financial condition and results of operations.

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Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations.

Backlog in our major businesses represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog may not be indicative of future results of operations. For further details, see “Business – Project Movement and Contract Values – Project movements and backlog”. As at 31 December 2025, the unreceived contract value of our aggregate backlog for our construction projects was approximately RMB1,505.9 million from 785 projects; whereas as at the Latest Practicable Date, we had an ending backlog value of RMB1,785.9 million from 1,027 projects. However, this figure is based on the assumption that our relevant contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts may have a substantial and immediate effect on our backlog. Also, we cannot guarantee that the amount estimated in our backlog will be realised in full, in a timely manner, or at all, or that the realisation of our backlog will result in profits as expected. As a result, you should not rely on our backlog information as an indicator of our future earnings.

Our inability to attract, retain or secure senior management and key personnel for our operations could hinder our continuing growth and success.

Our success depends, to a significant extent, on the effort, professional expertise and experience of senior management and key personnel and our ability to continuously attract, retain and motivate key personnel. We compete with other regional and national construction contracting companies for recruiting experienced management and qualified personnel, and the competition for such personnel is intense. There can be no assurance that we will be able to continue to attract and retain the qualified personnel who are essential for our growth. The loss of services of any employees holding important positions or possessing substantial industry expertise or experience, including those in charge of project management, risk management, production, sales and marketing, research and development, and accounting and financial management, could have a material and adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected. For more information on our senior management, see “Directors and Senior Management” in this document.

We may have difficulty in managing our future growth, successfully expanding our operations, and our historical results may not be indicative of our future performance.

We have generated revenue of approximately RMB581.6 million, RMB678.1 million, and RMB810.7 million for each of FY2023, FY2024, and FY2025, respectively, and recorded revenue growth of approximately 19.6% between FY2024 and FY2025. As a company operating in the energy and power industry, we may face operational, financial and managerial challenges, and our forecasts may be less predictable than those of more mature businesses.

To continue our growth, we are required from time to time to take calculated risks. The success of our business operations and the continuous growth depend on our effective management of the resulting risks by, among others:

- improving our operational, financial and management systems;
- developing comprehensive and diverse competencies of our management team;

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- training, motivating, managing and retaining our employees and professionals;
- maintaining adequate facilities and equipment and design capacity resources, while ensuring a stable supply of materials, particularly for our EPC services;
- enhancing our risk monitoring to assess the financial condition and business;
- acquiring new customers and maintaining relationships with existing customers;
- managing our liquidity position while committing substantial resources to market expansion, business development, and service and product development efforts;
- managing the increased complexity of and costs associated with expanded operations, which may divert our resources and require substantial capital;
- managing our international business in terms of our exposure to foreign economic and political uncertainties, including but not limited to expropriation and nationalization of our assets; civil unrest, acts of terrorism, war, or other armed conflicts; natural disasters, including those related to earthquakes and flooding; governmental actions or policies that limit or disrupt markets.

Our future performance depends on our ability to manage growth effectively and execute our strategies, including expanding operations, increasing market penetration and developing new services. We may incur losses due to execution risks, unforeseen costs or delays. If we fail to achieve operational efficiency and sustainable profitability, our business and the [REDACTED] could be adversely affected.

There is no guarantee that our recent growth is indicative of our future performance. We cannot assure you that our systems, procedures, management, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or to manage the risks and uncertainties created by measures to achieve the foregoing, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We incurred net current liabilities as of 31 December 2023, 31 December 2024 and 31 December 2025.

We recorded net current liabilities of approximately RMB114.1 million, RMB68.9 million and RMB3.4 million as of 31 December 2023, 2024 and 2025, respectively. For reasons and further details, see “Financial Information – Net Current Assets and Net Current Liabilities”. We cannot assure you that we will not have a net current liabilities position in the future. The net current liabilities position, if it recurs in the future, would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

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We incurred negative reserves and accumulated losses during the Track Record Period.

As at 31 December 2023, we recorded negative reserves of approximately RMB29.1 million. Our accumulated losses during this period was primarily a result of unpaid registered share capital.

The historical presence of negative retained earnings restricted our capital management options and dividend capacity during the Track Record Period. While these negative retained earnings have subsequently been fully cleared and resolved as at 31 December 2025, we cannot assure you that we will not experience accumulated losses or negative retained earnings in the future, which could again limit our ability to declare or distribute dividends. We did not declare or pay any dividends during the Track Record Period, and we cannot assure you that our future operations will generate a sufficient surplus to distribute dividends to our Shareholders.

We are exposed to fair value change for financial assets measured at fair value through other comprehensive income (“FVOCI”) and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

We are exposed to fair value change for financial assets measured at fair value through other comprehensive income (“FVOCI”). As at 31 December 2023, 2024, and 2025, our financial assets measured at FVOCI were approximately RMB74.6 million, RMB1.3 million and RMB4.7 million, respectively, represents note receivables at the corresponding dates. Since the value of our financial assets depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including the possibility of bankruptcy of the unlisted entities. Any potential realised or unrealised losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition.

The fair value of our financial assets that are not traded in an active market is determined using valuation techniques, which require judgment and assumptions and involve the use of unobservable input, such as the discount for lack of marketability. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these financial assets. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

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We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

As at 31 December, 2023, 2024, and 2025, our contract liabilities were approximately RMB283.2 million, RMB317.5 million and RMB251.3 million, respectively. If we fail to fulfill our obligations in respect of contract liabilities, it may have a material and adverse impact on our business, reputation and liquidity position. Contract liabilities are recognised when the customers pay consideration before we recognise the corresponding revenue. Contract liabilities will also be recognised if we have an unconditional right to consideration before the related revenues are recognised. In this case, the corresponding receivables will also be recognised. For a single contract entered into with a customer, net contract assets or net contract liabilities are presented. For multiple contracts, contract assets and contract liabilities for unrelated contracts are not presented on a net basis. For further details, see “Financial Information – Contract Liabilities.”

We may be involved in claims and litigations in our ordinary course of business.

We may be involved in claims and litigation in the ordinary course of our business arising from defective or allegedly defective services or products, personal injuries, damage to or destruction of property, payment disputes, breaches of contract, project delays, and other miscellaneous matters with external parties. If found liable on such claims, we would be subject to significant monetary damages, as well as find ourselves subject to government sanctions, including fines and the loss or non-renewal of operational licenses, approvals and permits. For details on outstanding legal proceedings and potential claims, see “Business – Legal Proceedings and Regulatory Compliance”. We may be subject to lengthy and expensive legal proceedings if the dispute is not resolved through negotiations. Further, we might suffer negative publicity resulting from such claims. If any negative publicity or reputational harm is not effectively remedied or reversed, our existing or potential customers may develop negative views of the safety and quality of our services and products, which may negatively affect our ability to maintain solid relationships with our customers, engage new customers and expand into new markets. We cannot assure you that we will not be subject to future liability claims, or that if any such claims were successful, our business prospects, results of operations and reputation would not be materially and adversely affected.

We may be subject to design quality and construction liability claims.

Our business relies heavily on providing precise engineering designs and delivering high-quality EPC and construction services. Under PRC laws and regulations, we can be held liable for design defects, engineering flaws, or construction quality issues that arise during a project’s operational lifespan. Any calculation errors, planning oversights, or failure to meet rigorous national engineering standards by our design teams could result in project delays or structural issues for our clients. Major design or construction safety incidents could also expose us to regulatory penalties by PRC authorities, including the suspension or downgrading of our crucial professional qualifications (such as our power industry design or construction general contracting licenses). Any loss of qualifications or negative publicity would damage our market reputation, disqualify us from future tenders, and severely jeopardize our business and results of operations.

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Our insurance may not be adequate to cover all risks of loss associated with our business operations.

We maintain insurance policies in accordance with the needs of our business, industry practice and the requirements set forth in relevant laws and regulations. However, we cannot guarantee that our insurance will provide adequate coverage for all of the risks we face in our business operations. During the Track Record Period, we maintained group accident insurance for our personnel onsite our construction projects. Consistent with customary practice in China, we do not maintain any business interruption or litigation insurance policies which are not mandatory according to the laws and regulations of the PRC. If we were to incur substantial liabilities that are not covered by our insurance or if we suffer protracted periods of disruption or interruption in our business operations, we would incur significant costs and losses that could materially and adversely affect our results of operations. In addition, it is possible that the occurrence of certain incidents, including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents, may not be covered adequately, or at all, by our insurance. Any uninsured loss or liabilities may cause us to incur substantial costs and the diversion of resources, which could have a material and adverse effect on our operations and financial position.

We do not possess valid title or rights to certain properties that we occupy.

For our owned properties located in Shuntai Plaza in Jinan City of Shandong Province with an aggregate floor area of approximately 8,168 square meters, as at the Latest Practicable Date, no property ownership certificate has been issued. See “Business – Properties” for details of our property defects. We cannot predict how our rights as owner and our business, results of operations and financial position may be materially and adversely affected as a result of the absence of legal title or rights. We cannot assure you that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegally authorised use of their land or buildings, which could have a material and adverse effect on our operations and financial position.

We may not be able to adequately protect our intellectual property rights, and may be involved in intellectual property disputes and claims of infringement, which may harm our reputation and profitability.

We rely upon a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property rights. As at 31 December 2025, we also owned 165 valid patents, three registered trademarks register in the PRC, one computer software copyrights. During the Track Record Period, we have filed and have been granted 81 patents, and we have not filed and been granted any intellectual property rights in other jurisdictions.

For detailed information about our material intellectual property, see “Statutory and General Information – Further Information about our Business – Intellectual property rights of our Company” in Appendix VI to this document.

We rely primarily on a combination of patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership

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of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers. As at the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC and, to the best knowledge of our Directors and senior management, they are not aware of any such disputes. In the event that the measures taken by us or the protection afforded by law do not adequately safeguard our proprietary technology and other intellectual property rights, we could suffer losses in revenues and profits due to competing sales of products and services that exploit our intellectual property. Furthermore, we cannot assure you that any of our intellectual property rights will not be challenged by third parties. Adverse rulings in any litigation or proceeding could result in the loss of our proprietary rights and subject us to substantial liabilities, or even disrupt our business operations.

We are subject to extensive environmental, safety and health laws and regulations, and our compliance with these laws and regulations may cause an increase in our compliance cost.

Our operations are subject to various environmental, safety and health laws and regulations promulgated by the PRC government. Given the complexity and continuous amendments to these laws and regulations, compliance therewith may be complicated and may involve substantial financial, human and other resources to establish efficient monitoring systems, purchase pollution control equipment, and train our employees and subcontractors.

We are required to comply with a number of national and local environmental laws and regulations in the PRC that set out standards for the discharge and treatment of pollutants generated from our operations, including the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), the Regulations on the Administration of Pollutant Discharge Permits (排污許可管理條例), and the Measures for the Administration of Pollutant Discharge Permits (排污許可管理辦法). For example, in our EPC projects, we are required to take measures to control environmental pollution from construction sites and pay for the discharge of waste. Historically, the project owner rather than us has been responsible for obtaining the primary environmental protection permits, and while we handle day-to-day environmental compliance during construction, those core compliance costs are eventually passed to the project owner. In addition, we consider the environmental compliance costs of our construction design and consultancy services to be immaterial.

However, the regulatory landscape continues to evolve, and we cannot guarantee that authorities will not impose additional or stricter standards. Any changes or amendments to such laws or regulations may impose more onerous responsibilities, requiring us to change current practices or introduce enhanced internal controls that cause us to incur significant costs we may not be able to pass on to our customers. Any non-compliance or failure to remedy environmental damage in a timely manner may result in substantial penalties or fines, the suspension or revocation of our relevant licenses or permits, or an order from law enforcement officers to close our construction facilities. Such events could materially impact our operating results, financial condition, working capital, and market reputation, as well as hinder our endeavors to enter into new overseas markets that may have even more stringent regulations. See “Business – Environment Protection” and “Business – Occupational Health and Safety” for further details.

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We need to comply with the relevant laws and regulations or maintain the relevant licenses, certificates or permits.

Various aspects of our operations are subject to laws and regulations at the national and local level as well as industry standards. We are required to obtain prescribed technical qualifications in order to undertake certain projects. We cannot guarantee that our internal control measures will always be sufficient and effective in preventing non-compliance. If deemed non-compliant, we could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our qualifications, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the legal systems of the place we operate and engineering installation industry continue to evolve, relevant laws and regulations or their interpretation or enforcement may be amended or changed from time to time, and we may fail to make timely adjustments to comply with relevant laws and regulations. We may also be subject to the risk of penalty due to landlord violations. For more information about our certain non-compliance with relevant laws and regulations during the Track Record Period, see “Business – Legal and Regulatory Compliance”.

We operate heavily-regulated businesses that require us to obtain, maintain and renew a number of licenses, qualifications and permits. Further, we are subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant governmental authorities to maintain or renew such licenses, qualifications and permits. We cannot guarantee that we will be able to obtain, maintain or renew the requisite licenses, qualifications and permits, or comply with any new licensing requirements, when new laws or regulations are promulgated or existing laws or regulations are amended, which may subject us to resulting penalties, limitations or costs and, in turn, may have a material and adverse effect on our business, financial condition and results of operations. Further, extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect our competitiveness.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

Since our risk management and internal control systems depend on their effective implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures strictly, and the implementation of such policies and procedures may involve human error. We are unable to guarantee that our internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal or unethical activities. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China, and to new and evolving regulatory measures under applicable laws. We may also be subject to the changing social trends on the concerns regarding environmental, social and governance risks. Our efforts to comply with new and changing laws, regulations and social trends have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

Our business operations are subject to epidemics, adverse weather conditions, severe air pollution, natural disasters and other operating hazards.

Natural disasters, epidemics, severe air pollution, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Most of our EPC projects are conducted outdoors and are highly susceptible to these unpredictable disruptions. Serious natural disasters, operating risks or incidents such as earthquakes, floods, typhoons, landslides, sandstorms, snowstorms, fire, drought, or power, water and fuel shortages may result in loss of lives, injury, destruction of assets, and the temporary or permanent suspension or abandonment of our projects.

We may experience significant project delays caused by inclement weather, such as protracted periods of precipitation or extreme temperatures. We may also be ordered by authorities to temporarily halt certain construction projects during times of severe air pollution. These situations could result in our inability to meet key milestones set forth in the construction contracting contracts, and cause us to incur additional costs or breach of contractual obligations. Furthermore, widespread health epidemics or pandemic outbreaks could result in government-mandated quarantines, travel restrictions, labor shortages, and the extended closure of our corporate offices or construction sites, while requiring us to incur unexpected costs to maintain sanitation and implement supervisory measures.

Any significant delay, interruption, or technical and mechanical difficulty caused by these factors could impair our ability to meet our contractual commitments, render us liable for liquidated damages, or cause our customers to cancel their orders altogether. Acts of war or terrorism could also destroy our physical markets, disrupt our information management systems, and injure our employees or those of our business partners. Any such occurrences could materially reduce our revenue and profitability, limit our available working capital, damage our market reputation, and severely impact our business, financial condition, and results of operations.

RISK FACTORS

RISKS RELATING TO THE LOCATION WHERE WE CONDUCT BUSINESS

Changes in the economic, political and social conditions in China could affect our business and prospects.

All of our business, assets and operations are located in China, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in China. Similar to many other countries and regions, China regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and would continue to be affected by China’s economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world would continue to influence China’s economic growth and may cause uncertainties in our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

We may be affected by currency exchange regimes and exchange rate fluctuation.

While our revenue, liabilities, and assets are substantially all denominated in Renminbi, the PRC Government regulates the convertibility of the Renminbi into foreign currencies. We also participated in certain overseas projects during the Track Record Period. The foreign exchange management policies could affect us in receiving sufficient foreign currency to meet our financial needs. Foreign currency shortages may limit our ability to pay dividends or other payments to our Shareholders or otherwise satisfy our foreign currency-denominated commitments.

In accordance with the present PRC foreign exchange laws, certain recurring expenses may be paid for in foreign currency without prior approval from the local branch of SAFE provided that certain procedural conditions are met. However, government approval is necessary when Renminbi is to be converted into foreign currency and transmitted outside China to pay capital expenses such as the repayment of foreign currency-denominated debt. The restrictions on foreign exchange transactions imposed by capital accounts could also affect our ability to access foreign currency through debt or equity financing, such as loans or capital contributions from us. Moreover, such foreign exchange control measures may change in the future, should such change relates to the foreign currency control over our trading account, we may not be able to pay dividends in foreign currencies to Shareholders.

Fluctuations in the value of the Renminbi may have an effect on our business.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar, and other currencies is subject to fluctuations and changes that result from various factors, including economic and political developments of the domestic and international societies, and supply and demand in the local market. With an increased floating range of the Renminbi’s value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate gradually in value against the Hong Kong dollar, the U.S. dollar, or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently anchored. The Renminbi may also be allowed to be exchanged freely with U.S. dollar and/or other foreign currencies, which may also result in a significant appreciation or depreciation against the U.S. dollar or other foreign currencies. We cannot assure you that the Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

RISK FACTORS

Our revenues, liabilities, and assets are all denominated in Renminbi, whereas the [REDACTED] from our [REDACTED] will be denominated in Hong Kong dollars. As a result, material variations in the Renminbi-Hong Kong dollar exchange rate may have a negative impact on the value and amount of any dividends payable on our Shares. For instance, a considerable appreciation of the Renminbi versus the Hong Kong dollar could limit the amount of Renminbi received from converting the [REDACTED] of the [REDACTED] or future fundraising efforts into Renminbi to fund our operations. In contrast, a major depreciation of the Renminbi may increase the cost of translating our Renminbi-denominated cash flow into Hong Kong dollars, thereby decreasing our ability to pay dividends on our Shares or conduct other business operations. All of these factors could materially affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

There may be changes regarding the interpretation and enforcement of laws, rules and regulations where we conduct business.

Our operations are in the PRC and are subject to the PRC laws and regulations. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system can only be used as a reference. Since the PRC Government started economic reforms, the PRC has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. These laws and regulations are subject to changes in application and interpretation.

Holders of our [REDACTED] may be subject to PRC income tax on dividends from us or on any gain realised on the [REDACTED].

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realised from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realised through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of [REDACTED] may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

RISK FACTORS

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any judgments obtained from non-Mainland courts.

Substantially all of our assets and all of our Directors are located in the PRC. It may not be possible for [REDACTED] to serve those individuals or us in the PRC with legal documents. On 14 July 2006, the Supreme People’s Court of the PRC and Hong Kong Special Administrative Region Government entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), which was taken into effect on 1 August 2008. Pursuant to which a party with an enforceable final court judgment rendered by any designated Mainland court or any designated Hong Kong Special Administrative Region court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the relevant Mainland court or Hong Kong Special Administrative Region court. Similarly, a party with an enforceable final judgment rendered by a Mainland court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong Special Administrative Region court or a Mainland court is expressly identified as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a Hong Kong Special Administrative Region court’s verdict in the PRC if the parties to the dispute did not agree to a written choice of court agreement. On 18 January 2019, the Supreme People’s Court of the PRC and Hong Kong Department of Justice entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排》) (the “**New Arrangement**”), which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The Arrangement was superseded upon the effectiveness of the New Arrangement on 29 January 2024 but remained applicable to a “written choice of court agreement” entered into before the Arrangement taking effect. However, we cannot assure you that all final judgments will be recognised and effectively enforced by the relevant PRC court.

RISKS RELATING TO THE [REDACTED]

As there has been no [REDACTED], the [REDACTED] and [REDACTED] of our Shares following the [REDACTED] may be volatile.

Prior to completion of the [REDACTED], there has been no public market for our Shares. We cannot guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] at which our Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

RISK FACTORS

Potential [REDACTED] may result in an increase in the number of [REDACTED] available in the [REDACTED], which in turn may affect the [REDACTED].

Subject to approval by the CSRC, Domestic Unlisted Shares may be listed or traded on an overseas securities exchange. Any listing or trading of the above-mentioned Shares on an overseas securities exchange shall also comply with the regulatory procedures, rules and requirements of the relevant overseas securities exchange. Unless otherwise required by the overseas securities exchange, there is no requirement for the listing and trading of the above-mentioned Shares to be approved in a class meeting of our Company. For details, see “Share Capital – [REDACTED] into H Shares”. Potential [REDACTED] of a substantial amount of [REDACTED] could further increase the supply of [REDACTED] in the [REDACTED] and could negatively impact the [REDACTED] of [REDACTED].

[REDACTED] of our Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we [REDACTED] in the future.

The [REDACTED] of our Shares is expected to be higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, [REDACTED] of our Shares in the [REDACTED] will experience an immediate dilution in net tangible asset value per Share. In addition, in order to expand our business, we may consider [REDACTED] in the future. [REDACTED] of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will remain to have substantial control over their interests in the share capital of our Company. Subject to the Articles of Association, the Listing Rules and other applicable laws and regulations, our Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of our Company, will be able to exercise substantial control and exert substantial influence over our business or otherwise on matters of significance to other Shareholders and us by voting at the general meeting of the Shareholders. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed by the actions of our Controlling Shareholders.

Certain facts, forecast and statistics contained in this document are derived from publicly available official government sources and they may not be reliable.

Certain facts, forecasts and statistics in this document relating to the PRC, the PRC economy and industries relevant to us have been derived from various official government publications, the CIA and publicly available sources. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this document. However, the information from official government sources has not been prepared or independently verified by us, the [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, which may not be consistent with

RISK FACTORS

other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, [REDACTED] should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.

Our management has substantial discretion regarding how to use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may use the [REDACTED] from the [REDACTED] in ways that you may not agree with or that do not yield a favorable return to our Shareholders. By [REDACTED] in our Shares, you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED]. For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

[REDACTED] should read the entire document carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this document.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to or subsequent to the publication of this document, there has been or may be press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document or is inaccurate. We have not authorised the publication of any such information contained in the unauthorised press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this document, we expressly disclaim it. Accordingly, prospective [REDACTED] should only rely on the information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the [REDACTED].

Forward-looking information is subject to risks and uncertainties.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors described in this document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Hong Kong Stock Exchange, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [REDACTED] should not place undue reliance on such forward-looking statements and information.

WAIVERS AND EXEMPTIONS

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from strict compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our headquarters are based, and most of the business operations of our Group, are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play very important roles in our Company’s business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, or does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We have appointed Ms. Wang and Ms. Lau Mei Wah (劉美華) (“**Ms. Lau**”) as our authorised representatives (the “**Authorised Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our Company’s principal channel of communication with the Hong Kong Stock Exchange. The Authorised Representatives will be readily contactable by phone, facsimile and email to promptly deal with inquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
- (b) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and our senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorised representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange. Our Directors will also provide the phone number of the place of his/her accommodation to the Authorised Representatives in the event that any Director expects to travel or otherwise be out of office;
- (c) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time;

WAIVERS AND EXEMPTIONS

- (d) We have appointed Eddid Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon the Listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Advisor will have access at all times to our Authorised Representatives, Directors and other officers, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorised Representatives are not available. The contact details of the Compliance Advisor has been provided to the Hong Kong Stock Exchange and the Company will inform the Hong Kong Stock Exchange promptly in respect of any change in the Compliance Advisor; and
- (e) We have designated staff members as the communication officer at the Company’s headquarters after the [REDACTED] who will be responsible for maintaining day-to-day communication with the Authorised Representatives, and the Company’s professional advisors in Hong Kong, including our legal advisors in Hong Kong and the Compliance Advisor, to keep abreast of any correspondences and/or inquiries from the Hong Kong Stock Exchange and report to the executive Directors to further facilitate communication between the Hong Kong Stock Exchange and the Company.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors to be acceptable in assessing the “relevant experience” of the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

WAIVERS AND EXEMPTIONS

Our Company has appointed Ms. Wang, as one of our joint company secretaries. Ms. Wang has sufficient experience in our business but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Lau, who is associate member of The Hong Kong Chartered Governance Institute, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Ms. Lau will provide assistance to Ms. Wang for an initial period of three years from the [REDACTED] to enable Ms. Wang to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Ms. Wang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Wang may be appointed as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the [REDACTED], and is granted on the condition that Ms. Lau will work closely with Ms. Wang to jointly discharge the duties and responsibilities as company secretary and assist Ms. Wang in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Lau will also assist Ms. Wang in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Lau is expected to work closely with Ms. Wang and will maintain regular contact with Ms. Wang, the Directors and the senior management of our Company. The waiver will be revoked immediately if Ms. Lau ceases to provide assistance to Ms. Wang as a joint company secretary for the three-year period after the [REDACTED] or where there are material breaches of the Listing Rules by our Company. In addition, Ms. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. Ms. Wang will also be assisted by (a) the Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Ms. Wang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Wang, having benefited from the assistance of Ms. Lau for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Zhang Fuquan (張福泉)	Room 1702, Unit 1, Building 17 Jinxu Quancheng No. 999 Hualong Road Licheng District Jinan PRC	Chinese
Mr. Zhang Guanzhou (張冠洲)	Room 802, Unit 5, Building A Jixiangyuan No. 29 Wenhua East Road Lixia District Jinan PRC	Chinese
Ms. Wang Youmei (王友梅)	Room 1301, Unit 2, Building 12 Chunyu Jinlu Liugonghe West Road, Gangou Subdistrict Licheng District Jinan PRC	Chinese
Ms. Li Junying (李俊英)	Room 601, Unit 1, Building A12 Zhonghai Tianyuefu No. 700 Shunfeng Road Lixia District Jinan PRC	Chinese
Mr. Zhang Dan (張丹)	Room 0106, Unit 00, Building 62 Zhonghai Aolong Guandi No. 1118 Longao North Road Lixia District Jinan PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Residential address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Wong Wei Hua Derek (王煒華)	Flat D, 37/F, Block 8 Island Harbourview 11 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Liang Rongjin (梁榮進)	Room 1401, Building 2 Shandong Provincial Military District Retired Cadres’ Sanatorium No. 2 No. 37 Jianxin South Road Lixia District Jinan PRC	Chinese
Mr. Li Baocun (李寶存)	Room 303, Unit 1 No. 3 Fuxing Street Shizhong District Jinan PRC	Chinese

For further information regarding our Directors, see the section headed “Directors and Senior Management” in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	Eddid Capital Limited 21/F, CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
[REDACTED]	Eddid Securities and Futures Limited 21/F, CITIC Tower 1 Tim Mei Avenue, Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to our Company

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CORPORATE INFORMATION

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form part of this document)*

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Ms. Lau Mei Wah (劉美華)
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Authorised representative

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the United Kingdom)*

Board committees

Audit committee

Mr. Wong Wei Hua Derek (王煒華) (*Chairman*)
Ms. Wang Youmei (王友梅)
Mr. Liang Rongjin (梁榮進)

Remuneration committee

Mr. Liang Rongjin (梁榮進) (*Chairman*)
Mr. Li Baocun (李寶存)
Mr. Zhang Guanzhou (張冠洲)

Nomination committee

Mr. Zhang Fuquan (張福泉) (*Chairman*)
Ms. Wang Youmei (王友梅)
Mr. Wong Wei Hua Derek (王煒華)
Mr. Li Baocun (李寶存)
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INDUSTRY OVERVIEW

The information contained in this section, unless otherwise indicated, have been derived from various official government publications and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, [REDACTED] any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED], except for Frost & Sullivan, has independently verified such information nor give any representation as to the accuracy or completeness of such information. As such, you should not unduly rely upon such information in making, or refraining from making, any [REDACTED].

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the PRC energy solutions market. The report prepared by Frost & Sullivan for us is referred to in this document as industry report. We agreed to pay Frost & Sullivan a fee of RMB420,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan’s services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. We have included certain information from the industry report in this document because we believe this information facilitates an understanding of the PRC energy solutions market for the [REDACTED]. The industry report includes information of the PRC comprehensive power engineering service market as well as other economic data. Frost & Sullivan’s independent research consists of both primary and secondary research obtained from various sources in respect of the power engineering comprehensive service market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the industry report, various official government publications and other publications. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the PRC comprehensive power engineering service market.

OVERVIEW OF GLOBAL AND PRC POWER INDUSTRIES

The power industry plays a fundamental role in supporting the operation of the national economy and the energy transition. It encompasses power generation, transmission, distribution, dispatch, trading and related comprehensive energy services. As the global energy transition and the PRC’s new power system continue to evolve, the power industry is extending into a broader range of areas, including coordination among source, grid, load and storage segments, comprehensive energy services, and market-oriented operation. These developments impose higher requirements on power engineering design, system integration and comprehensive energy service capabilities.

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Traditional Power Generation

Traditional power generation mainly refers to power generation based on non-renewable energy sources such as coal, natural gas, conventional hydropower and nuclear energy. It provides the functions of meeting baseload demand, providing peak and frequency regulation, and supporting the secure and stable operation of power systems.

Renewable Energy Power Generation

Renewable energy power generation mainly refers to power generation based on non-fossil fuel energy sources such as wind, solar and biomass. It features low carbon emissions, broad resource availability and significant potential for large-scale development, and is gradually becoming an important source of newly installed power generation capacity across the global and PRC power markets.

In response to the challenges posed by climate change, the international community has gradually reached a consensus on achieving net-zero emissions. Governments and industry participants worldwide have continued to prioritize the development of renewable energy. Renewable energy power generation such as wind and PV power continues to account for an increasing share of electricity supply, creating additional demand for grid accommodation, energy storage deployment, intelligent dispatch and comprehensive energy management.

New Power System

The PRC is accelerating the development of a new power system focusing on renewable energy.

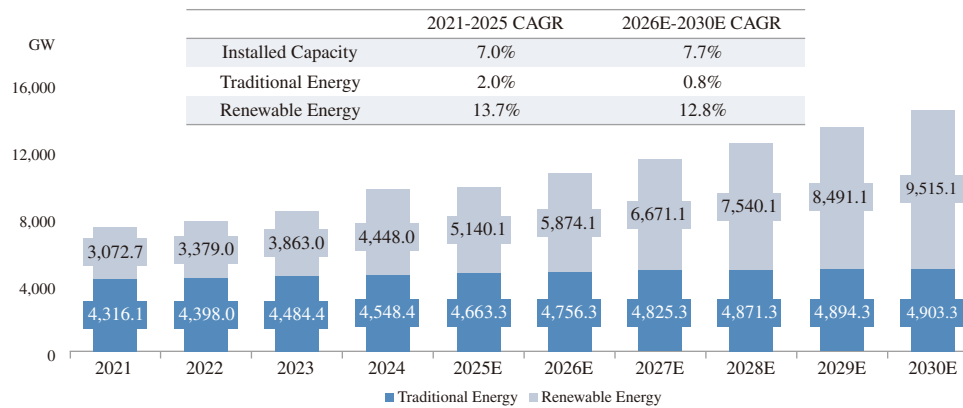
The new power system is centred on coordination among four key elements, “source, grid, load and storage”: on the power generation side, the share of installed new-type power system continues to increase; on the grid side, upgrades to power grids are enhancing their flexibility, digitalization and intelligence, while continuously improving their capacity to accommodate renewable energy; on the load side, electrification is expanding from automobiles to rail transit, vessels, construction machinery and aircraft, while the electrification of industrial energy consumption continues to deepen; on the energy storage side, the construction of energy storage facilities has entered a period of rapid development to address the intermittency of renewable energy power generation and support reliable power supply for new electricity consumption scenarios such as AI computing centers. These trends are driving power engineering design enterprises to evolve into full-lifecycle solution providers covering consultancy, design, EPC, O&M, and energy management.

Market Size of the Global and PRC Power Industries

Globally, cumulative installed power capacity is expected to increase steadily from 7,790.6 GW in 2021 to 14,844.1 GW by 2030E, representing a CAGR of 7.0% from 2021 to 2025 and 7.7% from 2026E to 2030E. Renewable energy is expected to be the main growth driver, rising from 3,072.7 GW in 2021 to 9,515.1 GW by 2030E, with CAGRs of 13.7% and 12.8% over the two respective periods. By contrast, traditional energy capacity is expected to grow only moderately, from 4,316.1 GW in 2021 to 4,903.3 GW by 2030E, reflecting the continued shift in the global power generation mix toward renewable energy.

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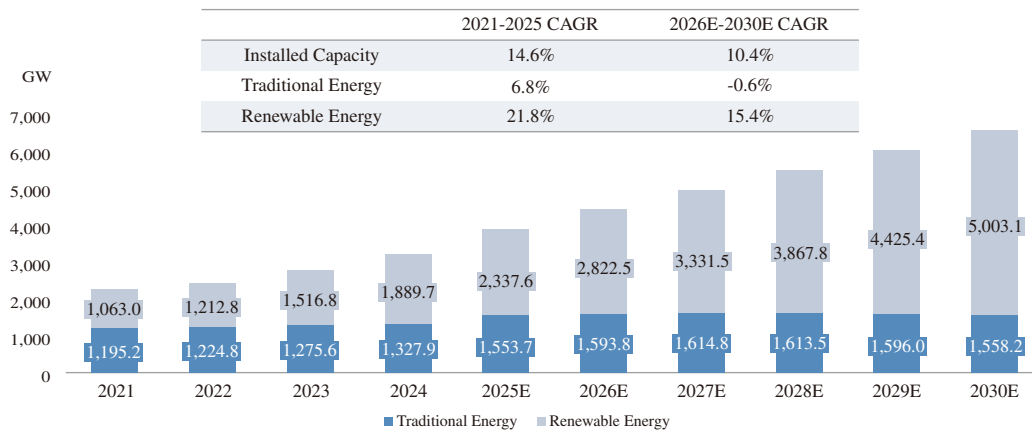
Global Cumulative Installed Power Capacity, 2021-2030E



Source: Frost & Sullivan

In the PRC, cumulative installed power capacity is expected to grow from 2,258.2 GW in 2021 to 6,561.3 GW by 2030E, at a CAGR of 14.6% from 2021 to 2025 and 10.4% from 2026E to 2030E. Renewable energy capacity is projected to expand rapidly from 1,063.0 GW in 2021 to 5,003.1 GW by 2030E, significantly outpacing traditional energy, which is expected to remain broadly stable and decline slightly from 2026E onward. This indicates that renewable energy will become the dominant source of capacity growth in PRC’s power system over the forecast period.

PRC Cumulative Installed Power Capacity, 2021-2030E



Source: Frost & Sullivan

Analysis of the Global and PRC Energy Storage Market Size, by Installed Capacity, 2021-2030E

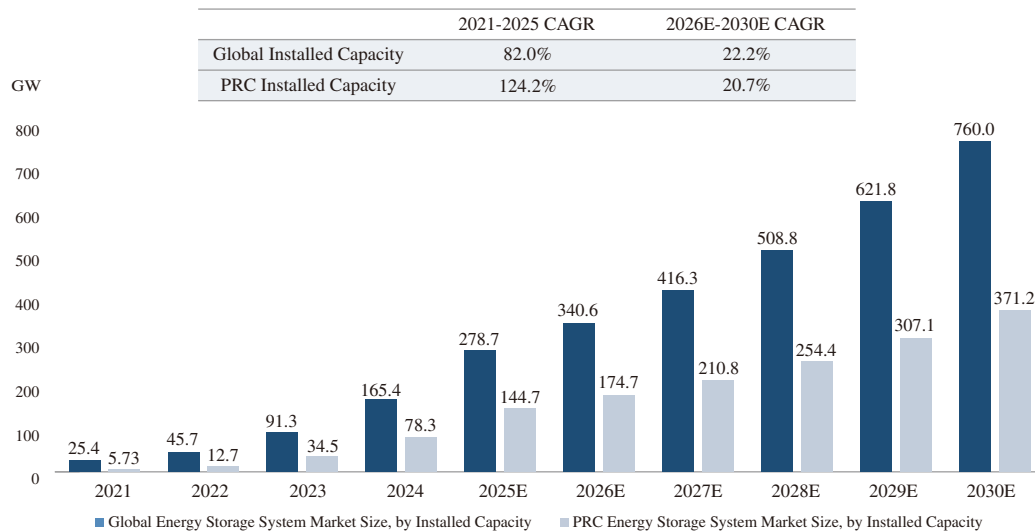
The expansion of the global and PRC power markets is characterized by steady growth in overall installed capacity and a continued increase in the share of renewable energy capacity. As wind power, PV power and other energy sources accelerate their development, renewable energy is expected to contribute an increasing share of newly installed capacity and further drive demand for supporting facilities and services such as energy storage, grid accommodation, grid connection and system dispatch.

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The global energy storage system market is poised for substantial expansion, propelled by the rapid growth of renewables, heightened requirements for grid flexibility, and a steady decline in storage costs. Installed capacity is projected to surge from 25.4 GW in 2021 to 760 GW by 2030E, representing a CAGR of 82.0% during 2021-2025E and 22.2% during 2026E-2030E growth that underscores the increasingly critical role of energy storage in enabling renewable integration and maintaining power system stability.

In the PRC, the energy storage system market is expected to expand at an even faster pace, supported by the country’s renewable energy build-out, ongoing power system reform, and growing demand for both grid-side and user-side storage solutions. Installed capacity is projected to climb from approximately 5.7 GW in 2021 to 371 GW by 2030E, at a CAGR of 124.2% during 2021-2025E and 20.7% during 2026E-2030E, cementing the PRC’s position as one of the world’s fastest-growing energy storage markets.

Global and PRC Energy Storage System Market Size, by Installed Capacity, 2021-2030E



Source: Frost & Sullivan

Market Drivers and Development Trends of the Power Industry

Green and Low-carbon Transition

The power industry is expected to continue shifting towards renewable and low-carbon power generation. Renewable energy, including wind and PV power, is expected to account for an increasing share of both installed capacity and power generation. As renewable energy penetration rate increases, power systems are expected to feature a higher proportion of renewable energy and greater integration of power electronic equipment. This will set higher standards on grid connection and accommodation, energy storage deployment, system security and operational control.

Growth in Electricity Demand

Global electricity demand continues to demonstrate resilient growth. Industrial upgrading, the expansion of advanced manufacturing, and the construction of data centers, 5G infrastructure and AI computing centers are creating additional electricity load, requiring more reliable power supply, stronger distribution grid capacity and enhanced cross-regional power allocation capabilities. In particular, the electrification of end-use energy consumption is an important source of growth in electricity demand, such

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as renewable energy vehicles, rail transit and EVTOL. The growth in electricity demand, together with the electrification transition, is driving upgrades of power transmission and distribution, grid dispatch, energy storage and demand-side response, thereby providing a stable market driver for power engineering design and comprehensive energy services.

Technological Advancement

Technological advancement in the power industry continues to improve project efficiency. Ultra-high voltage transmission improves the efficiency of long-distance transmission of large-scale renewable energy, while flexible direct current (DC) transmission technologies enhance the grid connection and accommodation of renewable energy. At the same time, advances in PV, wind power, energy storage and intelligent dispatch technologies, combined with economies of scale and continued improvements in the industry chain, are driving down the levelized cost of electricity (LCOE) for renewable energy power generation. Tools such as BIM, digital twins, unmanned aerial vehicle surveying, LiDAR and AI-assisted verification are increasingly being adopted in engineering design processes to improve survey, verification and delivery efficiency.

Market Opportunities in the PRC Power Industry

Favorable Policies and Sustained Investment in Power Infrastructure

Domestic policies and investment are creating dual growth drivers. During the 15th Five-Year Plan period, the Chinese government has been actively encouraged the development of and sustained capital investment in the new power system. Over the next few years, huge amount of capital investment is projected to be introduced across the industry value chain. Specifically, on the power generation side, investments will structurally pivot from fragmented project deployment toward the integrated capacity expansion of utility-scale renewable energy hubs. Another investment focus would be upgrade of digital energy solutions including smart operation. On the power grid side, cumulative grid investment during the 15th Five-Year Plan period is expected to exceed RMB5 trillion, focusing primarily on construction of smart distribution networks and inter-provincial transmission networks. On the energy storage side, massive investments will be directed toward long-duration energy storage to enable critical source-grid-load-storage coordination. Collectively, these investments will collectively drive the market demand for power engineering comprehensive services.

Market Opportunities in Overseas Power Industry

Opportunities in overseas power markets are primarily driven by the need to address power infrastructure shortfalls and the pursuit of energy transition in emerging markets. In Southeast Asia, industrialization, urbanization and manufacturing relocation are driving relatively rapid growth in electricity demand, creating opportunities in distributed PV power, wind power, energy storage and cross-border power interconnection. In Africa, relatively underdeveloped power infrastructure has created substantial demand for power generation facilities, grid expansion and renewable energy projects. Latin America has favorable renewable energy resources and great potential for grid upgrades, renewable energy development and cross-regional interconnection. New power generation facilities, grid expansion and integrated energy projects in these regions provide overseas business opportunities for PRC power engineering comprehensive service enterprises with technological expertise, cost advantages and strong project delivery capabilities.

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Overview of the PRC Comprehensive Power Engineering Services Industry

Definition of Comprehensive Power Engineering Services

Comprehensive power engineering services refer to a portfolio of full-lifecycle services provided for power infrastructure, including planning, consultancy, survey, engineering design, project management, EPC contracting, and O&M services, with the goal of supporting the development and optimization of power infrastructure. The services are provided across power generation, transmission, distribution, substations, energy storage and integrated energy. As the energy transition progresses, comprehensive power engineering services have extended from traditional power generation and power grid projects to emerging areas such as renewable energy, energy storage, microgrids, virtual power plants, integrated energy and energy trading.

Classification by Service Type

- (i) Engineering planning and consultancy: front-end services that support strategic planning and decision-making, including energy planning studies, project feasibility analyses, investment assessments, energy conservation assessments, environmental impact assessments, policy consultancy and carbon asset management. Which helps ensuring alignment with national energy strategies and green development requirements.
- (ii) Engineering survey and design: core technical services encompassing geological, hydrological and geotechnical surveys, as well as engineering design. Deliverables include survey reports, consultancy reports, design proposals and digital drawings.
- (iii) Engineering supervision and project management services: focus on full-process control over construction quality, schedule, investment and safety.
- (iv) EPC: Engineering, procurement and construction (EPC) model, under which service providers are responsible for the entire process from equipment procurement and construction management to system integration and commissioning. The services focus on power transmission and substation projects, renewable energy power stations, integrated smart energy systems and related infrastructure.

In the comprehensive power engineering services industry, survey and design services and EPC services are generally classified as separate business segments to reflect differences in their business scope, risk profiles and project stages. Survey and design services are characterized by an asset-light model, high technical intensity and stringent professional compliance requirements. The related risks are mainly associated with technical solutions, design quality, and regulatory approval and compliance matters. EPC services, by contrast, involve integrated project delivery at the mid-to-late stages, under which the contractor is engaged by the project owner to assume overall responsibility for the entire process. Compared with standalone design services, EPC services generally require greater capital commitment and longer project cycles, and service providers are exposed to execution risks relating to schedule, cost, quality, safety and performance assurance.

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Value Chain of the PRC Comprehensive Power Engineering Services Industry

Upstream

For survey and design services, upstream participants primarily include providers of industrial software, specialized calculation tools, survey data services, geological and hydrological data, surveying and mapping equipment, and standardized office hardware. Power engineering design requires a high degree of data accuracy, system simulation and professional verification. Design enterprises typically rely on tools such as CAD, BIM, GIS, power flow calculation, short-circuit current calculation, protection setting and structural calculation to develop design solutions. Technologies such as drone aerial surveying, LiDAR point clouds, geographic information systems and meteorological resource assessment also play an important role in renewable energy and power transmission line projects.

For EPC services, comprehensive power engineering service providers generally do not directly own upstream raw material or component manufacturing assets. Instead, they monitor and influence raw material procurement and the manufacturing of core components, such as polysilicon, PV cells and modules, wind turbine blades, rare-earth magnetic materials and battery materials, through strategic partnerships, qualified supplier management systems and procurement management. This process is intended to ensure supply security, cost competitiveness, quality compliance and adherence to sustainability standards.

Midstream:

Mainstream services cover all segments of the source-grid-load-storage value chain: on the power generation side, they provide engineering design for traditional energy and renewable energy power generation; on the grid side, they provide power transmission and transformation, distribution grid and grid-connection solutions; on the load side, they serve industrial and commercial user projects, industrial park microgrids and demand-side response; and on the energy storage side, they provide system integration design for electrochemical energy storage, pumped storage and compressed-air energy storage. By service type, midstream services can be divided into planning and consultancy, survey and design, EPC contracting, operation and maintenance, and technical support.

Downstream:

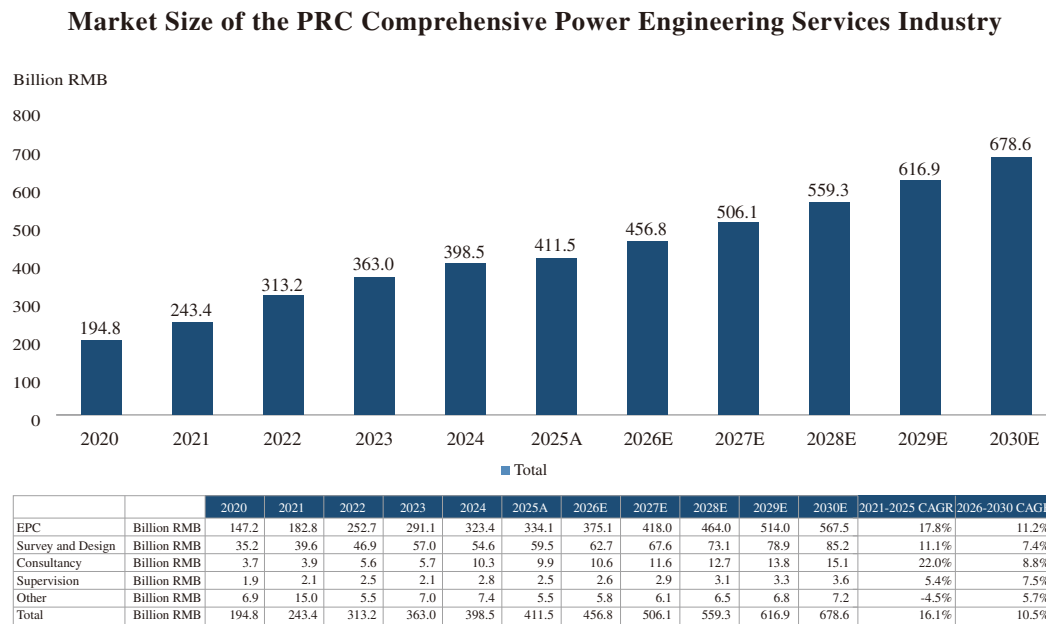
Downstream customers include power grid enterprises, power generation groups, renewable energy developers, local state-owned enterprises, private energy investment enterprises, industrial and commercial users, and government investment platform companies. Power grid enterprises place emphasis on power supply reliability, distribution grid capacity and renewable energy accommodation. Power generation groups and renewable energy developers focus on project resources, grid connection conditions, investment returns and construction periods. Industrial and commercial users focus more on power supply stability, energy costs, green electricity consumption and carbon compliance requirements. These different customer needs drive comprehensive power engineering service providers to offer full life-cycle services include preliminary consultancy, construction delivery and operational optimization.

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Market Size of the PRC Comprehensive Power Engineering Services Industry

From a PRC market perspective, demand for power engineering design services is closely tied to investment in power infrastructure, renewable energy construction and the ongoing transformation toward a new-type power system. Demand for power generation design services is expanding from conventional power sources and standalone renewable energy projects to utility-scale renewable energy bases, source-grid-load-storage integration, and related energy storage and grid connection solutions, reflecting the increasing scale and complexity of renewable energy deployment. Meanwhile, the demand for grid design services continues to be driven by ultra-high-voltage and cross-regional transmission projects, distribution grid upgrades, intelligent dispatching systems and the need to accommodate renewable energy.

Sustained investment in power infrastructure, renewable energy and grid construction is expected to continue to support the growth of the PRC comprehensive power engineering services industry. Market size expanded from RMB194.8 billion in 2020 to RMB398.5 billion in 2024, and is forecast to reach RMB678.6 billion by 2030E, representing a CAGR of 16.1% during 2021-2025E and 10.5% during 2026E-2030E, with EPC remaining the largest service segment.



Source: Frost & Sullivan

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Market Drivers of the PRC Comprehensive Power Engineering Services Industry

Continued Growth in Power Infrastructure and Renewable Energy Development

Electricity consumption in the PRC continues to grow, while the energy structure is shifting at a faster pace towards renewable and low-carbon energy, driving sustained investment and construction of large-scale power infrastructure, including large-scale renewable energy bases, power grid upgrades and distributed projects. Demand for renewable energy bases, power grid connection, transmission and distribution works, substations, supporting dispatch and communications facilities, and regional energy infrastructure continues to grow, further driving demand growth for engineering survey and design, EPC contracting and full-process engineering consultancy services.

Comprehensive Energy Services and Multi-energy Complementary Design

Demand for integrated energy solutions from industrial parks, commercial complexes, data centers and large public facilities continues to grow. Design scope is expanding from standalone power supply and distribution systems to multi-energy coordination across cooling, heating, electricity, gas, storage, charging and hydrogen, with emphasis on energy efficiency, operational resilience, green electricity consumption and cost optimization. Projects generally require integrated design based on load curves, energy prices, distributed power sources, energy storage and energy efficiency management systems. Service providers with consultancy, design, EPC, operation and maintenance, and energy management capabilities are better positioned to meet customers’ demand for one-stop services and single-point accountability.

Flexibility Upgrades of Traditional Power Generation

As the share of renewable energy increases, traditional thermal power is shifting from a basic power source to a regulating and grid-supporting power source, giving rise to demand for energy-saving and carbon-reducing retrofits, flexibility retrofits, heating retrofits and environmental protection upgrades. Engineering design enterprises are required to develop technical solutions in areas such as unit efficiency improvement, deep peak shaving, combined heat and power, flue gas treatment, carbon reduction, and secure and stable operation. Low-carbon upgrades to traditional energy, together with renewable energy development, power grid upgrades and energy storage deployment, will constitute important sources of demand in the power engineering comprehensive service industry.

Development Trends of the PRC Comprehensive Power Engineering Service Industry

Increase in Full-lifecycle Comprehensive Services

As wind power, PV power, energy storage and integrated energy projects continue to expand, the share of renewable energy-related engineering demand within power engineering services is expected to increase. Compared with traditional power engineering projects, renewable energy engineering projects involve a broader and more integrated scope of work, including resource assessment, site planning, step-up substations and power evacuation works, grid connection, energy storage deployment, accommodation assessment and full-lifecycle O&M coordination. These projects impose higher requirements on engineering service providers in respect of design and planning capabilities, multidisciplinary coordination, system integration and EPC organization. In addition, clients seek single-point accountability to reduce project risks, accelerate timelines and optimize long-term performance. Enterprises with comprehensive full-lifecycle service capabilities will capture market demand better.

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Improvement in Operational Efficiency

Renewable energy projects are generally characterized by short construction cycles, clearly defined grid connection milestones and a high degree of equipment standardization. This is encouraging design enterprises to establish standardized design libraries, typical cost benchmark databases and general equipment selection modules. Standardized design and modular construction can reduce repetitive design work, lower uncertainties in on-site construction and improve delivery efficiency. Pre-assembled solutions can also help shorten construction cycles and reduce on-site construction risks. Standardization does not mean simplified solutions; rather, it involves project-specific optimization based on replaceable modules, taking into account project resources, grid connection conditions and client needs.

Digitization and Intelligent Technologies

Digital tools are improving the efficiency and quality of power engineering design. BIM, digital twins, GIS, UAV surveying, LiDAR and AI-assisted verification can improve survey accuracy, shorten design cycles and reduce error rates. They can also support renewable energy site selection, resource analysis, energy storage capacity planning and O&M fault identification. In the future, the competitiveness of design enterprises will be reflected in their knowledge bases and delivery capabilities developed through the integration of engineering experience, standardization capabilities and digital technologies.

Overview of the Competitive Landscape of the PRC Comprehensive Power Engineering Service Industry

Classification of Key Market Players

State-owned Enterprises

The PRC comprehensive power engineering service market is generally characterized by a competitive landscape dominated by state-owned enterprises. Power Construction Corporation of PRC, PRC Energy Engineering Corporation, together with their regional, provincial and specialized design institutes, have significant advantages in large-scale hydropower, thermal power, ultra-high voltage, nuclear power, renewable energy base and cross-regional power transmission projects. These enterprises have access to government and central state-owned enterprise customers, strong financial resources, comprehensive qualifications, extensive project experience and nationwide resource integration capabilities, and therefore account for a substantial share of the market.

Non-state-owned Enterprises and Specialized Service Providers

Private design enterprises and specialized energy service providers usually operate on a smaller scale than large state-owned enterprises, but they benefit from greater operational flexibility and faster customer response. As a result, they are able to establish differentiated positions in market segments such as renewable energy, distributed PV, industrial and commercial power distribution, energy storage, user-side integrated energy and specialized design services. Certain private enterprises are also competitive in regional markets and specific sectors because of their technical service capabilities, customer response efficiency and one-stop solution capabilities.

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Ranking of non-state-owned Comprehensive Power Engineering Service Enterprises in PRC, 2025

Rank	Company Name	Qualification	Revenue from [for FY2025] power engineering (RMB billion)
1	Company A	Grade A qualification for Engineering Design in the Power Industry	0.94
2	Company B	Grade A Professional Qualification in Power for Transmission Engineering	0.72
3	The Company	Grade A qualification for Engineering Design in the Power Industry	0.63
4	Company C	Grade A Professional Qualification in Power for Transmission Engineering, Substation Engineering	0.40
5	Company D	Grade A Professional Qualification in Power for Transmission Engineering, Substation Engineering	0.36

Source: Frost & Sullivan

- 1 Company A is a PRC-based power engineering and design company established in 1994 and listed on the Shenzhen Stock Exchange’s ChiNext Board. Focused on new energy, clean energy, energy storage, smart grids and digital energy solutions, it provides full-lifecycle power engineering services covering planning and consulting, survey, design, construction and intelligent operations. It has grid-solution capabilities covering 220 V to $\pm 1,100$ kV transmission lines and substations. It is a domestically listed company.
- 2 Company B is a PRC-based power engineering and energy-service company established in 2007 and listed on the Shenzhen Stock Exchange’s ChiNext Board. It provides one-stop EPCOS services for power supply and electricity-use projects, covering power design and consulting, equipment supply, construction and installation, operations and maintenance, energy management, electricity sales, photovoltaics, energy storage and microgrid services. It is a domestically listed company.
- 3 Company C is a PRC-based comprehensive energy solutions provider established in 2003 and headquartered in Zhuhai, Guangdong Province. Focused on new-type power energy, it provides power-project consulting, survey and engineering design, EPC delivery, and operations and maintenance services across the project lifecycle. It is a Hong Kong listing applicant.
- 4 Company D is a PRC-based comprehensive energy services and digital-intelligence platform company established in 2003 and listed on the Shenzhen Stock Exchange’s ChiNext Board. Through its wholly owned power-design subsidiary, it provides power and new-energy planning consulting, design, engineering construction, operations and maintenance, and integrated energy services, supported by proprietary 3DGIS and digital-twin platform capabilities. It is a domestically listed company.

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The PRC comprehensive power engineering services industry is relatively fragmented, with competition mainly driven by service qualifications, project experience, technical capabilities, delivery capacity, and cost control. Large state-owned enterprises and established engineering groups generally hold advantages in major power infrastructure, grid, and large-scale clean energy projects due to their strong track records, financing capabilities, and full-chain service coverage. At the same time, regional and specialized service providers compete in specific segments such as survey and design, consultancy, supervision, and supporting engineering services. As PRC accelerates the construction of a new power system, market demand is increasingly shifting toward comprehensive service providers with expertise in clean energy, grid connection, energy storage, and digitized project management.

Key Entry Barriers

Qualification and Licensing Barriers

To undertake projects, enterprises must obtain qualifications at the relevant grades for engineering design, survey, consultancy, construction or ERC. Enterprises must also have relevant professional personnel holding qualifications such as registered electrical engineer, registered structural engineer and registered constructor. Only a very limited number of non-state-owned engineering service providers hold Grade A qualification for Engineering Design in the Power Industry across PRC. A comprehensive qualification portfolio is difficult to be established within a short period of time, creating significant qualification barriers for new entrants. At present, only three non-state-owned enterprises have been granted the Grade A qualification for Engineering Design in the Power Industry. A Grade A qualification generally covers all design types under the relevant industry, while a Grade A professional qualification is limited to the corresponding professional design type under such industry. In terms of qualification requirements, an applicant for a Grade A qualification is required to have registered capital of not less than RMB6.0 million, compared with not less than RMB3.0 million for a Grade A professional qualification.

In terms of project track record, an applicant for a Grade A qualification must have, within the past ten years, completed the engineering design for at least one large-scale project or at least three medium-scale projects in the relevant industry, and such projects must have been completed and put into operation. By contrast, an applicant for a Grade A professional qualification is required to have completed at least one large-scale engineering design project or at least two medium-scale engineering design projects within the corresponding professional design type under the relevant industry.

Technical Expertise and Industry Experiences

Provision of comprehensive power engineering services requires coordination across multiple disciplines, including electrical, structural, civil, thermal power, control and protection, communications, geology, hydrology and environmental protection. Projects are also subject to stringent safety and reliability requirements. Emerging areas such as renewable energy grid connection, energy storage system integration, source-grid-load-storage coordination, microgrids, virtual power plants and flexible direct current further increase technical complexity. Design enterprises need to develop technical solutions, standardized drawing sets, equipment selection experience and problem-solving capabilities through extensive project delivery. This creates significant experience-based barriers for new entrants.

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Customer Resources and Brand Recognition

Power engineering clients typically evaluate service providers based on their experience in comparable projects include delivery quality, safety records and responsiveness. Given the long construction cycles, complex technical interfaces and frequent design changes involved in power projects, clients often prefer to maintain long-term cooperation with design enterprises that are familiar with their workflows, technical standards and management requirements. Stable client relationships, market reputation and project track record form an important foundation for design enterprises to secure projects on a continuing basis.

Key Success Factors

Technological Innovation and Multidisciplinary Talent Pool

Power engineering design enterprises need to continue investing in R&D in areas such as renewable energy, energy storage, source-grid-load-storage integration, digital design, AI-assisted design, virtual power plants and carbon asset management. The industry has strong demand for registered electrical engineers, registered structural engineers, project managers and multidisciplinary professionals. A talent pool combining technical expertise, project management experience and digital capabilities forms an important foundation for competitive advantage.

Full-value-chain Services and EPC Contracting Capabilities

Clients increasingly value integrated services covering front-end consultancy, survey and design, procurement, construction and O&M management. Enterprises with full-lifecycle service capabilities can participate in project decision-making at an earlier stage, optimize technical solutions and investment plans, and provide continuous support during construction and operation. The design-led EPC model enables cost and schedule control through technical optimization, which represents an important path for power engineering design enterprises to extend its business scope to cover full-lifecycle engineering service.

Digital Delivery and Intelligent Design Capabilities

Digital tools such as BIM, digital twins, AI-assisted verification, UAV surveying and O&M data platforms are improving industry efficiency. Enterprises that can develop standardized design modules, project databases and digital delivery capabilities will be able to shorten project cycles, strengthen quality control, improve cost estimation and support O&M. Digital capabilities can also help enterprises expand beyond one-off design services into long-term technical services and operational optimization.

Quick Response Mechanisms and Localized Service Capabilities

Power engineering projects often involve local policies, site conditions, client procedures and grid connection approvals. Localized service capabilities have a direct impact on project efficiency. Enterprises with flexible operating mechanisms, short decision-making chains, effective client communication and the ability to quickly deploy professional teams are more likely to gain competitive advantage in regional markets and specific scenarios.

REGULATORY OVERVIEW

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section summarizes the principal PRC laws, rules and regulations which relate to our business and operations in the PRC.

REGULATIONS ON FOREIGN INVESTMENT

Companies established and operating in the PRC shall be subject to the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993, implemented on 1 July 1994 and was most recently amended on 29 December 2023 and effective from 1 July 2024. The Company Law provides for the establishment, corporate structure, and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. Unless otherwise provided in the PRC foreign investment laws, the provisions in the Company Law shall prevail.

On 15 March 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which came into effect on 1 January 2020. The Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), promulgated by the State Council on 26 December 2019 and became effective on 1 January 2020. Pursuant to the Foreign Investment Law, foreign investment refers to the investment activity directly or indirectly conducted by a foreign natural person, enterprise or other organization, collectively the “foreign investors”. The Implementation Regulations for the Foreign Investment Law of the PRC have introduced the “look-through” principle and further provided that investments made by foreign-invested enterprises in China should also be governed by the Foreign Investment Law and its Implementing Regulations.

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), which was promulgated by the NDRC and the Ministry of Commerce of the PRC (中華人民共和國商務部) (the “**MOFCOM**”) jointly on 6 September 2024 and became effective on 1 November 2024, and the Catalogue of Encouraged Industries for Foreign Investment (2025 Edition) (《鼓勵外商投資產業目錄(2025年版)》), which was promulgated by the NDRC and the MOFCOM, on 15 December 2025 and became effective on 1 February 2026. Pursuant to the laws and regulations mentioned above, foreign-invested projects are categorized as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Negative List are permitted foreign-invested projects.

On 30 December 2019, the MOFCOM and the SAMR issued the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020, pursuant to which, since 1 January 2020, for carrying out investment activities directly or indirectly within the territory of China, the foreign investors or foreign-invested enterprises shall submit investment information to the competent commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System.

REGULATORY OVERVIEW

REGULATIONS ON ELECTRIC POWER BUSINESS

Electric Power Market Regulation

In accordance with the Electricity Law of the PRC (《中華人民共和國電力法》), as most recently amended by the NPCSC on 29 December 2018 and came into effect on the same day, this Law is formulated in order to safeguard and promote the development of electric power operations, to protect the legal rights and interests of investors, operators and consumers of electric power and to ensure the safe operation of electric power. Electric power facilities are protected by the State. Any entity or individual is prohibited from endangering the safety of electric power facilities or illegally appropriating or consuming electric energy. Electric power construction projects shall conform to the electric power development plan and the State’s electric power industry policies, and shall not utilise power equipment or technologies that have been explicitly eliminated by the State.

General Contracting of Electric Power Engineering Construction

Pursuant to the Construction Law of the PRC (《中華人民共和國建築法》), as most recently amended by the NPCSC on 23 April 2019 and implemented thereon, and the Standard for Construction Enterprise Qualifications (《建築業企業資質標準》) and its amendments implemented by the Ministry of Housing and Urban-Rural Development of the PRC (the “MOHURD”) on 1 January 2015, construction project general contracting projects, including power engineering construction general contracting, shall be undertaken by enterprises that have obtained the corresponding construction general contracting qualification. An enterprise that has obtained a general contracting qualification may undertake all specialised works falling within the scope of the general contracting project it has contracted, or may subcontract specialised works in accordance with the law. Where a specialised work requiring a qualification is sub-contracted, it shall be sub-contracted to an enterprise possessing the corresponding specialised contracting qualification. When sub-contracting labour services, the work shall be subcontracted to an enterprise possessing a construction labour services qualification.

Installation (Repair, Testing) of Electric Power Facilities

According to the Administrative Measures for Licences for Installation (Repair, Testing) of Electric Power Facilities (《承裝(修、試)電力設施許可證管理辦法》) most recently amended by the NDRC on 11 April 2025 and effective from 1 July 2025, those engaging in the installation, repair, and testing of electric power facilities within the PRC shall obtain a licence for installation (repair, testing) of electric power facilities in accordance with the provisions of these measures. The installation, repair, and testing of electric power facilities specifically refers to the installation, repair, and testing of power transmission (including step-up substations and outgoing lines or power generation projects), power supply, and power consumption facilities. The aforementioned licences are divided into three categories: installation, repair, and testing.

REGULATORY OVERVIEW

REGULATIONS ON ENVIRONMENTAL PROTECTION

Environmental Protection

Under the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the “**Environmental Protection Law**”), promulgated and effective on 26 December 1989, and amended on 24 April 2014, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities. The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include warning, fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or close down, or even criminal punishment. Any person or entity that pollutes the environment resulting in damage could also be held liable under the Civil Code. In addition, environmental organisations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

Environmental Impact Assessment

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) (the “**Environmental Impact Assessment Law**”), promulgated by the SCNPC on 28 October 2002 and latest amended on 29 December 2018, the State Council implemented the environmental impact assessment to classify construction projects according to the impact of the construction projects on the environment.

Permission for Pollutant Discharges

Pursuant to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on 24 January 2021, and effective on 1 March 2021, the Catalogue for the Classified Administration of Pollutant Discharge Permits for Fixed Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on 20 December 2019, and effective on the same date, and the Measures for the Administration of Pollutant Discharge Permits (《排污許可管理辦法》) promulgated by the Ministry of Ecology and Environment of the PRC on 1 April 2024, came into effect on 1 July 2024, enterprises, institutions, and other producers and operators that are subject to pollutant discharge permit management as stipulated by law shall apply for and obtain a pollutant discharge permit in accordance with the provisions; those that have not obtained a pollutant discharge permit are not allowed to discharge pollutants. Pollutant discharging units with relatively large quantities of pollutant generation or discharge, or with a relatively significant impact on the environment, shall be subject to key management of pollutant discharge permits. Those with relatively small quantities of pollutant generation and discharge, and a relatively minor impact on the environment, shall be subject to simplified management of pollutant discharge permits. Those with very small quantities of pollutant generation and discharge, and a very minor impact on the environment, shall be subject to pollutant discharge registration management.

REGULATORY OVERVIEW

REGULATIONS ON INTELLECTUAL PROPERTY

Trademarks

Pursuant to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》), which was promulgated by the SCNPC on 23 August 1982, was most recently amended on 23 April 2019 and came into effect on 1 November 2019, and the Regulation on the Implementation of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on 3 August 2002, was most recently amended on 29 April 2014 and came into effect on 1 May 2014, registered trademarks in the PRC include trademarks for goods, service trademarks, collective trademarks and certification trademarks. The Trademark Office of the China National Intellectual Property Administration handles trademark registrations and grants a validity period of ten years to registered trademarks, which may be renewed for a further ten years upon request prior to the expiry of the period of validity.

Patents

Pursuant to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), which was promulgated by the SCNPC on 12 March 1984, most recently amended on 17 October 2020 and came into effect on 1 June 2021, and the Implementation Rules of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), which were promulgated by the State Council on 21 December 1992 and most recently amended on 11 December 2023 and came into effect on 20 January 2024, patents in the PRC fall into three categories: invention patents, utility model patents and design patents. The term of patent protection for invention patents is 20 years, the term of patent protection for utility model patents is 10 years, and the term of patent protection for design patents is 15 years, all commencing from the date of application.

Copyright

Pursuant to the Regulation on the Protection of Computer Software (《計算機軟件保護條例》), which was promulgated by the State Council on 4 June 1991, most recently amended on 30 January 2013 and came into effect on 1 March 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated on 6 April 1992, most recently amended by the National Copyright Administration of China (the “NCAC”) on 1 July 2004 and came into effect on the same date, the NCAC is responsible for the administration and supervision of software copyright registration in the PRC and recognises the China Copyright Protection Centre (“CPCC”) as the software registration organisation. The CPCC shall grant registration certificates to computer software copyright applicants which comply with the provisions of the Regulation on the Protection of Computer Software and the Measures for the Registration of Computer Software Copyright.

Domain Names

According to the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by MIIT on 24 August 2017 and became effective on 1 November 2017, MIIT is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services

REGULATORY OVERVIEW

shall, in principle, be subject to the principle of “first apply, first register”. A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for whom the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

Trade Secrets

The PRC Anti-Unfair Competition Law also sets up regulations to protect Trade Secrets. Business Operators shall not engage in any infringements of trade secrets, such as obtaining an obligee’s trade secrets by theft, bribery, fraud, intimidation, electronic intrusion or other improper means; disclosing, using, or allowing others to use an obligee’s trade secrets obtained by the means mentioned in the preceding paragraph; disclosing, using or allowing others to use an obligee’s trade secrets in violation of confidentiality obligations or the obligee’s requirements on keeping such trade secrets confidential; or obtaining, disclosing, using or allowing any other party to use an obligee’s trade secrets by instigating, tempting or helping any other party to violate the confidentiality obligations or the obligee’s requirements on keeping such trade secrets confidential. Where a Business Operator infringes any trade secret, the supervision and inspection authority shall order it to cease the illegal act, confiscate the illegal gains and impose on it a fine of between RMB100,000 and RMB1 million; where the circumstance is serious, the fine shall be between RMB500,000 and RMB5 million.

REGULATIONS ON REAL PROPERTY

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on 25 June 1986, latest amended on 26 August 2019 and became effective on 1 January 2020, the PRC applies a system of control over the purposes of use of land, including land for agriculture, land for construction and unused land. All units and individuals shall use land in strict compliance with the purposes of use defined in the overall plans for land utilization. Registration of the ownership and the right to the use of land shall be governed by the laws and administrative regulations relating to real estate registration and the legally registered ownership and right to the use of land shall be protected by law and may not be infringed upon by any entities or individuals.

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on 24 November 2014, which was amended on 24 March 2019 and 10 March 2024, became effective on 10 May 2024, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on 1 January 2016, which was amended on 16 July 2019 and 9 May 2024, provide that, among other things, the state implements a uniform real estate registration system and the registration of real estate shall follow the principles of strict administration, stability, continuity and convenience for the masses.

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on 5 July 1994, and last amended on 26 August 2019, and took effect on 1 January 2020, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental prices, rental and repair liabilities, and other rights and obligations of both parties. In addition, pursuant to the Law on Administration of Urban Real Estate of the PRC and the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010, and became effective on 1 February 2011, both lessor and lessee

REGULATORY OVERVIEW

are required to register the lease within 30 days from execution of the property lease contract with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines ranging from RMB1,000 to RMB10,000.

Pursuant to the PRC Civil Code, the lessee may sublease the leased premises to a third-party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if neither the lessor nor the lessee has completed the registration and filing procedures for the lease contract in accordance with laws and administrative regulations, it shall not affect the validity of the contract.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》) (the “**Labor Law**”), which was promulgated by the SCNPC on 5 July 1994, last amended and came into effect on 29 December 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was promulgated by the SCNPC on 29 June 2007 and became effective on 1 January 2008, and then amended on 28 December 2012 and became effective on 1 July 2013, the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), promulgated by the State Council on 18 September 2008 and came into effect on the same day, and the Interpretation of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Labor Dispute Cases (II) (《最高法院關於審理勞動爭議案件適用法律若干問題的解釋(二)》) (the “**Interpretation II of the Supreme People’s Court on Labor Dispute Cases**”), which was promulgated by the Supreme People’s Court on 1 August 2025 and came into effect on 1 September 2025. According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abides by state standards and provide relevant education to its employees. Violations of the Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was amended on 29 December 2018, and other relevant PRC laws and regulations, the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due

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date at the rate of 0.05% per day; and where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Pursuant to the Interpretation II of the Supreme People’s Court on Labor Dispute Cases, which took effect on 1 September 2025, any agreement between an employer and employee, or any employee commitment to the employer, purporting to waive social insurance contributions shall be deemed invalid by the people’s courts. Where an employer fails to pay social insurance premiums in accordance with the law, and the employee terminates the labor contract and claims economic compensation under Article 38(3) of the Labor Contract Law, the people’s courts shall uphold such claims.

Housing Provident Fund

According to the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》), which was effective on 3 April 1999 and last amended on 24 March 2019, employers shall undertake to register with the competent administrative center of housing provident fund, or the Center, and upon the verification by the Center, open accounts of housing provident funds for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident funds for their employees in full amount. An enterprise that fails to make housing fund contributions in full may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline by the housing provident fund management center; otherwise, an application may be made to a local court for compulsory enforcement.

REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》), which was promulgated by the SCNPC on 29 December 1998, and was latest amended on 28 December 2019 and took effect on 1 March 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures and Supporting Guidelines will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic

REGULATORY OVERVIEW

enterprises’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic enterprises’ securities by adopting a filing-based regulatory regime. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either by direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

REGULATIONS ON FULL CIRCULATION OF H SHARE

In accordance with the Guidelines for the Application by H-share Companies for “Full Circulation” of Unlisted Shares (《H股公司境內未上市股份申請“全流通”業務指引》) which was promulgated by the CSRC on 14 November 2019 and came into effect on the same date, which was partly revised on 10 August 2023, the term “full circulation” means the circulation of domestically unlisted shares (including domestically unlisted shares held by domestic shareholders prior to the listing abroad, additional domestically unlisted shares issued domestically after listing abroad and unlisted shares held by foreign shareholders) of H-share companies on the Stock Exchange. On the premise of complying with relevant laws and regulations as well as policies governing state-owned asset management, foreign investment and industrial supervision, the shareholders of domestically unlisted shares may determine the number and proportion of shares under application for circulation through negotiation at their discretion and entrust a H-share company to file an application for “full circulation”. After the domestically unlisted shares are listed for circulation on the Stock Exchange, they shall not be transferred back to the Mainland China. A shareholder of domestically unlisted shares may reduce or increase its holding of the shares involved that are circulating on the Stock Exchange according to relevant business rules. H share companies shall submit a report on the relevant information to the CSRC within 15 days from completion of registration of the shares involved in the application to China Securities Depository and Clearing Co., Ltd. (the “CSDC”).

In accordance with the Guidelines for H-shares “Full Circulation” Business of China Securities Depository and Clearing Co., Ltd Shenzhen Branch (《中國證券登記結算有限責任公司深圳分公司H股“全流通”業務指南》) which was promulgated by CSDC Shenzhen Branch on 20 September 2024 and came into effect on 23 September 2024, and was latest amended on 27 June 2025 and became effective on 30 June 2025, it specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. According to the guidelines, the H-share companies shall transfer the full amount of cash dividends in RMB to the bank account of the CSDC Shenzhen Branch before 16:00 on the distribution date of cash dividends as published in the announcement. The CSDC Shenzhen Branch shall complete clearing of the dividend funds within three H-share “full circulation” working days after the distribution date of cash dividends as published in the announcement, and then the dividend funds will be released to domestic securities companies, and the domestic securities companies will release the dividend funds to the investors.

According to the Overseas Listing Trial Measures, in respect of a domestic company directly listed overseas, shareholders holding its unlisted domestic shares who apply to convert such shares held by them into listed overseas shares and to be listed on an overseas stock exchange, shall comply with the relevant regulations of the CSRC and file with the CSRC.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

The history of our Group could be traced back to 2003 when Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang, our founders and Controlling Shareholders, established our Company with their own personal funds. We have since then been led by Mr. Zhang Fuquan and Mr. Zhang Guanzhou. For details of their background, see “Directors and Senior Management”. After years of operation, we have developed into one of the largest non-state-owned comprehensive power engineering service providers in China.

BUSINESS DEVELOPMENT MILESTONES

The following sets out the summary of our key business development milestones:

Year	Milestone
2003	Our Company was established in Jinan, the PRC in October 2003 and has, since the commencement of our operations, been principally engaged in the provision of engineering design and consultancy services.
2011	We were recognised as the “2011 National Advanced Design Enterprise” (2011年度全國先進設計企業) award.
2012	We were recognised as a “China’s Top 100 Integrity Brand Enterprise” (中國百佳誠信品牌企業). We obtained Grade A Thermal Engineering Design Qualifications, marking our entry into the Grade A design institute category.
2014	To support our business expansion across various sectors, we acquired our own office premises with a GFA of approximately 4,000 sq.m. at Shuntai Plaza (舜泰廣場) in Jinan, Shandong Province.
2015	Our Company was converted into a joint stock company, and our total workforce exceeded 100 employees. We were recognised as a “High-Tech Enterprise” (高新技術企業) by Shandong Province. We obtained Grade A Architectural Engineering Design Qualifications.
2016	We were listed on the NEEQ (stock code: 838602). We obtained Grade A Engineering Design Qualifications for urban gas projects.
2018	We obtained Grade A Engineering Design Qualification for Electric Power Industry, becoming one of the few non-state-owned power engineering design enterprises in the PRC to hold such qualification at the time.
2019	We were recognised as a “Specialised, Refined, Distinctive and Innovative” (專精特新) enterprise in Jinan city and received the “Enterprise Technology Center” (企業技術中心) designation.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2020	We obtained Grade A Engineering Design Qualifications for Atmospheric Pollution Prevention and Control.
2021	We were recognised as a “2021 Shandong Province Enterprise Culture Construction Advanced Unit” (2021年度山東省企業文化建設先進單位) and a “2021 Solar Photovoltaic Power Station Design Enterprise” (2021太陽能光伏電站設計優秀企業).
2022	We were recognised as one of the five leading design enterprises among the “Top 100 Private Enterprises in Jinan” (濟南民營企業100強).
2023	We obtained Grade A Municipal Public Engineering Supervision Qualifications.
2024	We were recognised as a specialised and sophisticated small and medium-sized enterprise (專精特新中小企業) by Shandong Province. We were recognised as a gazelle enterprise (瞪羚企業) by Shandong Province, a recognition of our business model based on, among others, our strategic development and our revenue growth.
2025	We obtained Class I Certification for whole process engineering consultancy services (全過程工程諮詢服務).

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

Establishment, name changes and early shareholding changes and capital injections

Our Company was established in the PRC on 29 October 2003 under the name of Shandong Dadi Peak Engineering Consulting Co., Ltd.* (山東大地頂峰工程諮詢有限公司) as a limited liability company with an initial registered capital of RMB2.0 million. As of the date of establishment, our Company was owned as to 40.0% by Mr. Zhang Fuquan, 30.0% by Mr. Zhang Guanzhou and 30.0% by Mr. Yang. Save for their being shareholders of our Company, to the best of the Directors’ knowledge, Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang were independent to each other at the time of establishment of our Company. For details of the background of Mr. Zhang Fuquan and Mr. Zhang Guanzhou, see “Directors and Senior Management – Executive Directors”. Our Company has, since our commencement of operations, been principally engaged in the provision of engineering design and construction services.

On 20 November 2005, Mr. Zhang Guanzhou and Mr. Yang each agreed to transfer 10.0% of their respective equity interest in our Company to Mr. Zhang Fuquan at the consideration of RMB200,000 each, which was determined with reference to the value of the registered share capital. The transfer was completed on 14 December 2005. Immediately after completion of the transfer, our Company was 60.0% owned by Mr. Zhang Fuquan, 20.0% owned by Mr. Zhang Guanzhou and 20.0% owned by Mr. Yang.

On 29 April 2007, pursuant to a shareholders’ resolution of our Company, it was resolved that Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang would inject capital of RMB1,350,000, RMB825,000 and RMB825,000, respectively, into our Company at a total aggregate consideration of RMB3.0 million, which was determined with reference to the nominal value of the registered capital of our Company at the relevant time and were contributed by the respective shareholders with their personal funds. The capital

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

injection was completed on 23 May 2007, and upon which 51.0% of the enlarged equity of RMB5.0 million of our Company was owned by Mr. Zhang Fuquan, whereas 24.5% was owned by Mr. Zhang Guanzhou and 24.5% was owned by Mr. Yang.

We subsequently underwent a series of capital injections, which our registered capital was increased to RMB10.0 million in October 2008, RMB15.0 million in November 2009, RMB20.0 million in November 2010, RMB30.0 million in September 2011 and RMB50.0 million in April 2013, where the shareholding of our shareholders remained unchanged throughout the capital injections, which 51.0% was owned by Mr. Zhang Fuquan, 24.5% was owned by Mr. Zhang Guanzhou and 24.5% was owned by Mr. Yang.

Shareholding restructuring of our Company in 2015

On 20 October 2015, pursuant to the respective equity transfer agreements, Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang agreed to each transferred the entirety of their respective equity interests in our Company, which represented RMB25,500,000 from Mr. Zhang Fuquan, RMB12,250,000 from Mr. Zhang Guanzhou and RMB12,250,000 from Mr. Yang, at nil consideration to Jinan Huanneng Investment Holding Co., Ltd.* (濟南環能投資控股有限公司) (“**Jinan Huanneng**”). The transfer was fully settled and completed on 30 October 2015. Immediately after completion of the transfer, our Company was wholly-owned by Jinan Huanneng. At the time of the transfer, Jinan Huanneng was held as to 51.0% by Mr. Zhang Fuquan, 24.5% by Mr. Zhang Guanzhou and 24.5% by Mr. Yang.

On 9 November 2015, pursuant to the respective equity transfer agreements, Jinan Huanneng agreed to transferred registered capital of RMB500,000 (1.0% of the then total issued share capital) to Mr. Zhang Dan (張丹), RMB300,000 (0.6% of the then total issued share capital) to Ms. Li Junying (李俊英), RMB300,000 (0.6% of the then total issued share capital) to Ms. Wang Pingping (王萍萍) and RMB300,000 (0.6% of the then total issued share capital) to Mr. Liang Yongping (梁永平), respectively, at a price of RMB1.00 per Shares, which considerations was determined with reference to the nominal value of such registered capital. Mr. Zhang Dan, Ms. Li Junying, Ms. Wang Pingping and Mr. Liang Yongping were employees of our Group at the material time. The transfers were fully settled and completed on 19 November 2015.

Upon completion of the above equity transfer in 2015, our Company’s shareholding structure became as follows:

Name of the Shareholder	Percentage of shareholding (approx. %)
Jinan Huanneng ^(Note)	97.2
Zhang Dan	1.0
Li Junying	0.6
Wang Pingping	0.6
Liang Yongping	0.6
Total	100.0

Note: Jinan Huanneng was held as to 51% by Mr. Zhang Fuquan, 24.5% by Mr. Zhang Guanzhou and 24.5% by Mr. Yang.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Conversion into a joint stock limited liability company and NEEQ listing

On 10 December 2015, the then shareholders of our Company passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited liability company and the change of the name of our Company to Shandong Huanneng Design Institute Co., Ltd.* (山東省環能設計院股份有限公司).

Upon completion of such conversion on 29 December 2015, the registered capital of our Company became RMB50,000,000.00 divided into 50,000,000 shares with a nominal value of RMB1.0 each, which were subscribed by all the existing Shareholders in proportion to their respective equity interest in our Company before the conversion, and our Company’s shareholding structure became as follows:

Name of the Shareholder	Shares	Percentage of shareholding (approx. %)
Jinan Huanneng	48,600,000	97.2
Zhang Dan	500,000	1.0
Li Junying	300,000	0.6
Wang Pingping	300,000	0.6
Liang Yongping	300,000	0.6
Total	50,000,000	100.0

Our Company was listed on NEEQ in August 2016.

In January 2017, our Company issued 5,550,000 Shares, representing approximately 10.0% of our total number of issued Shares as enlarged upon completion of the share issuance, at a subscription price of RMB2.00 per Share. The Shares were subscribed by 21 of our then-employees for an aggregate consideration of RMB11,100,000, which was fully settled in December 2016, including (i) Mr. Zhang Dan and Ms. Li Junying, who are our Directors; and (ii) Ms. Wang Pingping and Mr. Liang Yongping, who are our then Shareholders and employees; and (iii) 17 other employees of our Group. Upon completion, our issued Shares increased to 55,550,000 Shares.

In November 2020, our Company issued 800,000 Shares, representing approximately 1.4% of our total number of issued Shares as enlarged upon completion of the share issuance, at a subscription price of RMB4.00 per Share. The Shares were subscribed by 37 of our then-employees for an aggregate consideration of RMB3,200,000, which was fully settled in October 2020, including (i) Ms. Wang, our Director, who subscribed for 10,000 Shares; (ii) Ms. Wang Pingping, our then Shareholders and employees, who subscribed for 50,000 Shares; and (iii) 35 other employees of our Group, who subscribed for 740,000 Shares in aggregate. Upon completion, our issued Shares increased to 56,350,000 Shares.

The consideration for the above NEEQ subscriptions were made with reference to, among others, the then net asset value per share of our Company, the incentive effects of the subscriptions, and the then growth prospects of our Group. The purpose of such NEEQ Subscriptions was principally to satisfy our project financing needs and to increase the general working capital of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Delisting from NEEQ and subsequent changes

Our Company’s shares were delisted on NEEQ in October 2023.

Subsequent to the delisting on NEEQ, there were several share transfers involving our Controlling Shareholder, namely Jinan Huanneng:

- (i) on 29 November 2023, Jinan Huanneng agreed to transfer 700,000 Shares in favour of Ms. Li Junying, who is our Director (and was then our director at the material time), at a consideration of RMB700,000. To the Directors’ best knowledge, the consideration was determined after arm’s length negotiations between the parties, taking into account their mutual agreement on the investment value of the Shares at the relevant time, and our Company was not involved in the commercial negotiations. The consideration was fully settled on 1 June 2026;
- (ii) on 27 November 2023 and 22 December 2023, Jinan Huanneng agreed to transfer an aggregate of 7,000,000 Shares in favour of Ms. Wang, who is our Director (and was our then director at the material time), at an aggregate consideration of RMB7,000,000, to the Directors’ best knowledge, the consideration was determined after arm’s length negotiations between the parties, taking into account their mutual agreement on the investment value of the Shares at the relevant time, and our Company was not involved in the commercial negotiation. The consideration was fully settled on 10 June 2026; and
- (iii) from May 2023 to September 2024, Jinan Huanneng agreed to acquired an aggregate of 320,000 Shares from 32 individuals (including Ms. Wang Pingping as to 6,650 Shares), at a consideration ranging from RMB2.00 to RMB6.00 per Share for a total consideration of approximately RMB1.1 million. The consideration for the respective repurchases was primarily determined with reference to the original subscription price paid by each of the respective individuals at previous subscriptions. All such considerations had been fully settled as at September 2024. These repurchases were mainly conducted for the purpose of repurchasing Shares from previous investors and individuals who had ceased to be employees of our Group prior to the repurchase.

On 28 June 2024, Ms. Wang Pingping agreed to transferred 100,000 Shares to Ms. Wang Juanjuan (王娟娟), an Independent Third Party, at a consideration of RMB300,000 (representing RMB3.0 per Share). To the best of our Directors’ knowledge, the consideration was determined after arm’s length negotiations between the parties, and our Company was not involved in such negotiations. The consideration was fully settled on 8 June 2026. To the best of our Directors’ knowledge, the transfer was a private arrangement between the parties for personal investment purposes.

From January to December 2025, Jinan Huanneng agreed to acquired an aggregate of 2,960,000 Shares from four individuals, namely (i) Ms. Li Yana (李亞娜), (ii) Mr. Gao Wenlong (高文龍); (iii) Mr. Zhang Jian (張健); and (iv) Mr. Zhang Dan (who is our Director), at a subscription price ranging from RMB2.00 to RMB4.00 per Share for a total consideration of approximately RMB5.9 million. The consideration for the respective repurchases was primarily determined with reference to the original subscription price paid by each of the respective individuals at previous subscriptions. All such considerations had been fully settled in December 2025. These repurchases were mainly conducted for the purpose of repurchasing Shares from individuals, some of whom had ceased to be employees of our Group prior to the repurchase, and, in the case of Mr. Zhang Dan, to facilitate his personal financial arrangements.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

Overview

After the delisting from NEEQ and prior to the completion of the [REDACTED], certain Shares were acquired by Ms. Li Junying, Ms. Wang, and Ms. Wang Juanjuan. Since these Shares were not acquired under a defined employee incentive scheme as provided under the Guide, these individuals are considered as our [REDACTED] Investors, the details of which are summarised below:

Investors	Ms. Li Junying	Ms. Wang	Ms. Wang Juanjuan ¹
Date of agreement	29 November 2023	27 November 2023 & 22 December 2023	28 June 2024
Consideration	RMB700,000	RMB7,000,000	RMB300,000
Total number of Shares transferred	700,000	7,000,000	100,000
Date of settlement of consideration	1 June 2026	10 June 2026	8 June 2026
Cost per Share ² and discount to the [REDACTED] ³	RMB1.0 (approximately HK\$1.15) per Share, representing a discount of approximately [REDACTED]% of the [REDACTED]	RMB1.0 (approximately HK\$1.15) per Share, representing a discount of approximately [REDACTED]% of the [REDACTED].	RMB3.0 (approximately HK\$3.45) per Share, representing a discount of approximately [REDACTED]% of the [REDACTED].
Use of proceeds	As all the [REDACTED] Investments involved transfers among Shareholders, no proceed has been received by our Group.		
Strategic benefits to our Company	At the time of the [REDACTED] Investments, our Directors (excluding the interested Directors) believed that such investments demonstrated the investors’ confidence in our Group’s business prospects as personnel of our Group. Furthermore, these investments serve to align their interests directly with those of our Company and our Shareholders, motivating them toward the long-term growth and success of our business.		
Shareholding in our Company for the [REDACTED] Investor upon [REDACTED] (assuming the [REDACTED] is not exercised)	Approximately [REDACTED]% ⁴	Approximately [REDACTED]% ⁵	Approximately [REDACTED]%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

1. Ms. Wang Juanjuan acquired her Shares via a subsequent transfer from Ms. Wang Pingping on 28 June 2024. The details reflected in this column represent the terms of the transfer between Ms. Wang Pingping and Ms. Wang Juanjuan regarding such Shares.
2. The approximate cost per Share is calculated based on the amount of consideration paid by each [REDACTED] Investor divided by the number of Shares derived from such [REDACTED] Investment to be held by it upon [REDACTED] (assuming the [REDACTED] is not exercised).
3. The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED].
4. Ms. Li Junying owned 400,000 shares prior to her further acquisition of shares in November 2023.
5. Ms. Wang owned 80,000 shares prior to her further acquisition of shares in November and December 2023.

Special Rights

No special rights were granted to any of our [REDACTED] Investors in connection with the [REDACTED] Investments, and none of the [REDACTED] Investors will be entitled to any special rights upon the completion of the [REDACTED].

Lock-up Period

Pursuant to the applicable PRC laws, the shares of a company issued before its [REDACTED] shall not be transferred within one year from the date on which the stocks of such company are [REDACTED] on a stock exchange. Accordingly, the Shares held by Ms. Li Junying, Ms. Wang, and Ms. Wang Juanjuan will be subject to this statutory transfer restriction for a period of 12 months from the [REDACTED].

Information on the [REDACTED] Investor

Ms. Li Junying and Ms. Wang are Directors and connected persons of our Company. For details of their information, please refer to the section headed “Directors and Senior Management – Executive Directors”.

To the best knowledge, information, and belief of our Directors, Ms. Wang Juanjuan is an Independent Third Party and an individual investor.

Sole Sponsor’s Confirmation

On the basis that (i) the [REDACTED], being the first day of trading of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the [REDACTED] Investments; (ii) there is no redemption right granted to the [REDACTED] Investors; and (iii) there is no other special right granted to the [REDACTED] Investors, the Sole Sponsor confirms that the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CAPITAL INCREASE IN 2024 AND CAPITAL REDUCTION IN 2026

In June 2024, the registered share capital of our Company was increased to RMB100,000,000. The additional registered capital of RMB43,650,000 remained unpaid. In November 2025, our Company resolved to reduce our registered share capital from RMB100,000,000 back to RMB56,350,000. The capital reduction was conducted to cancel the unpaid registered capital resulting from the capital increase in June 2024. The capital reduction did not involve the cancellation of any issued Shares. The capital reduction was completed on 12 February 2026.

OUR BRANCH COMPANIES

The principal business activities and the dates of establishment of our branch companies are shown below:

<u>Name of branch company</u>	<u>Place of establishment</u>	<u>Date of establishment</u>	<u>Principal business activities</u>
Shandong Huanneng Design Institute Co., Ltd. Xiajin Branch* (山東省環能設計院股份有限公司夏津分公司)	PRC	11 June 2025	Engineering design consulting services
Shandong Huanneng Design Institute Co., Ltd. Qingdao West Coast Branch* (山東省環能設計院股份有限公司青島西海岸分公司)	PRC	11 April 2023	Engineering design consulting services
Shandong Huanneng Design Institute Co., Ltd. Leling Branch* (山東省環能設計院股份有限公司樂陵分公司)	PRC	20 February 2019	Engineering design consulting services
Shandong Huanneng Design Institute Co., Ltd. Xinjiang Branch* (山東省環能設計院股份有限公司新疆分公司)	PRC	15 February 2012	Engineering design consulting services

OUR SUBSIDIARY

As at the Latest Practicable Date, we had one subsidiary, namely Shandong Zhongneng Engineering Construction Co., Ltd.* (山東省中能工程建設有限公司). Shandong Zhongneng was established under the laws of the PRC on 30 December 2022 with a registered share capital of RMB50.0 million. As at the Latest Practicable Date, it was owned as to 60% by our Company and as to 40% by Ms. Wang. Since establishment, it has been principally engaged in provision of EPC services.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

DEREGISTRATION OF SUBSIDIARIES DURING THE TRACK RECORD PERIOD

To streamline our Group’s structure, during the Track Record Period, two subsidiaries of our Company had been deregistered. Details of such deregistration are set out below:

Name of subsidiary	Interest held by our Company before deregistration	Principal business	Reason of deregistration	Date of deregistration
Huanneng (Liaocheng) Photovoltaic Engineering Co., Ltd.* (環能(聊城) 光伏工程有限公司)	100%	Engineering design consulting services	The subsidiary had no substantive operations and was deregistered due to commercial reasons	9 January 2026
Huanneng (Liaocheng) New Energy Co., Ltd.* (環能(聊城)新能源有限公司)	100%	Engineering design consulting services	The subsidiary had no substantive operations and was deregistered due to commercial reasons	19 December 2025

As confirmed by our Directors, both Huanneng (Liaocheng) Photovoltaic Engineering Co., Ltd.* and Huanneng (Liaocheng) New Energy Co., Ltd.* had not been involved in any material claim, litigation or non-compliance incident since their respective establishment and up to the Latest Practicable Date. They were solvent at the time of commencement of their respective deregistration proceedings. Together with the fact of they never commenced substantive operation, our Directors consider that their deregistration did not have a material impact on our Group’s business and financial performance.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Shareholding structure as at the Latest Practical Date

The following table illustrates the shareholding structure of our Company as at the Latest Practicable Date:

Name of the Shareholder	Shares	Percentage of shareholding (approx. %)
Jinan Huanneng ^(Note 1)	44,180,000	78.40%
Ms. Wang	7,080,000	12.56%
Wang Pingping (王萍萍)	1,840,000	3.27%
Li Junying (李俊英)	1,100,000	1.95%
Zhang Dan (張丹)	600,000	1.06%
Zhang Weidong (張煒東)	330,000	0.59%
Li Fan (李凡)	150,000	0.27%
Wang Juanjuan (王娟娟)	110,000	0.20%
Wang Zhuang (王壯)	100,000	0.18%
Feng Xiuxin (馮修新)	100,000	0.18%
Duan Xin (段鑫)	100,000	0.18%
Zhang Congyi (張聰一)	100,000	0.18%
Wang Tao (王濤)	80,000	0.14%
Zhang Linxin (張林新)	70,000	0.12%
Liu Zheng (劉政)	50,000	0.09%
An Ran (安然)	50,000	0.09%
Zhang Lizhen (張麗真)	50,000	0.09%
Liu Wenyong (劉文勇)	30,000	0.05%
Cao Jianqiang (曹建強)	30,000	0.05%
Zhang Zhengquan (張正全)	30,000	0.05%
Hou Jing (侯靜)	20,000	0.04%
Li Hua (李華)	20,000	0.04%
Meng Xiangsheng (孟祥勝)	20,000	0.04%
Zhu Qing (朱青)	20,000	0.04%
Zhang Luquan (張路全)	20,000	0.04%
Yang Guang (楊廣)	20,000	0.04%
Yu Haiwang (于海旺)	10,000	0.02%
Cao Shunmeng (曹順萌)	10,000	0.02%
Ma Cuihua (馬翠華)	10,000	0.02%
Lang Xianguang (郎咸廣)	10,000	0.02%
Zhang Xinxin (張欣欣)	5,000	0.01%
Ren Yuyong (任玉勇)	5,000	0.01%
Total	56,350,000	100%

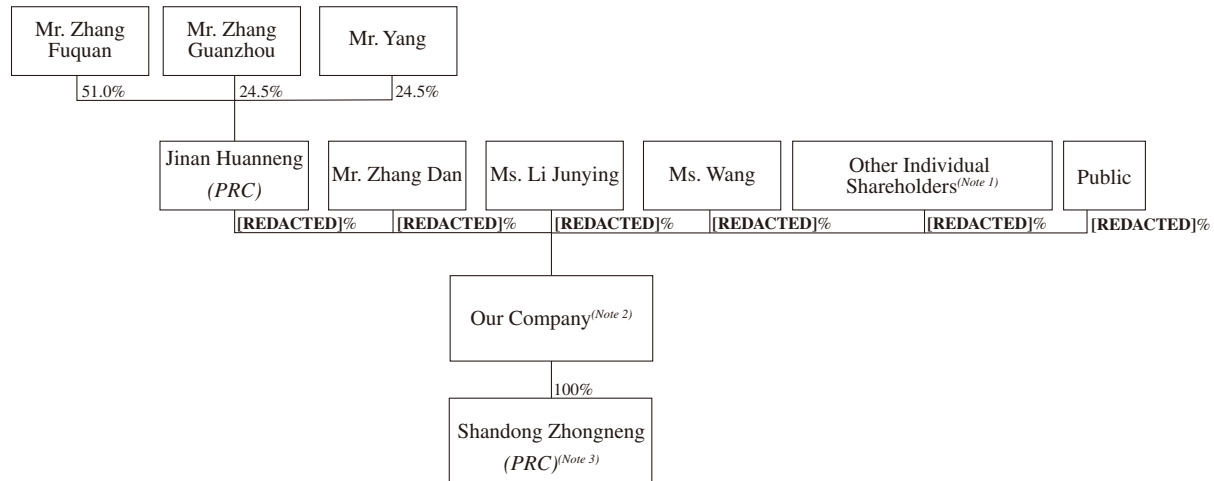
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

1. Jinan Huanneng is our Controlling shareholder, and Ms. Wang, Ms. Li Junying and Mr. Zhang Dan are our Directors. All other shareholders are employees or previous employees of our Group and Independent Third Parties.

Corporate structure upon completion of the [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes:

1. For details, see “– Corporate structure – Corporate structure as at the Latest Practicable Date”.
2. Our Company has established four branch offices in the PRC. For details, see “– Our branch companies”.
3. As at the Latest Practicable Date, Ms. Wang owns 40% of the shares in Shandong Zhongneng (PRC), and such shares will be acquired by the Company on or prior to the [REDACTED].

PREVIOUS LISTING ON NEEQ

Delisting of our Shares from NEEQ

On 25 July 2016, our Company received approval for our Shares to be listed on the NEEQ in the PRC (stock code: 838602), and our Shares began trading on the NEEQ in the PRC on 10 August 2016. Having taken into account our operation demands and long-term development plans, the listing of our Shares on the NEEQ no longer satisfied the then financing needs of our Company. As such, our Shareholders resolved to voluntarily delist our Shares from the NEEQ. The delisting of our Shares from the NEEQ was completed on 12 October 2023.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Compliance During Listing on NEEQ

During the period when our Shares were listed on NEEQ, there was a non-compliance incident as set forth below.

On 6 May 2022, the NEEQ issued a warning letter to our Company, Mr. Zhang Fuquan and Ms. Wang (the then secretary of the Board) (the “**Warning Letter**”) in relation to our Company’s failure to comply with corporate governance and information disclosure requirements, namely: (i) the failure to timely consider and disclose material transactions regarding the provision of loans made in 2020 and 2021, (ii) the failure to timely disclose a material litigation in August 2020, and (iii) the prior period accounting error corrections disclosed on 30 April 2021 which retrospectively adjusted our financial data from 2017 to 2019, as required, among others, under the Corporate Governance Rules and Information Disclosure Rules for Companies Listed on the NEEQ (全國中小企業股份轉讓系統掛牌公司治理規則) and (全國中小企業股份轉讓系統掛牌公司信息披露規則).

As advised by our PRC Legal Advisor, (i) the issue of the Warning Letter is an administrative regulatory measure of the NEEQ, which does not fall under an administrative penalty. Thus, the issue of the Warning Letter is not an administrative penalty that would affect our Company’s suitability for the [REDACTED] and/or the Direction’s integrity, instead it is an administrative regulatory measure which is minor and mild in nature; (ii) the Warning Letter will not affect eligibility of our Company to file with the CSRC for the offering and listing in accordance with the laws and regulations of the PRC; (iii) the Warning Letter will not affect the eligibility of Mr. Zhang Fuquan and Ms. Wang to serve as a director, supervisor or senior management member of any PRC companies (including listed companies); and (iv) the incident did not constitute material and systemic non-compliance.

The occurrence of the non-compliance incident, namely, failure to make timely disclosures and accurate financial reporting was due to inadvertent mistake by our Company without taking timely and professional advice at the time. Our Board is of the view that the incident is an immaterial non-compliance and is not an integrity non-compliance incident nor systemic non-compliance nor material non-compliance having taken into account that: (i) the incident is minor and one-off in nature, (ii) the incident and the Warning Letter did not give rise to significant financial penalties nor result in closure of material operating facilities given that no monetary fine or other penalty was imposed on our Company, Mr. Zhang Fuquan or Ms. Wang, (iii) the non-compliance incident was unintentional as our Company, Mr. Zhang Fuquan and Ms. Wang had no intention to conceal the incident to mislead the [REDACTED] or regulators and our Company proactively conducted prior period accounting restatements and supplementary disclosures as soon as we became aware of the requirements; and (iv) the incident did not involve any investigation, hearing, proceeding or judicial proceeding of Mr. Zhang Fuquan or Ms. Wang. Furthermore, our Directors are of the view that the incident was a result of oversight and did not involve any fraud, dishonesty or gross negligence on the part of our Company, Mr. Zhang Fuquan or Ms. Wang and believe that there is no reason to cast doubt on the integrity of Mr. Zhang Fuquan or Ms. Wang. We have also strengthened our internal control policy by identifying disclosure obligations under Listing Rules and applicable accounting standard, and defining clear accountability for disclosure matters, designating relevant personnel to supervise and streamline our compliance workflow to prevent recurrence of similar incidents.

Considering the foregoing, our Directors consider and the Sole Sponsor concurs, that the incident does not affect the suitability of Mr. Zhang Fuquan and Ms. Wang to act as Directors under Rules 3.08 and 3.09, and our Company’s suitability for [REDACTED] under Rule 8.04 of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our Directors, to the best of their knowledge and belief, confirmed that save as disclosed above:

- (i) during the period that our Company was listed on the NEEQ:
 - a. we had no instances of non-compliance with the rules of the NEEQ in any material respects and our Company and our then Directors had been in compliance in all material respects with all applicable rules and regulations of the NEEQ and PRC securities law; and
 - b. our Company had not been subject to any administrative penalty by the NEEQ and/or any relevant law enforcement authority or regulator related to securities supervision; and
- (ii) there are no further matters in relation to the prior listing of our Company on the NEEQ and the subsequent withdrawal that needs to be brought to the attention of the Stock Exchange, our Shareholders or [REDACTED].

The Sole Sponsor concurs with the view of the Directors that there is no other matter in relation to the prior listing of our Company on the NEEQ and the subsequent withdrawal that needs to be brought to the attention of the Stock Exchange or [REDACTED].

OTHER PREVIOUS LISTING ATTEMPT

In August 2022, we entered into a tutoring agreement (the “**Tutoring Agreement**”) with Northeast Securities Co., Ltd. in connection with a proposed listing on the Beijing Stock Exchange and a planned preliminary filing (上市輔導備案) (the “**Proposed Listing**”) with the Shandong Regulatory Bureau of CSRC (中國證券監督管理委員會山東監管局). No formal preliminary filing was subsequently made by our Company under the Tutoring Agreement. By voluntarily delisting our Shares from the NEEQ in October 2023, we abandoned the Proposed List plan. The Sole Sponsor concurs with the view of the Directors that there is no other matter in relation to the Proposed Listing that needs to be brought to the attention of the Stock Exchange or [REDACTED].

Meanwhile our Directors consider the Stock Exchange, as an internationally recognised and reputable stock exchange, to be an appropriate [REDACTED] venue to provide as a good platform to access the international equity market and to expand our business.

We may conduct [REDACTED] at an appropriate time after the [REDACTED]. As at the Latest Practicable Date, we had not determined the size or the [REDACTED]. Save as the aforesaid application for the Proposed Listing, we have not submitted any application to any recognised stock exchange in the PRC for approval of A share listing as at the Latest Practicable Date. There is no assurance that we will conduct [REDACTED] in the future.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

[REDACTED]

All of the Domestic Unlisted Shares held by the existing Shareholders (representing approximately [REDACTED]% of our Shares in issue immediately following the completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED])) will be [REDACTED] and will be [REDACTED] following the completion of the [REDACTED]. Immediately after the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), no less than [REDACTED] of the total issued Shares will be held by the public in accordance with Rule 8.08 of the Listing Rules.

[REDACTED]

Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50,000,000; or (b) have an expected market value at the time of listing of not less than HK\$600,000,000.

Take into consideration the number of issued share capital of our Company and [REDACTED] to be [REDACTED] under the [REDACTED], the expected market value of the [REDACTED] being held by the public and not subject to any disposal restrictions at the time of Listing under Rule 19A.13C of the Listing Rules would represent approximately [REDACTED] of the total number of issued shares in the class to which [REDACTED] belong at the time of [REDACTED] (excluding treasury shares), with an expected market value of approximately [REDACTED] (assuming that (i) [REDACTED] is fixed of [REDACTED] (being the mid-point of the indicative [REDACTED] range stated in this document); and (ii) the [REDACTED] is not exercised).

At the time of [REDACTED], our Company is expected to satisfy the [REDACTED] requirement under Rule 19A.13C of the Listing Rules, with sufficient [REDACTED] held by the public and not subject to any disposal restrictions.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisor has confirmed that the shareholding structure and changes, capital reduction, capital increase and share transfers in respect of our Company in the PRC in “– Establishment and Development of our Company” above have been registered with local registration authorities of the PRC in accordance with applicable PRC laws and regulations. Further, the dissolution of our subsidiaries and branch office have been duly completed and registered.

BUSINESS

OVERVIEW

Founded in 2003, we are a comprehensive power engineering service provider based in Jinan, Shandong Province, the PRC. Our comprehensive engineering solutions cover (i) engineering, procurement and construction (EPC) services; (ii) construction design and consultancy services; and (iii) other services (including construction supervision services, and construction operation and maintenance services) with a focus on power engineering for renewable energy, according to Frost & Sullivan, we ranked third among non-state-owned comprehensive power engineering service enterprises in the PRC comprehensive power engineering services industry, in terms of power industry revenue for 2025.

Our engineering, procurement and construction (EPC) services encompass general contracting services including procurement, construction, installation, acceptance testing, subcontractor selection, and overall project management. Our construction design and consultancy services include the provision of comprehensive feasibility studies, preliminary design documents, construction drawings, and technical support based on project-specific technical, economic, and environmental conditions. We offer professional advice on project design, implementation, and management, leveraging our proprietary patents to deliver tailored solutions that address our customers’ specific needs. We also generated revenue from ancillary services, such as construction operations and maintenance services and construction supervision services, where our construction supervision services oversee quality, progress, cost and safety during the construction phase, while our construction operations and maintenance services cover the continuous technical support to ensure safe, stable and efficient operation of engineering facilities.

In terms of project nature, our projects fall into four categories. The first is power engineering – renewable energy, which include power and renewable energy generation, transmission and grid infrastructure projects. The second is power engineering – traditional energy, such as traditional power and energy generation and transmission. The third is municipal and construction, including urban infrastructure and utilities. The fourth is environmental protection engineering, covering environmental pollution control and waste treatment.

During the Track Record Period, our customers mainly included state-owned and stateholding enterprises, power generation groups in the PRC, private enterprises, listed companies and government authorities, who were involved in a broad range of industries, including among others, power engineering, environmental protection engineering, municipal engineering and construction industries.

For the three years ended 31 December 2023, 2024 and 2025, the revenue of our Group was approximately RMB581.6 million, RMB678.1 million and RMB810.7 million, respectively, with a majority of our revenue generated from renewable energy power engineering projects. In the same periods, our net profit amounted to approximately RMB11.5 million, RMB32.8 million and RMB54.1 million, respectively, with our net profit margin at approximately 2.0%, 4.8% and 6.7% for the years ended 31 December 2023, 2024 and 2025 respectively.

Currently, driven by sustained investment in power infrastructure, renewable energy, and grid construction, according to Frost & Sullivan, the market size of the PRC comprehensive power engineering services industry has increased from RMB194.8 billion in 2020 to RMB398.5 billion in 2024, and is expected to reach RMB678.6 billion by 2030. It is expected that the industry will grow at a CAGR of 10.5% from 2026 to 2030. For further details, please see “Industry Overview – Market size of the PRC comprehensive power engineering services industry”. Besides our core business activities in the PRC, we have expanded, and will continue to expand, our market shares in comprehensive power engineering services in the PRC and further strengthening our design and research and development capabilities.

BUSINESS

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

We are an experienced and recognised comprehensive power engineering service provider with dedicated and experienced founders, management team and engineers

We are an experienced comprehensive power engineering service provider in the PRC specialising in EPC services, construction design and consultancy services with a strong and extensive track record dating back to the early 2000s. Since our Company’s establishment in 2003, our founders have maintained stable and proactive leadership and management of our Company and operations, providing essential professional and technical expertise, as well as practical experience for our business. In particular, Mr. Zhang Fuquan holds a Doctorate in Business Administration from the University of Management and Technology, and is a senior engineer and a high level talent in class A of Jinan, who has received a certificate for high level talents of Jinan (濟南市高層次人才認定證書). Mr. Zhang Guanzhou obtained an executive master’s degree of business administration (EMBA) from Zhongnan University of Economics and Law (中南財經政法大學). He is a national class I registered structural engineer and an engineering technology application researcher. We believe that the in-depth knowledge and experience of our management team are critical to our success in the sectors we focus on, and that we are well placed to seize market opportunities, formulate sound business strategies and effectively manage business risks through their leadership. For more details, please see “Directors and senior management – executive directors”.

We place emphasis on technological innovation in our development, and believe that a team with strong innovative capabilities is critical to our continuous success. Over the years, we have established and maintained a distinguished team of experts and professional engineers. While maintaining and boosting the initiative of existing key personnel, we have continuously focused on attracting new talent to join and have formed a well-composed talent pool with a wide range of expertise and diversified and comprehensive personnel resources, laying a solid foundation for our future development. As at 31 December 2025, we had 93 registered professionals with various expertise, holding over 180 professional qualification certificates across various disciplines, including among others, 28 first-class registered survey and design engineering certificates, 36 first-class registered construction engineering certificates, 48 registered supervisory engineering certificates, 11 registered cost engineering certificates, 14 consulting engineering certificates, two urban and rural planner certificates, two registered environmental protection engineering certificates, and six registered safety engineering certificates. We believe that our talent base is highly competitive in the industry we operate in, and will continue to contribute to our ongoing growth and expansion.

BUSINESS

We have established our position in industry through a wide range of qualification coverage, our design capabilities and our own research and development efforts

Our strong construction design and research and development capabilities form part of our core competitiveness in the industry.

Over the years, we have achieved and accumulated a number of qualifications and recognitions for our professional services, including engineering qualifications of the highest category in our core services. Notably, we have obtained Grade A qualification for Engineering Design in the Power Industry in 2018, becoming one of only three non-state-owned enterprises in the PRC to hold such qualification at present. According to Frost & Sullivan, only a very limited number of non-state-owned engineering service providers hold Grade A engineering design qualifications in the power industry across the PRC. As at the Latest Practicable Date, we have the following highest-grade qualification(s) awarded demonstrating our competence in each of our major business segments:

<u>Business segment</u>	<u>Our technical competence^(Note)</u>	<u>Our Highest-Grade Qualification(s)</u>
EPC services	We are qualified to undertake EPC works for (i) power generation projects with a capacity per generator below 200MW; and (ii) transmission lines below 220kV and substations of the same voltage level. We are qualified to undertake construction work of various environmental protection projects without size limit.	Grade one qualification in specialised contracting for environmental protection engineering and Grade two qualification in general contracting for power engineering (環保工程專業承包壹級; 電力工程施工總承包貳級) under Construction Enterprise Qualification Certificate (建築業企業資質證書)
Construction design and consultancy services	We are qualified to undertake the design of main projects and supporting facilities for power industry construction projects without size limit, including (i) thermal power with a single unit capacity of 300MW or below; (ii) hydropower with a single unit capacity of 250MW or below; (iii) wind power with a scale of 100MW or below; (iv) substation projects with a voltage level of 330kV or below; (v) power transmission projects with a voltage level of 330kV or below; and (vi) renewable energy power generation projects without size limit.	Grade A qualification in power projects (電力行業(甲級)) under Construction Design Qualification Certificate (工程設計資質證書)

BUSINESS

<u>Business segment</u>	<u>Our technical competence^(Note)</u>	<u>Our Highest-Grade Qualification(s)</u>
	We are qualified to undertake consulting work for power projects of any size or voltage level.	Grade A Credit Qualification Certificate of Construction Consulting Unit (工程諮詢單位甲級資信證書) covering power projects (inclusive of thermal power, hydropower, nuclear power and renewable energy power) (電力(含火電、水電、核電、新能源))
Other services	We are qualified to perform installation, repair and testing activities in respect of power facilities with a voltage level below 330kV.	Grade two qualifications for installation works, overhaul works and testing works (承裝類二級；承修類二級；承試類二級) under Installation (Repair, Testing) of Electricity Facilities License (承裝(修、試)電力設施許可證)
	We are qualified to undertake engineering supervision services for construction projects of professional engineering, as well as project management, technical consultancy, and other related services for construction projects of any level.	Grade A qualification in power project supervision (電力工程監理甲級) under Qualification Certificate of Construction Supervision (工程監理資質證書)

Note: The technical competence of the relevant qualifications are confirmed by Frost & Sullivan.

As for our research and development efforts, we have a dedicated technical management committee responsible for overseeing the discussion and implementation of major technical solutions across different divisions, monitoring and analysing the latest domestic and international technological developments in the industry, and developing and executing our strategic plan for technological innovation.

Leveraging our integrated design and research and development platform, we are able to respond efficiently to project requirements, enhance design quality, and provide technically robust and cost-effective solutions to our customers. Our continuous investment in technology development enables us to keep pace with industry advancements, strengthen our proprietary know-how, and support the delivery of complex engineering projects. This integrated capability differentiates us from many of our peers and reinforces our competitive position in the market.

BUSINESS

We have a strong track record in renewable and traditional energy and, environmental protection engineering projects which positions us to benefit from the current industry trend

We have a strong track record in renewable and traditional energy and, environmental protection engineering projects which positions us to benefit from the current industry trend. We position ourselves as a “national non-state-owned comprehensive power engineering design enterprise”. Leveraging our extensive project experience, we have developed a deep understanding of sector-specific technical requirements, regulatory standards and operational practices. This enables us to deliver high-quality, reliable and efficient solutions that meet the evolving needs of our customers.

Our Directors believe that our long-standing participation in large-scale power, environmental protection and renewable energy power engineering projects has also strengthened our reputation and credibility among major market participants, including state-owned enterprises, leading non-state-owned companies and local government authorities. This industry recognition enhances our ability to secure new projects, participate in competitive tenders and expand our market presence.

According to Frost & Sullivan, the PRC’s continued emphasis on energy transition, environmental governance and infrastructure upgrading is expected to drive sustained demand for renewable energy power engineering services. With our established capabilities, proven execution record and strong client relationships, we believe that we are well positioned to capture growth opportunities arising from these industry developments.

We have strong core technologies and proven track record on pioneering power engineering projects

To develop the core technologies pursuant to the prevailing industry trend of transition to renewable energy, we have jointly developed technologies with universities and state-owned enterprises. For example, we collaborated with Tsinghua University to develop energy saving and clean combustion technology for industrial boilers. We collaborated with Xi’an Jiaotong University to conduct research on $4 \times 1,000\text{MW}$ Coal-Biomass Co-firing and research on Flexible Coaling of Zero-Carbon Biomass with Power Units ($4 \times 1,000\text{MW}$ 燃煤耦合生物質發行可行性研究和機組靈活耦合零碳生物質研發應用項目).

Our key projects demonstrate our design capabilities across renewable energy, traditional power, and environmental protection. We have been involved in many pioneering projects, among others:

- The 300MW/1,800MWh Advanced Compressed Air Energy Storage National Demonstration Power Plant Project in Feicheng, Shandong (山東肥城300MW/1,800MWh先進壓縮空氣儲能國家示範電站項目) which we designed a 300MW/1,800MWh advanced compressed air energy storage commercial power station based on salt cavern gas storage. Using air as the medium, it enables large-scale grid-side electrical energy storage, providing the grid with peak shaving, frequency regulation, phase modulation, standby power, black start, and other power regulation functions, effectively supporting the stable and efficient operation of the power system.

BUSINESS

- The 220kV substation fishery-photovoltaic complementary power project (漁光互補發電項目), which is a 2GW fishery-photovoltaic complementary PV supporting project with an installed capacity of 514.9MWp distributed across 122 arrays and is designed to achieve an average annual on-grid electricity output of 537.3 million kWh. The project utilises two types of bifacial monocrystalline silicon PV modules with different string configurations, both stepped up to 35kV via 3,300kVA transformers before feeding into a newly constructed 220kV booster station. Our Directors consider that, given the massive transformer capacity and unit count, the entire station implements one-click centralised control, smart access control, intelligent metering, robot inspection, and will integrate PV-area UAV inspections, automated cleaning, and other functions into the station’s smart operation and maintenance platform.
- The Laiwu Power Station 100MW/200MWh Energy Storage Station which involves the design of a 100MW/200MWh electrochemical energy storage facility and a new 220kV booster station, which will connect to the existing 220kV side of the power plant via a single-circuit 220kV transmission line. Our Directors are of the view that, the system with its millisecond-level response stabilises wind and solar power energy fluctuations, balances grid loads, and provides critical inertia and voltage support, while its fully localised power conversion system, energy management system and control systems break overseas technical barriers in grid-forming energy storage and lead a large-scale deployment of domestic grid-forming decentralised storage technology.

We are well placed to secure and deliver on major and quality projects by leveraging on our established long-term relationships with existing customers and stable partnerships with our suppliers and subcontractors

We are well placed to secure and deliver major and high-quality projects by leveraging our established long-term relationships with existing customers and our stable partnerships with suppliers and subcontractors. Over the years, we have cultivated strong and enduring relationships with a diversified base of reputable customers, including major power generation groups, state-owned enterprises, listed companies, and non-state-owned enterprises. These long-standing relationships are built on our proven track record, reliable project delivery and consistent service quality. Such relationships not only enhance customer loyalty but also provide us with recurring business opportunities and early access to upcoming projects.

In addition, we maintain stable and cooperative partnerships with a network of qualified suppliers and subcontractors. These partnerships enable us to secure key materials, equipment and specialised services in a timely and efficient manner, which is critical for the execution of large-scale and complex power engineering projects. Our ability to coordinate effectively with suppliers and subcontractors also enhances project efficiency, reduces operational risks and supports the delivery of high-quality outcomes. We believe that our established customer relationships, together with our reliable supply chain and subcontractor network, provide us with a competitive advantage in securing new contracts, improving project execution capabilities and strengthening our overall market position.

BUSINESS

We are flexible and quick to adapt to market changes

According to Frost & Sullivan, while state-owned enterprises dominate the comprehensive power engineering services market in the PRC with closer access to governmental and state-owned enterprises for power infrastructure projects, they may suffer from delays in responding to customers’ requests due to hierarchies of internal approvals. As a non-state-owned market participant as concurred by Frost & Sullivan, we enjoy greater operational flexibility and are able to respond and react to customers’ requirements more quickly. This makes us to be more appealing to customers with tight time constraints. As we do not have the backup of state-owned enterprises, we need to provide more comprehensive services to our customers and have a more thorough understanding of the market. For example, once an agreement is entered into, we start planning on the project immediately.

We keep up with technological trends and are among the first companies in Shandong Province to enter into the field of renewable energy power engineering design. Our organisational hierarchy is relatively simpler, and the costs of our service are lower than that of state-owned enterprises, which give us a competitive advantage. Our competitive strategy mainly revolves around continuously improving our technology, pricing, and service.

BUSINESS STRATEGIES

Our goal is to continue to expand our market share in the PRC comprehensive power engineering services industry, and further consolidate our position as a prominent market participant, in view of the industry trend of transformation into renewable energy. To achieve our goal, we intend to implement the following strategies:

Continue to elevate our market position and enhancing our market share in the comprehensive power engineering services industry

According to Frost & Sullivan, the share of renewable energy-related demand is expected to increase and enterprises with comprehensive full-life cycle service capabilities will capture market demand better. Further, overseas market having substantial demand for power infrastructure development also represents an important growth direction for PRC power engineering design enterprises.

We aim to elevate our brand into an industry leader in the PRC comprehensive power engineering services industry by continuously strengthening our core competencies in provision of EPC services, and construction design and consultancy services. We intend to further enhance our technical capabilities, optimise our project management systems and deepen our expertise across our key business segments. By doing so, we seek to improve our ability to undertake large-scale, complex high-value and pioneering projects.

To support this objective, we plan to continue investing in talent development, advanced engineering technologies and digital project management tools. We will also enhance internal coordination among our design, procurement and construction teams to improve overall project efficiency, cost control and delivery quality. In addition, we intend to expand our research and development efforts to drive innovation in engineering solutions and maintain our competitiveness amid evolving industry standards, market trends and customer requirements.

BUSINESS

Leveraging our extensive experience accumulated in the PRC, we have started to establish our presence in overseas markets, including, among others, entering into a contract in relation to an overseas EPC project for the designing, engineering, procuring, commissioning and testing of a solar photovoltaic power plant, marking a key milestone in our international expansion. During the Track Record Period, we have achieved a good gross profit margin for our overseas market, which we believe demonstrates the viabilities of selectively extending our full-life cycle service capabilities to overseas markets as business opportunities arise.

We believe that these initiatives will enable us to further consolidate our market position, broaden our service capabilities and capture additional opportunities arising from the PRC’s ongoing energy transition, infrastructure upgrading and environmental protection initiatives.

Further strengthening our design and research and development capabilities

According to Frost & Sullivan, electricity consumption in the PRC continues to grow, while the energy structure is shifting towards clean and low-carbon energy, driving investment and construction of large-scale power infrastructure, thus the demand for power engineering comprehensive services covering survey, design, EPC services, and provision of such services requires knowledge on renewable energy construction.

As the energy structure is shifting towards clean and low-carbon energy, there is large demand in power infrastructure involving, among others, power grid upgrades and development of new-type power system, transmission and distribution works, which requires new technologies. As such, we have established comprehensive R&D management policies covering R&D-related organisational management, process management and financial management. Our technical management committee has been recognised as a Jinan Municipal Enterprise Technology Centre issued jointly by the Jinan Municipal Bureau of Industry and Information Technology, the Jinan Municipal Bureau of Science and Technology, and the Jinan Municipal Finance Bureau. To strengthen our industry position, we actively collaborate with leading academic institutions such as Tsinghua University and Zhejiang University’s Fujian Innovation Centre, and have participated in a national key R&D project on ultra-low emission control, which successfully passed the Ministry of Science and Technology’s performance evaluation in 2023. For more details on our research and development capabilities, please see the paragraph headed “– Design, research and development” in this section.

Leveraging our existing technological advantage, we plan to further strengthen our design and research and development capabilities, enhance our ability to translate research outcomes into production capacity, thereby meeting our clients’ needs for industrial transformation, energy conservation, and emissions reduction in accordance with current government policies. We are confident that improving our design and research and development capabilities, we will be able to improve the quality and efficiency of our products and services, boost our market competitiveness, and increase profitability. To achieve these goals, we intend to expand our research and development team, upgrade our research and development facilities, continue to collaborate with universities and research institutes on joint development projects, accelerate our digital transformation and continue to adopt intelligent technologies such as Building Information Technology (BIM) and 3D modelling software to achieve greater design precision, visualisation, and efficiency.

BUSINESS

OUR BUSINESS MODELS

We principally engage in the following three major business segments: (i) EPC services; (ii) construction design and consultancy services; and (iii) other services (covering construction supervision services and construction operation and maintenance services). The following table sets forth the revenue, gross profit and gross profit margin breakdown of each of our Group’s principal business segments during the Track Record Period:

	For the year ended 31 December											
	2023				2024				2025			
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
EPC services	485,070	83.4	36,626	7.6	551,968	81.4	37,927	6.9	651,032	80.3	59,365	9.1
Construction design and consultancy services	92,589	15.9	21,636	23.4	124,059	18.3	39,498	31.8	158,118	19.5	52,518	33.2
Other services	3,970	0.7	291	7.3	2,052	0.3	475	23.1	1,506	0.2	90	6.0
Total	581,629	100.0	58,553	10.1	678,079	100.0	77,900	11.5	810,656	100.0	111,973	13.8

The following table set forth the revenue, gross profit and gross profit margin by type of projects during the Track Record Period:

	2023				2024				2025			
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Power engineering – renewable energy	386,671	66.4	31,925	8.3	505,093	74.5	38,295	7.6	531,064	65.5	50,838	9.6
Power engineering – traditional energy	141,639	24.4	19,699	13.9	67,551	10.0	11,695	17.3	102,072	12.6	38,992	38.2
Municipal and construction	33,789	5.8	4,933	14.6	58,593	8.6	15,867	27.1	32,540	4.0	5,191	16.0
Environmental protection engineering	19,530	3.4	1,996	10.2	46,842	6.9	12,043	25.7	144,980	17.9	16,952	11.7
Total	581,629	100.0	58,553	10.1	678,079	100.0	77,900	11.5	810,656	100.0	111,973	13.8

BUSINESS

The following table sets forth the revenue, gross profit and gross profit margin by location for the years indicated:

	2023				2024				2025			
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PRC	576,209	99.1	56,045	9.7	677,491	99.9	77,663	11.5	792,038	97.7	104,241	13.2
Others ^(Note)	5,420	0.9	2,508	46.3	588	0.1	237	40.3	18,618	2.3	7,732	41.5
Total:	581,629	100.0	58,553	10.1	678,079	100.0	77,900	11.5	810,656	100.0	111,973	13.8

Notes:

Other locations include Mongolia, Cambodia, Gambia, Mozambique and Nigeria, and the projects undertaken in these locations are all construction design or construction consultancy projects.

The following table sets forth the revenue, gross profit and gross profit margin by type of customers for the years indicated:

	For the year ended 31 December											
	2023				2024				2025			
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
State-owned and stateholding enterprises/government authorities (excluding listed companies)	505,278	86.9	39,022	7.7	476,180	70.3	28,908	6.1	629,024	77.6	57,111	9.1
Listed companies	50,791	8.7	12,921	25.4	157,593	23.2	40,891	25.9	128,207	15.8	28,684	22.4
Private enterprises (excluding listed companies)	25,560	4.4	6,610	25.9	44,306	6.5	8,101	18.3	53,425	6.6	26,178	49.0
Total	581,629	100.0	58,553	10.1	678,079	100.0	77,900	11.5	810,656	100.0	111,973	13.8

Further details of each of our principal business segments are set out as below:

EPC services

Our EPC services refer to the provision of general contracting services for engineering, procurement, and construction projects for our customers. We also take on defined portions of project work. Our EPC projects are generally commissioned by the project owner and contracted to handle the entirety of or certain stages of a project, including procurement, construction, installation, and acceptance. Based on the construction design drawings and design, we procure materials and organise and manage the construction process, and are responsible to the owner for ensuring the quality of the project, adhering to the project schedule, and managing costs as stipulated in the contract.

BUSINESS

As a main contractor, we are generally responsible for selecting and recommending suitable professional contractors with relevant qualifications to the customers, based on their needs, to complete the relevant construction tasks through bidding. In addition, we are also responsible for the procurement of related equipment and parts, the overall project management, and quality control. We will implement strict standard control over the project during construction, provide technical support to relevant specialised contractors, and supervise and manage the construction.

After the completion of the construction, we will conduct a preliminary acceptance inspection of the project, and a final acceptance inspection will be conducted after the contract’s quality warranty period expires.

For the years ended 31 December 2023, 2024 and 2025, we undertook 59, 67 and 62 EPC projects, respectively, serving major state-owned power groups and large non-state-owned enterprises including among others, power grid enterprises, power generation groups, renewable energy developers, local state-owned enterprises, private energy investment enterprises, industrial and commercial users, and government investment platform companies.

We have been involved in different types of EPC projects, among others:

Power engineering – renewable energy

Our scope of service may include the installation of wind turbines generator, self-consumption photovoltaic systems and distributed photovoltaic solar panels for household and commercial use, with key activities including construction drawing design, engineering survey and investigation, and the design and installation of power generation units.

Power engineering – traditional energy

Services provided mainly encompass the design, installation and construction of coal pulveriser differential pressure materials machines, electrical engineering project, steam piping installation, circulating fluidised bed hot water boiler with turbine generators, grid connection design and thermal heating system retrofitting project.

Municipal and construction

Projects mainly undertaken include the design and construction of civil and municipal infrastructure, heating system auxiliaries and pipe networks, and facility maintenance and corrosion protection.

Environmental protection engineering

Services provided mainly cover the design, preparation and installation of precipitators and desulphurisation systems, flue gas treatment systems, thermal and water recovery systems and air pollution control systems.

BUSINESS

The following table sets forth the breakdown of revenue and the number of EPC projects for which we undertook across four project types during the Track Record Period:

Project type	31 December					
	2023		2024		2025	
	<i>Number of EPC projects</i>		<i>Number of EPC projects</i>		<i>Number of EPC projects</i>	
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Power engineering – renewable energy	20	364,514	17	459,673	19	445,538
Power engineering – traditional energy	20	81,826	16	29,456	11	42,580
Municipal and construction	10	21,349	26	19,674	18	20,961
Environmental protection engineering	9	17,381	8	43,165	14	141,953
Total	59	485,070	67	551,968	62	651,032

Major projects

The table below sets out the details of our major and selected projects based on the top five projects by revenue recognised during each of the Track Record Period:

BUSINESS

For the year ended 31 December 2023

							Expected/ Actual completion date	Total contract value ^(Note 2)	Revenue derived from project during the year
Project	Customer ^(Note 1)	Project Type	Location	Scope of work	Contract date			RMB'000	RMB'000
1	Hehui 200MW Wind Power EPC Project (合惠200MW風電項目EPC總承包工程項目)	Customer Group A ^(Note3)	Power engineering–renewable energy	Liaoning, PRC	Construction and installation of 40 wind turbines of 5,000 kW each, where power will be connected to a newly built 220kV booster station	Jun 2023	Sep 2026	1,354,000	141,160
2	19.14MWp Distributed Photovoltaic Power Generation EPC Project in Weifang, Shandong (山東濰坊工商業19.14MWp分散式光伏發電項目EPC工程總承包項目)	Customer Group C	Power engineering–renewable energy	Shandong, PRC	EPC services for 19.14MWp distributed photovoltaic power generation system	Mar 2023	Dec 2024	74,508	64,041
3	Shandong Laizhou Tushan Phase I 600MW Photovoltaic Power Generation Project 300MW Transmission (山東萊州土山一期600MW光伏發電項目300MW送出工程EPC總承包項目)	Customer Group B	Power engineering–renewable energy	Shandong, PRC	EPC services for 600MW photovoltaic power generation system and 300MW transmission line	Dec 2022	Sep 2024	55,807	42,247
4	15MW distributed photovoltaic project in Qipanjing Town, Otog Banner (鄂托克旗棋盤井鎮15MW分佈式光伏項目EPC總承包項目)	Customer Group D	Power engineering–renewable energy	Inner Mongolia Autonomous Region, PRC	EPC services for 15MW distributed photovoltaic power generation system	Sep 2022	Dec 2025	68,964	37,011
5	Research and Demonstration Project of All-Time Denitrification Technology for 1,000MW Coal-fired Power Units EPC Project (1,000MW燃煤火電機組全時段脫硝技術研究與示範工程設備及施工EPC總承包項目)	Customer Group B	Power engineering–traditional energy	Shandong, PRC	EPC services for equipment and construction of the full-time denitrification technology research and demonstration project for a 1,000MW coal-fired thermal power unit	Aug 2022	Dec 2023	22,462	19,878

BUSINESS

For the year ended 31 December 2024

	Project	Customer ^(Note 1)	Project Type	Location	Scope of work	Contract date	Expected/ Actual completion date	Total contract value ^(Note 2)	Revenue derived from project during the year
								RMB'000	RMB'000
1	Hehui 200MW Wind Power Project (合惠200MW風電項目EPC總承包工程項目)	Customer Group A ^(Note 3)	Power engineering–renewable energy	Liaoning, PRC	Construction and installation of 40 wind turbines of 5,000 kW each, where power will be connected to a newly built 220kV booster station	Jun 2023	Sep 2026	1,354,000	332,626
2	Damaidi Photovoltaic Power Station Project (大麥地光伏電站總承包工程施工項目)	Customer Group F	Power engineering–renewable energy	Yunnan, PRC	EPC services for photovoltaic power station	Apr 2023	Dec 2026	152,300	52,944
3	Kaiyuan City Laozhai Village Photovoltaic Power Station Project (開遠市老寨村光伏電站項目)	Customer Group F	Power engineering–renewable energy	Yunnan, PRC	EPC services for photovoltaic power station	Jun 2023	Dec 2025	63,040	38,488
4	New Condensation Water Recovery and Treatment System EPC Project (新增冷凝水回收處理系統EPC工程項目)	Customer Group F	Environmental protection engineering	Shandong, PRC	EPC services for New Condensation Water Recovery and Treatment System	Jan 2024	Dec 2025	58,200	34,571
5	Central Heating EPC Project of Xinqiao Area (新橋片區集中供熱項目EPC總承包項目)	Customer Group G	Municipal and construction	Anhui, PRC	EPC services for Centralised Heating Project	Aug 2023	Jun 2026	77,356	21,499

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For the year ended 31 December 2025

	Project	Customer ^(Note 1)	Project Type	Location	Scope of work	Contract date	Expected/ Actual completion date	Total contract value ^(Note 2)	Revenue derived from project during the year
								RMB'000	RMB'000
1	Hehui 200MW Wind Power EPC Project (合惠200MW 風電項目EPC總承包工程項目)	Customer Group A ^(Note 3)	Power engineering–renewable energy	Liaoning, PRC	Construction and installation of 40 wind turbines of 5,000 kW each, where power will be connected to a newly built 220kV booster station	Jun 2023	Sep 2026	1,354,000	402,864
2	Jinan Jiyang District 1×50MW Back-Pressure Unit Cogeneration Environmental Engineering Project (濟南濟陽區1×5 萬千瓦背壓機組熱電聯產項目環保工程工程總承包 (EPC)項目)	Customer Group I	Environment protection engineering	Shandong, PRC	EPC services for 1×50,000kW back-pressure unit cogeneration project	Oct 2024	Jul 2026	62,883	50,469
3	New Condensation Water Recovery and Treatment System EPC Project (新增 冷凝水回收處理系統EPC 工程項目)	Customer Group F	Environment protection engineering	Shandong, PRC	EPC services for new condensation water recovery and treatment system	Jan 2024	Dec 2025	58,200	18,823
4	Liquid Ammonia to Urea Technology Upgrade EPC Project (液氨改尿素技術改造項目施工承包項目)	Customer K	Environmental protection engineering	Xinjiang Autonomous Region, PRC	Construction of the liquid ammonia to urea technical transformation system	Aug 2025	Jun 2026	21,100	18,317
5	Damaidi Photovoltaic Power Station EPC Project(大麥地 光伏電站總承包工程施工項目)	Customer Group F	Power engineering –renewable energy	Yunnan, PRC	EPC services for photovoltaic power station	Apr 2023	Dec 2026	152,300	14,385

Note 1: Customers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single customer.

Note 2: The total contract value stated is inclusive of VAT. For some of our contracts for our major projects, the contract price is an estimate only and the final contract value shall be determined based on factors such as the amount of work done, the final approved project amount, the installed capacity or the actual volume of projects carried out.

Note 3: Customer Group A is a state-owned enterprise established in 1989 in the PRC with a registered share capital of RMB35.3 billion. Customer Group A had interests in a company which is indirectly held as to 49% by related parties of Supplier Group F, one of the top five suppliers of our Group during the Track Record Period.

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Business process

Our EPC service process is divided into project initiation, initial project phase, design and procurement management, construction and installation management, completion and handover, and warranty services.

- 1) *Project initiation:* After soliciting the bid, we will define the project goals and scope, and finalise the contract with the customer. Final negotiations will also be carried out with the owner on contract terms and details. A project team led by a project manager with full management authority, clear responsibilities and communication channels is assembled with key positions such as technical, quality, safety, commercial, procurement, and construction personnel.
- 2) *Initial project phase:* The project team develops the construction organisation design for owner’s and supervisor’s approval. Schedule with critical paths and milestones, procurement plan with timing for critical equipment or materials, cost budget and cash flow plan with estimate break down target costs, and quality and safety management plan. Concurrently, site preparations are carried out, including the set-up of project office, temporary facilities and essential utilities and five supplies and one levelling to enable seamless mobilisation.
- 3) *Design and procurement management:* Detailed preliminary design, working drawings and as-built drawings are subjected to interdisciplinary review to identify optimisation opportunities and resolve discrepancies. For further details on our roles and responsibilities in the management of the design process, please see the paragraph headed “Construction design and consultancy services – Business process of construction design services” below.

At the procurement stage, we plan for and execute purchases of equipment and materials required. Procurement, inspection, transportation and subcontractor selection are managed to ensure the timely supply of materials and equipment that are fit for construction use.

- 4) *Construction and installation management:* The project team secures all statutory approvals and obtains written authorisation before commencement of work. Process management focuses on four major controls. Progress control involves monitoring progress through weekly or monthly reports and regular meetings, and implementing appropriate improvement measures following analysis. Quality control ensures that critical processes and concealed works are accepted before proceeding to the next step, while materials are inspected and re-tested in accordance with specifications. Cost control is exercised through regular comparative analysis, management of instructions from the owner or site conditions with cost and schedule implications, and the submission of completed work quantity reports to apply for progress payments. Safety and civilised construction control is achieved through the implementation of safety briefings, training, inspections and rectifications, and the management of on-site environmental protection. Communication and coordination management involves regular meetings to resolve technical and coordination issues, while relationships with all relevant parties are actively managed to ensure compliance and operational efficiency.

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We also engage subcontractors to provide assistance for the project within the agreed timeframe to enhance project efficiency. One major area of work that is subcontracted is construction services; we may also enlist the services of subcontractors for other tasks at the survey and design stage. We oversee the subcontractors’ work to ensure that it is completed on schedule, in accordance with our guidelines and requirements, and to the satisfaction of our customers and us. For more details, please see “Construction services and labour subcontracting” in this section.

- 5) *Completion and handover:* A comprehensive pre-acceptance inspection is conducted, followed by the compilation and submission of completion documentation including the compilation and submission of as-built documents, technical archives, quality assurance records, and operation and maintenance manuals. The owner coordinates final acceptance inspections with design, survey, supervision, construction, and quality units and issues a final acceptance report, followed by transfer of equipment and systems and handover of documentation, with project settlement and post-project evaluation conducted.
- 6) *Warranty services:* During the warranty period, we remedy any notified defects in accordance with the quality warranty certificates, providing free-of-charge repair of any engineering quality defects. A rapid response mechanism is established so that, upon receiving notification from the owner, the issue will be handled within the agreed timeframe. Upon expiration of the warranty period and signing of a defect liability period termination certificate, the remaining project quality assurance bond will be released back to us.

Construction Design and Consultancy Services

Our construction design and consultancy service refers to the service of providing comprehensive support during the planning, design and execution phases of a project, and includes carrying out feasibility studies, preparing preliminary design documents and construction drawings, and providing technical advisory services based on project-specific technical, economic and environmental conditions, leveraging our proprietary patents to deliver tailored solutions. We also provide professional advice and reports on project design, implementation and management, bringing technical knowledge, industry experience and problem-solving capabilities to address customers’ specific needs. Our construction design and consultancy services cover projects across power engineering with a growing focus on renewable energy, including the development, surveying and design of photovoltaic and energy storage facilities, as well as power plant design and upgrades.

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Major projects

The table below sets out the details of our major and selected projects based on the top five projects by revenue recognised during each of the Track Record Period:

For year ended 31 December 2023

	Project	Customer ^(Note 1)	Project Type	Location	Scope of work	Contract date	Expected/ Actual completion date	Total contract value ^(Note 2)	Revenue derived from project during the year
								RMB'000	RMB'000
1	Nigeria Enugu 15MW Coal-fired Power (尼日利亞Enugu 15MW燃煤電站EPC項目)	Customer L	Power engineering–traditional energy	Enugu, Nigeria	Providing project engineering design and technical consulting services	Sep 2021	Mar 2023	3,400	3,208
2	She County Solid Waste Pyrolysis Gasification (Modification) Power Generation Project (涉縣生活垃圾熱解氣化(改性)發電工程項目)	Customer M	Power engineering–traditional energy	Hebei, PRC	Providing design services in domestic waste pyrolysis gasification power generation project	Dec 2020	Aug 2023	3,000	2,830
3	Photovoltaic Project in Yongxing County, Chenzhou, Hunan Province Project (湖南郴州永興縣光伏項目勘測設計項目)	Customer Group N	Power engineering–renewable energy	Hunan, PRC	Conducting survey and design contract for photovoltaic projects	Mar 2023	Dec 2023	5,904	2,785
4	Vietnam 4 Phases Thermal Power Project (越南四期熱電項目)	Customer Group O	Power engineering – traditional energy	Svay Rieng, Cambodia	Providing project engineering design services of Phase I and II of the thermal power plant project	Mar 2021	Feb 2023	2,769 ^(Note 3)	2,407
5	Renovation and Expansion Project of the North District Heat Source Plant in Xifeng District, Qingyang (慶陽市西峰城區北區熱源廠改擴建項目)	Customer P	Power engineering–traditional energy	Gansu, PRC	Providing design services in heat source plant renovation and expansion project	May 2020	Jan 2023	2,316	2,185

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For year ended 31 December 2024

Project	Customer ^(Note 1)	Project Type	Location	Scope of work	Contract date	Expected/ Actual completion date	Total contract value ^(Note 2)	Revenue derived from project during the year
							RMB'000	RMB'000
1. Feasibility Study and Preliminary Technical Services of Renewable Energy Project in Honghe County, Honghe Prefecture, Yunnan Province (雲南紅河州紅河縣新能源項目可研及前期專題技術服務)	Customer Group F	Power engineering–renewable energy	Yunnan, PRC	Conducting renewable energy project feasibility study and providing preliminary specialised technical service	Mar 2022	Jan 2024	7,000	5,703
2. Quartz sand (powder) and potassium feldspar sand (powder) production line construction project (石英砂(粉)、鉀長石砂(粉)生產線建設項目)	Customer Group Q	Environmental protection engineering	Gansu, PRC	Providing design services to quartz sand (powder) and potassium feldspar sand (powder) production line construction project	Aug 2022	Feb 2024	4,864	4,589
3. Design for 200MW photovoltaic power generation project in Baigoulin, Qiaojia County, Three Gorges (三峽巧家縣白溝林200MW光伏發電工程設計)	Customer Group R	Power engineering–renewable energy	Yunnan, PRC	Conducting 200MW photovoltaic power generation engineering design project	Mar 2023	April 2024	3,650	3,443
4. Integrated design of feasibility study, preliminary design, and power grid transformation project for the 10 kV and below coal-to-electricity conversion project 2022–2024 (2022–2024年煤改電10千伏及以下配套電網改造項目可研初設一體化設計工程)	Customer Group S	Power engineering–traditional energy	Inner Mongolia Autonomous Region, PRC	Conducting design project for the feasibility study and preliminary design of the 10kV and below supporting and upgrades, for a coal-to electricity projects	Apr 2023	Dec 2024	8,000	2,778
5. Design services for natural gas energy project (天然氣能源項目設計服務)	Customer Group T	Power engineering–traditional energy	Shandong, PRC	Conducting natural gas energy project design services	Apr 2023	Jun 2024	3,980	2,628

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For year ended 31 December 2025

						Expected/ Actual completion date	Total contract value ^(Note 2)	Revenue derived from project during the year	
Project	Customer ^(Note 1)	Project Type	Location	Scope of work	Contract date		RMB'000	RMB'000	
1	2×330MW power plant in Bayan soum, Tuv province (蒙古中央省巴彥蘇木電廠 2×330MW機組)	Customer O	Power engineering-traditional energy	Tuv, Mongolia	Providing design services for 2×330MW power plant project	Jan 2025	Dec 2025	13,250	12,500
2	Feasibility study and preliminary technical services of renewable energy project in Luxi County, Honghe Prefecture, Yunnan Province (雲南紅河州瀘西縣新能源項目可研及前期專題技術服務合同)	Customer Group F	Power engineering-renewable energy	Yunnan, PRC	Conducting renewable energy project feasibility study and providing preliminary specialised technical service	Mar 2022	Sep 2025	7,000	9,582
3.	Feasibility study and preliminary technical services of new energy project in Gejiu City, Honghe Prefecture, Yunnan Province (雲南紅河州箇舊市新能源項目可研及前期專題技術服務合同)	Customer Group F	Power engineering-renewable energy	Yunnan, PRC	Conducting renewable energy project feasibility study and providing preliminary specialised technical service	Mar 2022	Sep 2025	7,000	8,909
4	Engineering Design for a thermal power plant technology upgrade and renovation project, and a pithead power station boiler relocation, upgrading and supporting unit construction project (熱電站技術改造及提升項目、坑口電廠鍋爐搬遷改造及配套機組建設項目工程設計)	Customer U	Power engineering-traditional energy	Henan, PRC	Conducting a thermal power station technical renovation and upgrading project and supporting unit construction engineering design	Sep 2020	Sep 2025	5,260	4,962
5	EPC Design for Phase I of the 300MW photovoltaic composite power generation project in Xiazhang Town, Daiyue District, Tai'an City, Shandong Province (山東省泰安市岱岳區夏張鎮 300MW 光伏複合發電專案工程一期總承包(EPC)設計)	Customer V	Power engineering-renewable energy	Shandong, PRC	Providing design services for a 300MW photovoltaic hybrid power generation plant	Jan 2025	Dec 2025	4,000	3,774

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Note 1: Customers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single customer.

Note 2: The total contract value stated is inclusive of VAT. For some of our contracts for our major projects, the contract price is an estimate only and the final contract value shall be determined based on factors such as the amount of work done, the final approved project amount, the installed capacity or the actual volume of projects carried out.

Note 3: The total contract value is approximately US\$0.4 million, which is converted into RMB based on the exchange rate as specified in the section headed “Information about this document and [REDACTED]”.

Business process of construction design services

Our construction design service process is divided into preliminary design, construction drawing design, construction support, as-built drawing preparation, and post-design review.

- 1) *Preliminary design:* After the project owner commissions the design work, our team then confirms the feasibility and grid-connection basis, completes site surveys and key technical parameter checks, coordinates major equipment tendering and technical agreements, and formulates design principles to define the construction plan and investment scale, after which each discipline prepares preliminary design documents and budget estimates, undergoes review and quality checks, obtains formal approval, and submits the results to the competent authority so that the approved outputs can support project commencement and subsequent tendering and construction drawing design.
- 2) *Construction drawing design:* Based on the approved preliminary design, our design team resolves outstanding approval items, develops overall and discipline-specific design plans, conducts supplementary surveys, coordinates technical information with major equipment manufacturers, and allocates the approved budget by discipline. The chief designer in the design team then organises the master plan to coordinate all disciplines and the design team produces discipline-specific construction drawings and budgets through cross-disciplinary exchanges, refined calculations, multi-level review, and sign-off. The finalised construction drawing documents are then published and delivered to the owner or construction contractor according to the schedule.
- 3) *Construction support:* Our design team provides on-site technical services and quality supervision under the Resident Engineer System by appointing and briefing resident engineers, issuing formal notifications to relevant parties, conducting unified and sub-project briefings, and providing continuous technical support, equipment installation, and commissioning to coordinate and resolve design-related issues. Upon project completion, each discipline prepares a summary of resident engineer work.
- 4) *As-built drawing preparation:* After commissioning by the project owner, our design team prepares as-built drawings that accurately reflect the completed works by collecting design change notices, site correspondence, construction records, and commissioning data, verifying any missing items through on-site inspections and acceptance records, and having each discipline compile as-built drawing files based on approved changes and actual conditions. Upon completion, the as-built drawing documents are finalised and delivered to the project owner.

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- 5) *Post-design review:* After the project is placed into operation, our design team conducts a post-design review in accordance with relevant guidelines by scheduling the review with the operating unit, confirming the participation of key design personnel, performing on-site inspections and discussions to collect feedback on design performance and operational experience, analysing the feedback to identify improvement areas, and working with operating and construction units to propose feasible optimisation measures. The chief designer then submits the post-design review report and as-built drawings reflecting the actual construction work carried out to company management.

All deliverable, materials and technical documents generated during each of the stages are compiled and archived in accordance with relevant requirements.

Business process of construction consultancy services

Our construction consultancy service follows a structured yet flexible approach, from engagement and team formation through to final delivery and post-project evaluation. We first assemble a multidisciplinary team upon contract signing, then conduct thorough site investigations and data collection in coordination with the customer. Based on our findings, we develop a consulting outline and work plan for internal and client review. All deliverables undergo rigorous multi-level internal vetting, followed by third-party or client-led review, with revisions made as needed until approval is secured. The final report is then delivered and all project materials archived followed by a post-project evaluation, gathering client feedback and preparing a summary report to drive continuous improvement.

Other services

During the Track Record Period, we also generated revenue from a variety of sources that were ancillary to our construction business, such as construction supervision, and construction operations and maintenance.

Construction supervision

Our construction supervision service refers to the supervision of the construction projects of third-party companies. We will not participate in the supervision of our construction projects.

Our project supervision team manages the entire project lifecycle across different phases to ensure full compliance with quality, safety, budget, and schedule targets. Our project supervision team manages risk, quality, and compliance from pre-construction setup through construction oversight to final project close-out. Key responsibilities include verifying contractor qualifications, conducting on-site inspections, overseeing health and safety standards, and managing the defect liability period.

Construction operation and maintenance

Our construction operations and maintenance service refers to the provision of systematic, professional and continuous technical support to ensure the safe, stable and efficient operation of engineering facilities and systems. Leveraging our technical expertise, industry experience and established management processes, we provide customers with comprehensive operations and maintenance solutions tailored to their operational needs.

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PROJECT MOVEMENT AND CONTRACT VALUES

Backlog refers to our estimate of the contract value of work that remains to be completed as of a certain date subject to price adjustments and fluctuation in cost of materials and labour costs. The contract value represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms.

Project movements and backlog

The table below presents changes in the number of projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			After the Track Record Period and up till the Latest Practicable Date
	2023	2024	2025	
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Opening balance (Note 1)	271	476	604	785
Add: new projects (Note 2)	713	544	558	344
Less: projects completed (Note 3)	(508)	(416)	(377)	(118)
Ending backlog for the relevant year (Note 4)	476	604	785	1,027

Notes:

1. Opening number of projects represents projects awarded but not yet completed at the beginning of each year/period.
2. New projects awarded indicates projects awarded during each respective year/period, where multiple awarded tenders are consolidated into a single project to streamline our internal management and enhance efficiency.
3. Projects completed refers to projects for which we have completed the project handover, certification and settlement with our customers.
4. Ending number of projects is derived as the opening number plus new projects awarded, minus completed projects for each respective period.

For project numbers, the backlog calculation begins with the opening count of uncompleted projects at the start of each year/period. This number is then adjusted by adding newly awarded projects and deducting those completed within the period, resulting in the ending project count.

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The following table sets out the movement in the value of our project backlog during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			After the Track Record Period and up till the Latest Practicable Date
	2023	2024	2025	
	RMB'000	RMB'000	RMB'000	RMB'000
Opening backlog value (Note 1)	285,758	1,645,899	1,262,442	1,505,947
Add: new awarded projects	1,942,696	377,814	1,029,271	218,776
Add/Less: adjustments (Note 2)	(926)	(83,192)	24,890	811
Less: recognised revenue	(581,629)	(678,079)	(810,656)	(346,400)
Ending backlog value (Note 3)	1,645,899	1,262,442	1,505,947	1,349,134

Notes:

1. The opening backlog value represents the total contract value of projects awarded but not yet completed at the start of each year/period.
2. Adjustments refer to the adjustments made to the total value of contract works awarded taking into account the amount of actual work orders on re-measurement basis.
3. The ending backlog value reflects the portion of revenue for projects that remain uncompleted at the end of each year/period.

The backlog value calculation starts with the total contract value of projects awarded but not yet completed at the beginning of the period. We add the contract values of new projects awarded and adjusted. From this adjusted total, recognised revenue for the period is subtracted, yielding the backlog value to be carried forward.

During the Track Record Period and up to the Latest Practicable Date, both project counts and backlog values exhibited varied movements, primarily influenced by the nature, scale, and timing of project completions and new awards. These trends reflect typical patterns in project-based industries, where customers' payments and backlog metrics align closely with project progression, and where the mix of large-scale versus smaller projects can cause project count and backlog value to move in different directions.

For the year ended 31 December, 2023, the project count increased by approximately 75.6% from 271 to 476, while the backlog value surged by approximately 475.9% from RMB285.8 million to RMB1,645.9 million. This substantial growth in backlog value was primarily attributed to the award of the Hehui 200MW Wind Power Project (合惠200MW風電項目EPC總承包工程項目). For more details on the project, please refer to the paragraph headed “– EPC services – Major projects” in this section.

For the year ended 31 December 2024, the project count grew by approximately 26.9% from 476 to 604, but, the backlog value declined by approximately 23.3% from RMB1,645.9 million to RMB1,262.4 million. The was primarily driven by the substantial recognition of revenue during the period, which outpaced the value of new contracts added.

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For the year ended 31 December, 2025, both project count and backlog value increased, with the project count rising by approximately 30.0% from 604 to 785 and the backlog value growing by approximately 19.3% from RMB1,262.4 million to RMB1,505.9 million. The volume and value of new contracts comfortably exceeded revenue recognised during the year, reinforcing our growing project pipeline.

After the Track Record Period and up to the Latest Practicable Date, the project count increased by approximately 30.8% from 785 to 1,027, while the backlog value declined by approximately 10.4% from RMB1,505.9 million to RMB1,349.1 million. The relatively higher number of new projects awarded compared to completed projects reflects the seasonality of our business, which is typical of the project cycle where a significant portion of projects are scheduled for completion in the second half of the year. We expect that the second half will see improved performance.

From an industry perspective, these levels of backlog – in both project count and value – remain consistent with sector norms, reflecting a healthy flow of projects that supports long-term revenue generation. This balance ensures that we continue to capitalize on market opportunities while maintaining a stable and scalable operational model. business health and future prospects.

During the Track Record Period, we recorded four loss-making projects which has completed construction during the Track Record Period, with the total contract sum of these projects being approximately RMB6.8 million. In the same period, the total gross loss recorded for these projects during the Track Record Period was approximately RMB0.2 million, among which, three of them recorded a trivial loss of less than RMB5,000 each. Gross loss was recorded for these projects mainly because of cost overruns such as price volatility in certain materials for our EPC projects. Save as disclosed above, our Group did not have any other loss-making projects during the Track Record Period and up to the Latest Practicable Date. The revenue and gross loss contributions from these loss-making projects during the Track Record Period were generally insignificant relative to our total revenue and gross profit. Therefore, the occurrence of these loss-making projects did not have a material adverse effect on our overall business operations.

DESIGN, RESEARCH AND DEVELOPMENT

Design, research and development are crucial for our operation and business. For the years ended 31 December 2023, 2024 and 2025, our research and development accounted for approximately RMB8.5 million, RMB8.6 million and RMB9.6 million, respectively. Our research focuses primarily on technological development, construction application, surveying applications and project management, based on the needs and specifications of individual projects.

We have been dedicated to research and development in construction and surveying technologies and applying best industry practices. Annually, we organise our technical personnel to conduct research and development discussions. Potential projects are screened and selected based on the applications submitted by individual technical staff members. Below is a summary of our key efforts:

- **Construction Application:** We strengthened our efforts in construction drawing, design and technical disclosure, multi-disciplinary coordination, quality control, on-site technical services and deliverable submission, ensuring accurate design execution, efficient workflows and high-quality project delivery.

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- **Surveying Applications:** We strengthened our research on integrating surveying data into engineering design and construction processes, utilising advanced technologies to improve project accuracy, site analysis and progress monitoring.
- **Project Management:** We focused on improving project management capabilities including full-process consulting and comprehensive project management services, covering feasibility studies, planning, cost control, schedule management, risk assessment and procurement coordination to ensure timely and cost-effective project delivery.

Our Research and Development Team

As of 31 December 2025, we had 81 research and development personnel, including 2 engineering technology application researchers, 35 senior engineers, 35 recognised Jinan Municipal high-level talents, 17 first-class registered engineers, and 17 holding a master’s degrees or above. Members of our research and development team possess extensive academic and technical experience and each of the core members have attained numerous technical achievements and accumulated over 15 years of work experience including independently leading large-scale industrial projects. All of our research and development personnels have participated in national key technology research and development projects and possess independent research and development capabilities backed by full-chain practical experience from research through to application. Their collective expertise forms the foundation of our core technological strength.

We collaborated with famous universities in China to develop technologies and construction methods. We cooperated with Tsinghua University to conduct research and development on “Ultra-low Emission Control Technology for Pollutants (污染物超低排放控制技术)” aimed at improving fine particulate removal efficiency for industrial boilers in China; assisted Xi’an Jiaotong University to jointly design and prepare a feasibility study report on “co-firing biomass in coal-fired power generation”. Our contracts with our cooperating universities typically represent our standard terms for design and feasibility/research and development services, covering (i) responsibilities and performance standards, particularly that we will produce and deliver design documents or study deliverables in the required quantities and timelines and maintain document quality, (ii) a fixed service/design responsibility period, and (iii) remedies where omissions or design errors lead to quality incidents with the responsibility party being required to make remedial action, waive the defective portion of the design fee (or related fees), and pay compensation proportional to the loss. In addition, we shall allocate our personnel for on-site coordination and shall be required to bear the costs in procuring of materials and equipment. The technical results are typically shared or jointly owned by us and the contracting parties, and any assignment of intellectual property to third parties requires prior written consent.

Details on R&D competitive edge and technological advancement

Our research and development capability is part of our core competitiveness. We have established a comprehensive set of research and development management policies covering project organisation, investment accounting, and reserve funds, with annual procedures for project application, approval, execution and evaluation. We also place great emphasis on technological innovation and the development of research and development organisational management, evidenced by the setting up of a technology management committee equipped with advanced design software and hardware, which has been recognised as Jinan Municipal Enterprise Technology Centre.

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We adhere to the development of research and development technologies to consolidate our position within the industry by carrying out numerous research collaborations with China’s top universities including Tsinghua University and Zhejiang University. Among which, we have participated in a national key research and development project on ultra-low emission control, which passed the Ministry of Science and Technology’s performance evaluation in 2023.

We strive to maintain a strong focus on both research and development and the commercialisation of our technological outcomes. For details of our invention patents and utility model patents, please refer to the section headed “Appendix VI – Statutory and General Information”. As a long-standing national high-tech enterprise, we have developed significant expertise in new energy planning and design and continue to drive technological upgrading across the industry. Our strong research and development capabilities, combined with a proven track record of commercialisation, have earned us business qualification certificates from the Shandong Provincial Department of Housing and Urban-Rural Development and other regulatory authorities.

SALES AND MARKETING

During the Track Record Period, we secured new businesses mainly through (i) tender opportunities; or to a lesser extent, (ii) quotation request by customers.

Our customers generally invite tenders from entities in respect of their projects. We obtain tender informations through multiple channels and upon receipt of tender information, we conduct an assessment of each project on, among other things, qualification requirements, funding reliability, project scale, submission deadlines and the reputation of the tendering entity.

Alternatively, to a lesser extent, some of our customers will issue quotation requests, where we will project assessment procedures and submit our quotations if the assessment results meet our requirements.

After our management has approved to tender for a project, we obtain a full set of tender documents and establish a bidding team to prepare and submit the tender. The specific tasks include collection and study of project details, preparation and review of the tender documents and submission of the tender for the customer’s assessment.

The table below sets forth the number of projects for which we have submitted the tender, the number of projects awarded and the success rate during the Track Record Period:

	For the year ended 31December,		
	2023	2024	2025
Number of projects for which we have submitted the tender	1,185	761	762
Number of projects awarded	774	493	501
Success rate	65.3%	64.8%	65.7%

In the above table, the success rate for a financial year is calculated based on the number of projects awarded for tenders submitted in that financial year (whether awarded in the same financial year or thereafter).

BUSINESS

The following table sets forth, the number of projects tendered, awarded and the tender success rate in which we participated by each business segment during the Track Record Period:

Business segment		EPC services	Construction Design and Consultancy services	Other services
For the year ended 31 December 2023	Projects tendered	77	1,066	42
	Projects awarded	49	697	28
	Tender success rate	63.6%	65.4%	66.7%
For the year ended 31 December 2024	Projects tendered	46	687	28
	Projects awarded	30	445	18
	Tender success rate	65.2%	64.8%	64.3%
For the year ended 31 December 2025	Projects tendered	42	703	17
	Projects awarded	27	463	11
	Tender success rate	64.3%	65.9%	64.7%

The tender success rate remained stable during the Track Record Period, while there was a higher number of tender bids submitted in the year ended 31 December 2023, as we participated in more tenders with lower contract value.

Leveraging our strong resource integration and technological capabilities, established business channels, and information networks, we focus our resources on core sectors (namely, renewable energy power engineering) and key customers and strive to enhance our brand reputation. We extensively collect project information relevant to our business and promptly obtain preliminary project materials and client requirements. Upon acquiring project information, we mobilise personnel to conduct on-site inspections, research and analyse data and documents provided by customers, while considering various factors such as customer requirements, design fees, design cycles, and subcontracting services to determine whether to undertake a project. If approved, relevant personnel are assigned to manage negotiations and tendering process. We have also built a collaborative ecosystem with research institutions, suppliers, subcontractors and industry partners to create mutual value and operational efficiency.

For direct client commissioning model relies on our extensive experience, accumulated resources, and established brand reputation to secure new projects. Upon receiving project information from a prospective customer, our sales team will proactively engage with the customer to conduct thorough due diligence and feasibility assessments, and a business contract shall be entered into with the customer upon finding that the project satisfies our Group’s criteria.

Our sales and marketing responsibilities are delegated to each of our major business divisions with our senior management and the relevant division directors overseeing the performance of our sales and marketing teams. As at 31 December 2025, our sales and marketing teams had collectively 17 employees. Each of our sales and marketing team possesses relevant academic background, professional qualification and experience, and thereby is capable of identifying the key specifications of the projects, conducting market research, negotiating and tracking contracts, coordinating contract tendering and quotations, following up on unpaid invoices, managing customer relationships contract negotiation as well as ensuring our high quality services to customers at all times.

BUSINESS

CUSTOMERS

During the Track Record Period, our customers were primarily located in the PRC. Our customers are involved in a broad range of industries, including among others, electric power, municipal administration, construction and environmental protection.

Our customers mainly include major state-owned power groups and large private enterprises. In terms of the number of customers, we have in total 362, 341 and 298 customers for the years ended 31 December 2023, 2024 and 2025. In terms of revenue, we derived approximately RMB143.4 million, RMB337.0 million and RMB414.7 million respectively from our largest customer, for the years ended 31 December 2023, 2024 and 2025, representing approximately 24.7%, 49.7% and 51.2% of our total revenue for the same periods, respectively. In the same periods, the revenue generated from our top five customers in each year during the Track Record Period amounted to approximately RMB344.6 million, RMB521.3 million and RMB598.7 million, representing approximately 59.2%, 76.9% and 73.9% of our total revenue for the respective periods.

To the best knowledge, information and belief of our Directors, each of our five largest customers in each year of the Track Record Period were not connected parties of our Group. To the best knowledge of our Directors, none of our Shareholders who owns more than 5.0% of the Shares in issue, nor any of their respective associates, had any interest in any of our five largest customers in each year/period of the Track Record Period.

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Our Top Five Customers

The following tables set forth certain details of our five largest customers in each year during the Track Record Period:

For the year ended 31 December 2023

Rank	Customer ^(Note 1)	Principal business	Year of commencement of business relationship with us	Products/ services provided by us	Payment method	Revenue <i>RMB'000</i>	Percentage of total revenue <i>%</i>	Credit terms
1.	Customer Group A ^(Note 2)	Development, investment, construction, operation, and management of power sources; production and sales of electricity (and heat); development, investment, construction, production, and sales of industries and products related to finance, coal, transportation, renewable energy, and environmental protection; industrial investment and management	2023	EPC services	telegraphic transfer/ banker's acceptance	143,431	24.7	0 days ^(Note 3)
2.	Customer Group B ^(Note 4)	Production and supply of electricity and heat, the development of primary energy such as coal related to electricity and relevant professional technical services	2022	EPC services	telegraphic transfer	67,928	11.7	up to 60 days
3.	Customer Group C ^(Note 5)	Production and sale of electricity and heat	2023	EPC services	telegraphic transfer	64,041	11.0	up to 15 days
4.	Customer Group D ^(Note 6)	Coal mining, thermal power, wind power and coal-to-liquids industry	2022	EPC services	telegraphic transfer	51,959	8.9	up to 20 days
5.	Customer Group E ^(Note 7)	Thermal power generation, production and sale of electrical equipment, power generation equipment maintenance, and gypsum sales	2023	EPC services	telegraphic transfer	17,211	3.0	up to 30 days

BUSINESS

For the year ended 31 December 2024

Rank	Customer ^(Note 1)	Principal business	Year of commencement of business relationship with us	Products/ services provided by us	Payment method	Revenue	Percentage of total revenue	Credit terms
						RMB'000	%	
1.	Customer Group A ^(Note 2)	Please refer to the disclosure above	2023	EPC services	telegraphic transfer/ banker's acceptance	336,950	49.7	0 days ^(Note 3)
2.	Customer Group F ^(Note 8)	Manufacturing and sales of aluminium products	2022	EPC services, and construction design and consultancy services	telegraphic transfer	133,433	19.7	0 days ^(Note 3)
3.	Customer Group G ^(Note 9)	Investment and financing for urban infrastructure construction, investment in major strategic emerging industries, management and operation of state-owned assets and capital operation, and construction of engineering projects	2023	EPC services	telegraphic transfer	21,499	3.2	0 days ^(Note 3)
4.	Customer Group B ^(Note 4)	Please refer to the disclosure above	2022	EPC services	telegraphic transfer	17,327	2.6	up to 60 days
5.	Customer Group H ^(Note 10)	Thermal power, hydropower, nuclear power, renewable energy, aluminium industry, coal mining, railways, and ports	2023	EPC services	telegraphic transfer	12,098	1.8	up to 30 days

BUSINESS

For the year ended 31 December 2025

Rank	Customer ^(Note 1)	Principal business	Year of commencement of business relationship with us	Products/ services provided by us	Payment method	Revenue <i>RMB'000</i>	Percentage of total revenue <i>%</i>	Credit terms
1.	Customer Group A ^(Note 2)	Please refer to the disclosure above	2023	EPC services	telegraphic transfer/ banker's acceptance	414,660	51.2	0 days ^(Note 3)
2.	Customer Group F ^(Note 8)	Please refer to the disclosure above	2022	EPC services, and construction design and consultancy services	telegraphic transfer	65,094	8.0	0 days ^(Note 3)
3.	Customer Group I ^(Note 11)	Thermal power production and supply, pipeline gas supply, cooling supply, and renewable energy technology research and development	2024	EPC services	telegraphic transfer	50,469	6.2	up to 14 days
4.	Customer Group B ^(Note 4)	Please refer to the disclosure above	2022	EPC services	telegraphic transfer	47,461	5.9	up to 60 days
5.	Customer Group J ^(Note 12)	Sales of raw coal, steel, building materials, chemical products (excluding hazardous materials), hardware, and iron powder	2019	EPC services	telegraphic transfer	21,008	2.6	up to 30 days

Note 1: Customers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single customer.

Note 2: Customer Group A is a state-owned enterprise established in 1989 in the PRC with a registered share capital of RMB35.3 billion. Customer Group A had interests in a company which is indirectly held as to 49% by related parties of Supplier Group F, one of the top five suppliers of our Group during the Track Record Period.

Note 3: The credit terms were not specified in the contracts.

Note 4: Customer Group B is a state-owned enterprise established in the PRC in 2003 with a registered share capital of RMB37 billion.

Note 5: Customer Group C is a company established in the PRC in 1992 with a registered share capital of RMB17.8 billion and was listed on the Shanghai Stock Exchange in 1997.

Note 6: Customer Group D is a state-owned enterprise established in the PRC in 2017 with a registered share capital of RMB132.1 billion.

Note 7: Customer Group E is a company established in the PRC in 2000 with a registered share capital of RMB6.7 billion and was listed on the Shanghai Stock Exchange in 2002.

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Note 8: Customer Group F is a company established in 2010 in the Cayman Islands, the shares of which are listed on the Stock Exchange.

Note 9: Customer Group G is a state-owned sole-funded enterprise established in the PRC in 2006 with a registered share capital of RMB32.2 billion.

Note 10: Customer Group H is a state-owned enterprise established in the PRC in 2015 with a registered share capital of RMB35 billion.

Note 11: Customer Group I is a state-owned sole-funded enterprise established in the PRC in 2020 with a registered share capital of RMB10 billion.

Note 12: Customer J is a company established in the PRC in 2003 with a registered share capital of RMB3 million.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material litigation, claims or arbitrations with our top five customers.

Contract terms with our customers

Our EPC services contracts and construction design and consultancy services contracts specify the major terms of a project, such as pricing, payment schedule, construction schedule, warranty, price adjustment, performance guarantees, settlement upon completion, default and project delays. From time to time, we may enter into supplemental contracts if we are required to provide services beyond the original scope of work.

We do not enter into long-term contracts with our customers. We enter into an individual contract for each project, and we have annual framework agreements with a few customers.

The terms of our construction design and consultancy services contracts are similar, whilst the terms of our EPC contracts for different customers vary.

The major terms included in most of our EPC services contracts are summarised as follows:

Payment schedule	Some of our construction contracting contracts require an advance payment from our customers, normally used to cover various costs incurred in the early stages of the project. Payments for our construction contracting services are generally made in: according to monthly progress; or payment upon achieving certain key milestones set forth in our construction contracting contracts.
Scope of service	Our core responsibilities include (but are not limited to): overall management of all project matters throughout the EPC services process, preparation of design documents, procurement and management of equipment and materials, supervision of construction works (including schedule management and quality control), and handling the completion acceptance procedures.

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Performance guarantee	We may be required to provide a performance guarantee in the form of a deposit, from which the customer is entitled to deduct if we fail to fulfill certain obligations set forth in the construction contracting contract. In most cases, the performance guarantee will not exceed 10% of the contract value or the amount stipulated in the construction contract. These obligations usually pertain to project quality, project schedule and safety management.
Price adjustment provision	The contract prices in most of our construction contracts shall not be adjusted.
Project delays	If the project is delayed through no fault of ours, including a material expansion of scope of work or the occurrence of a force majeure event, we will normally be granted an extension equal to such delay. If one party causes a delay in the project schedule that party shall pay liquidated damages to the other party in terms stated in the agreement. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material liquidated damages which had an adverse impact on our operation and financial position.
Term	The term of our construction contracts depends on the estimated time required to complete the construction project.
Contract variation or termination	Generally, the contract will be terminated if the guarantee payment is completed within thirty days after the contract warranty period. Our construction contracts may be terminated by agreement between the parties thereto.
Defect Liability	During the quality assurance period after the project is put into operation, we conduct periodic inspections and maintenance of key facilities and systems to prevent failures and provide on-site support upon receipt of emergency notifications. We also provide technical support to the customer’s employees, to help them become proficient in the operation and management of the infrastructures.

The major terms included in most of our construction design and consultancy services contracts are summarised as follows:

Payment schedule	A few of our construction design and consultancy services contracts require an advance payment from our customers used to cover costs incurred in the early stages of the project. Payments for our construction design and consultancy services are generally made upon reaching certain key milestones set forth in the construction design and consultancy services contracts.

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Scope of service	Our core responsibilities include (but are not limited to): design, technical consultancy, preparation and review of drawings and specifications, project planning support and site coordination advice.
Performance guarantee	We may be required to provide a performance guarantee in the form of a bank guarantee of not exceeding 10% of the contract price.
Price adjustment provision	The contract prices in most of our construction design and consultancy services contracts shall not be adjusted.
Project delays	If it is our fault that causes a delay in the project, we may be required to pay for the additional costs or liquidated damages in accordance with the contract term. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material liquidated damages which had an adverse impact on our operation and financial position.
Term	The term of our construction design and consultancy services contracts depends on the construction period of individual projects.
Contract variation or termination	The contract may be terminated by mutual consent or in the event of a breach of contract after the expiry of the rectification period or automatically terminated when and upon all contracted works have been handed over, the expiry of the defects liability period, the issuance of a final defect liability certificate and no outstanding obligations.
Defect liability	During the defect liability period, we may be required to rectify defects, errors or deficiencies in our service which are attributable to us, at our own cost or otherwise in accordance with the terms of relevant contracts.

During the Track Record Period, to the best of our Directors’ knowledge, there are no material breaches by our Group in respect of our contracts with customers.

Credit policy

The payment terms and credit policy with the customers are negotiable on a case basis. We typically extend a credit term of up to 90 days to our customers, although we may negotiate with our customers on the credit policy and term on a case-by-case basis. We also provide flexibility on the payment terms to our customers on a case-by-case basis as negotiated with our customers. We regularly and actively monitor and review the payment period for our customers. Pursuant to our internal control policies, we are required to perform verification procedures on all customers trading on credit terms and to maintain strict control over our outstanding trade receivables.

See “Financial Information – Discussion on Certain Selected Items from our Consolidated Statements of Financial Position – Trade receivables” for a discussion of our trade receivables and note receivables, and the calculation method of our turnover days of our trade receivables and note receivables. Our management regularly reviews our overdue balances.

BUSINESS

Pricing policy

For our construction design and consultancy services, our pricing is generally determined with reference to the guided prices promulgated by government authorities or national power grid companies. The guided prices are in turn formulated based on the charging standards for different types of infrastructures for power engineering design and construction services as set out in the Engineering Survey and Design Charging Standard (《工程勘察設計收費標準》) promulgated by the State Development Planning commission and the Ministry of Construction in the PRC and other relevant industry guidelines, and are adjusted with reference to prevailing market conditions.

For our EPC projects, we adopt a cost-plus pricing strategy. In determining prices for our EPC projects, we consider the estimated overall project costs taking account of equipment, materials, processing and labour costs, technical complications, customer requirements, supply chain dynamics, procurement strategies, expected gross margin for each project and the competitive landscape in the relevant market.

Cost-plus pricing strategy is consistently applied across EPC services and construction design and consultancy services segments to ensure that prices accurately reflect actual costs and targeted profitability whilst remain competitive. We maintain open communication with customers regarding changes in material prices, logistics costs and exchange rates and negotiate pricing adjustments as needed. Our pricing strategy is reviewed regularly to ensure alignment with market trends and business objectives.

Concentration of customers

For the year ended 31 December 2023, 2024 and 2025, approximately 59.2%, 76.9% and 73.9% respectively, of our total revenue was attributable to our five largest customers in each year during the Track Record Period. In particular, our largest customer in each year during the Track Record Period has contributed approximately 24.7%, 49.7% and 51.2% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Our revenue concentration during the Track Record Period was primarily driven by the recognition of revenue from the largest EPC projects situated at Dashiqiao, Liaoning Province. Our Directors believe that, and confirmed by Frost & Sullivan, customer concentration is not uncommon for the construction industry and the business model of our Group is sustainable despite the customer concentration. According to Frost & Sullivan, large-scale power transmission projects were predominantly managed by a limited number of market participants, primarily large-scale state-owned enterprises. Our major customers vary each year during the Track Record Period as once a project concludes, customers may not require further services until new needs arise, leading to a turnover of customers each year during the Track Record Period. As we continue to enlarge our market share in the comprehensive power engineering services industry, our customer base and profile are expected to be diversified, and we expect to further reduce our customer concentration. For risks associated with our major customers, please see “Risk Factors – Our revenue is concentrated among a number of customers, and we rely on a limited number of suppliers and a number of subcontractors”.

Overall, while our major customers had contributed significantly to our revenue during the Track Record Period, their presence among our top five customers is reflective of our ability to secure and execute large-scale projects successfully. At the same time, our expanding portfolio of new customers and projects in both domestic and overseas markets underscore the robustness of our customer base and highlights our resilience in navigating customer concentration risks.

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Third-party Payment Arrangements

Background and implications of the Third-party Payment Arrangements

During the Track Record Period, we had certain customers (“**Relevant Customer(s)**”) settled payments with us through Third-party Payers (the “**Third-party Payment Arrangements**”). For the years ended 31 December 2023, 2024 and 2025, there were five, eight and three Relevant Customer(s), respectively. During the Track Record Period, Third-party Payers (“**Third-party Payer(s)**”) primarily consisted of affiliated persons or companies under the same corporate group and of the Relevant Customers (such as fellow subsidiaries or shareholders of the Relevant Customers), connected parties to the Relevant Customers, main contractor of the Relevant Customers, and the aggregate amounts of third-party payments were RMB0.4 million, RMB4.0 million and RMB0.5 million, respectively, representing 0.07%, 0.6% and 0.07% of our total revenue for the corresponding years. Our Directors confirm that all Third-party Payers are independent of our Group, and during the Track Record Period, no individual Relevant Customer had made material contribution to our revenue.

Reasons for Accepting Third-party Payment Arrangements

During the Track Record Period and up to the Latest Practicable Date, other than simply accepting third-party payments, our Directors confirm that we had not proactively initiated any Third-party Payment Arrangements. To the best knowledge of our Directors, the Relevant Customers arranged third-party payments because they may experience limited cash flow or for better internal cashflow management from time to time, or due to account security reasons and therefore the Relevant Customers might procure their Third-party Payers to settle their payments earlier to prevent breaching their payment obligations owed to us.

Our Directors believe, and Frost & Sullivan confirmed, that it is not uncommon for businesses in the power engineering industry to settle their payments through Third-party Payers for administrative convenience and prompter payment; in particular, it is not uncommon for sizable private enterprises to settle their corporate transactions through their affiliated companies such as fellow subsidiaries or shareholders under the same corporate group.

During the Track Record Period and up to the Latest Practicable Date, we did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or their respective designated Third-party Payers to facilitate or incentivise the Third-party Payment Arrangements. During the Track Record Period, we did not initiate any Third-party Payment Arrangements, and the Third-party Payment Arrangements were arranged based on the Relevant Customers’ requests. To the best of our knowledge, during the Track Record Period, the relevant payments were based on bona fide underlying transactions and valid contractual relationships. The pricing and payment terms we provided to the Relevant Customers were in line with those customers not involved in the Third-party Payment Arrangements. To the best of our Directors’ knowledge, information and belief, we were not the subject of any investigations, enquiries, penalties, or surcharges as a result of our involvement in the Third-party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. In addition, we had not encountered any actual or pending dispute or disagreement due to Third-party Payment Arrangements or any material claims against us in relation to the Third-party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date, and the risk that we are found obligated to return the funds is remote.

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Our Directors are of view that, the risk that the Third-party Payment Arrangements being recognised as acts of covering up or concealing the proceeds of any offence, as well as the source and nature of such incomes generated from therefrom under Article 191 of the Criminal Law of PRC and being categorized as conducts constituting the Crime of Money Laundering, subsequently facing associated criminal penalties, is relatively low, based on the following grounds: (i) all transactions settled through Third-party Payment Arrangements were supported by genuine business dealings, and we maintain records regarding the origin and nature of the funds received through these arrangements, with no intention to cover up or conceal any details; (ii) the above-mentioned confirmations have been obtained from majority of the Third-party Payment Customers participating in the Third-party Payment Arrangement in the PRC during the Track Record Period; and (iii) during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any criminal liabilities, administrative sanctions, or pending investigations pertaining to the Third-party Payment Arrangements.

As advised by our PRC Legal Advisor, in light of the foregoing circumstances, the Third-party Payment Arrangements do not, in any material respect, violate the statutory requirements of the current applicable laws and regulations of the PRC.

Internal Control Measures and Cessation of Third-party Payment Arrangements

To safeguard our interest against risks associated with Third-party Payment Arrangements, we have significantly enhanced and implemented various internal control measures in order to rectify Third-party Payment Arrangements. Our efforts to rectify the Third-party Payment Arrangements include, among other things:

- (i) conducted verification procedures to ascertain the relationship between the Third-party Payers and the Relevant Customers, including obtaining confirmation from the Relevant Customers in which the relationship between Third-party Payers and the Relevant Customers was set out, and to confirm, among other things, that (a) the Relevant Customers had authorised the designated Third-party Payers to settle payments with us, and (b) Third-party Payers consented to such arrangement and will not seek any refunds or pursue any claims against us;
- (ii) conducted background search on the internet to ascertain the relationship between the Third-party Payers and the Relevant Customers as far as possible; and
- (iii) strengthening our know-your-customer (KYC) procedures to gain a comprehensive understanding of our customers and performing verification of payment details against our records to confirm payments are made in accordance with the contracts. If any abnormalities are detected, we will promptly liaise with such customers for verification and correction.

In addition, for any future transactions, where a customer requests that payment be made by a designated third-party, our Group will enter into a tripartite agreement with both the customer and the designated third-party payer, under which the designated Third-party Payers will be expressly named as contractual parties, and will be contractually bound in respect of the relevant payment obligations.

Prior to the [REDACTED], our Group would fully implement the enhanced internal control measures described above in respect of all existing Third-party Payment Arrangements. All such arrangements have been regularised by the implementation of the measures described in items (i) to (iii) above.

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Save as described in this section, our Group does not intend to enter into Third-party Payment Arrangements other than in circumstances where the designated third-party payer is expressly incorporated as a contractual party to the relevant agreement.

OUR SUPPLIERS, EQUIPMENT AND MATERIALS

Our suppliers

Our suppliers mainly include (i) subcontractors for construction services and labour services for our power engineering projects, primarily for our EPC services on a project basis; and (ii) suppliers for equipment and materials.

Construction services and labour subcontracting

During the Track Record Period, we engaged subcontractors to provide certain construction and installation services and labour services, primarily for our EPC services on a project basis. Construction design and consultancy services mainly involve labour subcontracting. When there are too many projects, we usually use labour subcontracting to flexibly adjust internal human resources to ensure timely project delivery and shorten the project delivery period.

We mostly engage subcontractors through business negotiations and tender, whilst for design subcontracting, we tend to select subcontractors with long-term working relationships. We select our subcontractors based on several key factors, such as their location, reliability, capacity, quality, and price. We typically screen a number of qualified subcontractor candidates before deciding which subcontractor should be our cooperation partner. Our subcontractors are usually responsible for procuring the materials needed for the subcontracting process. We may conduct on-site inspections of our subcontractors' production facilities to carry out quality checks during the subcontracting process. Furthermore, we conduct quality control tests on the semi-finished or finished products processed by our subcontractors before accepting the finished products. In terms of the number of subcontractors engaged, all independent third parties, to perform the aforementioned works, we have in total 432, 427 and 426 subcontractors for the years ended 31 December 2023, 2024 and 2025.

As is customary in PRC comprehensive power engineering industry, aside from our own engineers and employees, we generally do not employ our own construction labour force for our EPC general contracting services. According to our subcontracting contracts, we typically make milestone payments to our subcontractors. We coordinate the cooperation between the subcontracted workers and relevant parties during the course of completing of their work duties in each EPC or construction design and consultancy project and supervise the work performance of the subcontracted workers, while our labour subcontracting agents are responsible for complying with and implementing our quality management system and monitoring their adherence to applicable national and industry standards, codes and specifications. We are entitled to terminate the contracts or claim damages in the event of delays caused by our labour subcontracting agents.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any difficulties in procuring services from our subcontractors, nor did we experience any material delays in the provision of services by our subcontractors that resulted in material disruption to our operations.

BUSINESS

We have entered into labour subcontracting agreements with third-party labour subcontractor agencies. Key duties of the subcontracted labour mainly included on-site construction and installation work, such as tower assembly, foundation grouting, grounding network installation, steel structure fabrication/installation, photovoltaic equipment installation, cable laying, and other associated civil and auxiliary works necessary for the completion of our power engineering projects. We allow subcontracted staff to work on our sites and we pay a lump sum service fee to the labour subcontractor agency calculated based on the completed work volumes verified in progress reports, although payment may be made through various instruments and is subject to upstream receipt of funds. To manage the risks of leakage of confidential information, such as proprietary technology, know-how, trade secrets and other intellectual property rights of our customers and us, associated with labour subcontracting, our agreements with our labour subcontractor agencies also stipulated relevant clauses imposing confidentiality obligations so as to protect our customers and our intellectual property rights. As advised by our PRC Legal Advisor, our labour subcontracting arrangement under such agreements as aforementioned does not violate the mandatory and prohibitive provisions under PRC laws and regulations in all material aspects.

Equipment and materials

We procure our equipment and materials from the PRC. We rely on a range of equipment and materials for our operation including primary equipment, structural components and essential hardware used in our EPC project. We determine the specification, duration and quantity for equipment and materials required in each project on a case-by-case basis, taking into account factors such as project size, project nature, height of buildings, cost and resource allocation, and project specification by each project owner. We either lease or use our own equipment and materials for our power engineering projects based on an assessment of the project location, our resource allocation and costs.

For the years ended 31 December 2023, 2024 and 2025, the purchases from our top five suppliers during the Track Record Period amounted to approximately RMB167.7 million, RMB338.1 million and RMB359.2 million, representing approximately 34.3%, 60.1% and 56.5% of our total purchase amount for the respective year. The purchase from our largest supplier amounted to approximately RMB46.2 million, RMB245.2 million and RMB270.1 million, representing approximately 9.4%, 43.6% and 42.6% of our total purchase amount for the respective year.

To the best knowledge, information and belief of our Directors, each of our five largest suppliers in each year/period of the Track Record Period of our Group during the Track Record Period were not connected parties of our Group. None of our Directors and, to the best knowledge of our Directors, none of our Shareholders who owns more than 5.0% of the Shares in issue, nor any of their respective associates, had any interest in any of our five largest suppliers in each year/period of the Track Record Period.

BUSINESS

Our Top Five Suppliers

The following tables set forth certain details of our five largest suppliers in each year during the Track Record Period:

For the year ended 31 December 2023

Rank	Supplier ^(Note 1)	Supplier Type	Principal business	Year of commencement of business relationship with us	Major products/ services purchased	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total purchase amount for the period <i>%</i>
1.	Supplier A ^(Note 2)	Subcontracting	Investment, design and EPC services general contracting and photovoltaic power station projects	2023	Construction service	telegraphic transfer/ banker's acceptance	46,153	9.4
2.	Supplier B ^(Note 3)	Subcontracting	Solar power generation service and the sale of intelligent power transmission, distribution and control equipment	2023	Construction service	telegraphic transfer/ banker's acceptance	38,642	7.9
3.	Supplier C ^(Note 4)	Equipment	Solar power generation services and photovoltaic equipment production and sales	2023	Equipment	telegraphic transfer/ banker's acceptance	32,343	6.6
4.	Supplier Group D ^(Note 5)	Equipment	Design and construction of decoration projects and building curtain wall engineering, construction of intelligent system engineering and mechanical and electrical installation engineering	2022	Construction material and engineering equipment	telegraphic transfer/ banker's acceptance	26,724	5.5
5.	Supplier Group E ^(Note 6)	Subcontracting/ Equipment	Power facility installation and maintenance, construction engineering, electrical equipment sales, environmental protection engineering, computer system integration and technology development services	2019	Construction service and equipment	telegraphic transfer/ banker's acceptance	23,795	4.9

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For the year ended 31 December 2024

Rank	Supplier ^(Note 1)	Supplier Type	Principal business	Year of commencement of business relationship with us	Major products/services purchased	Payment method	Purchase amount <i>RMB'000</i>	Percentage of total purchase amount for the period <i>%</i>
1.	Supplier Group F ^(Note 7)	Subcontracting/Equipment	Solar power and wind power generation, transmission and supply and the sales of photovoltaic equipment.	2023	Construction service	telegraphic transfer/ banker's acceptance	245,201	43.6
2.	Supplier B ^(Note 3)	Subcontracting	Please refer to the disclosure above	2023	Construction service	telegraphic transfer/ banker's acceptance	32,933	5.9
3.	Supplier Group G ^(Note 8)	Subcontracting/Equipment	Construction engineering and execution and the installation of facilities for power transmission and consumption	2023	Construction service and equipment	telegraphic transfer/ banker's acceptance	30,168	5.4
4.	Supplier H ^(Note 9)	Subcontracting	Electrical engineering, electromechanical engineering, water conservancy and hydropower engineering, building construction, various engineering construction activities, equipment sales, and technical services	2023	Construction service	telegraphic transfer/ banker's acceptance	16,667	3.0
5.	Supplier I ^(Note 10)	Equipment	Construction engineering, construction project execution, design of smart building systems and hydraulic, and project construction supervision	2024	Photovoltaic equipment materials	telegraphic transfer/ banker's acceptance	13,162	2.3

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For the year ended 31 December 2025

Rank	Supplier ^(Note 1)	Supplier Type	Principal business	Year of commencement of business relationship with us	Major products/ services purchased	Payment method	Purchase amount	Percentage of total purchase amount for the period
							RMB'000	%
1.	Supplier Group F ^(Note 7)	Subcontracting/ Equipment	Please refer to the disclosure above	2023	Construction service	telegraphic transfer/ banker's acceptance	270,746	42.6
2.	Supplier A ^(Note 2)	Subcontracting	Please refer to the disclosure above	2023	Construction service	telegraphic transfer/ banker's acceptance	35,201	5.5
3.	Supplier J ^(Note 11)	Subcontracting	Railway electrical engineering, electrification engineering, electromechanical installation engineering, communication engineering, power engineering, municipal public works engineering, and building intelligent engineering	2023	Construction service	telegraphic transfer/ banker's acceptance	24,299	3.8
4.	Supplier Group E ^(Note 6)	Equipment	Please refer to the disclosure above	2019	Equipment	telegraphic transfer/ banker's acceptance	16,323	2.6
5.	Supplier K ^(Note 12)	Subcontracting/ Equipment	Power generation, transmission supply and distribution services	2024	Equipment	telegraphic transfer/ banker's acceptance	12,601	2.0

Note 1: Suppliers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single supplier.

Note 2: Supplier A is a company established in the PRC in 2018 with a registered share capital of RMB80 million.

Note 3: Supplier B is a company established in the PRC in 2020 with a registered share capital of RMB20 million.

Note 4: Supplier C is a company established in the PRC in 2020 with a registered share capital of RMB5 million.

Note 5: Supplier Group D is a state-owned enterprise established in the PRC in 1994 with a registered share capital of RMB159.6 million, and a company which is listed on the Shenzhen Stock Exchange.

Note 6: Supplier Group E is a company established in the PRC in 2015 with a registered share capital of RMB3 million.

Note 7: Supplier Group F is a state-owned company established in the PRC in 2017 with a registered share capital of RMB2.9 billion. The related parties of Supplier Group F held 49% of interests in an affiliate company of Customer Group A during the Track Record Period.

Note 8: Supplier G is a company established in the PRC in 2018 with a registered share capital of RMB20 million.

Note 9: Supplier H is a company established in the PRC in 2011 with a registered share capital of RMB36 million.

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Note 10: Supplier I is a company established in the PRC in 2016 with a registered share capital of RMB1 million.

Note 11: Supplier J is a state-owned enterprise established in the PRC in 1993 with a registered share capital of RMB300 million.

Note 12: Supplier K is a company established in the PRC in 2017 with a registered share capital of RMB35.8 million.

During the Track Record Period, our contracts with our top five major suppliers did not provide the credit terms.

To the best knowledge, information and belief of our Directors, each of our five largest suppliers in each year/period of the Track Record Period of our Group during the Track Record Period were not connected parties of our Group. None of our Directors and, to the best knowledge of our Directors, none of our Shareholders who owns more than 5.0% of the Shares in issue, nor any of their respective associates, had any interest in any of our five largest suppliers in each year/period of the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we have been involved in a litigation with one of our top five suppliers. For more details on the litigation, please see the paragraph headed “Legal proceedings and regulatory compliance – Legal proceedings” hereinbelow. Save as disclosed above, we had not been involved in any material litigation, claims or arbitrations with our top five suppliers during the Track Record Period and up to the Latest Practicable Date.

Contract terms with our subcontractors

Our subcontracting agreements typically reflect the principal terms of our contracts with our project owners. Subcontracting arrangements are made based on the specific needs of a project. The duration, nature and extent of work required of the subcontractor, the allocation of costs and liabilities between us and the subcontractors, among others, in each subcontracting agreement generally depends on the timetable, scope of work and other requirements of each project.

We take measures to manage our subcontracting costs and to ensure the quality of subcontracting work, as follows: (i) maintaining a list of preferred subcontractors which is regularly reviewed and updated, thereby maintaining long-term business relationships with our preferred subcontractors to secure availability of subcontracting business at reasonable prices, and (ii) engaging subcontractors through a tender and bidding process in which we typically solicit bids from at least three or more qualified potential subcontractors, primarily based on their qualifications, proposed subcontracting fees and track record.

Typically, consent of the project owner is required prior to our engagement of a particular subcontractor for the project. According to our subcontracting contracts, we usually make milestone payments to our subcontractors.

We require our subcontractors to comply with our work safety standards and policies, and to take measures to avoid any safety or other incidents during the course of their services. In the event of any failure by our subcontractors to meet our safety standards, we may terminate our engagement with them and may claim damages. Subcontractors who were involved in safety incidents or have failed our safety standards are typically removed from our preferred subcontractors list.

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We incorporate subcontractors’ work quality, progress, health, safety and environmental protection record into our management system, as we remain responsible to our customers for our subcontractors’ contractual performance pursuant to the contracts or applicable laws.

During the Track Record Period, we were not subject to material damages, fines or other liabilities arising from breaches of contract or misconduct by our subcontractors.

Contract terms with our suppliers for equipment and materials

Our supply contracts for equipment and materials specify the major terms of a project, such as pricing, payment schedule, construction schedule, warranty, price adjustment, performance guarantees, settlement upon completion, default and project delays. From time to time, we may enter into supplemental contracts if we are required to provide services beyond the original scope of work. We do not enter into long-term contracts with our suppliers for equipment and materials. We enter into an individual contract for each project.

The major terms included in most of our procurement contracts for equipment and materials are summarised as follows:

Payment schedule	Payment schedules for our equipment and materials vary by supplier and type of equipment and materials procured. Generally, advance payments are required and the balance payments are made upon our satisfaction of certain obligations and the verification of financial information by the supplier set forth in our supply contracts. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any minimum purchase commitment in our supply contracts.
Price adjustment provision	The contract prices in most of our supply contracts shall not be adjusted save as changes in the value-added tax rate.
Performance guarantee	We do not require our suppliers to provide a performance guarantee for the supply contracts but may request a quality guarantee in the form of a bank guarantee of not exceeding 10% of the contract price.
Delivery, inspection and acceptance	Equipment and materials are generally delivered by our suppliers to warehouses or construction sites we designate. The delivery fees and insurance charges for transportation shall be generally borne by us as included in the contract price in our supply contracts. We inspect the quality and volume of equipment and materials upon delivery, and are accepted only after they meet our specifications.

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Term	The term of our supply contracts depends on the estimated completion date of the project.
Contract variation or termination	The supply contract may be suspended or terminated in the event of default or insolvency by the supplier, with costs to be borne by the supplier, or terminated by agreement between the parties thereto.
Liquidated damages	Our suppliers are liable for liquidated damages if: (1) the delivery is delayed; (2) the equipment and materials do not meet quality or specification requirements; (3) any latent defects discovered after the warranty period; or (4) the unilateral variation of payment terms and disruption and breach of contract performance.

See “Financial information – Discussion on certain selected items from our consolidated statements of financial position – Trade payables” for a discussion of our trade payables and notes payables, and the calculation method of our turnover days of our trade payables and notes payables. Our management regularly reviews our overdue balances.

During the Track Record Period, to the best of our Directors’ knowledge, there are no material breaches by our Group in respect of our contracts with our suppliers.

BUSINESS

Concentration of supplier

For the years ended 31 December 2023, 2024 and 2025, our purchases from our top five suppliers were RMB167.7 million, RMB338.1 million and RMB359.2 million, respectively, representing 34.3%, 60.1% and 56.5%, respectively, of our total purchases for the same periods. In particular, our purchase from each of the largest supplier amounted to RMB46.2 million, RMB245.2 million and RMB270.7 million, accounting for 9.4%, 43.6% and 42.6% of our total purchase for the corresponding years, respectively. We selected our suppliers based on a comprehensive assessment of their capabilities and service performance.

During the Track Record Period, our suppliers concentration was primarily driven by the need for specialised equipment and materials required for large-scale EPC projects. Our Directors believe that supplier concentration is not uncommon for the power engineering industry, and our business model remains sustainable despite such concentration, as confirmed by Frost & Sullivan. Our major suppliers may vary each year during the Track Record Period, as different projects require different types and specifications of equipment, leading to a changing composition of our top five suppliers based on project demands. To mitigate concentration risks, we maintain a list of alternative suppliers with similar levels of experience and track record to provide the equipment, materials, and construction services as currently supplied by our major suppliers, with certain variations in prices and specifications to achieve similar functions under reasonable commercial terms.

As we continue to enlarge our market share in the comprehensive power engineering services industry, we expect to further diversify our supplier base across different equipment categories and regions, reducing our reliance on any single supplier. For risks associated with our major suppliers, please see “Risk Factors – We bear ultimate responsibility to project owners for the performance, quality, and timely execution of our suppliers and subcontractors.”

Overlapping of major customers and suppliers

During the Track Record Period, to the best knowledge of our Directors, one of our top five customers was also our supplier during the Track Record Period. According to Frost & Sullivan, overlapping customer-supplier relationships are common in the construction industry and benefit both parties by strengthening business ties, ensuring supply stability, and enabling better commercial terms. Industry participants gain valuable insights into each other’s needs and demands.

During the Track Record Period, we purchased steam direct-buried pipes and direct-buried partition type fixed joints from Customer Group G which were used in an EPC contract for a centralised heating project with Customer Group G. This arrangement is a common practice in the power engineering industry chain and is consistent with market practice for enterprises with equipment and material needs in EPC projects, according to Frost & Sullivan. Such inter-transactions among large engineering group is relatively common in the industry.

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For the years ended 31 December 2023, 2024 and 2025, our purchase from Customer Group G was nil, RMB0.2 million and nil, respectively; and the revenue derived from Customer Group G was RMB11.2 million, RMB21.5 million and RMB4.8 million for the same respective year.

Our Directors confirm that terms of transactions with all our overlapping customers/suppliers are in line with prevailing market terms and are similar to our transactions with other customers and suppliers, and that the transactions entered into with all our overlapping customers/suppliers were conducted on an arm’s length basis, on normal commercial terms, fell within the normal range of transaction amounts when measured against industry standards, and were in line with common industry practice. Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other.

Save as disclosed above, there were no other major customers/suppliers which were also our suppliers/customers during the Track Record Period.

DATA SECURITY AND PRIVACY

In the course of our business, we collect, store and process business data and transaction data. As we only make transactions with enterprises, we do not collect or process personal data. We maintain a financial system, a human resource management system and a business management system.

We are committed to complying with data privacy laws and protecting the security of customer data. We primarily collect and store data related to our service, particularly data collected through credit platforms. Such data mainly includes, among other things, business registration, shareholders, litigation and other information of relevant entities. Such data is collected with prior customer consent and in accordance with applicable laws and regulations.

We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To ensure data security, we have adopted a rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, strict requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorisation to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment.

All of our employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. We have a comprehensive data backup system to encrypt and store data on servers in order to minimise the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

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In addition, we have established a remote disaster recovery system for our server by setting up multiple storage for the same information and data of long time dimension on the cloud, local and remote locations. Even if the server is damaged due to the highest level of disasters such as earthquakes, mudslides and other irresistible natural disasters, we believe that it can safeguard and guarantee that the service and data can be completely restored within 24 hours.

We believe our policies and practices regarding data security and privacy comply with applicable laws and prevailing industry practices. During the Track Record Period and up to the Latest Practicable Date, we did not identify any material incident of data or personal information leakage. In addition, we have not been subject to any penalties for violating laws and regulations related to data security and privacy protection that would have a material adverse effect on our business, nor have we been involved in any litigation or disputes concerning privacy protection that would have a material adverse effect on our business. Based on the aforementioned, our Directors are of the view that our policies and practices in the PRC regarding personal privacy protection and data security comply with applicable PRC laws in all material respects.

QUALITY CONTROL

Quality control and assurance are crucial to us, and we endeavour to ensure the quality of our operations through a comprehensive quality management system, which was formulated in accordance with the ISO9001:2015 standard in the PRC, covering substantially every aspect of our operations including power semiconductor design, procurement, among other things.

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. For example, we select our suppliers based on a strict set of criteria to make sure our requirements are being consistently met. In addition, we conduct inspection on delivered products in accordance with our quality management standards. We conduct internal quality management audits every year, and the government agencies will also conduct annual quality management audits on our operations.

Taking our construction design and consultancy services business as an example, after we finished our designs, the design deliverables are subject to undergo review procedures such as proofreading and auditing. During this process, the auditors are required to issue corresponding audit documents to ensure that every design drawing and engineering delivery meets the quality standards before it is officially released.

Our quality control team is led by our technology management committee. The team is responsible for monitoring the quality of our services, strengthening internal quality control system and conducting annual quality control audits. As at the Latest Practicable Date, our quality control team consists of 19 employees, most of whom have received tertiary or higher education and are familiar with applicable industry regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints from our customers in respect of the quality of our equipment, and there was no incident of failure of our quality control systems, product returns or recalls that had a material adverse impact on our business operations.

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INTELLECTUAL PROPERTY

We regard our patents, trademarks, trade secrets and other intellectual property rights as critical to our business operations. As of 31 December 2025, we possessed 165 patents, one software copyright and three trademarks in the PRC. During the Track Record Period, we have filed and been granted 71 patents, and we have not filed and been granted any intellectual property rights in other jurisdictions. For detailed information about our material intellectual property rights, see “Statutory and general information – Further information about our business – Material intellectual property rights of our Company” in Appendix VI to this document.

We rely primarily on a combination of patents, trademarks, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers. As at the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC and, to the best knowledge of our Directors and senior management, they are not aware of any such disputes.

COMPETITION

The PRC comprehensive power engineering services industry was dominated by state-owned enterprises by virtue of their strong track records, financing capabilities, and full-chain service coverage. We face competition in respect of service qualifications, project experience, technical capabilities, delivery capacity, and cost control. The principal competitive factors in our industry generally include service qualifications, project experience, technical capabilities, delivery capacity, and cost control.

Our Company holds Grade A qualification for Engineering Design in the Power Industry, which according to Frost & Sullivan, only a very limited number of non-state-owned engineering service providers hold such Grade A qualification for Engineering Design in the Power Industry that covers all design types under the industry, and the national requirements for financial and project track records are more stringent. For more information on the competitive landscape of our industry, see “Industry Overview.” Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths are highlighted in “– Competitive Strengths” in this section.

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EMPLOYEES

As of 31 December 2025, we had 427 full-time employees, all of whom were based in the PRC. The following table sets forth the number of our employees by function as of 31 December 2025:

Function	Number of Employees
Senior management	2
Senior management/R&D ^(Note1)	3
R&D	76
R&D/Sales and marketing ^(Note2)	2
Sales and marketing	15
Engineers	284
Business operations and administration	45
Total	427

Note 1: Two of our senior management also hold responsibilities in research and development and formed part of our R&D team.

Note 2: Two of our employees have responsibilities in both R&D and sales and marketing.

Training, Recruitment and Welfare

We recognise the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees relatively competitive salaries, performance-based bonuses, and other incentives. We occasionally review the performance of our employees on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We believe that our long-term growth depends on the expertise, experience and development of our employees. We mainly recruit graduates from accredited institutions, with design-related positions generally requiring at least a full-time bachelor’s degree or equivalent diploma. We mainly recruit through a combination of campus and social recruitment. We have established a training system for our employees, includes both internal and external programs tailored to employees’ responsibilities, such as management systems examinations, department-specific professional training, and external exchange sessions.

The remuneration package for our employees generally includes salaries, bonuses and welfare benefits. In addition, we make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for our employees. None of our employees are currently represented by labour unions. We believe that we had not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labour disputes during Track Record Period and up to the Latest Practicable Date. We consider we have maintained satisfactory relations with our employees.

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For the years ended 31 December 2023, 2024 and 2025, our total staff costs (including salaries, allowance and benefits and retirement benefit scheme contribution) amounted to approximately RMB34.2 million, RMB42.1 million and RMB62.3 million, respectively.

AWARDS AND RECOGNITIONS

The following table sets forth some of our awards and recognitions received during the Track Record Period and as at the Latest Practicable Date:

<u>Award/Recognition</u>	<u>Awarding year</u>	<u>Issuing authority</u>
Third Prize of Excellent QC Group in Shandong Province Engineering Construction (Survey and Design)* (山東省工程建設(勘察設計)優秀QC小組三等獎)	2023	Shandong Exploration and Design Association (山東省勘察設計協會)
China Power Quality Engineering (中國電力優質工程)	2024	China Electric Power Construction Association (中國電力建設企業協會)
Second Prize for Excellent Design Project in the Excellent Engineering Survey and Design Achievement Competition (優秀工程勘察設計成果競賽優秀設計專案二等獎)	2024	Shandong Exploration and Design Association (山東省勘察設計協會)
High-tech enterprise (高新技術企業)	2024	Department of Science & Technology of Shandong Province (山東省科學技術廳)
Shandong Specialized, Refined, Characteristic and Innovative Small and Medium Enterprise (山東省專精特新中小企業)	2024	Department of Industry and Information Technology of Shandong Province (山東省工業和資訊化廳)
Shandong Province Gazelle Enterprise (山東省瞪羚企業)	2024	Department of Industry and Information Technology of Shandong Province (山東省工業和資訊化廳)
Outstanding Engineering Supervision Enterprise and Excellent Supervision Project (先進工程監理企業)	2025	China Engineering Construction Association of Light Industry (中國輕工業工程建設協會)

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Award/Recognition	Awarding year	Issuing authority
Third Prize for Power Industry Engineering Design Project in the Excellent Engineering Survey and Design Achievement Competition (優秀工程勘察設計成果競賽電力工業工程設計項目三等獎)	2025	Shandong Exploration and Design Association and Trade Union Committee of Shandong Construction and Building Materials (山東省勘察設計協會和山東建設建材工會委員會)

LICENSES, PERMITS AND APPROVALS

As at the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our business operations (i.e. business license) in the PRC, and such business license had remained in full effect.

As at the Latest Practicable Date, we obtained the key licenses, permits and approvals as follows:

No.	Licence/permit/approval	Serial No.	Issuing Authority	Issue Date	Expiry Date
1.	High-tech Enterprise Certification (高新技術企業證書)	GR202437003484	Department of Science and Technology of Shandong Province, Shandong Provincial Department of Finance and Shandong Provincial Tax Service, State Taxation Administration	7 December 2024	7 December 2027
2.	Safety Production License (安全生產許可證)	(Lu) JZ An Xu Zheng Zi [2014] 011387	Department of Housing and Urban-Rural Development of Shandong Province	22 December 2025	6 March 2029
3.	Installation (Repair, Testing) of Electricity Facilities License (承裝(修、試)電力設施許可證)	1-6-00238-2017	Shandong Energy Regulatory Office of National Energy Administration of the People's Republic of China	9 August 2023	8 August 2029
4.	Qualification Certificate for Urban and Rural Planning Formulation (城鄉規劃編製資質證書)	Lu Zi Zi Gui Yi Zi 22370039	Department of Natural Resources of Shandong Province	2 September 2022	1 September 2027

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No.	Licence/permit/approval	Serial No.	Issuing Authority	Issue Date	Expiry Date
5.	Grade A Credit Qualification Certificate of Construction Consulting Unit (工程諮詢單位甲級資信 證書)	A182022010231	China National Association of Construction Consultants	31 December 2025	30 December 2028
6.	Qualification Certificate of Construction Surveying Unit (工程勘察資質證書)	B237002018	Housing and Urban-Rural Construction Department of Shandong Province	18 December 2023	18 December 2028
7.	Qualification Certificate of Construction Supervision (工程監理資質證書)	E137002011	Ministry of Housing and Urban-Rural Development of the People’s Republic of China	19 January 2024	22 December 2028
8.	Qualification Certificate of Construction Supervision for Enterprises (工程監理企業資質證書)	E237002018	Department of Housing and Urban-Rural Development of Shandong Province	18 October 2024	18 October 2029
9.	Construction Enterprise Qualification Certificate (建築業企業資質證書)	D237012554	Department of Housing and Urban-Rural Development of Shandong Province	22 December 2023	22 December 2028
10.	Construction Design Qualification Certificate (工程設計資質證書)	A137002011	Ministry of Housing and Urban-Rural Development of the People’s Republic of China	22 December 2023	22 December 2028
11.	Construction Design Qualification Certificate (工程設計資質證書)	A237002018	Department of Housing and Urban-Rural Development of Shandong Province	31 December 2024	18 December 2028
12.	Production License of Special Equipment of the People’s Republic of China (中華人民共和國特種設 備生產許可證)	TS3837D48-2029	Shandong Administration for Market Regulation	31 December 2025	30 December 2029
13.	Production License of Special Equipment of the People’s Republic of China (中華人民共和國特種設 備生產許可證)	TS1837545-2028	Shandong Administration for Market Regulation	30 August 2024	29 August 2028

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Our Directors, as advised by our PRC Legal Advisor, confirm that, as at the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects and there were no instances of administrative penalties imposed by the competent authorities for engaging in our business operations without obtaining the relevant operating permits.

SEASONALITY

Our EPC services business is subject to seasonality. We typically recorded higher profits in the second half of the year than in the first half of the year. We attribute this seasonality to cold weather and more public holidays during the first half of the year, which have an impact on engineering work. We mainly provide technical services such as EPC services and construction design and consultancy services for power engineering and municipal and construction projects, including in the northern regions of China. Due to vastness of geographical expanse in the PRC, different regions have different climatic characteristics across seasons. For example, in areas north of the Yangtze River, especially in northern regions north of the Yellow River and Huai River, the extreme climate and weather conditions, such as the intense cold and winter frosts, have an adverse impact on our construction work and operations during the winter seasons.

To the best of our Directors, many of our state-owned enterprises and non-state-owned enterprises customers determined their annual business plan in the first quarter of each year, followed by contract negotiation and execution, with the latter generally took place in second half of the year. We anticipate that as we improve our technology, we may gradually reduce the effect of seasonality in our business operations.

PROPERTIES

We are headquartered in Shandong Province, and maintain certain operation functions in Shandong Province and Xinjiang Autonomous Region. We own certain of the properties and lease other premises in various regions in the PRC for our operations.

Owned properties

As at the Latest Practicable Date, we owned 20 properties in the PRC with an aggregate GFA of approximately 9,722.9 sq.m. Our headquarters in Jinan, Shandong Province, is housed in three owned properties, which has an aggregate GFA of 8,168 sq.m and serves as the centre of management for our Group’s operations. Our other properties are used primarily as premises of office spaces, R&D activities and daily operations. Details of our major owned properties as at the Latest Practicable Date are set out as follows:

No.	Location	Gross Floor Area (Square metres)
1.	Section B, 19/F–20/F, Building 1, Shuntai Plaza	3,520
2.	10/F, Building B5, Knowledge Economy Headquarters Base, Shuntai Plaza	4,060
3.	Section B3, 18/F, Building B5, Knowledge Economy Headquarters Base, Shuntai Plaza	588

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Processing of property ownership certificate

As at the Latest Practicable Date, some of the land and buildings we occupied we had not yet obtained valid property ownership certificates. In particular, our owned properties located on the 10th floor and Section B3, of 18th floor of Building B5, Knowledge Economy Headquarters Base, and section B of 19th and 20th floors of Building 1, Shuntai Plaza, No. 2000 Shunhua Road, High-tech Zone, Jinan City, with a total area of approximately 8,168 sq.m. According to the certificate issued by Jinan Hi-tech Holding Group Co., Ltd. (濟南高新控股集團有限公司) on 16 June 2026, as the fire safety procedures for the relevant properties are currently being processed and the application for the property ownership certificates are being advanced, it is expected that the completion will be completed before 31 May 2027 and there are no material obstacles to the handling of the property ownership certificates for such properties. Further, based on the confirmation on the relevant competent authorities in the PRC where the said properties are situated obtained by our PRC Legal Advisor, (i) the failure to obtain the Real Estate Ownership Certificates for the aforementioned properties was due to certain historical legacy issues which are not attributable to our Company, (ii) there are no investigations, rectification requirements, demolition orders, or administrative penalties being imposed on our Company, (iii) the transactions through which our Company acquired such properties are genuine, (iv) the historical issues in the process of obtaining the real property ownership certificates are being progressively resolved, and (v) there are no substantial obstacles to the issuance of such certificates.

Leased properties

As at the Latest Practicable Date, we did not hold any leased properties in the PRC that are related to our principal business activities.

INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. For each year during the Track Record Period, our Group paid approximately RMB5.2 million, RMB6.1 million and RMB6.2 million, respectively, as insurance premium payment for insurance policies (excluding social insurance and housing provident fund contributions).

During the Track Record Period, in accordance with relevant PRC laws and regulations, we also maintained group accident insurance for our personnel on-site at our construction projects.

During the Track Record Period, we had not been the subject of any project liability claims. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in the PRC. For more information, see “Risk Factors – Risks Relating to Our business and industry – Our insurance may not be adequate to cover all risks of loss associated with our business operations.”. As at the Latest Practicable Date, we had not experienced any business interruptions or any material insurance disputes that had a material adverse effect on our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We recognise the importance of establishing appropriate ESG governance arrangements to support our long-term development. Our Board has overall responsibility for overseeing ESG-related matters of our Group, including the formulation of ESG management approach and the review of ESG performance. We have delegated the day-to-day coordination and monitoring of ESG-related matters to our Group’s Chief Executive Officer and Chief Financial Officer. Their responsibilities include overseeing the implementation of ESG-related initiatives, providing direction on relevant policies and practices, and reviewing the content of the ESG Report prior to the submission to our Board on an annual basis.

We acknowledge that ESG and climate-related risks may give rise to potential operational and business impacts. Our Board oversees our Group’s ESG risk identification and assessment processes and reviews the corresponding mitigation measures, where applicable, with a view to managing such risks in a prudent manner. To support the ongoing management of ESG matters, our Board oversees coordination

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among relevant departments based on their respective roles and responsibilities. Our Board reviews our Group’s ESG-related progress on a periodic basis and will consider enhancing ESG objectives and targets progressively, taking into account our Group’s operational circumstances and reporting maturity.

ESG-Related Risks and Opportunities

Our Group has identified climate-related risks and opportunities that could reasonably be expected to affect our cash flow, access to finance, or cost of capital over the short, medium, and long term. Time horizons are defined as: short term (0-2 years), medium term (3-5 years), and long term (5+ years), consistent with our strategic planning.

Risk Category	Specific Climate Risk	Time Horizon
Acute	Extreme weather events (floods, storms, heatwaves) disrupting project operations, site inspections, and employee commuting at design and engineering project locations across the PRC.	Short to Medium
Chronic	Gradual temperature rise, changing precipitation patterns, and long-term sea-level changes affecting regional infrastructure stability and client project locations over extended timeframes.	Medium to Long
Policy & Legal	Stricter carbon reporting requirements, energy efficiency mandates, and potential carbon pricing mechanisms in the PRC aligned with national carbon peaking by 2030 and neutrality by 2060.	Medium
Labour Practices Risk	Difficulty attracting and retaining qualified engineering and technical professionals in a competitive labour market, potentially affecting project delivery and service quality.	Short to Medium
Market & Reputation	Growing client demand for sustainable and low-carbon engineering design solutions; increasing ESG scrutiny from investors and business partners in the infrastructure and industrial sectors.	Medium to Long
Opportunity	Description	Time Horizon
Resource Efficiency	Implementation of energy and water conservation measures (e.g., employee awareness initiatives, leak prevention, grey water reuse) to reduce operational costs.	Short to Medium
Talent Development and Retention	Investing in employee training, professional qualifications, and structured career progression to build a stable, highly skilled technical workforce.	Medium
Green Supply Chain Collaboration	Partnering with suppliers and subcontractors that demonstrate strong environmental and social credentials, including sustainable material sourcing and responsible labour practices.	Medium to Long

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SOCIAL MATTERS

Labour Practices

We recognise human capital underpins our Group’s core capabilities in engineering design, technical consultancy and project management. Our Group recognises that attracting, developing and retaining a highly skilled workforce, including engineering professionals, technical specialists and project management personnel is essential to maintaining service quality, operational excellence and long-term sustainable growth. Accordingly, our Group is committed to providing fair and competitive remuneration and employment conditions that are commensurate with employees’ roles, responsibilities and performance, while fostering a stable and sustainable talent pipeline.

During the Track Record Period, we complied with applicable labour laws and regulations in the jurisdictions in which it operates. In the PRC, our Group’s labour management practices are guided by relevant statutory requirements, including the Labour Law of the PRC and the Labour Contract Law of the PRC. These laws and regulations govern key aspects of employment, including recruitment and termination, working hours and rest periods, remuneration and benefits, equal opportunity, and employee welfare. Our Group endeavours to safeguard the lawful rights and interests of our employees in accordance with applicable legal requirements and internal management policies.

Our Group places strong emphasis on equal opportunity and non-discrimination throughout the employment lifecycle, as articulated in our Social Responsibility Management Policy and related internal procedures. Recruitment, employment and career development decisions are based on candidates’ professional qualifications, experience and capabilities, without discrimination on the grounds of gender, age, race, nationality, marital status, pregnancy, disability, religion, political affiliation or other personal characteristics. We maintain a professional and respectful working environment and strictly prohibits any form of harassment, abuse or inhumane treatment.

In addition, we strictly prohibit the use of child labour and forced labour in compliance with applicable laws and regulations, including the Provisions on the Prohibition of Using Child Labour, as well as our internal management requirements. All employment is entered into voluntarily, and employees are free to terminate their employment in accordance with their labour contracts and relevant laws. To prevent the employment of child labour, all newly recruited employees are required to provide valid identification documents for age verification. Our Group does not require employees to surrender identity documents, pay recruitment-related fees, or accept any form of coercion as a condition of employment.

All employees are engaged under formal labour contracts that clearly specify job positions, roles, responsibilities and employment terms, ensuring that assigned duties fall within the agreed scope of work. For employees who choose to resign, our Group follows established exit procedures and conducts exit interviews, where appropriate, to gather feedback and support the continuous improvement of our human resources management practices. During the Track Record Period, no incidents of child labour or forced labour were identified within our Group.

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The following table set out the number of employees of our Group by gender, age group and function during the Track Record Period.

<u>Work force</u>		<u>2025</u>	<u>2024</u>	<u>2023</u>
Total		427	405	415
By gender	Male	286	276	283
	Female	141	129	132
By age group	Below 30	101	100	112
	30-50	268	261	263
	Over 50	58	44	40
By function	Senior management	5	5	7
	Management and supervisor	58	56	48
	General staff	364	344	360

Development and Training

Establishing clear and sustainable career development pathways is important to enhancing employee engagement and supporting long-term workforce stability. We regard employee training and development as an integral element of our human capital management strategy and a key contributor to long-term business sustainability. Accordingly, we are committed to providing structured training and development opportunities to enhance employees’ professional competencies, technical capabilities and operational effectiveness.

During the Track Record Period, our Group organised a range of training and development programmes for employees across different functions and seniority levels. Technical personnel participated in role-specific training programmes designed to strengthen professional knowledge and technical proficiency relevant to their respective duties, supporting service quality and project delivery. Sales personnel received targeted pre-sale training to enhance product understanding, sales techniques and customer engagement capabilities. In addition, functional training covering areas such as human resources management, financial procedures, procurement processes and information technology systems was provided to relevant employees to support efficient internal operations and compliance with internal procedures.

For newly recruited employees, we implemented structured induction programmes to familiarise them with our Group’s policies, internal systems and departmental workflows, facilitating effective integration into daily operations. Beyond entry-level training, middle and senior management personnel participated in dedicated development programmes focusing on leadership capabilities and people management, with the aim of strengthening management effectiveness and organisational resilience.

To support continuous professional development and adaptability to evolving business needs, our Group has implemented an educational subsidy policy to encourage employees to pursue external, job-related professional qualifications. Where relevant, we also provide sponsorship for employees undertaking professional examinations aligned with their roles and responsibilities. Through these initiatives, we seek to promote lifelong learning and support the ongoing development of our workforce.

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In addition to training and development, we provide employees with structured career progression and promotion opportunities as part of our talent development and succession planning framework. A performance evaluation and management system is implemented to regularly assess employee performance and to inform decisions on career advancement and remuneration adjustments.

Performance appraisals are conducted on a periodic basis and take into account multiple assessment criteria, including achievement of performance objectives, task completion, quality of work and overall job performance. Evaluations are carried out through a combination of formal performance reviews and face-to-face discussions between employees and supervisors, enabling constructive feedback and alignment on development goals. Employees demonstrating strong performance, professional competence and leadership potential are given priority consideration for promotion opportunities, supporting internal talent development and long-term workforce stability.

Business Ethics

We have established clear whistleblowing procedures to encourage reporting of corruption. Employees and business partners can report misconduct via a dedicated email, letter or in-person visits to the internal audit department. All reports are kept strictly confidential, and we strictly prohibit retaliation against whistleblowers. Verified reports may lead to rewards for whistleblowers, while false reporting or obstruction of investigations will result in disciplinary action.

In addition, our Group has conducted an anti-corruption and fraud prevention training session for all staff, aimed at reinforcing integrity, raising awareness of common misconduct risks, and clarifying our zero-tolerance policy. All participants are expected to uphold high ethical standards and fulfill their compliance responsibilities as part of our commitment to a clean and transparent corporate culture. During the Track Record Period, there were not any concluded legal cases regarding corrupt practices brought against our Group or our employees.

Health and Safety

Our Group is committed to providing a safe and healthy working environment for our employees and has established a structured occupational health and safety management framework in accordance with applicable laws and regulations of the PRC. Management is responsible for implementing and maintaining appropriate occupational health and safety measures, identifying workplace hazards, conducting risk assessments, and ensuring that relevant safety information, instructions and supervision are provided to minimize occupational injury and health risks.

Safety orientation and occupational health and safety training are provided to newly recruited employees to familiarize them with workplace safety requirements, operational risks and emergency response procedures. Employees engaged in specific or higher-risk roles are required to complete relevant job-specific training prior to commencing work. We also conduct periodic inspections and ongoing monitoring of workplace conditions to identify potential hazards and implement corrective or preventive measures where necessary.

In addition, we have established emergency response and contingency plans covering potential incidents, including fires, explosions, hazardous substance leaks, production safety accidents and natural disasters. An emergency response organizational structure with clearly defined roles and responsibilities has been put in place. Regular emergency drills, such as fire evacuation and rescue exercises, are organized to enhance employees' emergency preparedness and response capabilities. Drill outcomes are reviewed to support the continuous improvement of emergency management arrangements.

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Our Group’s occupational health and safety and emergency management arrangements are formulated in accordance with applicable production safety and occupational health regulations of the PRC, and are supported by internal management procedures, government-regulated information systems, as well as regular training and drills. Through the implementation of preventive measures and continuous safety management efforts, we aim to foster a strong safety culture across our operations. During the past three years, no work-related injuries or fatalities were recorded.

ENVIRONMENT MATTERS

Energy and water conservation

Our Group’s energy and water conservation practices are implemented with reference to applicable laws and regulations of the PRC, including the Energy Conservation Law of the PRC, the Water Law of the PRC and the Law of the PRC on the Prevention and Control of Water Pollution. In accordance with these regulatory requirements, our Group emphasizes the efficient use of energy and water resources, strengthens internal monitoring and maintenance mechanisms, and promotes employee awareness of responsible resource use.

During the Track Record Period, we established internal targets to reduce energy and water consumption on a per-employee basis as part of our resource efficiency initiatives. Energy and water consumption data are monitored to identify usage patterns and opportunities for improving efficiency and reducing unnecessary consumption. Energy conservation measures focus on maintaining equipment in good operating condition, minimizing idle energy use, and encouraging responsible energy-saving practices across daily operations.

The following tables set out the energy consumption of our Group during the Track Record Period.

Environmental Performance

Data	Unit	2025	2024	2023
<i>Total energy consumption</i>	MWh	1,174.28	1,418.60	1,148.35
<i>Direct energy consumption</i>				
<i>Energy of Mobile Fuels</i> <i>(Gasoline)</i>	MWh	801.34	1,110.95	819.55
<i>Indirect energy consumption</i>				
<i>Purchased electricity</i>	MWh	372.94	307.65	328.80
<i>Total energy Intensity</i>				
• <i>By size of workforce</i>	MWh per employee	2.75	3.50	2.77

Water Management

Our Group continues to enhance our water management practices through the implementation of practical water-saving measures. These include the placement of water-saving reminder signage in washrooms to promote responsible water use among employees, regular inspections of water-using facilities, and timely repair and maintenance of leaking or dripping fixtures to minimize unnecessary water loss. Where practicable, grey water is reused for non-potable purposes such as cleaning and irrigation,

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thereby reducing reliance on freshwater resources. During the Track Record Period, we did not encounter any issues in sourcing water that was fit for our intended operational use. Through the implementation of the above measures, we aim to reduce water consumption intensity and support more sustainable and efficient use of resources across our operations.

Environmental Performance

Data	Unit	2025	2024	2023
Water Consumption				
<i>Freshwater</i>	<i>m³</i>	773	767	679
Intensity				
<i>By size of workforce</i>	m ³ per employee	1.81	1.89	1.64

Hazardous and Non-hazardous Waste

Our Group’s commitment to environmental stewardship is embedded in our day-to-day operations, with a focus on the responsible management of both hazardous and non-hazardous waste. During the Track Record Period, we complied with applicable environmental laws and regulations with a significant impact on our operations, including the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

During the Track Record Period, we generated both hazardous and non-hazardous waste. Hazardous waste mainly comprised used batteries, while non-hazardous waste primarily consisted of general office waste arising from routine administrative activities. Given the nature of our Group’s business and operations, the volume of waste generated was limited and did not pose a material environmental risk. Notwithstanding the above, our Group remains committed to minimizing potential environmental impacts associated with waste generation and disposal. Non-hazardous office waste was collected and managed by the property management companies or cleaning service providers engaged by the commercial buildings in which our Group’s offices are located. Hazardous waste was segregated, collected and stored at designated collection points, and subsequently handled and disposed of by authorized service providers in accordance with applicable laws and regulations.

We manage non-hazardous and hazardous waste in accordance with their respective characteristics and applicable regulatory requirements. Hazardous waste is segregated and stored at designated collection points with appropriate labelling and is subsequently transferred to qualified third-party disposal service providers for treatment and disposal. Non-hazardous waste is collected and disposed of through appropriate waste management channels. Relevant waste management records and registers are maintained to support traceability and compliance with environmental regulations.

In addition, we have implemented waste reduction measures in line with the “4R” principle – reduce, reuse, recycle and replace – with the aim of minimizing waste generated from daily office operations. Measures adopted include reducing paper consumption through double-sided printing and encouraging the reuse of office supplies such as stationery, paper, envelopes and files. Recycling facilities, including waste sorting bins, are provided to facilitate the separation of recyclable materials such as paper and plastics. Obsolete electronic equipment is collected and recycled by qualified electronic waste recycling service providers in accordance with applicable requirements. Our Group also promotes the use of more sustainable alternatives by procuring recyclable and refillable office supplies, including refillable pens and rechargeable batteries, to replace disposable items where practicable. Given the nature of our Group’s operations, no packaging materials were generated during the Track Record Period.

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Greenhouse Gas Emission

Our Group recognises that greenhouse gas (“GHG”) emissions are an important environmental consideration associated with our operational activities. GHG emissions mainly arise from energy consumption related to production processes and supporting operations. Our Group manages GHG emissions as part of our broader environmental and energy management approach, with reference to applicable national policies and regulatory requirements of the PRC, including the Energy Conservation Law of the PRC.

In this regard, our Group monitors energy consumption and relevant operational activities to identify opportunities for improving energy efficiency and reducing emissions intensity where practicable. The following table sets forth the amount of greenhouse gas emissions of our Group during the Track Record Period:

GHG Emissions	Unit	2025	2024	2023
<i>Total GHG emission</i>	tCO ₂ e	419.76	499.72	399.74
• <i>Scope 1</i>	tCO ₂ e	210.28	291.52	215.05
• <i>Scope 2</i>	tCO ₂ e	209.48	208.20	184.69
<i>Intensity</i>				
• <i>By size of workforce</i>	tCO ₂ e per employee	0.98	1.23	0.96

Building on our 2025 performance, we have established the following GHG emission reduction target with 2025 as the base year and 2030 as the target completion year:

- Reduce GHG emission intensity (tCO₂e per employee) by 10% by 2030.

The target will be achieved through continued energy efficiency measures, promotion of low-carbon commuting and travel alternatives, and enhanced employee awareness of green office practices. Progress against these targets will be reviewed annually by our Board and disclosed in future ESG reports.

Measures adopted include reducing paper consumption through the increased use of office automation systems in place of paper-based administrative processes, the use of recycled paper, and the adoption of double-sided printing practices. Reminder notices are displayed at printing points to encourage paper reuse and minimise unnecessary printing. To reduce travel-related emissions, employees are encouraged to substitute physical meetings with telephone or video conferencing where appropriate. In addition, our Group promotes the use of public transportation for commuting, in place of private vehicles, where feasible. Through the implementation of these initiatives, we aim to foster a green and healthy working environment and enhance environmental awareness among employees.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Our PRC Legal Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, we complied in all material respects with the relevant PRC laws and regulations relating to our business operation and we obtained licences, approvals and permits from the appropriate regulatory authorities that are material for our business operations in the PRC.

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Legal Proceedings

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were a party to a number of legal proceedings arising in the ordinary course of our business.

As at the Latest Practicable Date, there were three pending legal cases which we were the defendant and the claim amount of each case is exceeding RMB5 million:

- (1) On 24 April 2024, Supplier Group D applied for arbitration against the Company at Jinan Arbitration Commission (濟南仲裁委員會) on the dispute of an EPC contract and seeking an order for approximately RMB15.3 million. On 25 September 2022, our Company entered into an EPC contract with the project owner for the EPC service work for a 15MW distributed photovoltaic project in Qianjing, Otag Banner (the “**Photovoltaic Project**”). Subsequently, our Company entered into a contract with Supplier Group D, pursuant to which our Company subcontracted the design and construction work for the Photovoltaic Project to Supplier Group D (the “**Design and Construction work**”). Supplier Group D alleges to have completed part of the Design and Construction work and hence entitled to receive payment in the sum of RMB22.2 million, and our Company still owes Supplier Group D an outstanding sum of RMB15.3 million. However, our Company is of the view that Supplier Group D had only partially completed the contractual construction work, and the construction work performed by Supplier Group D has failed to meet the contractual standards and we have incurred losses and paid wages to workers on behalf of Supplier Group D. As at the Latest Practicable Date, the relevant court hearing was cancelled. Our Group has already paid RMB7.1 million to Supplier Group D which exceeds the appraisal results as set out in the appraisal report obtained by our Group, and we consider that it would not have any material adverse effect on Group. Based on the aforesaid, we have counterclaimed against Supplier Group D for overpayment of RMB1.5 million.
- (2) On 10 May 2024, Supplier Group D applied for arbitration against the Company at Jinan Arbitration Commission (濟南仲裁委員會) on the dispute of an equipment purchase contract and seeking an order for approximately RMB14.9 million (the “**Equipment Purchase Contract**”). Supplier Group D claimed that it delivered part of the equipment and materials as contracted but our Company failed to pay the full amount of the purchase price to Supplier Group D as agreed. The case is undergoing appraisal procedure and the arbitration was still in an early stage. Based on the appraisal report obtained by our Company, the claimed amount will be assessed depending on whether calculation is based on the handover/transfer list or the delivery notes where the latter lack our Group’s signature or seal. As advised by our PRC litigation counsel, our Directors are of the view that: (i) we will advocate for the lower amount under the handover/transfer list and submit itemised evidence to challenge the dispute elements; (ii) the likelihood of Supplier Group D’s claim being upheld in full is low; and (iii) it would not have any material adverse effect on our Group.

We counterclaimed against Supplier Group D for overpayment for equipment, and the losses and penalties suffered by our Company.

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- (3) On 3 February 2026, a plaintiff A (“**Plaintiff A**”) filed a lawsuit against us and two other defendants at Rizhao Economic and Technological Development Zone People’s Court (日照經濟技術開發區人民法院) (“**Rizhao Court**”) on the dispute of a partnership contract and seeking an order for approximately RMB7.52 million. Plaintiff A filed an application to Rizhao Court on 8 October 2025 against one of the defendants where it claimed for its share in the partition of the partnership contract under a partnership contract entered into that defendant in respect of a heating pipeline network engineering project (the “**Pipeline Project**”). Subsequently, on 3 February 2026, Plaintiff A filed another application to Rizhao Court to add a second party and our Company as defendants, on the grounds that the Pipeline Project was jointly bid by the two parties and our Company and hence the second party and our Company shall bear joint and several liability for the obligations of the first defendant in respect of the amount owed to Plaintiff A. The case was heard on 15 April 2026. Having considered the opinions of our PRC litigation counsel, our Directors are of the view that (i) the engineering services performed by the second party and our Company are distinct and separate from those performed by the first defendant and hence our Company does not have contractual relationship with Plaintiff A; and (ii) the likelihood of Plaintiff A’s claim of RMB7.5 million will be upheld against the second party and our Company is low.

Based on the advice of our PRC litigation counsel, the potential compensation amount involved in the above-mentioned cases is relatively small compared to our Company’s total asset size, and our PRC Legal Advisor is of the view that the above-mentioned cases will not have a material adverse impact on our Company’s business operations.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above in this section, we had not been involved in any material litigation, claims or arbitrations. To the best knowledge of our Directors, our Directors confirmed that there was no pending legal proceedings or arbitration against us or our Directors that might individually or collectively have a material adverse impact on our business, financial condition and results of operations.

Non-compliance events

Inadequate Contribution to Social Insurance and Housing Provident Fund

During the Track Record Period, we and certain subsidiary of our Group failed to pay social insurance and housing provident fund in full for employees in accordance with PRC laws. During the Track Record Period, the aggregate amount of social insurance and housing provident fund that we had failed to pay was estimated to be RMB5.4 million, RMB7.4 million and RMB7.0 million for the years ended 31 December 2023, 2024 and 2025, being 45%, 52% and 48% of the total amount we were obliged to pay for each respective year. Please refer to “Risk Factors – Risks Relating to Our Business and Industry – Risks relating to our business and industry – Failure to pay the social insurance and housing provident funds on behalf of our employees may subject us to penalties”.

According to the Social Insurance Law of the PRC, if we fail to pay social insurance on time and in full, social security agencies may order us to pay or make up the shortfall within a prescribed period, and shall charge a late payment fee of 0.05% per day from the date of non-payment. If the payment is not made within the prescribed period, the relevant administrative authorities may impose an additional fine of one to three times of the total outstanding balance. With respect to housing provident fund, according to the Regulations on the Administration of Housing Provident Funds, if we fail to pay the full amount as required, the housing provident fund management centre may order us to make the outstanding payment within a prescribed period. If the payment is not made within such prescribed period, an application may be made to the PRC courts for enforcement.

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Based on the aforementioned law and regulations, as advised by our PRC Legal Advisor, we face the risk that the social security agencies may order us to pay social insurance within a prescribed period, charge us late fees, and fine us due to our failure to pay social insurance in full. In addition, we also face the risk that the housing provident fund management center may order us to pay housing provident funds within a prescribed period and are subject to enforcement by the court due to our failure to pay housing provident funds in full.

Pursuant to the relevant laws and regulations, including the Notice on Implementing Several Measures to Further Support and Serve the Development of the Private Economy (關於實施進一步支持和服務民營經濟發展若干措施的通知) and the Notice of the General Office of the State Council on Issuing the Comprehensive Plan for Reducing Social Insurance Contribution Rates (國務院辦公室關於印發降低社會保險費率綜合方案的通知), administrative enforcement authorities are prohibited from organising and conducting centralised collection of enterprises’ historical social insurance arrears.

As advised by our PRC Legal Advisor, we have obtained the confirmation from relevant authorities that we and certain subsidiary that we operate did not commit any illegal act or irregularity on housing provident fund, human resources and social security during the Track Record Period.

During the Track Record Period, we had not received any notices from social insurance authorities or housing provident fund authorities requiring us to make payment for the shortfall in social insurance or housing provident fund. During the Track Record Period, we had not been subject to any administrative penalties or court enforcement in relation to social insurance and housing provident fund, or received any reports, complaints or disputes related to payments of social insurance and housing provident funds.

Our Controlling Shareholders undertake to promptly make up for any outstanding contributions on social insurance, housing provident fund and/or late payment fees (if applicable) within the prescribed period, and rectify any shortfall in contribution on social insurance and housing provident fund in accordance with the applicable laws, regulations or latest policy implementation standards upon request from the relevant authorities.

As advised by our PRC Legal Advisor, in the absence of any employee complaints and absent any material changes to the current PRC policies, regulations and the enforcement and regulatory requirements of local governments, the risk that we would be ordered to rectify and be imposed with material fines for failure to make full social insurance contributions is remote.

Regarding the above events, we have taken the following steps to enhance our internal control measures to avoid such non-compliance events from occurring again:

- we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds on a regular basis;
- we have strengthened the training of our personnel, including training on various compliance-related topics for our employees;
- we will regularly keep abreast of the latest developments in PRC laws and regulations relating to social insurance and housing provident funds;

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- consult our PRC Legal Advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant PRC laws and regulatory developments; and actively communicate with relevant social insurance and housing fund local authorities to ensure we have the most updated information about the relevant laws and regulations concerning social insurance and housing provident fund.

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls and risk management system to safeguard our Shareholders’ investment and our assets at all times. We maintain internal manuals setting out operating procedures, internal control procedures and other policies and guidelines. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting and compliance.

In accordance with our risk management and internal control manual, we regularly, and plan to continue to, review and refine our risk management system regularly to respond to changes in our internal and external environment. We have established our internal control auditing department to carry out risk assessments based on the daily operation of our Company and discuss the control measures with different functional. Our Board of Directors is responsible for the overall establishment, updating and evaluation of our internal control policies and systems, while our general manager is responsible for monitoring the daily implementation and compliance of the internal control procedures and measures with respect to our functional teams.

In preparation for the [REDACTED], we engaged an independent external consulting firm as our internal control consultant to perform an assessment on our internal controls, to identify deficiencies in our internal control system and to furnish recommendations on enhanced internal control measures to be established by us.

Our internal control consultant has reviewed our Group’s internal control policies and procedures, covering but not limited to entity-level controls, sales and accounts receivable cycle, procurement and accounts payable cycle, project management, construction site safety management, financial reporting and disclosure cycle, human resources and payroll management, fixed assets and intangible assets management, cash management cycle, tax management, expense management, information systems management, inventory management, R&D and intangible assets cycle, as well as insurance management cycle. Our internal control consultant completed the review and provided relevant improvement recommendations.

Based on the above, our Directors are of the view that our Group has implemented reasonable measures to establish an internal control system and procedures that enhance the control environment at both operational and management levels. Our Directors believe these internal control measures are sufficient and effective for our business operation.

Operational risk management

We have established a technology management system that governs our project execution processes. Key controls have been implemented and maintained including construction surveys with risk source analysis, project management planning, documentary review and management, progress management and inspections, centralised quantity management and post-project evaluations, to manage operational risks related to quality, safety, schedule and cost across our power engineering and EPC projects.

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Financial reporting risk management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial team reviews our management accounts based on such procedures. We also provide regular training to our finance team members to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Compliance risk management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal team performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our legal team examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal team is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees’ violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Information System Management

We believe that provision of adequate maintenance, storage, and protection of our information system are important to our success. We have implemented relevant internal procedures and controls to ensure that our information system is protected, and that leakage and loss of the data in our information system are prevented. These include the installation of encryption software on the computers in key functional departments, such as R&D, engineering, sales and marketing, human resources, procurement, and finance. We monitor the implementation of our information security policies and provide regular trainings and technical support to our business operations teams. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material information leakage or loss of data in our information system.

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Human Resources Management

We have a comprehensive human resources policy covering recruitment, training, work ethics, and legal compliance. We maintain high standards in recruitment and implement rigorous procedures to ensure the quality of new employees, providing onboarding training and regular compliance training. Furthermore, we offer regular and specialised training tailored to the needs of employees in different departments. Our human resources department regularly organises internal training sessions on engaging topics led by senior employees or external consultants. Through these trainings, we ensure that our employees’ skills are up-to-date, enabling them to better identify and meet our business needs.

Anti-corruption Management

We have compiled an employee handbook and a code of conduct for employees. The employee handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, anti-bribery and anti-corruption. We also developed an anti-corruption policy to prevent any corrupt practices within our Group. Our policies explain what constitutes a corrupt act and our anti-corruption measures. In accordance with our group-wide whistleblowing policy, we provide employees with an internal whistleblowing channel where they can anonymously report any non-compliant incidents or behaviours, including bribery and corruption. Reported incidents and individuals will be investigated, and appropriate measures will be taken in response to the investigation results. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any non-compliance with laws and regulations related to anti-corruption and anti-bribery that could have a material impact on us. We conduct periodic performance reviews on our employees. We regularly monitor the implementation of our internal risk management policies to identify, manage, and mitigate internal risks related to any potential non-compliance with our codes of conduct, work ethics, and violations of our internal policies or illegal activities at all levels of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Jinan Huanneng held approximately 78.4% of our issued Shares, and Jinan Huanneng is in turn held as to 51.0% by Mr. Zhang Fuquan, 24.5% by Mr. Zhang Guanzhou and 24.5% by Mr. Yang. Mr. Zhang Fuquan and Mr. Zhang Guanzhou are the founders, executive Directors, and controlling shareholders of our Company. As Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang collectively control approximately 78.4% of our issued capital through Jinan Huanneng, accordingly, Mr. Zhang Fuquan, Mr. Zhang Guanzhou, Mr. Yang and Jinan Huanneng constitute a group of Controlling Shareholders.

Immediately following the completion of the [REDACTED], and assuming that the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], our Controlling Shareholders will hold in aggregate approximately [REDACTED] of the issued share capital of our Company.

For biographical details of Mr. Zhang Fuquan and Mr. Zhang Guanzhou, please refer to the paragraph headed “Directors and Senior Management – Executive Directors” in this document.

COMPETITION

As at the Latest Practicable Date, each member of our Controlling Shareholders confirmed that they did not have any interest in any business, other than our Company, which competes or is likely to compete, either directly or indirectly, with our Group’s business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are of the view that our Group is capable of independently carrying on our business from, and does not place undue reliance on our Controlling Shareholders upon the [REDACTED]:

Management independence

Our business is managed and conducted by our Board and the members of senior management of our Company. Our Board comprises five executive Directors and three independent non-executive Directors. Our Directors and members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. For further details of our Directors and senior management, please refer to “Directors and Senior Management” in this document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Although Mr. Zhang Fuquan, who is our Controlling Shareholder, also serves as chairman of our Board and executive Director, and Mr. Zhang Guanzhou, who is also our Controlling Shareholder, also serves as vice chairman of our Board and executive Director, our Directors are of the view that our Board and senior management are able to manage our business independently from the Controlling Shareholders and his/her close associates for the following reasons:

- (a) our daily operational and management activities are made collectively by our executive Directors and our management team;
- (b) each Director is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors and/or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. Further, our Articles of Association provide that a Director shall not vote on any resolution approving any contract or arrangement in which such Director or any of his/her close associates have interest nor shall such Director be counted in the quorum present in the meeting. For details, please refer to “Summary of the Articles of Association” in Appendix V to this document;
- (d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please refer to “Corporate Governance Measures” in this section below for details; and
- (e) we have three independent non-executive Directors, comprising not less than one-third of our Board and certain matters of our Company must always be referred to our independent non-executive Directors for review. Our independent non-executive Directors have diversified skills and experience in their respective fields of expertise to advise on the conflicted transactions and business decisions. For details of their biographical background, please refer to “Directors and Senior Management”.

Based on the above, our Directors are of the view that our Board and senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders.

Operational independence

We believe that we can operate independently from our Controlling Shareholders due to the following reasons:

- (a) all material licenses and permits required for our business operations (i.e. business license) in the PRC are held by our Group and such business license had remained in full effect. In addition, as at 31 December 2025, our Company owned 165 registered patents in the PRC which are necessary for our business operation;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) we have sufficient capital, operations, assets, facilities and employees to operate and function our business independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to customers and suppliers as we have independent access to our customers and suppliers. Our customers and suppliers bases are unrelated to our Controlling Shareholders and/or his/her respective close associates. Our employees are independent from, and none of them are remunerated by, our Controlling Shareholders and his/her respective associates;
- (c) we also maintain a comprehensive set of internal control procedures for facilitating the effective operation of our business. With reference to the relevant laws, regulations and rules, we have developed sound corporate governance practice and have adopted our rules of procedure for general meetings, rules of procedure for Board meetings and connected transactions regulations in order to maintain effective and independent operation; and
- (d) we have established our own organisational structure comprising various departments with independent functions, and we have sufficient capital and employees to operate our business independently from our Controlling Shareholders.

Based on the above, our Directors consider that we are able to operate independently of our Controlling Shareholders and his/her respective close associates.

Financial independence

We have an independent financial system and make financial decisions according to our business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on our Controlling Shareholders or his/her close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities as well as [REDACTED] from the [REDACTED].

Some of our Company’s borrowings, which amounted to approximately RMB[49.8] million, RMB[50.5] million and RMB[69.8] million in aggregate as at 31 December 2023, 2024 and 2025, respectively, were jointly and severally guaranteed by Mr. Zhang Fuquan, our executive Director, and Ms. Liu Xiying (劉秀英), spouse of Mr. Zhang Fuquan, through personal guarantees (the “**Personal Guarantees**”). For details, please refer to note [32] to the Accountants’ Report in Appendix I to this document.

Of the Personal Guarantees, an amount of approximately RMB63.8 million had yet to be released as at 30 April 2026, being the indebtedness statement date. As at the Latest Practicable Date, we had not obtained consent from the lending banks to release the Personal Guarantees. In the event that we cannot obtain consent from the lending banks to release the Personal Guarantees, or cannot obtain other banking facilities without guarantees to replace the guaranteed loans prior to the [REDACTED], we may fully settle the entire outstanding guaranteed loan amount prior to the [REDACTED] using our cash and cash equivalents. As at 31 December 2025, our Group’s cash and cash equivalents amounted to approximately RMB94.2 million, which is sufficient to cover the entire outstanding balance under these bank borrowings secured by the Personal Guarantees.

Based on the above, our Directors are of the view that our Board and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and his/her associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, which sets out principle of good corporate governance.

With a view to managing any potential conflict of interests arising between our Group and our Controlling Shareholders as well as safeguarding the interests of our independent Shareholders, we will adopt the following measures:

- (a) in the event that the proposal of connected transactions between our Group and other business or entity in which any Director or his/her respective associates had any interest is submitted to our Board for consideration, such interested Director shall not be counted in the quorum of the meeting, and shall abstain from voting on such matters. In such event, the other non-interested Directors, with the assistance of our senior management, will be responsible for making decisions for our Board. If necessary, our Company will engage external professionals such as auditors, valuers and other advisers to give advice;
- (b) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her personal interests. If potential conflict of interest arises, the interested Director(s) will bring the matter to the independent non-executive Directors and shall not be present during the discussion of the relevant resolution in which the conflict of interest may arise and shall abstain from voting on such proposed resolution;
- (c) our Company has engaged Eddid Capital Limited as our compliance adviser who shall ensure that our Company is properly guided and advised as to compliance with the Listing Rules and any other applicable laws and regulations. In particular, any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- (d) the independent non-executive Directors may engage an independent professional advisers in appropriate circumstances at the costs of our Company; and
- (e) our Directors are obliged under the Articles of Association to declare to our Board any potential conflict of interest with our Group at Board meetings. It is provided in the Articles of Association that a Director shall not vote on any resolution approving any contract or arrangement in which such Director or any of his/her close associates have interest nor shall such Director be counted in the quorum present in the meeting. Our Board (including the independent non-executive Directors) will monitor the potential conflict of interest of Directors and our Directors have to submit confirmations to our Board disclosing details of any interests in competing businesses in any interim or annual reports to be issued by our Company.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. Our Board is responsible and has the general authority for the management and operation of our Company. Our executive Directors and independent non-executive Directors will be subject to rotation and re-election at the annual general meetings of our Company in accordance with the Articles of Association.

The following table sets forth certain information about our Directors:

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director	Relationships with other Directors and senior management
<i>Executive Directors</i>						
Mr. Zhang Fuquan (張福泉)	69	chairman of the Board and executive Director	Responsible for providing leadership to the Board and overseeing the formulation of the Group’s corporate strategies and development direction; managing government stakeholders and high-level relations; and supervising the performance of member companies within our Group and its functional departments in achieving business objectives	October 2003	October 2003	Father of Mr. Zhang Dan

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director	Relationships with other Directors and senior management
Mr. Zhang Guanzhou (張冠洲)	61	vice chairman of the Board and executive Director	Responsible for participating in the formulation of the Group’s strategic development plans; overseeing the research and development of projects within the new energy sector; spearheading the Group’s expansion into major domestic and international markets; and supervising the operational performance and the achievement of business objectives across the member companies within our Group	March 2007	December 2015	Nil
Ms. Wang Youmei (王友梅)	43	executive Director, general manager and chief financial officer	Responsible for the overall daily management and operations of the Group; overseeing the comprehensive operations of the Group’s branch companies and Shandong Zhongneng; and primarily responsible for major financial matters and external relations of our Group	October 2003	June 2019	Nil
Ms. Li Junying (李俊英)	56	executive Director and vice general manager	Responsible for overseeing the comprehensive day-to-day operations and management of our Company’s first design department	June 2011	December 2015	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director	Relationships with other Directors and senior management
Mr. Zhang Dan (張丹)	42	executive Director and vice general manager	Responsible for overseeing the comprehensive day-to-day operations and management of our Company's second design department	February 2009	December 2015	Son of Mr. Zhang Fuquan

Independent non-executive Directors

Mr. Wong Wei Hua Derek (王煒華)	53	independent non-executive Director	Supervising and providing independent opinions and advice to our Board	[•]	[•]	Nil
Mr. Liang Rongjin (梁榮進)	66	independent non-executive Director	Supervising and providing independent opinions and advice to our Board	[•]	[•]	Nil
Mr. Li Baocun (李寶存)	49	independent non-executive Director	Supervising and providing independent opinions and advice to our Board	[•]	[•]	Nil

Executive Directors

Mr. Zhang Fuquan (張福泉), aged 69, is one of the founders of our Company and is currently the chairman of our Board and an executive Director. He founded the Company in October 2003 alongside Mr. Zhang Guanzhou and Mr. Yang. He is primarily responsible for formulating the medium and long-term development strategies and development positioning of the Group; leading the Board with unified decision-making directions; nominating senior executive candidates; and supervising the compliance operations of the Company.

Mr. Zhang possesses over 45 years of experience in the engineering industry, primarily in the field of engineering design. Prior to the founding of the Group, Mr. Zhang joined Shandong Province Metallurgical Engineering Co., Ltd. (山東省冶金設計院股份有限公司, formerly known as 山東省冶金設計院) in July 1980 and held various positions including the technician and assistant, and last served as the engineer in January 1994. From December 1997 to March 2003, Mr. Zhang worked at Shandong Industrial Design Institute Co., Ltd* (山東省工業設計院有限責任公司, formerly known as 山東工業設計院), during which he served as the vice president and head of the engineering design department from January 1998 to December 1998. He was appointed as the senior civil engineer in January 1999 and the vice president and head of design department in February 2001.

After founding the Company in October 2003, Mr. Zhang served as the general manager of the Company. From December 2015 to the present, Mr. Zhang has served as the chairman of the Board of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang obtained bachelor’s degrees of industrial and civil construction from Qingdao University of Technology (青島理工大學, formerly known as 山東冶金工業學院) and Shandong Open University (山東開放大學, formerly known as 山東廣播電視大學) in July 1980 and November 1987 respectively. He then obtained an executive master’s degree of business administration (EMBA) from Zhongnan University of Economics and Law (中南財經政法大學) in December 2013, and subsequently obtained a degree of doctor of business administration from the University of Management and Technology in the U.S. via distance learning in December 2016.

Mr. Zhang served as a supervisor and shareholder of Binzhou Century Golden Key Investment Co., Ltd.* (濱州市世紀金鍵投資有限公司), which was dissolved by revocation on 20 November 2009 due to prolonged inactivity. In addition, Mr. Zhang served as the executive director, general manager, and legal representative of Shandong Huanfeng Real Estate Development Co., Ltd.* (山東環峰房地產開發有限公司), which was deregistered and dissolved on 4 November 2015 due to inactivity. Mr. Zhang also served as the legal representative of Shandong Yuedong Engineering Consulting Service Co., Ltd.* (山東省岳東工程諮詢服務有限公司), which was dissolved by deregistration (deemed as revocation) on 15 January 2001 due to prolonged inactivity.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Zhang involved in the dissolution of the above companies, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Zhang prior to their dissolution. Mr. Zhang also confirmed that the above companies were solvent at the time of dissolution.

In addition, Mr. Zhang holds the following professional qualifications: he is (i) a high level talent in class A of Jinan, who has received a certificate for high level talents of Jinan (濟南市高層次人才認定證書) in November 2023; and (ii) a senior engineer, awarded by the Shandong Province Metallurgical Engineering Professional Title Senior Evaluation Committee* (山東省冶金工程技術職務高級評審委員會) in April 1999.

Immediately following the completion of the [REDACTED] (taking no account of any Shares which may be allocated and issued pursuant to the exercise of the [REDACTED]), Mr. Zhang will be interested in [REDACTED] shares (held via Jinan Huanneng), representing approximately [REDACTED] of the issued share capital of our Company within the meaning of Part XV of the SFO.

Mr. Zhang Guanzhou (張冠洲), aged 61, is one of the founders of our Company, the vice chairman of the Board and an executive Director. Mr. Zhang Guanzhou is primarily responsible for assisting the chairman to carry out the daily management of the Board and participating in the research on the formulation of the Group’s strategic development plans; participating in the research and development of projects within the new energy sector; expanding into major domestic and international markets; and supervising the operational performance and the achievement of business objectives of the Company.

Mr. Zhang Guanzhou possesses over 39 years of experience in the power industry, primarily in the field of engineering design. Prior to the founding of the Group, Mr. Zhang Guanzhou worked at the Shandong Provincial Forestry Department Design Institute* (山東省林業廳設計院) from July 1986 to June 1988, and subsequently at the Shandong Provincial Second Light Industry Department Design Institute* (山東省第二輕廳設計院) from July 1988 to July 1966 as assistant and engineer. From January 2003 to February 2007, Mr. Zhang Guanzhou worked at the Shandong Provincial Second Light Industry Department Design Institute* (山東省工業設計院). From January 2003 to February 2007, he served as the director of the design department at the Shandong Provincial Second Light Industry Department Design Institute* (山東省工業設計院), where he was mainly responsible for organizing and leading its design and marketing operations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Guanzhou joined as the Company’s executive vice president in March 2007. He subsequently served as the vice president, chief engineer, and head of technician of the Company from February 2008 to January 2011. From February 2009 to December 2013, he served as the executive vice president of our Group. From April 2014 to March 2016, Mr. Zhang served as the general manager of the Company.

Mr. Zhang Guanzhou then served as a Director from December 2015 to the present, and as the vice chairman of the Board from February 2023 to the present. During his tenure as a Director and subsequently as the vice chairman of the Board, Mr. Zhang Guanzhou concurrently served as the general manager of the Company from February 2016 to February 2023, and as the president from February 2023 to February 2026.

Mr. Zhang Guanzhou obtained a bachelor’s degree in industrial and civil architecture from the Qingdao Institute of Architectural Engineering* (青島建築工程學院) in July 1986. He obtained an executive master’s degree of business administration (EMBA) from Zhongnan University of Economics and Law (中南財經政法大學) in December 2014.

Mr. Zhang Guanzhou served as the legal representative of Jinan Puhua Engineering Consultants Co., Ltd.* (濟南普華工程諮詢有限公司), which was dissolved by revocation on 20 November 2009 due to prolonged inactivity.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Zhang Guanzhou involved in the dissolution of the above company, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Zhang Guanzhou prior to its dissolution. Mr. Zhang Guanzhou also confirmed that the above company was solvent at the time of dissolution.

In addition, Mr. Zhang Guanzhou holds the following professional qualifications: he is (i) an engineering technology application researcher, awarded by the Shandong Provincial Department of Human Resources and Social Security (山東省人力資源和社會保障廳) in January 2019; and (ii) a national class I registered structural engineer (全國註冊工程師管理委員), awarded by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部) in July 2000.

Immediately following the completion of the [REDACTED] (taking no account of any Shares which may be allocated and issued pursuant to the exercise of the [REDACTED]), Mr. Zhang will be interested in [REDACTED] (held via Jinan Huanneng), representing approximately [REDACTED] of the issued share capital of our Company within the meaning of Part XV of the SFO.

Ms. Wang Youmei (王友梅), aged 43, is an executive Director, general manager, and chief financial officer of the Company. She is primarily responsible for the overall daily management and operations of the Group; overseeing the comprehensive operations of the Group’s branch companies and Shandong Zhongneng; and major financial matters and external relations of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang possesses over 16 years of experience in the engineering industry. From April 2014 to February 2017, Ms. Wang served as the assistant to the general manager of the Company. From March 2018 to February 2019, Ms. Wang served as the deputy general manager of our Group. From February 2019 to February 2024, Ms. Wang served as the deputy general manager, chief financial officer and secretary to the Board of the Company. Ms. Wang has served as a director of the Company from June 2019 to the present. She has concurrently served as the general manager and chief financial officer of our Group from February 2024 to the present.

Ms. Wang obtained a bachelor’s degree in agricultural environmental protection from the Shangdong Agricultural University (山東農業大學) in July 2004. She then obtained a master’s degree in business administration from the University of Management and Technology in the U.S. via distance learning in September 2021.

Ms. Wang served as the executive director, general manager, and legal representative of Huaneng (Liaocheng) Photovoltaic Engineering Co., Ltd.* (環能(聊城)光伏工程有限公司) and Huanneng (Liaocheng) New Energy Co., Ltd.* (環能(聊城)新能源有限公司), which were deregistered and dissolved on 9 January 2026 and 19 December 2025 respectively due to inactivity.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Ms. Wang involved in the dissolution of the above companies, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Ms. Wang prior to their dissolution. Ms. Wang also confirmed that the above companies were solvent at the time of dissolution.

In addition, Ms. Wang holds the following professional qualifications: she is (i) a senior engineer, awarded by the Jinan Municipal Human Resources and Social Security Bureau (濟南市人力資源和社會保障局) in February 2021; (ii) an engineer, awarded by the Shandong Province Engineering Professional Title Intermediate Evaluation Committee* (山東省工程技術職務中級評審委員會) in December 2015; and (iii) an accountant, accredited with a certificate of accounting profession by Licheng District, Jinan Municipal Finance Bureau* (濟南市歷城區財政局) in December 2006.

Immediately following the completion of the [REDACTED] (taking no account of any Shares which may be allocated and issued pursuant to the exercise of the [REDACTED]), Ms. Wang will be interested in [REDACTED], representing approximately [REDACTED] of the issued share capital of our Company within the meaning of Part XV of the SFO.

Ms. Li Junying (李俊英), aged 56, is an executive Director and vice general manager of the Company. She is primarily responsible for the overall day-to-day operations and management of the first design department of the Company.

Ms. Li possesses over 34 years of experience in the power engineering industry. Prior to joining the Group, Ms. Li worked at Dezhou Thermal Power Co., Ltd.* (德州熱電有限公司) from July 1992 to May 2011, and was mainly responsible for the construction of thermal power projects.

Ms. Li joined the Group in June 2011. From June 2011 to January 2012, she served as the vice chief engineer of the Company, subsequently served as the chief engineer of our Company from February 2012 to January 2013. From January 2013 to February 2017, Ms. Li served as the vice general manager and chief engineer of the Company.

DIRECTORS AND SENIOR MANAGEMENT

From December 2015 to the present, Ms. Li has served as the Director. During her tenure as a director, she concurrently served in the following roles of the Group: (i) as the vice general manager and chief engineer of the Company from February 2017 to February 2018; and (ii) as the deputy general manager of the Company from March 2018 to the present.

Ms. Li obtained a bachelor’s degree in thermal engineering under the department of power engineering from the Shandong University of Technology* currently known as 山東大學 (formerly known as 山東工業大學) in July 1992. She obtained a master’s degree of business administration from Beijing Jiaotong University (北京交通大學) in July 2010.

In addition, Ms. Li holds the following professional qualifications: she is (i) an engineering technology application researcher, awarded by the Shandong Province Engineering Professional Title Senior Evaluation Committee* (山東省工程技術職務高級評審委員會) in March 2018; (ii) a registered supervision engineer, awarded by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房及城鄉建設部) in January 2014; (iii) a registered public utility equipment engineer (power), awarded by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China in September 2013; (iv) a consultant engineer (investment), awarded by the China National Association of Engineering Consultants (中國工程諮詢協會) in December 2011; and (v) a class II construction engineer, awarded by the Shandong Provincial Department of Housing and Urban-Rural Development (山東省住房及城鄉建設廳) in February 2008.

Immediately following the completion of the [REDACTED] (taking no account of any Shares which may be allocated and issued pursuant to the exercise of the [REDACTED]), Ms. Li will be interested in [REDACTED], representing approximately [REDACTED] of the issued share capital of our Company within the meaning of Part XV of the SFO.

Mr. Zhang Dan (張丹), aged 42, is an executive Director and vice general manager of the Group. He is primarily responsible for the overall day-to-day operations and management of the second design department of the Company. He is the son of the chairman of the Board, Mr. Zhang Fuquan.

Mr. Zhang Dan possesses over 16 years of experience in the engineering industry.

From December 2015 to the present, Mr. Zhang Dan served as a Director. During his tenure as a Director, Mr. Zhang Dan served as the deputy general manager of the Company from February 2016 to February 2017.

Mr. Zhang Dan obtained a bachelor’s degree in business management from the University of Auckland in July 2009. He obtained a master’s degree of business administration from Shandong University (山東大學) in June 2015, and a degree of doctor of finance from the Hong Kong Finance and Economics College (香港財經學院) in September 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Dan served as the executive director and legal representative of Shandong Wante New Energy Co., Ltd.* (山東萬特新能源有限公司), which was deregistered and dissolved on 21 May 2019 due to inactivity.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Zhang Dan involved in the dissolution of the above company, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Zhang Dan prior to its dissolution. Mr. Zhang Dan also confirmed that the above company was solvent at the time of dissolution.

In addition, Mr. Zhang Dan is an engineer, awarded by the Shandong Province Engineering Professional Title Intermediate Evaluation Committee* (山東省人才服務中心工程技術職務中級評審委員會) in December 2015.

Immediately following the completion of the [REDACTED] (taking no account of any Shares which may be allocated and issued pursuant to the exercise of the [REDACTED]), Mr. Zhang will be interested in [REDACTED], representing approximately [REDACTED] of the issued share capital of our Company within the meaning of Part XV of the SFO.

Independent non-executive Directors

Mr. Wong Wei Hua Derek (王煒華), aged 54, was appointed as our independent non-executive Director on [•]. He is primarily responsible for supervising and providing independent opinions and advice to our Board.

Mr. Wong possesses 30 years of experience in auditing and financial and corporate management. From 1996 to 2004, he served as audit manager of the audit and business advisory services department at Ernst & Young. Mr. Wong later served as the financial director of Vika International Limited for the period from 2004 to 2009. He served as the chief financial officer and joint company secretary of Ausnutria Dairy Corporation Ltd (澳優乳業股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1717) from 2011 to 2023. From 2025 to present, he serves as the chief financial officer and company secretary of Ningbo Sunny Smart Autotech Company Limited (寧波舜宇智行科技股份有限公司). Since January 2025, Mr. Wong serves as an independent non-executive director of E&P Global Holdings Limited (能源及能量環球控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1142).

Mr. Wong obtained a bachelor’s degree in arts from York University in June 1993. He further obtained a bachelor’s degree in administrative studies from York University in June 1995.

Mr. Wong served as a director of Puerdo Nutrition (HK) Limited, which was deregistered and dissolved on 25 August 2023 due to inactivity.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Wong involved in the dissolution of the above companies, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Wong prior to their dissolution. Mr. Wong also confirmed that the above companies were solvent at the time of dissolution.

Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since 2002. Therefore, Mr. Wong possesses appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Mr. Liang Rongjin (梁榮進), aged 66, was appointed as our independent non-executive Director on [•]. He is primarily responsible for supervising and providing independent opinions and advice to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liang possesses over 35 years of experience in the engineering consulting industry. He served at the Shandong Provincial Engineering Consulting Institute* (山東省工程諮詢院) for over 30 years. Mr. Liang held various positions including officer of the energy and transport department* (院能源交通部主任) from September 1999 to March 2003 and deputy chief engineer from March 2003 to December 2017. Mr. Liang later served as officer of the social affairs department* (社會事業部主任) and a Level III senior technical research fellow* (高級專業技術三級研究員) from December 2017 to December 2019.

From June 2021 to September 2025, Mr. Liang served as an independent non-executive director of Standard Development Group Limited (標準發展集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1867), where he performs duties and exercises powers including overseeing and reviewing the company’s strategies, performance and control. Additionally, from May 2021 to present, Mr. Liang serves as an outside director of Shandong Silk Road Investment and Development Group Co., Ltd. (山東省絲路投資發展集團有限公司).

Throughout his career, Mr. Liang has received multiple first, second, and third-class awards for outstanding engineering consulting achievements from China National Association of Engineering Consultants (中國工程諮詢協會) and Shandong Provincial Association of Engineering Consultants (山東省工程諮詢協會), as well as a first-class award for an outstanding scientific and technological paper from the Shandong Association for Science and Technology (山東省科技諮詢協會).

Mr. Liang obtained a college diploma in anti-chemical staff from PLA Army Chemical Defense College (中國人民解放軍陸軍防化學院) in July 1986. He later obtained a bachelor’s degree in economic management from the Shandong Provincial Economic Management Cadres College* (山東省經濟管理幹部學院) in July 1996.

Mr. Liang served as the legal representative and a shareholder of Jiyang Huaneng Economic and Trade Co., Ltd.* (濟陽華能經貿有限責任公司), which was dissolved by revocation on 7 July 2004 due to prolonged inactivity. In addition, Mr. Liang served as the executive director, general manager, legal representative, and a shareholder of Beijing Huanengyuan Economic and Trade Co., Ltd.* (北京華能源經貿有限公司), which was dissolved by revocation on 20 September 2002 due to prolonged inactivity.

To the best of our Directors’ knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Liang involved in the dissolution of the above companies, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Liang prior to their dissolution. Mr. Liang also confirmed that the above companies were solvent at the time of dissolution.

In addition, Mr. Liang holds the following professional qualifications, including (i) Registered Supervision Engineer of the Ministry of Transport of the PRC (中華人民共和國交通部註冊監理工程師) in May 1998; and (ii) Registered Consulting Engineer (Investment) in the PRC (中華人民共和國註冊諮詢工程師(投資)) in April 2005. Mr. Liang was appointed as a Specialist of China National Association of Engineering Consultants (中國工程諮詢協會) from December 2009 to December 2011 and was appointed as the Vice Chairman of the Sixth Committee of the Thermal Power Professional Committee of the Chinese Society for Electrical Engineering (中國電機工程學會熱電專業委員會) in December 2016.

Mr. Li Baocun (李寶存), aged 49, was appointed as our independent non-executive Director on [•]. He is responsible for supervising and providing independent opinions and advice to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li possesses more than 20 years of experience in the accounting and administrative industries. Mr. Li worked at Shinewing CPA Limited (Jinan Branch)* (信永中和會計師事務所有限公司濟南分所 (formerly known as 中和正信會計師事務所山東分所)) for the period from January 2004 to October 2006. He served as the sales director of the investment banking division of Zhongtai Securities Co., Ltd (中泰證券股份有限公司) from January 2010 to January 2013. From March 2012 to April 2014, Mr. Li worked at Northeast Securities Co., Ltd. Jinan Jingshi East Road Securities Business Department* (東北證券股份有限公司濟南經十東路證券營業部). From May 2014 to March 2017, Mr. Li worked at the Northeast Securities Co., Ltd (Shandong Branch) (東北證券股份有限公司山東分公司). From May 2017 to April 2018, Mr. Li worked at Beijing Jingyuan Wanlong Investment Management Co., Ltd (北京京元萬隆投資管理有限責任公司). From May 2018 to October 2020, Mr. Li worked at Beijing Dexinyida Trade Co., Ltd. (北京德信億達貿易有限責任公司). From January 2021 to present, Mr. Li worked at Xiehe (Shandong) Private Equity Fund Management Co., Ltd* (總合(山東)私募基金管理有限公司).

Mr. Li obtained a bachelor's degree in accountancy from Jilin University of Finance and Economics (吉林財經大學 (formerly known as 長春稅務學院)) in July 2002. He further obtained a master of business administration from the University of Management and Technology in December 2020.

Mr. Li served as the person in charge of finance of Shandong Changcheng Supply Chain Co., Ltd.* (山東暢成供應鏈有限公司) and as a shareholder of Qingdao Wankang Hospital Management Co., Ltd.* (青島萬康醫院管理有限公司), which were deregistered and dissolved on 4 June 2026 and 29 June 2026 respectively due to inactivity. In addition, Mr. Li served as the executive partner and a shareholder of Jinan Yongjian Smart Technology Partnership Enterprise (Limited Partnership)* (濟南永建智慧科技合夥企業 (有限合夥)) and Jinan Dahan Jianying Asset Management Partnership Enterprise (Limited Partnership)* (濟南大漢健贏資產管理合夥企業 (有限合夥)), respectively, which were deregistered and dissolved on 25 March 2022 and 25 July 2025 respectively due to inactivity. Mr. Li served as the executive partner and a shareholder of Jinan Dahan Dingxin Asset Management Partnership Enterprise (Limited Partnership)* (濟南大漢鼎信資產管理合夥企業 (有限合夥)), which was deregistered and dissolved on 14 January 2026 due to voluntary liquidation. Mr. Li was also a shareholder of Qingdao Haoyunlai Hospital Management Co., Ltd.* (青島好孕來醫院管理有限公司), which was dissolved by revocation on 23 December 2019 due to prolonged inactivity.

To the best of our Directors' knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Zhang Guanzhou involved in the dissolution of the above companies, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Mr. Zhang Dan prior to their dissolution. Mr. Zhang Dan also confirmed that the above companies were solvent at the time of dissolution.

In addition, Mr. Li has been a Certificated Public Accountant (中國註冊會計師), awarded by the Certified Public Accountant Examination Committee of the Ministry of Finance* (財政部註冊會計師考試委員會) since July 2003.

DIRECTORS AND SENIOR MANAGEMENT

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, Controlling Shareholders or substantial Shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in public listed companies of which the securities are listed on any securities market in Hong Kong and/or overseas in the three years prior to the Latest Practicable Date; and (iv) did not have any interests in any business apart from business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group.

As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the paragraph headed “Further information about our Directors and substantial shareholders” in Appendix VI to this document, each of our Directors did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

In addition to our Directors, our Company has the following senior management members who are responsible for the day-to-day management and operation of our business. The following table sets out certain information relating to members of our senior management team:

Name	Age	Senior Management – Position	Roles and responsibilities	Date of Joining our Group	Relationships with other Directors and senior management
Ms. Wang Youmei (王友梅)	43	general manager and chief financial officer	Responsible for the overall daily management and operations of the Group; overseeing the comprehensive operations of the Group’s branch companies and Shandong Zhongneng; and primarily responsible for major financial matters and external relations	October 2003	Nil
Ms. Li Junying (李俊英)	56	vice general manager	Responsible for overseeing the comprehensive day-to-day operations and management of our first design department	April 2011	Nil
Mr. Zhang Dan (張丹)	42	vice general manager	Responsible for overseeing the comprehensive day-to-day operations and management of our second design department	February 2009	Son of Mr. Zhang Fuquan (張福泉)

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Lau Mei Wah (劉美華) (“**Ms. Lau**”) has been appointed as one of the joint company secretaries with effect from [•].

Ms. Lau has over 15 years of experience in corporate governance and company secretarial service fields. She possesses extensive experience in providing professional corporate secretarial services to companies listed on the Stock Exchange. Currently, she also serves as the company secretary, authorised representative and process agent of Radiance Global Group Holdings Limited (stock code: 8208), a company listed on the GEM of the Stock Exchange.

Ms. Lau obtained a bachelor’s degree of science from the University of Bradford in United Kingdom in July 2009 and holds a degree of Master in Corporate Governance from The Hong Kong Polytechnic University in September 2016. She is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in United Kingdom.

Ms. Wang Youmei (王友梅), our executive Director, general manager and chief financial officer, was appointed as one of the joint company secretaries with effect from [•]. For details of her background, see “Executive Directors” above of this section.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles of Association and the Listing Rules, we have established our audit committee, remuneration committee, and nomination committee.

Audit Committee

We have established our Audit Committee with the terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code (“**CG Code**”) as set out in Appendix C1 to the Listing Rules.

The primary responsibilities of the Audit Committee include but not limited to: assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee comprises three members, namely Mr. Wong Wei Hua Derek, Mr. Liang Rongjin and Ms. Wang. Mr. Wong Wei Hua Derek has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications or financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Remuneration Committee

We have established our Remuneration Committee with the terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code as set out in Appendix C1 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The primary responsibilities of the Remuneration Committee include but not limited to: making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration, determining the specific remuneration packages of all Directors and senior management, and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee comprises three members, namely Mr. Liang Rongjin, Mr. Li Baocun and Mr. Zhang Guanzhou. Mr. Liang Rongjin has been appointed as the chairman of the Remuneration Committee.

Nomination Committee

We have established our Nomination Committee with the terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code as set out in Appendix C1 of the Listing Rules.

The primary responsibilities of the Nomination Committee include but not limited to: reviewing the structure, size and composition of the Board at least annually (including the skills, knowledge and experience of the Directors), making recommendations on any proposed changes to the Board to complement corporate strategies of the Company, assessing the independence of independent non-executive Directors, identifying suitability qualified individuals for and making recommendations to the Board on matters relating to the appointment and re-appointment of Directors, and supporting the Company’s evaluation of the Board’s performance.

The Nomination Committee comprises five members, namely Mr. Zhang Fuquan, Mr. Wong Wei Hua Derek, Mr. Li Baocun, Mr. Liang Rongjin and Ms. Wang. Mr. Zhang Fuquan has been appointed as the chairman of the Remuneration Committee.

REMUNERATION POLICY AND EMOLUMENT OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Group offers our executive Directors and senior management members, who are employees of our Company, remuneration in the form of salaries, allowance, bonus and benefits in kind and contributions to defined contribution plans. Our independent non-executive Directors receive emolument-based on their responsibilities (including being members or chairman of the Board committees). We adopt a market and incentive based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

For the three years ended 31 December 2023, 2024 and 2025, the aggregate emolument (including the aggregate amount of fees, salaries, discretionary bonus, social welfare contribution plans, housing, other allowances and other benefits in kind) of our Directors were approximately RMB2.7 million, RMB2.4 million and RMB2.7 million, respectively.

For the three years ended 31 December 2023, 2024 and 2025, the aggregate amount of emolument of the five highest-paid individual of our Group excluding Directors were approximately RMB488,000, nil and RMB530,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

It is estimated that remuneration equivalent to approximately RMB2.7 million in aggregate will be paid to our Directors for the year ending 31 December 2026, based on the arrangements in force as at the Latest Practicable Date.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest-paid individuals of our Company as an inducement to join or upon joining our Company, or as a compensation for loss of office in the Track Record Period. In addition, none of our Directors had waived any emolument during the same period.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Company for the Track Record Period.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has two female Directors in the Board and will continue to work towards enhancing the gender diversity of the Board. The Directors have a balanced mix of knowledge and skills, and the Company has five executive Directors and three independent non-executive Directors, with different industry backgrounds. Taking into account the Group’s existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the Company’s board diversity policy. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Pursuant to our Company’s board diversity policy, our Company aims to maintain at least one female representation in the Board and the current composition of the Board satisfies such target gender ratio. Our Company will implement policies to ensure gender diversity when nominating Directors to develop a pipeline of potential female successors to the Board. Our Company will strive to enhance the female representation in the Board and achieve appropriate balance of gender diversity after the [REDACTED] with reference to the stakeholders’ expectation and international and local recommended best practices, including those set out in the CG Code as set out in Appendix C1 to the Listing Rules. Furthermore, our Company will implement comprehensive programs aimed at identifying and training the female staff who display leadership and potential, with the goal of nominating them to the Board.

COMPLIANCE ADVISOR

Our Company has appointed Eddid Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;

DIRECTORS AND SENIOR MANAGEMENT

- (2) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- (3) where we propose to use the [REDACTED] from the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the securities of our Company or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

Our Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our shareholders. To accomplish this, our Group has adopted the code provisions of the CG Code as our code on corporate governance. Our Directors will review and monitor the practices of our Company from time to time with an aim to maintain and improve the standard of our corporate governance practices. We intend to comply with the code provisions of the CG Code upon [REDACTED].

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (1) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 25 June 2026; and (2) understands his or her obligations as a director of a [REDACTED] under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (1) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (2) that he has no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as at the Latest Practicable Date; and (3) that there are no other factors that may affect his independence at the time of his appointment.

Rule 8.10 of the Listing Rules

Please see “Relationship with our Controlling Shareholders – Competition” in this document for further details.

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

BEFORE THE [REDACTED]

As at the Latest Practicable Date and immediately prior to the [REDACTED], the registered capital of our Company was RMB56,350,000, comprising 56,350,000 Shares of nominal value RMB1.00 each.

UPON COMPLETION OF THE [REDACTED]

Assuming the [REDACTED] is not exercised, the share capital of our Company immediately after the completion of the [REDACTED] and [REDACTED] into [REDACTED] will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
[REDACTED]	[REDACTED]	[REDACTED]%
[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100%

Assuming the [REDACTED] is exercised in full, the share capital of our Company immediately after the completion of the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
[REDACTED]	[REDACTED]	[REDACTED]%
[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]%
[REDACTED] to be issued pursuant to the exercise of [REDACTED] in full	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100%

SHARE CAPITAL

SHARE CLASSES

Upon completion of the [REDACTED], our Shares will consist of Domestic Unlisted Shares and H Shares. Domestic Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association.

Our H Shares may only be subscribed for and traded in Hong Kong dollars. Our Domestic Unlisted Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Unlisted Shares held by whom will be converted into H Shares according to the filing information of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Unlisted Shares and H Shares will rank *pari passu* with each other in all other respects, and in particular, will rank equally for dividends or distributions declared, paid or made. All dividend for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

[REDACTED] OF OUR [REDACTED]

All our Domestic Unlisted Shares are not listed or traded on any stock exchange. According to regulations issued by the securities regulatory authority of the State Council and the Articles of Association, our Domestic Unlisted Shares may be converted into H Shares, and such converted H Shares may be listed and traded on an overseas stock exchange, provided that the conversion, listing and trading of such converted H Shares shall meet all requirements in the requisite internal approval processes and the filing procedures of the relevant PRC regulatory authorities, including the CSRC, and approval from the relevant overseas stock exchange has been obtained. In addition, such conversion, listing and trading shall in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Upon completion of the [REDACTED] and pursuant to the approval of the CSRC dated [•], 2026, [REDACTED] will be [REDACTED] to [REDACTED] on a one-for-one basis and be listed for trading on the Stock Exchange as set out below. The term “unlisted shares” is used to describe whether certain shares are listed on a stock exchange and is not unique to PRC laws.

SHARE CAPITAL

Listing Review and Approval by the CSRC

In accordance with the Overseas Listing Trial Measures and five relevant guidelines announced by the CSRC, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and trade on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorise the domestic company to file with the CSRC on their behalf.

The Company applied for a “full circulation” filing when applying for an overseas listing with the CSRC on [•], 2026, and submitted the filing reports, authorisation documents of the shareholders of unlisted shares for which an H-share “full circulation” filing was applied, undertaking about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The Company [has received] the filing notice from the CSRC dated [•], 2026 in relation to the filing of the [REDACTED] and [REDACTED], pursuant to which:

- (1) the Company filed with the CSRC to issue no more than [REDACTED] with a nominal value of RMB1.00 each, which are all ordinary shares, and upon this issuance the Company may be [REDACTED];
- (2) the Company filed with the CSRC to convert a total of [REDACTED] (with a nominal value of RMB1.00 each) held by certain Shareholders of the Company (the “**Full Circulation Participating Shareholders**”) were approved to be [REDACTED], and the relevant Shares may be [REDACTED] on the Stock Exchange upon completion of the conversion.

This reply shall remain effective within 12 months from the date of approval.

[REDACTED] by the Stock Exchange

We [have applied] to the Stock Exchange for the granting of [REDACTED], and permission to [REDACTED] pursuant to the [REDACTED] (including any [REDACTED] which may be issued pursuant to the exercise of the [REDACTED]) and the [REDACTED] to be converted from [REDACTED] on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the [REDACTED] after receiving the approval of the Stock Exchange: (i) giving instructions to our [REDACTED] regarding relevant share certificates of the [REDACTED]; and (ii) enabling the [REDACTED] to be accepted as [REDACTED] by [REDACTED] for deposit, clearance and settlement in [REDACTED]. The Full Circulation Participating Shareholders may only [REDACTED] upon completion of following domestic procedures. No approval by general meeting of Shareholders is required for [REDACTED] of such converted Shares on an overseas stock exchange. [REDACTED] of the [REDACTED] on the Stock Exchange after our [REDACTED] is subject to prior notification by way of announcement to inform the Shareholders and the public of any proposed conversion.

SHARE CAPITAL

Domestic Procedures

The Full Circulation Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the [REDACTED]:

- (i) We will appoint China Securities Depository and Clearing Corporation Limited (“**CSDC**”) as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at [REDACTED] in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the [REDACTED] for the Full Circulation Participating Shareholders;
- (ii) We will engage a domestic securities company (the “**Domestic Securities Company**”) to provide services such as sending orders for trading of the [REDACTED] and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company (the “**Hong Kong Securities Company**”) for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the [REDACTED] held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorised by Shenzhen Stock Exchange;
- (iii) The Shenzhen Stock Exchange shall authorise Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and transaction returns in respect of the [REDACTED] between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of [REDACTED];
- (iv) According to the Notice of SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Full Circulation Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the [REDACTED] at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the [REDACTED] at the Hong Kong Securities Company; and
- (v) The Full Circulation Participating Shareholders shall submit trading orders of the [REDACTED] through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

SHARE CAPITAL

As a result of the [REDACTED], the shareholding of the relevant Full Circulation Participating Shareholders in our Domestic Unlisted Shares shall be reduced by the number of the [REDACTED] shall be increased by the number of [REDACTED].

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the [REDACTED]. Accordingly, Shares issued by our Company prior to the [REDACTED] shall be subject to this statutory restriction and shall not be transferred for a period of one year from the [REDACTED].

The Company will work with the Domestic Securities Company to be engaged by the Company to restrict the trading of the [REDACTED] from [REDACTED] technically within one year after the [REDACTED]. In the unlikely event that any Full Circulation Participating Shareholders [REDACTED] their H Shares during such restriction period, there will be no administrative penalty on the Company under the PRC laws and regulations but there is risk that the underlying agreement for the [REDACTED] may be declared void pursuant to the Civil Code of the People’s Republic of China.

Our Directors and members of senior management shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by our Directors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in the Company. The Shares that the aforementioned persons held in the Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in the Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors and members of senior management, a summary of which is set out in “Appendix V – Summary of Articles of Association.”

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with CSDC within 15 business days upon listing and provide a written report to the CSRC regarding the centralised registration and deposit of its unlisted shares as well as the current offering and listing of shares.

SHAREHOLDERS’ APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to [REDACTED] and seek the [REDACTED] on the Stock Exchange. The Company has obtained such approval at the Shareholders’ general meeting held on [•] 2026.

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstances under which our general Shareholders’ meeting are required, see “Appendix IV – Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of Articles of Association.”

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name of Shareholder	Nature of interest	Type of Shares	As at the Latest Practicable Date and immediately prior to the completion of the [REDACTED]		Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
			Number of Shares	Percentage of shareholding in the total issued share capital (approximately)	Type of Shares	Number of Shares	Percentage of shareholding in the total issued share capital (approximately)
Jinan Huanneng Investment Holdings Co., Ltd (濟南環能投資控股有限公司)	Beneficial interest ^(Note)	Domestic Unlisted Shares	44,180,000	78.40%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zhang Fuquan (張福泉)	Interest in controlled corporation ^(Note 1)	Domestic Unlisted Shares	44,180,000	78.40%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zhang Guanzhou (張冠洲)	Interest in controlled corporation ^(Note 1)	Domestic Unlisted Shares	44,180,000	78.40%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Yang	Interest in controlled corporation ^(Note 1)	Domestic Unlisted Shares	44,180,000	78.40%	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Wang	Beneficial interest	Domestic Unlisted Shares	7,080,000	12.56%	[REDACTED]	[REDACTED]	[REDACTED]

Note: The controlled corporation is Jinan Huanneng, which directly held [44,180,000] Shares. As at the Latest Practicable Date, Jinan Huanneng is owned as to approximately 51.0% by Mr. Zhang Fuquan, 24.5% by Mr. Zhang Guanzhou and 24.5% by Mr. Yang. Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang collectively hold their indirect interests in our Company via Jinan Huanneng, and is considered as a group of Controlling Shareholder pursuant to Chapter 1.1C of the Guide. Therefore, Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang are deemed to be interested in all Shares held by this entity.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the options), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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:

Type of projects	Years ended 31 December					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
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.

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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.

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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.

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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.

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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.

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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.

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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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

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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

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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.

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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.

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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.

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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	<u>313</u>	<u>138</u>	<u>859</u>
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	<u>1,492</u>	<u>1,286</u>	<u>306</u>

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.

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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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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.

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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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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.

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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.

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(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%.

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(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.

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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.

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(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.

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(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.

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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.

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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

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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.

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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.

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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.

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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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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.

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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.

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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.

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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

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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.

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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.

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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.

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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

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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.

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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.

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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

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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.

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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.

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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.

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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.

FINANCIAL INFORMATION

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]).

FINANCIAL INFORMATION

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.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to “Business – Business Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] of approximately [REDACTED] from the [REDACTED], assuming that an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and the [REDACTED] is not exercised, and after deducing the [REDACTED] commissions and other estimated expenses payable by us in connection with [REDACTED]. We intend to use such [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED] (or [REDACTED]), to be used for elevating our market position and enhancing our market share in the comprehensive power engineering industry, particularly within the renewable energy sector. To implement our development strategy of expanding our project pipeline, we intend to apply the [REDACTED] allocated hereunder through the following detailed sub-allocations:
 - (i) Approximately [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to fund our upcoming and potential EPC projects, with a strong focus on renewable energy projects. Major expenditures under this segment include funding initial working capital requirements and procuring specialised equipment for photovoltaic infrastructure and wind power infrastructure (including photovoltaic modules, inverters, wind turbines, towers, and main transformer equipment). Funds will also be used for purchasing essential construction raw materials (such as steel, cement, and concrete), and covering construction costs as well as the operating funds for such projects;

With respect to our upcoming and potential EPC projects, we project a steady expansion in our project pipeline with an expected signing of approximately 18, 22, and 25 EPC projects within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively. Based on our historical operations and current market dynamics, the estimated average contract value for a single EPC project ranges from approximately RMB5.0 million to RMB8.0 million (equivalent to approximately HK\$[5.6] million to HK\$[8.9] million). To support the execution of these projects, we plan to procure core equipment and systems including power towers, cables, and transformers.

To achieve this goal, we plan to utilise this allocation within 18 months following the [REDACTED], with expected allocations of approximately [REDACTED], [REDACTED], and [REDACTED] within 6 months after Listing, within 12 months after Listing, and within 18 months after Listing, respectively, to align with our procurement schedules and project execution timelines.

FUTURE PLANS AND [REDACTED]

- (ii) Approximately [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to fund our upcoming and potential construction design and consultancy projects. Major expenditures under this segment include funding initial working capital for design mandates and upgrading our proprietary engineering software. We intend to focus on developing our design and consultancy capabilities across technical categories, such as renewable energy infrastructure design (including solar photovoltaic layouts and wind power structures), thermal and energy storage systems (including heat recovery and energy storage control setups), and industrial environmental engineering (including water treatment and flue gas desulfurisation systems). By engaging with clients at the initial design and consultancy stage, we gain a deep understanding of the project requirements early on, which positions our Group advantageously to compete for and secure the subsequent, larger EPC construction contracts for these projects;

With respect to our upcoming and potential construction design and consultancy projects, we project a steady expansion in our project pipeline with an expected signing of approximately 280, 320, and 340 design and consultancy projects within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively. Based on our historical operations and current market dynamics, the estimated average contract value for a single construction design and consultancy project ranges from approximately RMB0.5 million to RMB1.0 million (equivalent to approximately HK\$[0.6 million] to HK\$[1.1] million). To support the execution and technical enhancement of these projects, we plan to procure or upgrade core engineering and design software, including Computer-Aided Design (CAD), Building Information Modeling (BIM), and structural analysis software.

To achieve this goal, we plan to utilise this allocation within 18 months following the [REDACTED], with expected allocations of approximately [REDACTED], [REDACTED], and [REDACTED] within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively, to align with our software procurement schedules and human resource allocation plans.

- (iii) Approximately [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to fund the establishment of regional branch companies and subsidiaries in our core target markets and potential geographic areas. To satisfy local tendering pre-requisites often mandated by state-owned enterprises and government authorities, and enhance our on-the-ground operational capabilities to provide onsite technical support, respond more rapidly to client demands, and facilitate efficient project execution, we intend to establish localised branch companies or subsidiaries. Major expenditures under this segment include leasing office premises, purchasing office equipment, paying regulatory and administrative fees required for formal registration and incorporation, and covering day-to-day administrative expenses; and

With respect to our regional expansion, we plan to progressively establish our localised branch offices and/or subsidiaries within 18 months following the [REDACTED]. For each newly established branch office and/or subsidiary, we expect to configure core office equipment and fixed assets, such as office computers, printers, servers, and network equipment, as well as allocate funding for initial personnel remuneration.

FUTURE PLANS AND [REDACTED]

To achieve this goal, we plan to utilise this allocation within 18 months following the [REDACTED], with expected allocations of approximately [REDACTED], [REDACTED], and [REDACTED] within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively, to align with our progressive setup schedule and initial localised operational needs.

- (iv) Approximately [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to fund our recruitment and talent acquisition initiatives to support our expanding project pipeline. To manage our growing portfolio of engineering projects and maintain our competitive edge, we intend to recruit high-calibre professionals, with a primary focus on engineering specialists and technical experts. Major expenditures under this segment include covering recruitment agency fees, onboarding costs, and human resource expenses for newly hired project managers, engineering specialists, on-site technical personnel, and administrative support staff. By strengthening our workforce, we aim to ensure optimal project execution capabilities and handle a greater volume of concurrent large-scale projects.

With respect to our recruitment and talent acquisition initiatives, we plan to expand our workforce based on our business development needs by hiring various professional and technical personnel. We intend to recruit approximately 25, 20, and 13 additional employees within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively. These newly recruited employees are expected to primarily consist of professional and technical personnel across various levels, such as engineers, designers, project managers, and administrative staff.

To achieve this goal, we plan to utilise this allocation within 18 months following the [REDACTED], with expected allocations of approximately [REDACTED], [REDACTED], and [REDACTED] within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively, to align with our onboarding schedules and the allocation of total remuneration for these newly hired employees.

- approximately [REDACTED] (or [REDACTED]), to be used for strengthening our design and research and development capabilities. To implement our development strategy of enhancing our technical design capabilities, refining our engineering methodologies, and driving technological innovation across our projects, we intend to apply the [REDACTED] allocated hereunder through the following detailed sub-allocations:
 - (i) Approximately [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to upgrade and develop our specialised engineering software, technical equipment, and digital engineering systems. To maintain our technological edge across the comprehensive power engineering industry, and to support our refined engineering methodologies, we intend to develop, optimise, and enhance advanced digital design, simulation, and project management tools. Major expenditures under this segment include developing and upgrading advanced engineering design and simulation applications to enhance our proprietary design and modelling capabilities, procuring high-performance computing hardware to support complex engineering analysis, and funding the development of digital tools or monitoring systems to optimise project execution;

FUTURE PLANS AND [REDACTED]

With respect to upgrading and developing our digital systems, we plan to focus on researching and developing engineering management software, intelligent monitoring equipment, and data analysis systems. Over the 18 months following the [REDACTED], we expect to develop a total of two engineering management software systems, two intelligent monitoring equipment systems, and one data analysis system.

To achieve this goal, we plan to utilise this allocation within 18 months following the [REDACTED], with expected allocations of approximately [REDACTED], [REDACTED], and [REDACTED] within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively, to align with our development schedules and associated software development expenses.

- (ii) Approximately [REDACTED] of the [REDACTED] (or approximately [REDACTED]) will be allocated to recruit and expand our dedicated design and R&D teams. To support our technical innovation strategies, we intend to strengthen our internal research and design expertise. Major expenditures under this segment include initial human resource expenses for newly hired engineering specialists and technical personnel dedicated to our R&D functions. By expanding this specialised technical workforce, we aim to accelerate the development of our proprietary design capabilities and digital engineering methodologies.

With respect to expanding our design and R&D talent capacity, we intend to recruit approximately 15, 10, and 8 technical professionals within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively. These newly recruited employees are expected to primarily comprise different professional and technical personnel, such as software engineers, hardware engineers, and testing engineers. To support their onboarding and deployment, the total estimated expenditure will cover recruitment costs, initial remuneration, and the configuration of supporting office and technical equipment for these new employees.

To achieve this goal, we plan to utilise this allocation within 18 months following the [REDACTED], with expected allocations of approximately [REDACTED], [REDACTED], and [REDACTED] within 6 months after [REDACTED], within 12 months after [REDACTED], and within 18 months after [REDACTED], respectively, to align with our onboarding schedules and workforce deployment plans.

- approximately [REDACTED]% (or [REDACTED]), to be used for working capital and general corporate purposes.

We intend to utilise the [REDACTED] from the [REDACTED] within two to three years from the date of [REDACTED]. Due to the nature of our intended use of the [REDACTED], timing of applying [REDACTED] is subject to a number of factors such as our tender success rates, the progress of contract negotiations with our clients, project execution schedules and etc. Based on the information currently available to the Directors, it is expected that the [REDACTED] from the [REDACTED] will be utilised as intended within two to three years from the [REDACTED].

FUTURE PLANS AND [REDACTED]

The following table sets forth a breakdown and timeframe of the utilisation of the [REDACTED]:

	Within 6 months after	Within 12 months after	Within 18 months after	Total
Intended [REDACTED]	[REDACTED] <i>HKD'000</i>	[REDACTED] <i>HKD'000</i>	[REDACTED] <i>HKD'000</i>	[REDACTED] <i>HKD'000</i>
Elevating our market position and enhancing our market share in the comprehensive power engineering industry				
• Funding our upcoming and potential EPC projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Funding our upcoming and potential construction design and consultancy projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Funding the establishment of branch companies and subsidiaries	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Funding recruitment and talent acquisition	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total:	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Strengthening our design and research and development capabilities				
• Upgrading and developing our specialised engineering software, technical equipment, and digital engineering systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Recruiting and expanding our dedicated design and R&D teams	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total:	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Working capital and general corporate purpose	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total:	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range, if the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] of these additional Shares will be approximately HK\$[REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED]. We intend to use such additional [REDACTED] for the above uses on a pro rata basis.

FUTURE PLANS AND [REDACTED]

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED], being the high-end of the indicative [REDACTED] range, and given that the [REDACTED] is not exercised, we will receive additional [REDACTED] of approximately [REDACTED]. If the [REDACTED] is fixed at [REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] range, and given that the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by approximately [REDACTED]. If the [REDACTED] is set above the mid-point of the indicative [REDACTED] range, we intend to apply the additional amounts towards the above uses on a pro rata basis. If the [REDACTED] is set below the mid-point of the indicative [REDACTED] range, we intend to reduce the amounts allocated to the above uses on a pro rata basis.

If the [REDACTED] are not immediately applied to the above purpose, we will only deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

We will issue an appropriate announcement if there is any material change in the abovementioned use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[•], received from the Company’s reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANDONG HUANNENG DESIGN INSTITUTE COMPANY LIMITED AND EDDID CAPITAL LIMITED

Introduction

We report on the historical financial information of Shandong Huanneng Design Institute Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[•] to I-[•], which comprises the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[•] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “**Document**”) in connection with the [REDACTED] on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at 31 December 2023, 2024 and 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[•] have been made.

Dividends

We refer to Note [•] to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

BDO Limited

Certified Public Accountants

[•]

Practising Certificate no. [•]

Hong Kong

Date

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	7	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	10	313	138	859
Other gains/(losses), net	11	1,492	1,286	306
Impairment losses under expected credit loss (“ECL”) model, net of reversal	12	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	(8,545)	(8,644)	(9,597)
Operating profit		13,496	40,279	63,746
Finance income	13	1,284	1,494	1,494
Finance cost	13	(2,279)	(3,428)	(2,434)
Finance costs – net	13	(995)	(1,934)	(940)
Profit before income tax	8	12,501	38,345	62,806
Income tax expense	14	(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
Earnings per share attributable to owners of the Company (in RMB)				
Basic (<i>RMB per share</i>)	15	0.21	0.61	0.98

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2023	2024	2025
	Notes	RMB’000	RMB’000	RMB’000
ASSETS				
Non-current assets				
Property, plant and equipment	17	55,391	51,101	46,475
Investment properties	18	325	1,827	1,579
Intangible assets	19	1,819	1,667	1,596
Interests in associates	20	–	–	–
Deferred tax assets	21	27,076	21,544	19,413
Total non-current assets		84,611	76,139	69,063
Current assets				
Contract costs	22	56,758	61,243	46,637
Trade receivables	25	139,946	113,951	152,153
Note receivables	26	74,638	1,320	4,716
Prepayments, deposits and other receivables	23	164,055	237,038	242,587
Contract assets	24	27,520	61,811	39,528
Current tax assets		18	127	152
Restricted bank deposits	27	10,599	66,772	36,961
Cash and cash equivalents	27	55,861	56,387	94,175
Total current assets		529,395	598,649	616,909
Total assets		614,006	674,788	685,972

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December		
		2023	2024	2025
	Notes	RMB’000	RMB’000	RMB’000
LIABILITIES				
Current liabilities				
Trade payables	28	227,119	191,072	204,817
Note payables	29	4,588	28,500	–
Other payables and accruals	30	79,000	84,228	96,330
Contract liabilities	31	283,218	317,455	251,292
Borrowings	32	49,579	46,274	61,306
Current tax liabilities		–	–	6,585
Total current liabilities		643,504	667,529	620,330
Net current liabilities		(114,109)	(68,880)	(3,421)
Total assets less current liabilities		(29,498)	7,259	65,642
Non-current liabilities				
Borrowings	32	239	4,183	8,487
Total non-current liabilities		239	4,183	8,487
Total liabilities		643,743	671,712	628,817
Net (liabilities)/assets		(29,737)	3,076	57,155

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ACCOUNTANTS’ REPORT

		As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
	Notes			
EQUITY				
Share capital	33	56,350	56,350	56,350
Reserves	34	(85,740)	(51,271)	4,199
Equity attributable to owners of the Company		(29,390)	5,079	60,549
Non-controlling interests		(347)	(2,003)	(3,394)
Total (deficit)/equity		(29,737)	3,076	57,155

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2023	2024	2025
	Notes	RMB’000	RMB’000	RMB’000
ASSETS				
Non-current assets				
Property, plant and equipment	17	55,233	50,808	46,231
Investment properties	18	325	1,827	1,579
Intangible assets	19	1,819	1,667	1,596
Interests in associates		–	–	–
Deferred tax assets	21	27,122	21,544	19,430
Total non-current assets		84,499	75,846	68,836
Current assets				
Contract costs	22	56,758	60,662	46,055
Trade receivables	25	139,276	112,977	151,781
Note receivables	26	74,638	759	4,716
Prepayments, deposits and other receivables	23	164,577	234,265	237,240
Contract assets	24	27,238	61,811	39,528
Current tax assets		18	–	–
Restricted bank deposits	27	10,599	66,772	36,961
Cash and cash equivalents	27	55,705	55,981	93,112
Total current assets		528,809	593,227	609,393
Total assets		613,308	669,073	678,229

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		As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Notes				
LIABILITIES				
Current liabilities				
Trade payables	28	226,270	188,103	197,906
Note payables	29	4,588	28,500	–
Other payables and accruals	30	78,371	86,603	95,161
Contract liabilities	31	283,393	317,409	251,246
Borrowings	32	49,579	36,191	53,297
Current tax liabilities		–	–	6,585
Total current liabilities		642,201	656,806	604,195
Net current (liabilities)/assets		(113,392)	(63,579)	5,198
Total assets less current liabilities		(28,893)	12,267	74,034
Non-current liabilities				
Borrowings	32	239	4,183	8,487
Total non-current liabilities		239	4,183	8,487
Total liabilities		642,440	660,989	612,682
Net (liabilities)/assets		(29,132)	8,084	65,547

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		As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
	Notes			
EQUITY				
Share capital	33	56,350	56,350	56,350
Reserves	34	(85,482)	(48,266)	9,197
Total (deficit)/equity		(29,132)	8,084	65,547

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-	Total
	Share capital	Capital reserve	Accumulated losses	Subtotal	controlling interests	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023	56,350	21,163	(118,739)	(41,226)	–	(41,226)
Profit for the year	–	–	11,836	11,836	(347)	11,489
As at 31 December 2023	<u>56,350</u>	<u>21,163</u>	<u>(106,903)</u>	<u>(29,390)</u>	<u>(347)</u>	<u>(29,737)</u>

	Attributable to owners of the Company				Non-	Total
	Share capital	Capital reserve	Accumulated losses	Subtotal	controlling interests	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2024	56,350	21,163	(106,903)	(29,390)	(347)	(29,737)
Profit for the year	–	–	34,469	34,469	(1,656)	32,813
As at 31 December 2024	<u>56,350</u>	<u>21,163</u>	<u>(72,434)</u>	<u>5,079</u>	<u>(2,003)</u>	<u>3,076</u>

	Attributable to owners of the Company				Non-	Total
	Share capital	Capital reserve	Accumulated losses	Subtotal	controlling interests	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2025	56,350	21,163	(72,434)	5,079	(2,003)	3,076
Profit for the year	–	–	55,470	55,470	(1,391)	54,079
As at 31 December 2025	<u>56,350</u>	<u>21,163</u>	<u>(16,964)</u>	<u>60,549</u>	<u>(3,394)</u>	<u>57,155</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
	Notes			
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax		12,501	38,345	62,806
Adjustments for:				
Depreciation of property, plant and equipment	8	4,846	5,026	5,032
Depreciation of investment properties	8	87	211	248
Amortisation of intangible assets	8	336	364	327
Net (gains)/loss on disposal of property, plant and equipment and intangible assets		(508)	–	56
Property, plant and equipment written off		164	–	–
Net finance costs	13	995	1,934	940
Impairment of contract costs	8	1,419	535	47
Impairment of trade receivables	12	(4,950)	(8,043)	1,716
Impairment of other receivables	12	710	1,595	911
Impairment of contract assets	12	256	1,115	(795)
Operating cash flow before movements in working capital		15,856	41,082	71,288
(Increase)/decrease in contract costs		(26,045)	(5,020)	14,559
Decrease/(increase) in trade receivables		35,179	34,038	(39,918)
(Increase)/decrease in note receivables		(73,003)	73,270	(3,396)
Increase in prepayments, deposits and other receivables		(139,415)	(74,577)	(6,460)
(Increase)/decrease in contract assets		(14,744)	(35,406)	23,078
Decrease/(increase) in contract liabilities		229,372	34,237	(66,163)
Increase/(decrease) in note payables		4,588	23,912	(28,500)
Increase/(decrease) in trade payables		11,897	(36,047)	13,745
(Decrease)/increase in other payables and accruals		(2,808)	12,599	12,213
Decrease in deferred income		(2,000)	–	–
Cash generated from/(used in) operations		38,877	68,088	(9,554)
Income taxes paid		(18)	(110)	(36)
Net cash generated from/(used in) operating activities		38,859	67,978	(9,590)

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		Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Notes				
CASH FLOWS FROM INVESTING ACTIVITIES				
	Interest income received	1,284	1,494	1,494
	Payments for property, plant and equipment	(3,649)	(9,820)	(517)
	Payments for intangible assets	(435)	(212)	(312)
	Proceeds from disposal of property, plant and equipment	616	–	–
	Placement of restricted bank deposits	(9,296)	(115,246)	(52,484)
	Release of restricted bank deposits	3,494	59,073	82,295
	Net cash (used in)/generated from investing activities	(7,986)	(64,711)	30,476
CASH FLOWS FROM FINANCING ACTIVITIES				
	Proceeds from borrowings	38 51,315	60,897	65,631
	Repayments of borrowings	38 (39,974)	(60,540)	(46,003)
	Interest paid for borrowings	38 (2,223)	(3,098)	(2,726)
	Net cash generated from/(used in) financing activities	9,118	(2,741)	16,902
NET INCREASE 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

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II NOTES TO HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Shandong Huanneng Design Institute Company Limited (the “**Company**”) was incorporated on 29 October 2003 as a limited liability company under Company Law of the People’s Republic of China (the “**PRC**”). The address of the Company’s registered office is Room 2002, Area B, 20/F, Building 1, Shuntai Plaza, 2000 Shunhua Road, Gaoxin District, Jinan, Shandong, PRC.

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of engineering design and construction services. Particulars of the subsidiaries are disclosed in Note 16.

The directors of the Company consider the immediate holding company and the ultimate holding company of the Company to be Jinan Huanneng Investment Holding Co., Ltd., a limited liability company incorporated in the PRC, and the ultimate controlling shareholder of the Company is Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang Liangbo.

2 BASIS OF PREPARATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with all HKFRS Accounting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the Historical Financial Information also complies with the applicable disclosures requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The HKICPA has issued a number of new standards and amendments to standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all HKFRS Accounting Standards that are effective for the year ended 31 December 2025.

Accounting policies set out below has been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for [certain financial instruments] which have been measured at fair value through other comprehensive income (“**FVOCI**”) at the end of each of the reporting periods.

The preparation of the Historical Financial Information in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

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3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE NEW STANDARDS, INTERPRETATION AND AMENDMENTS

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not effective for the year ended 31 December 2025 and have not been early adopted by the Group. These new accounting standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions except the new HKFRS 18 as set out below.

The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective:

Amendments to HKFRS 7 and HKFRS 9	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 7 and HKFRS 9	Contracts Referencing Nature-dependent Electricity ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ²
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

³ The amendments shall be applied prospectively to sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to impact the Group’s presentation of the consolidated statements of profit or loss and disclosures of the Group’s financial performance but are unlikely to have a significant impact on the Group’s net profit and financial position in the period of initial application.

4. ACCOUNTING POLICIES

4.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control over the subsidiary.

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Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

In the Company’s statement of financial position, investment in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.2 Investment in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.3 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment properties measured using the cost model;
- intangible assets;
- investment in associates; and
- interests in subsidiaries in the Company’s statement of financial position.

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately.

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Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4.4 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the buildings could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment, are stated at acquisition cost less accumulated depreciation and any identified impairment.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their estimated residual values, over their estimate useful lives as follows:

Buildings	20 years
Machinery and equipment	10 years
Transportation vehicles	4 years
Office equipment and others	3 to 5 years
Leasehold improvements	Shorter of the remaining term of the related lease or 5 years

The depreciation method, assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.5 Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use and property that is being constructed or developed for future use as investment properties.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 4.6.

Depreciation is calculated to write off the cost of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of those properties for measurement or disclosure purposes.

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4.6 Leases

The Group as lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4.7 Intangible assets

(a) Software

Software acquired separately are initially capitalised on the basis of the costs incurred to acquire and bring into use. Software are stated at historical cost less accumulated amortisation and impairment losses, if any.

Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, as follows:

Software	10 years

When determining the useful life, the management of the Group has taken into the account the (i) estimated period that can bring economic benefits to the Group; (ii) the useful life estimated by the comparable companies in the market.

(b) Research and development

The expenditure on an internal research and development project is classified into expenditure in the research phase and expenditure in the development phase. Expenditure on research phases is recognised as an expense in the period in which it is incurred. Expenditure on development phase is capitalised and recognised as intangible assets if all the following can be demonstrated:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

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4.8 Financial instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in “Finance income” using the effective interest method. Foreign exchange gains and losses are included in “Other gains/(losses), net”. Any gain or loss arising on derecognition and impairment losses are presented as separate line items in the consolidated statements of profit or loss and other comprehensive income.
- Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in “Finance income” using the effective interest method. Foreign exchange gains and losses are included in “Other gains/(losses), net” and impairment expenses are presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.

(a) *Impairment*

The Group performs impairment assessment under ECL model on debt instruments which are measured at amortised cost and FVOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measure loss allowances for trade receivables using HKFRS 9 simplified approach and always recognises lifetime ECL for trade receivables. The ECL on these financial assets are assessed collectively using a provision matrix and individually for credit-impaired receivable based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other debt instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of each reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI where the loss allowance is recognised in other comprehensive income without reducing the carrying amount of these debt instruments.

(ii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, note payables, other payables and accruals and borrowings issued by the Group are subsequently measured at amortised cost, using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

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(iii) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iv) *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group shall continue to recognise the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of its continuing involvement is the lower of carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the FVOCI reserve is reclassified to profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.9 **Contract costs**

Contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or other intangible assets.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or other intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised.

4.10 **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 2 years after completion (“**defect liability period**”). The defect liability period serves as an assurance that the assets constructed comply with agreed upon specifications and such assurance cannot be purchased separately. In accordance with HKFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the guarantees in accordance with note 4.16. The Group has also determined that these contracts generally contains 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 as the Group is primarily responsible for fulfilling the promise to provide the services, the third-party suppliers (including subcontractors) do not have a contractual relationship with the customer and the Group has discretion in establishing the prices and selecting the suppliers.

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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 input method. The Group determined that the input method is the best method in measuring the progress of the provision of construction services because information required to apply the output method is not available to the Group without undue cost and there is a direct relationship between the Group’s effort (e.g., labour hours expended and materials consumed) and the transfer of services to the customer.

The stage of completion is assessed by reference to the contract costs incurred to date in proportion to the total estimated contract costs of each contract. Transaction price in a contract is based on the price specified in the contract, net of penalties and value added tax. Penalties represents a form of variable consideration and accumulated experience is used to estimate and provide for the penalties, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. At the end of each reporting period, the Group updates this estimates to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

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 liability is recognised when the Group receives consideration (or the amount is due) in advance of transferring control of the promised goods or services to a customer. 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. At each reporting date, contract assets are assessed for impairment on the same basis as trade receivables.

Generally, the Group does not have any construction contracts where the period between the transfer of the promised service to the customer and the payment by the customer exceeds one year, except for any retention receivable. Retention receivable is intended to protect the customer from the Group’s failing to adequately complete its obligations under the defect liability period, rather than for the provision of finance. There is no significant financing component and the transaction price is not adjusted for the time value of money.

When there is a change in the scope and/or change in price of a contract (e.g. variation order and contract claims), the effect of the modification is recognised when either the modification is approved by the customer or the Group is entitled to such claims under the contract terms and there is legal basis in making those claims. Generally, modification to a contract is accounted for as if it were a part of the existing contract and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the contract sum and on the Group’s measures of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis). For approved modifications where a change in price has not been agreed, they are accounted for following the requirement in relation to variable consideration.

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 consists of the preparation of construction drawings, and the customer will hire a separate contractor to carry out the construction work. As the Group were to enter into contract where it 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 [•] days after acceptance. As the time difference between receiving the consideration and transferring the control of services to its customer is one year or less, the Group takes advantage of the practical expedient not to account for any significant financing component.

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4.11 Interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI and is calculated by applying the effective interest rate to the gross carrying amount of the debt instruments when the asset is not credit-impaired. For debt instruments that have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

4.12 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed or deducted from the related expense. Where the grant relates to an asset, it is credited to a deferred income and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the government grants is to compensate for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs, it is recognised in profit or loss in the period in which they become receivable.

4.13 Employee benefits

(a) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(b) Defined contribution plans

Social insurances

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing funds and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds is limited to the contributions payable by the Group.

4.14 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets may also arise from unused tax losses and unused tax credits.

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Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and does not give rise for equal taxable and deductible temporary differences (provided they are not part of a business combination), and temporary differences relating to investment in subsidiaries and associates to the extent that, in the case of taxable temporary differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, taxable profit will not be available against which the temporary difference can be utilised or the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax recognised is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - o the same taxable entity; or
 - o different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4.15 Functional and presentation currencies

The functional currency of majority of the entities within the Group is RMB, which is the currency of the primary economic environment in which most of the Group’s entities operate. The Group adopted RMB as its presentation currency in the preparation of the consolidated financial statements, which is also the functional currency of the Company.

4.16 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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4.17 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short term highly liquid investments that are readily convertible into known amounts of cash, that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

4.18 Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

5 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) 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.

(b) Provision of ECL for financial assets at amortised cost, contract assets and financial assets at FVOCI

The Group calculates ECL for trade and other receivables, contract assets, 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. Details of the key assumptions and inputs used are set out in Note 36.1(b). Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

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(c) 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.

(d) 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 it is 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.

(e) 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 items above, please refer to Note 36.3.

6 SEGMENT INFORMATION

The Group manages its businesses by business lines, in a manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker (“**CODM**”) for the purposes of resource allocation and performance assessment.

The CODM considers the business from a product and service perspective. The Group is organised into certain business units according to the nature of the services provided. The CODM review operating results and financial information of each business unit separately. Accordingly, each business unit (including associates) is identified as an operating segment. These operating segments with similar economic characteristics and similar nature of services provided have been aggregated into the following reporting segments:

Engineering, procurement and construction (“**EPC**”) segment – design, procurement, construction, installation of project infrastructure for a project.

Construction design and consultancy segment – provision of design, technical and consultancy services, undertaking electrical engineering and construction of power plant projects (the “**engineering, procurement and construction business**”) services.

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Others segment – provision of construction supervision and construction operations and maintenance services.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest and income tax. This measurement excludes the effects of non-recurring income and expenditure from the operating segments and corporate expenses.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors’ remuneration, certain other income, interest revenue and finance costs, after inter-segment elimination.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments other than assets and liabilities attributable to head office.

The following is an analysis of the Group’s revenue, results, assets and liabilities by reportable operating segment.

	EPC	Construction design and consultancy	Others	Consolidated
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
For the year ended 31 December 2023				
Segment revenue	485,070	92,589	3,970	581,629
Segment results	38,034	3,128	(2,189)	38,973
Unallocated amount:				
Other income and gains/(losses), net				1,805
Corporate expenses				(27,282)
Finance costs – net				(995)
Profit before income tax				12,501
As at 31 December 2023				
Segment assets	339,583	110,249	2,018	451,850
Unallocated assets				162,156
Total assets				614,006
Segment liabilities	444,337	130,305	3,047	577,689
Unallocated liabilities				66,054
Total liabilities				643,743

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	EPC	Construction design and consultancy	Others	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2024				
Segment revenue	551,968	124,059	2,052	678,079
Segment results	<u>38,334</u>	<u>27,180</u>	<u>(321)</u>	<u>65,193</u>
Unallocated amount:				
Other income and gains/(losses), net				1,424
Corporate expenses				(26,338)
Finance costs – net				<u>(1,934)</u>
Profit before income tax				<u><u>38,345</u></u>
As at 31 December 2024				
Segment assets	348,713	114,997	2,751	466,461
Unallocated assets				<u>208,327</u>
Total assets				<u><u>674,788</u></u>
Segment liabilities	456,449	140,576	4,197	601,222
Unallocated liabilities				<u>70,490</u>
Total liabilities				<u><u>671,712</u></u>

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	EPC	Construction design and consultancy	Others	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2025				
Segment revenue	651,032	158,118	1,506	810,656
Segment results	<u>53,586</u>	<u>34,839</u>	<u>148</u>	<u>88,573</u>
Unallocated amount:				
Other income and gains/(losses), net				1,165
Corporate expenses				(25,992)
Finance costs – net				<u>(940)</u>
Profit before income tax				<u><u>62,806</u></u>
As at 31 December 2025				
Segment assets	362,267	111,732	1,992	475,991
Unallocated assets				<u>209,981</u>
Total assets				<u><u>685,972</u></u>
Segment liabilities	411,793	110,089	1,516	523,398
Unallocated liabilities				<u>105,419</u>
Total liabilities				<u><u>628,817</u></u>

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The geographical location of the Group’s non-current assets (excluding deferred tax assets and financial assets) is based on the physical location of these assets.

As at the end of each reporting period, the geographical location of the Group’s non-current assets is as follows:

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC (country of domicile)	57,535	54,595	49,650
	57,535	54,595	49,650

The geographical location of customers is based on the location at which the services were provided.

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
PRC	576,209	677,491	792,038
Others (<i>Note</i>)	5,420	588	18,618
	581,629	678,079	810,656

Note

Others mainly included Mongolia, Cambodia, Gambia, Mozambique and Nigeria.

Revenue from customers contributing over 10% of the total revenue of the Group during each of the reporting period is as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Customer A	141,160	332,626	402,864
Customer B	64,041	*	*
	205,201	332,626	402,864

They are customers for EPC services for the years ended 31 December 2023, 2024 and 2025.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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7 REVENUE

(a) Disaggregation of revenue from contracts with customers

Revenue for each of the reporting period are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15:			
Transferred at point in time:			
Construction design and consultancy	92,589	124,059	158,118
Others	2,857	1,746	1,009
	95,446	125,805	159,127
Transferred over time:			
EPC services	485,070	551,968	651,032
Others	1,113	306	497
	486,183	552,274	651,529
Total	581,629	678,079	810,656

Remaining performance obligations

As at 31 December 2023, 2024 and 2025, the aggregate amount of transaction price allocated to the remaining performance obligations under the existing contracts as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expected to be recognised within one year	1,618,756	1,232,859	1,475,483
	1,618,756	1,232,859	1,475,483

The Group had also applied the practical expedient in paragraph 121(a) of HKFRS 15 for not disclosing amount of transaction price allocated to the remaining performance obligations under the contracts that had an original expected duration of one year or less.

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations.

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Contract liabilities

The Group

As at 1 January 2023, 31 December 2023, 2024 and 2025, the Group recognised contract liabilities of RMB53,846,000, RMB283,218,000, RMB317,455,000 and RMB251,292,000, respectively.

The following table shows how much of the revenue recognised during each of the reporting period is included in the contract liabilities:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	53,846	283,218	317,455

The Group expects that the contract liabilities as at 31 December 2023, 2024 and 2025 will be recognised as revenue within a year or less.

The Company

As at 1 January 2023, 31 December 2023, 2024 and 2025, the Company recognised contract liabilities of RMB53,846,000, RMB283,393,000, RMB317,409,000 and RMB251,246,000, respectively.

The following table shows how much of the revenue recognised during each of the reporting period is included in the contract liabilities:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	53,846	283,393	317,409

The Company expects that the contract liabilities as at 31 December 2023, 2024 and 2025 will be recognised as revenue within a year or less.

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8 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Auditor’s remuneration	–	–	–
Contract costs recognised as expenses	522,100	599,047	697,579
Depreciation of property, plant and equipment	4,846	5,026	5,032
Depreciation of investment properties	87	211	248
Amortisation of intangible assets	336	364	327
	<u>5,269</u>	<u>5,601</u>	<u>5,607</u>
Research and development expenses (<i>Note (a)</i>)	8,545	8,644	9,597
Expenses relating to short-term leases	375	297	745
Employee benefit expenses (<i>Note 9</i>)	27,628	24,641	24,348

Notes:

- (a) Research and development expenses mainly include amounts relating to employee benefit expenses, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.
- (b) Impairment loss of contract costs of RMB1,419,000, RMB535,000 and RMB47,000 is charged to the profit or loss for the years ended 31 December 2023, 2024 and 2025 and included in the contract costs recognised as expenses.

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances, bonus and benefits in kind	22,058	16,980	17,624
Contributions to defined contribution plans, housing funds and other social insurances (<i>Note (a)</i>)	3,576	6,053	4,642
Other employee benefit expenses	1,994	1,608	2,082
	<u>27,628</u>	<u>24,641</u>	<u>24,348</u>

(a) Defined contribution plans, housing funds and other social insurances

The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds and other social insurances to fund the benefits. The Group’s full-time employees in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government and liabilities in respect of benefits schemes are limited to the contribution payable in each period. Contributions to these plans are expensed as incurred.

As at 31 December 2023, 2024 and 2025, there are no forfeited contributions available to offset future retirement benefit obligations of the Group.

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(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023, 2024 and 2025, include 4, 5 and 4 directors respectively, whose emoluments are disclosed in Note 9(c). Details of the remuneration of the remaining individuals during the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances, bonus and benefits in kind	463	–	505
Contributions to defined contribution plans, housing funds and other social insurances	25	–	25
	488	–	530

The highest paid individuals fell within the following bands:

	Year ended 31 December		
	2023	2024	2025
	Number of individuals		
Emolument bands			
Nil to HK\$1,000,000	1	–	1
	1	–	1

(c) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2023 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Zhang Fuquan (“Mr. Zhang”)	–	223	330	–	553
Mr. Zhang Guanzhou	–	272	248	30	550
Mr. Zhang Dan	–	202	248	25	475
Mr. Li Junying	–	283	248	51	582
Ms. Wang Youmei	–	176	248	77	501
Subtotal	–	1,156	1,322	183	2,661
Independent non-executive Directors					
Mr. Wong Wei Hua Derek	–	–	–	–	–
Mr. Liang Rongjin	–	–	–	–	–
Mr. Li Bao Cun	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	1,156	1,322	183	2,661

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The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2024 are as follows:

Name	Director’s fee	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors					
Mr. Zhang	–	232	248	–	480
Mr. Zhang Guanzhou	–	214	248	30	492
Mr. Zhang Dan	–	211	248	26	485
Mr. Li Junying	–	214	248	–	462
Ms. Wang Youmei	–	166	248	83	497
Subtotal	–	1,037	1,240	139	2,416
Independent non-executive Directors					
Mr. Wong Wei Hua Derek	–	–	–	–	–
Mr. Liang Rongjin	–	–	–	–	–
Mr. Li Bao Cun	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	1,037	1,240	139	2,416

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2025 are as follows:

Name	Director’s fee	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors					
Mr. Zhang	–	232	248	–	480
Mr. Zhang Guanzhou	–	282	248	–	530
Mr. Zhang Dan	–	211	248	26	485
Mr. Li Junying	–	305	248	–	553
Ms. Wang Youmei	–	317	248	83	648
Subtotal	–	1,347	1,240	109	2,696
Independent non-executive Directors					
Mr. Wong Wei Hua Derek	–	–	–	–	–
Mr. Liang Rongjin	–	–	–	–	–
Mr. Li Bao Cun	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	1,347	1,240	109	2,696

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(d) **Directors’ retirement benefits and termination benefits**

No director’s retirement or termination benefit subsisted at the end of each year or at any time during the Track Record Period.

(e) **Consideration provided to third parties for making available directors’ services**

No consideration provided to third parties for making available director’s services subsisted at the end of each year or at any time during the Track Record Period.

(f) **Information about borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate and controlled entities with such directors**

No borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate and connected entities with such directors subsisted at the end of each year or at any time during the Track Record Period.

(g) **Directors’ material interest in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of each year or at any time during the Track Record Period.

10 OTHER INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants (<i>Note (a)</i>)	304	111	821
Others	9	27	38
	<u>313</u>	<u>138</u>	<u>859</u>

Notes:

- (a) The government grants were mainly incentives provided by local government authorities, to reward the Group’s contribution for the research and development of technology. There are no unfulfilled obligations for the recognised income at the end of each reporting period.

11 OTHER GAINS/(LOSSES), NET

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
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)
	<u>1,492</u>	<u>1,286</u>	<u>306</u>

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12 IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables (Note 25)	4,950	8,043	(1,716)
Other receivables (Note 36.1(b)(iv))	(710)	(1,595)	(911)
Contract assets (Note 24)	(256)	(1,115)	795
	3,984	5,333	(1,832)

Details of impairment losses under ECL model are set out in Note 36.1(b) to the Historical Financial Information.

13 FINANCE COSTS – NET

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finance income:			
Bank interest income (Note (a))	4	505	814
Interest income from customers	1,280	989	680
	1,284	1,494	1,494
Finance costs:			
Interest expenses on bank and other borrowings	(2,228)	(3,380)	(2,434)
Interest expenses on discounted note receivables	(51)	(48)	–
	(2,279)	(3,428)	(2,434)
Finance costs – net	(995)	(1,934)	(940)

Note:

- (a) Interest income represents interest income from cash and cash equivalent, including bank balances which could be withdrawn or transferred on demand.

14 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	–	–	6,596
Deferred income tax (Note 21)	1,012	5,532	2,131
	1,012	5,532	8,727

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The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

PRC (excluding Hong Kong)

In accordance with the Enterprise Income Tax Law (“**EIT Law**”), Foreign Investment Enterprises and domestic companies established in the PRC are subject to Enterprise Income Tax (“**EIT**”) at a rate of 25%.

Besides, certain Group’s subsidiaries are benefit from a preferential tax rate of 15% under the EIT Law if they are qualified as “High and New technology enterprises” under relevant regulations or located in applicable PRC regions, such as certain western regions and special economic zone, as specified in the relevant catalogue of encouraged industries, subject to certain general restrictions described in the EIT Law and the related regulations.

The income tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before income tax	12,501	38,345	62,806
Tax calculated at applicable rate of 15% in the PRC	1,875	5,752	9,421
Differential income tax rates applicable to subsidiaries	87	414	348
Tax effect of non-deductible expenses	288	459	227
Tax effect of tax losses not recognised	44	204	171
Additional deduction on research and development expenses (<i>Note</i>)	(1,282)	(1,297)	(1,440)
Income tax expense	1,012	5,532	8,727

Note: An additional 100% of qualified research and development expenses incurred was allowed to be deducted from taxable income under the EIT Law.

(b) Tax losses

As at 31 December 2023, 2024 and 2025, the Group did not recognise deferred income tax assets in respect of losses of RMB375,000, RMB3,952,000 and RMB6,259,000 respectively, because sufficient future profit streams is not probable of the related subsidiaries. The tax losses incurred by the Company’s subsidiary in the PRC that are not recognised as deferred tax assets will expire from 2028 to 2030. Deductible losses that are not recognised for deferred income tax assets will expire as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Expiry year			
2028	375	375	375
2029	–	3,577	3,577
2030	–	–	2,307
	375	3,952	6,259

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15 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods, calculated as follows:

	Year ended 31 December		
	2023	2024	2025
Profit for the year attributable to owners of the Company (<i>RMB'000</i>)	11,836	34,469	55,470
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share (<i>thousand shares</i>)	56,350	56,350	56,350
Basic earnings per share (<i>RMB per share</i>)	0.21	0.61	0.98

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the Track Record Period, therefore diluted earnings per share is the same as the basic earnings per share.

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16 SUBSIDIARIES

(a) Subsidiaries of the Company

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries.

List of subsidiaries is as follows:

Name of subsidiaries	Place of incorporation/ establishment and kind of legal entity	Authorised shares capital/registered capital	Equity interest attributable to the Company						Principal activities	Place of operation	
			As at 31 December 2023		As at 31 December 2024		As at 31 December 2025				
			Direct	Indirect	Direct	Indirect	Direct	Indirect			
Shandong Zhongneng Engineering Construction Co., Ltd.	The PRC limited liability company	RMB50 million	60%	-	60%	-	60%	-	Engineering design consulting services and EPC projects	The PRC	Note (a)
Huanneng (Liaocheng) Photovoltaic Engineering Co., Ltd.	The PRC limited liability company	RMB1 million	100%	-	100%	-	100%	-	Engineering design consulting services and EPC projects	The PRC	Note (a), (c)
Huanneng (Liaocheng) New Energy Co., Ltd.	The PRC limited liability company	RMB1 million	100%	-	100%	-	-	-	Engineering design consulting services and EPC projects	The PRC	Note (a), (b)

Notes:

(a) No audited financial statements were prepared for the entities during the Track Record Period.

(b) This subsidiary was deregistered during the year ended 31 December 2025.

(c) This subsidiary was deregistered subsequent to the year ended 31 December 2025.

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(b) Investment in subsidiaries

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investment in subsidiaries, at cost			
At the beginning of the year	–	–	–
Additions	–	–	–
At the end of the year	–	–	–

(c) Material non-controlling interests (“NCI”)

The following table lists out the information relating to Shandong Zhongneng Engineering Construction Co., Ltd., which has a NCIs. The summarised financial information presented below represents the amounts before any inter- company elimination.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
NCI percentage	40%	40%	40%
Current assets	10,219	14,153	26,758
Non-current assets	158	293	244
Current liabilities	(11,244)	(19,454)	(35,486)
Non-current liabilities	–	–	–
Net liabilities	(866)	(5,008)	(8,484)
Carrying amount of NCI	(347)	(2,003)	(3,394)

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	8,014	3,193	3,465
Loss for the year	(866)	(4,142)	(3,476)
Total comprehensive loss	(866)	(4,142)	(3,476)
Total comprehensive loss allocated to NCI	(347)	(1,656)	(1,391)
Cash flows used in operating activities	(4,523)	(1,581)	(3,000)

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17 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023						
Cost	67,881	390	8,820	3,851	3,256	84,198
Accumulated depreciation	(13,665)	(141)	(7,225)	(3,064)	(1,303)	(25,398)
Net carrying amount	54,216	249	1,595	787	1,953	58,800
Year ended 31 December 2023						
Opening net carrying amount	54,216	249	1,595	787	1,953	58,800
Additions	–	–	1,462	371	–	1,833
Disposals	–	–	(108)	–	–	(108)
Written off	–	(6)	–	(158)	–	(164)
Depreciation	(2,929)	(25)	(877)	(364)	(651)	(4,846)
Transferred to investment properties	(124)	–	–	–	–	(124)
Closing net carrying amount	51,163	218	2,072	636	1,302	55,391
As at 31 December 2023 and 1 January 2024						
Cost	67,222	264	8,121	1,348	3,256	80,211
Accumulated depreciation	(16,059)	(46)	(6,049)	(712)	(1,954)	(24,820)
Net carrying amount	51,163	218	2,072	636	1,302	55,391

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	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2024						
Opening net carrying amount	51,163	218	2,072	636	1,302	55,391
Additions	–	22	1,854	573	–	2,449
Depreciation	(2,985)	(26)	(941)	(423)	(651)	(5,026)
Transferred to investment properties	(1,713)	–	–	–	–	(1,713)
Closing net carrying amount	46,465	214	2,985	786	651	51,101
As at 31 December 2024 and 1 January 2025						
Cost	64,067	286	9,975	1,921	3,256	79,505
Accumulated depreciation	(17,602)	(72)	(6,990)	(1,135)	(2,605)	(28,404)
Net carrying amount	<u>46,465</u>	<u>214</u>	<u>2,985</u>	<u>786</u>	<u>651</u>	<u>51,101</u>
Year ended 31 December 2025						
Opening net carrying amount	46,465	214	2,985	786	651	51,101
Additions	–	–	148	258	–	406
Depreciation	(2,879)	(27)	(1,102)	(373)	(651)	(5,032)
Closing net carrying amount	43,586	187	2,031	671	–	46,475
As at 31 December 2025						
Cost	64,067	286	10,123	2,179	3,256	79,911
Accumulated depreciation	(20,481)	(99)	(8,092)	(1,508)	(3,256)	(33,436)
Net carrying amount	<u>43,586</u>	<u>187</u>	<u>2,031</u>	<u>671</u>	<u>–</u>	<u>46,475</u>

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The Company

	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023						
Cost	67,881	390	8,820	3,851	3,256	84,198
Accumulated depreciation	(13,665)	(141)	(7,225)	(3,064)	(1,303)	(25,398)
Net carrying amount	54,216	249	1,595	787	1,953	58,800
Year ended 31 December 2023						
Opening net carrying amount	54,216	249	1,595	787	1,953	58,800
Additions	–	–	1,282	371	–	1,653
Disposals	–	–	(108)	–	–	(108)
Written off	–	(6)	–	(158)	–	(164)
Depreciation	(2,929)	(25)	(855)	(364)	(651)	(4,824)
Transferred to investment properties	(124)	–	–	–	–	(124)
Closing net carrying amount	51,163	218	1,914	636	1,302	55,233
As at 31 December 2023 and 1 January 2024						
Cost	67,222	264	7,941	1,348	3,256	80,031
Accumulated depreciation	(16,059)	(46)	(6,027)	(712)	(1,954)	(24,798)
Net carrying amount	51,163	218	1,914	636	1,302	55,233

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	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024						
Opening net carrying amount	51,163	218	1,914	636	1,302	55,233
Additions	–	22	1,695	532	–	2,249
Depreciation	(2,985)	(26)	(880)	(419)	(651)	(4,961)
Transferred to investment properties	(1,713)	–	–	–	–	(1,713)
Closing net carrying amount	46,465	214	2,729	749	651	50,808
As at 31 December 2024 and 1 January 2025						
Cost	64,067	286	9,636	1,880	3,256	79,125
Accumulated depreciation	(17,602)	(72)	(6,907)	(1,131)	(2,605)	(28,317)
Net carrying amount	<u>46,465</u>	<u>214</u>	<u>2,729</u>	<u>749</u>	<u>651</u>	<u>50,808</u>
Year ended 31 December 2025						
Opening net carrying amount	46,465	214	2,729	749	651	50,808
Additions	–	–	148	210	–	358
Depreciation	(2,879)	(27)	(1,021)	(357)	(651)	(4,935)
Closing net carrying amount	43,586	187	1,856	602	–	46,231
As at 31 December 2025						
Cost	64,067	286	9,784	2,090	3,256	79,483
Accumulated depreciation	(20,481)	(99)	(7,928)	(1,488)	(3,256)	(33,252)
Net carrying amount	<u>43,586</u>	<u>187</u>	<u>1,856</u>	<u>602</u>	<u>–</u>	<u>46,231</u>

Note: Certain buildings and transportation vehicles as at 31 December 2023, 2024 and 2025 respectively were pledged to secure borrowings and facilities granted to the Group and the Company (Note 39).

As at 31 December 2023, 2024 and 2025, it was included in the buildings with a net carrying amount of approximately RMB44,881,000, RMB42,290,000 and RMB39,719,000, respectively for which the Group is still in the process of obtaining the building certificates. In the opinion of the directors of the Company, the Group has obtained the ownerships of these buildings. As confirmed by the Group’s legal advisors, there is no legal impediment for the Group to obtain these building certificates.

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18 INVESTMENT PROPERTIES

The Group and the Company

RMB'000

As at 1 January 2023

Cost	1,410
Accumulated depreciation	(1,122)
Net carrying amount	288

Year ended 31 December 2023

Opening net carrying amount	288
Transfers from property, plant and equipment	124
Depreciation	(87)
Closing net carrying amount	325

As at 31 December 2023 and 1 January 2024

Cost	2,069
Accumulated depreciation	(1,744)
Net carrying amount	325

Year ended 31 December 2024

Opening net carrying amount	325
Transfers from property, plant and equipment	1,713
Depreciation	(211)
Closing net carrying amount	1,827

As at 31 December 2024 and 1 January 2025

Cost	5,224
Accumulated depreciation	(3,397)
Net carrying amount	1,827

Year ended 31 December 2025

Opening net carrying amount	1,827
Depreciation	(248)
Closing net carrying amount	1,579

As at 31 December 2025

Cost	5,224
Accumulated depreciation	(3,645)
Net carrying amount	1,579

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Notes:

- (i) The fair value of investment properties has been determined by independent professionally qualified valuer to be RMB2,083,000, RMB4,125,000 and RMB4,013,000 as at 31 December 2023, 2024 and 2025, respectively.

All the Group’s investment properties are located in the PRC and are held to earn rental income. The fair value measurement of the Group’s investment properties is categorised within Level 3 of the fair value hierarchy. The fair value was determined by taking into account the net rental income derived from existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised at appropriate capitalisation rates.

The fair value measurement is based on the properties’ highest and best use, which does not differ from their actual use.

- (ii) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 3 to 4 years.

Undiscounted lease payments under non-cancellable operating leases in place at the end of each reporting period will be receivable by the Group and the Company in future periods as follows:

The Group and the Company

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	200	410	399
After 1 year but within 2 years	410	399	253
After 2 years but within 3 years	399	253	–
After 3 years but within 4 years	253	–	–
	<u>1,262</u>	<u>1,062</u>	<u>652</u>

- (iii) The investment properties as at 31 December 2023 and 2024 were pledged to secure bank borrowings and facilities granted to the Group and the Company (Note 39).

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19 INTANGIBLE ASSETS

The Group and the Company

	Software	Total
	<i>RMB’000</i>	<i>RMB’000</i>
As at 1 January 2023		
Cost	2,959	2,959
Accumulated amortisation	(1,239)	(1,239)
Net carrying amount	1,720	1,720
Year ended 31 December 2023		
Opening net carrying amount	1,720	1,720
Additions	435	435
Amortisation	(336)	(336)
Closing net carrying amount	1,819	1,819
As at 31 December 2023 and 1 January 2024		
Cost	3,262	3,262
Accumulated amortisation	(1,443)	(1,443)
Net carrying amount	1,819	1,819
Year ended 31 December 2024		
Opening net carrying amount	1,819	1,819
Additions	212	212
Amortisation	(364)	(364)
Closing net carrying amount	1,667	1,667
As at 31 December 2024 and 1 January 2025		
Cost	3,474	3,474
Accumulated amortisation	(1,807)	(1,807)
Net carrying amount	1,667	1,667
Year ended 31 December 2025		
Opening net carrying amount	1,667	1,667
Additions	312	312
Amortisation	(327)	(327)
Disposals	(56)	(56)
Closing net carrying amount	1,596	1,596
As at 31 December 2025		
Cost	3,724	3,724
Accumulated amortisation	(2,128)	(2,128)
Net carrying amount	1,596	1,596

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20 INTERESTS IN ASSOCIATES

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	–	–	–

Details of the Group’s associates as at 31 December 2023, 2024 and 2025 are as follows:

Name	Place of incorporation/ operation	Principal activities	Percentage of ownership interests/voting rights/ profit share		
			Direct	Indirect	
世紀福德(山東)氫能科技有限公司	PRC	[New energy technology development]	2023: 20 % 2024: – 2025: –	–	Note (a)
山東中能和譽能源科技有限公司	PRC	[New energy technology research and development]	–	2023: – 2024: – 2025: 29%	Note (b)

Notes:

(a) This associate was deregistered during the year ended 31 December 2024.

(b) This associate was deregistered subsequent to the year ended 31 December 2025.

21 DEFERRED TAX ASSETS

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	27,076	21,544	19,413

The following is a summary of the deferred tax balances of the Company for financial reporting purposes:

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	27,122	21,544	19,430

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The followings are the major deferred tax assets recognised and movements thereon before offsetting during each of the reporting period:

The Group

	Expected credit losses	Tax losses	Total
	RMB'000	RMB'000	RMB'000
DEFERRED TAX ASSETS			
As at 1 January 2023	21,131	6,957	28,088
Charged to profit or loss (<i>Note 14</i>)	(547)	(465)	(1,012)
As at 31 December 2023 and 1 January 2024	20,584	6,492	27,076
Charged to profit or loss (<i>Note 14</i>)	(1,001)	(4,531)	(5,532)
As at 31 December 2024 and 1 January 2025	19,583	1,961	21,544
Charged to profit or loss (<i>Note 14</i>)	(170)	(1,961)	(2,131)
As at 31 December 2025	19,413	–	19,413

The Company

	Expected credit losses	Tax losses	Total
	RMB'000	RMB'000	RMB'000
DEFERRED TAX ASSETS			
As at 1 January 2023	21,131	6,957	28,088
Charged to profit or loss	(501)	(465)	(966)
As at 31 December 2023 and 1 January 2024	20,630	6,492	27,122
Charged to profit or loss	(1,047)	(4,531)	(5,578)
As at 31 December 2024 and 1 January 2025	19,583	1,961	21,544
Charged to profit or loss	(153)	(1,961)	(2,114)
As at 31 December 2025	19,430	–	19,430

22 CONTRACT COSTS

The Group

Contract costs capitalised as at 31 December 2023, 2024 and 2025 mainly relate to the construction design and consultancy services. Contract costs are recognised as part of “cost of services” in the consolidated statements of profit or loss in the period in which revenue from the related services is recognised. The amount of capitalised costs recognised in profit or loss during the years ended 31 December 2023, 2024 and 2025 was RMB72,214,000, RMB85,525,000 and RMB106,113,000, respectively. Impairment loss of contract costs of RMB1,419,000, RMB535,000 and RMB47,000 in relation to the opening balance of capitalised costs or the costs capitalised during each of the year is recognised in the profit or loss for the years ended 31 December 2023, 2024 and 2025.

As at 31 December 2023, 2024 and 2025, all of the capitalised contract costs are expected to be recovered within one year.

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The Company

Contract costs capitalised as at 31 December 2023, 2024 and 2025 mainly relate to the construction design and consultancy services. Contract costs are recognised as part of “cost of services” in the statements of profit or loss in the period in which revenue from the related services is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB72,214,000, RMB85,525,000 and RMB106,113,000, respectively. Impairment loss of contract costs of RMB1,419,000, RMB535,000 and RMB47,000 in relation to the opening balance of capitalised costs or the costs capitalised during each of the year is recognised in the profit or loss for the years ended 31 December 2023, 2024 and 2025.

As at 31 December 2023, 2024 and 2025, all of the capitalised contract costs are expected to be recovered within one year.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	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 (<i>Note (a)</i>)	–	1,500	2,471
VAT recoverable	2,009	318	781
Deposits and other receivables	32,545	32,355	31,280
	<u>177,539</u>	<u>252,117</u>	<u>258,577</u>
Less: provision for impairment	<u>(13,484)</u>	<u>(15,079)</u>	<u>(15,990)</u>
	<u>164,055</u>	<u>237,038</u>	<u>242,587</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments made to the third-party suppliers	139,630	213,686	208,761
Prepayment to subsidiaries	–	5,278	11,233
Amounts due from related parties (<i>Note (a)</i>)	–	1,500	2,471
Amounts due from subsidiaries (<i>Note (b)</i>)	6,099	–	2,173
VAT recoverable	1,478	–	38
Deposits and other receivables	31,089	28,694	27,854
	<u>178,296</u>	<u>249,158</u>	<u>252,530</u>
Less: provision for impairment	<u>(13,719)</u>	<u>(14,893)</u>	<u>(15,290)</u>
	<u>164,577</u>	<u>234,265</u>	<u>237,240</u>

Notes:

- (a) As at 31 December 2024 and 2025, the amounts due from related parties are unsecured, interest-free and repayable on demand.
- (b) As at 31 December 2023, 2024 and 2025, the amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
- (c) Further details on the Group’s and the Company’s credit policy and credit risk arising from other receivables and deposits paid are set out in Note 36.1(b)(iv).

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24 CONTRACT ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets	28,611	64,017	40,939
Less: provision for impairment	(1,091)	(2,206)	(1,411)
	<u>27,520</u>	<u>61,811</u>	<u>39,528</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract assets	28,319	64,017	40,939
Less: provision for impairment	(1,081)	(2,206)	(1,411)
	<u>27,238</u>	<u>61,811</u>	<u>39,528</u>

As at 1 January 2023, the Group’s and the Company’s contract assets amounted to RMB13,032,000.

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
As at 1 January	835	1,091	2,206
Provision (<i>Note 12</i>)	872	1,927	570
Reversal of impairment loss (<i>Note 12</i>)	(616)	(812)	(1,365)
As at 31 December	<u>1,091</u>	<u>2,206</u>	<u>1,411</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
As at 1 January	835	1,081	2,206
Provision	862	1,927	570
Reversal of impairment loss	(616)	(802)	(1,365)
As at 31 December	<u>1,081</u>	<u>2,206</u>	<u>1,411</u>

Further details on the Group’s and the Company’s credit policy and credit risk arising from contract assets are set out in Note 36.1(b)(ii).

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25 TRADE RECEIVABLES

The Group

	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)
	139,946	113,951	152,153

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables			
– Third parties	259,185	224,438	264,356
– Subsidiaries	–	–	122
Gross carrying amount	259,185	224,438	264,478
Less: provision for impairment	(119,909)	(111,461)	(112,697)
	139,276	112,977	151,781

The Group’s credit period is generally within 90 days to its customers. As at 31 December 2023, 2024 and 2025, the aging analysis of trade receivables based on invoice date of gross trade receivables are as follows:

The Group

	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
	260,264	226,226	266,144

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	87,198	48,856	96,858
1 to 2 years	33,538	50,859	28,054
2 to 3 years	64,081	15,019	36,573
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	57,182
	<u>259,185</u>	<u>224,438</u>	<u>264,478</u>

Movements in impairment allowance on trade receivables were as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
As at 1 January	125,700	120,318	112,275
Provision (<i>Note 12</i>)	29,285	26,285	25,674
Reversal of impairment loss (<i>Note 12</i>)	(34,235)	(34,328)	(23,958)
Written-off	(432)	–	–
	<u>120,318</u>	<u>112,275</u>	<u>113,991</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
As at 1 January	125,700	119,909	111,461
Provision	28,876	25,472	24,380
Reversal of impairment loss	(34,235)	(33,920)	(23,144)
Written-off	(432)	–	–
	<u>119,909</u>	<u>111,461</u>	<u>112,697</u>

Further details on the Group’s and the Company’s credit policy and credit risk arising from trade receivables are set out in Note 36.1(b)(ii).

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26 NOTE RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Note receivables at FVOCI			
– Bank acceptance bills	64,878	1,320	4,716
– Commercial acceptance bills	9,760	–	–
Gross carrying amount	74,638	1,320	4,716
Less: provision for impairment	–	–	–
	<u>74,638</u>	<u>1,320</u>	<u>4,716</u>
Note receivables at FVOCI	171,040	30,496	19,314
Endorsed and derecognised	(16,402)	(25,176)	(14,248)
Discounted and derecognised	(80,000)	(4,000)	(350)
	<u>74,638</u>	<u>1,320</u>	<u>4,716</u>

Transfers of financial assets

As at 31 December 2023, 2024 and 2025, the Group (i) endorsed certain note receivables accepted by banks in the PRC (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB16,402,000, RMB25,176,000 and RMB14,248,000, respectively; and (ii) discounted certain note receivables to banks in the PRC and commercial acceptance bills issued by a PRC State-Owned Enterprise for raising of cash (the “**Discounted Bills**”) with a carrying amount in aggregate of RMB80,000,000, RMB4,000,000 and RMB350,000, respectively. The Endorsed Bills and Discounted Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills and Discounted Bills have a right of recourse against the Group if the banks default (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Endorsed Bills and Discounted Bills in the absence of a default of the accepted banks is remote to the extent of RMB96,402,000, RMB29,176,000 and RMB14,598,000 as at 31 December 2023, 2024 and 2025, respectively, and the Group has transferred substantially all risks and rewards relating to such Endorsed Bills and Discounted Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB16,402,000, RMB25,176,000 and RMB14,248,000 and the associated trade payable of the same amount and Discounted Bills of RMB80,000,000, RMB4,000,000 and RMB350,000 (collectively the “**Derecognised Bills**”). The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

Further details on the Group’s credit policy and credit risk arising from note receivables are set out in Note 36.1(b) (iii).

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Note receivables at FVOCI			
– Bank acceptance bills	64,878	759	4,716
– Commercial acceptance bills	9,760	–	–
Gross carrying amount	74,638	759	4,716
Less: provision for impairment	–	–	–
	<u>74,638</u>	<u>759</u>	<u>4,716</u>
Note receivables at FVOCI	171,040	17,351	19,314
Endorsed and derecognised	(16,402)	(16,592)	(14,248)
Discounted and derecognised	(80,000)	–	(350)
	<u>74,638</u>	<u>759</u>	<u>4,716</u>

Transfers of financial assets

As at 31 December 2023, 2024 and 2025, the Company (i) endorsed certain note receivables accepted by banks in the PRC (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB16,402,000, RMB16,592,000 and RMB14,248,000, respectively; and (ii) discounted certain note receivables to banks in the PRC and commercial acceptance bills issued by a PRC State-Owned Enterprise for raising of cash (the “**Discounted Bills**”) with a carrying amount in aggregate of RMB80,000,000, Nil and RMB350,000, respectively. The Endorsed Bills and Discounted Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills and Discounted Bills have a right of recourse against the Company if the banks default (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Company being claimed by the holders of the Endorsed Bills and Discounted Bills in the absence of a default of the accepted banks is remote to the extent of RMB96,402,000, RMB16,592,000 and RMB14,598,000 as at 31 December 2023, 2024 and 2025, respectively, and the Company has transferred substantially all risks and rewards relating to such Endorsed Bills and Discounted Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB16,402,000, RMB16,592,000 and RMB14,248,000 and the associated trade payable of the same amount and Discounted Bills of RMB80,000,000, Nil and RMB350,000 (collectively the “**Derecognised Bills**”). The maximum exposure to loss from the Company’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company’s Continuing Involvement in the Derecognised Bills are not significant.

Further details on the Company’s credit policy and credit risk arising from note receivables are set out in Note 36.1(b)(iii).

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27 CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents (<i>Note (a)</i>)	55,861	56,387	94,175
Restricted bank deposits (<i>Note (b)</i>)	10,599	66,772	36,961

The carrying amounts of the Group’s cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
RMB	66,460	123,159	131,136
	66,460	123,159	131,136

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

- (a) At the end of each reporting period, cash and bank balances of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates ranging from 0.05% to 0.20%, 0.05% to 1.05% and 0.05% per annum as at 31 December 2023, 2024 and 2025.
- (b) During the Track Record Period, the restricted bank deposits consist of (i) deposits pledged as security for bank acceptance bills, amounting to approximately RMB4,588,000 and RMB24,250,000 as at 31 December 2023 and 2024, respectively; (ii) deposits pledged as security for guarantees, amounting to approximately RMB2,160,000, RMB443,000 and RMB42,000 as at 31 December 2023, 2024 and 2025, respectively; and (iii) frozen bank balances arising from legal cases, amounting to approximately RMB3,851,000, RMB42,079,000 and RMB36,919,000 as at 31 December 2023, 2024 and 2025, respectively. The restricted bank deposits carried interest at prevailing market rates ranging from 0.20% to 1.30%, 0% to 1.10% and 0% to 0.35% per annum as at 31 December 2023, 2024 and 2025.
- (c) Further details on the Group’s credit policy and credit risk arising from cash and cash equivalents and restricted bank deposits are set out in Note 36.1(b)(i).

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents (<i>Note (a)</i>)	55,705	55,981	93,112
Restricted bank deposits (<i>Note (b)</i>)	10,599	66,772	36,961

The carrying amounts of the Company’s cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
RMB	66,304	122,753	130,073
	66,304	122,753	130,073

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

- (a) At the end of each reporting period, cash and bank balances of the Company comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates ranging from 0.05% to 0.20%, 0.05% to 1.05% and 0.05% per annum as at 31 December 2023, 2024 and 2025.
- (a) During the Track Record Period, the restricted bank deposits consist of (i) deposits pledged as security for bank acceptance bills, amounting to approximately RMB4,588,000 and RMB24,250,000 as at 31 December 2023 and 2024, respectively; (ii) deposits pledged as security for guarantees, amounting to approximately RMB2,160,000, RMB443,000 and RMB42,000 as at 31 December 2023, 2024 and 2025, respectively; and (iii) frozen bank balances arising from legal cases, amounting to approximately RMB3,851,000, RMB42,079,000 and RMB36,919,000 as at 31 December 2023, 2024 and 2025, respectively. The restricted bank deposits carried interest at prevailing market rates ranging from 0.20% to 1.30%, 0% to 1.10% and 0% to 0.35% per annum as at 31 December 2023, 2024 and 2025.
- (b) Further details on the Company’s credit policy and credit risk arising from cash and cash equivalents and restricted bank deposits are set out in Note 36.1(b)(i).

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28 TRADE PAYABLES

The credit period provided by suppliers to the Group and Company is generally within 30 days. As at 31 December 2023, 2024 and 2025, the aging analysis of the trade payables based on transaction date are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
– Third parties	227,119	191,072	204,817
	227,119	191,072	204,817

The Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
– Third parties	224,550	188,103	197,906
– Subsidiaries	1,720	–	–
	226,270	188,103	197,906

As at 31 December 2023, 2024 and 2025, the aging analysis of trade payables are as follows:

The Group

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

The Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	226,270	188,103	197,906
	226,270	188,103	197,906

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29 NOTE PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Note payables			
– Bank acceptance bills	4,588	28,500	–

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Note payables			
– Bank acceptance bills	4,588	28,500	–

As at 31 December 2023, 2024 and 2025, certain of the Group and the Company’s note payables were secured by certain of the Group’s restricted bank deposits. Details of the Group and the Company’s assets pledged for the Group and the Company’s note payables are disclosed in Note 39.

These relate to trade payables in which the Group and the Company have issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group and the Company continue to recognise these note payables as the Group and the Company are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statements of cash flows, settlements of these bills by the Group and the Company are included within operating cash flows based on the nature of the arrangements.

30 OTHER PAYABLES AND ACCRUALS

The Group

	As at 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
Amount due to a related company (<i>Note (a)</i>)	–	776	776
Other tax payables	24,155	34,708	38,586
Others	17,081	17,828	16,323
	79,000	84,228	96,330

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payables	26,109	26,584	36,397
Payables for purchase of equipment and property	11,489	4,118	4,007
Other tax payables	23,693	34,488	38,582
Others	17,080	17,655	16,175
Amounts due to subsidiaries (<i>Note (b)</i>)	–	3,758	–
	<u>78,371</u>	<u>86,603</u>	<u>95,161</u>

Notes:

- (a) Amount due to a related company is unsecured, interest free and repayable on demand.
- (b) Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

31 CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>283,218</u>	<u>317,455</u>	<u>251,292</u>

Contract liabilities include unsatisfied performance obligation for payment in advance for EPC, design and consultancy projects.

As at 1 January 2023, the Group’s contract liabilities amounted to RMB53,846,000.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>283,393</u>	<u>317,409</u>	<u>251,246</u>

Contract liabilities include unsatisfied performance obligation for payment in advance for EPC, design and consultancy projects.

As at 1 January 2023, the Company’s contract liabilities amounted to RMB53,846,000.

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32 BORROWINGS

The Group

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Bank borrowings	45,698	28,043	38,329
Other borrowings	3,881	18,231	22,977
	<u>49,579</u>	<u>46,274</u>	<u>61,306</u>
Non-current			
Bank borrowings	–	3,400	7,957
Other borrowings	239	783	530
	<u>239</u>	<u>4,183</u>	<u>8,487</u>
Total	<u>49,818</u>	<u>50,457</u>	<u>69,793</u>
Effective interest rate per annum in the range of	4.00% to 16.04%	3.85% to 8.00%	3.00% to 7.06%

The Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Bank borrowings	45,698	28,043	30,320
Other borrowings	3,881	8,148	22,977
	<u>49,579</u>	<u>36,191</u>	<u>53,297</u>
Non-current			
Bank borrowings	–	3,400	7,957
Other borrowings	239	783	530
	<u>239</u>	<u>4,183</u>	<u>8,487</u>
Total	<u>49,818</u>	<u>40,374</u>	<u>61,784</u>
Effective interest rate per annum in the range of	4.00% to 16.04%	3.85% to 6.99%	3.75% to 7.06%

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The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank borrowings			
Secured and guaranteed (<i>Note a</i>)	21,631	21,630	–
Unsecured and guaranteed (<i>Note b</i>)	24,067	6,007	42,881
Unsecured and unguaranteed	–	3,806	3,405
	<u>45,698</u>	<u>31,443</u>	<u>46,286</u>
Other borrowings			
Secured and guaranteed (<i>Note c</i>)	3,652	8,672	23,468
Secured and unguaranteed (<i>Note d</i>)	468	259	39
Unsecured and guaranteed (<i>Note e</i>)	–	10,083	–
	<u>4,120</u>	<u>19,014</u>	<u>23,507</u>
Total	<u>49,818</u>	<u>50,457</u>	<u>69,793</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank borrowings			
Secured and guaranteed (<i>Note a</i>)	21,631	21,630	–
Unsecured and guaranteed (<i>Note b</i>)	24,067	6,007	34,872
Unsecured and unguaranteed	–	3,806	3,405
	<u>45,698</u>	<u>31,443</u>	<u>38,277</u>
Other borrowings			
Secured and guaranteed (<i>Note c</i>)	3,652	8,672	23,468
Secured and unguaranteed (<i>Note d</i>)	468	259	39
	<u>4,120</u>	<u>8,931</u>	<u>23,507</u>
Total	<u>49,818</u>	<u>40,374</u>	<u>61,784</u>

Notes:

- (a) During the Track Record Period, secured and guaranteed borrowings of the Group and Company were secured by certain buildings of the Group (Note 39). They were also guaranteed by the shareholders of the Company including Jinan Huanneng Investment Holdings Co., Ltd. (“**Jinan Huanneng**”) and/or Mr. Zhang, and/or spouse of Mr. Zhang (“**Mrs. Zhang**”), and/or unrelated companies.

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- (b) During the Track Record Period, unsecured and guaranteed borrowings of the Group and Company were guaranteed by the shareholders of the Company including Jinan Huanneng, Mr. Zhang and/or Mr. Zhang Guanzhou, and/or spouse of Mrs. Zhang, and/or unrelated companies.
- (c) Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB3,652,000 as at 31 December 2023 was secured by property held by a customer and certain buildings of the Group (Note 39). They were also guaranteed by the shareholders of the Company including Jinan Huanneng, Mr. Zhang, Mr. Zhang Guanzhou, Mr. Zhang Dan and Ms. Wang Youmei, and Mrs. Zhang.

Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB7,659,000 as at 31 December 2024 was secured by trade receivables and contract assets (Note 39) and guaranteed by the shareholders of the Company including Jinan Huanneng and Mr. Zhang.

Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB1,013,000 and RMB789,000 as at 31 December 2024 and 2025, respectively, represented a five-year instalment loan bearing interest at 3.99% per annum and was secured by the corresponding motor vehicle acquired (Note 39). It was guaranteed by a shareholder of the Company, Mr. Zhang.

Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB22,679,000 as at 31 December 2025 was secured by equipment used in the EPC project and guaranteed by the shareholders of the Company including Jinan Huanneng and Mr. Zhang.

- (d) Secured and unguaranteed other borrowings of the Group and Company amounted to approximately RMB468,000, RMB259,000 and RMB39,000 as at 31 December 2023, 2024 and 2025, represented two three-year instalment loans. They were secured by the corresponding motor vehicles acquired (Note 39).
- (e) Unsecured and guaranteed other borrowings of the Group amounted to RMB10,083,000 as at 31 December 2024, were guaranteed by the Company, the shareholders of the Company including Mr. Zhang and Ms. Wang Youmei, and Mrs. Zhang.

The following table sets out the maturity profile of the borrowings as at the end of each of the reporting periods:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
On demand or within one year	49,579	46,274	61,306
More than one year, but not exceeding two years	201	3,689	1,152
More than two year, but not exceeding five years	38	494	7,335
	<u>49,818</u>	<u>50,457</u>	<u>69,793</u>
Less: amounts due within one year shown under current liabilities	<u>(49,579)</u>	<u>(46,274)</u>	<u>(61,306)</u>
Amounts shown under non-current liabilities	<u>239</u>	<u>4,183</u>	<u>8,487</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
On demand or within one year	49,579	36,191	53,297
More than one year, but not exceeding two years	201	3,689	1,152
More than two year, but not exceeding five years	38	494	7,335
	<u>49,818</u>	<u>40,374</u>	<u>61,784</u>
Less: amounts due within one year shown under current liabilities	<u>(49,579)</u>	<u>(36,191)</u>	<u>(53,297)</u>
Amounts shown under non-current liabilities	<u>239</u>	<u>4,183</u>	<u>8,487</u>

The amount of banking facilities and the facilities available for use as at 31 December 2023, 2024 and 2025 are set out as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Maximum amounts under banking facilities	76,200	81,233	68,800
Facilities amount available for use	<u>967</u>	<u>–</u>	<u>1,969</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Maximum amounts under banking facilities	76,200	81,233	50,800
Facilities amount available for use	<u>967</u>	<u>–</u>	<u>1,969</u>

33 SHARE CAPITAL

The Company was incorporated in the PRC on 29 October 2003 with an initial registered share capital of RMB56,350,000 divided into 56,350,000 shares with a par value of RMB1 per share.

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The Group and Company

	Number of registered ordinary shares	Number of issued and fully paid ordinary shares	Equivalent nominal value of shares
	'000	'000	RMB'000
As at 1 January 2023, 31 December 2023 and 1 January 2024	56,350	56,350	56,350
Addition of registered ordinary shares	43,650	–	–
As at 31 December 2024, 1 January 2025 and 31 December 2025	100,000	56,350	56,350

34 RESERVE

Below table sets out the changes in equity of the Company and the nature and purpose of each reserve within equity:

The Company

	Share capital	Capital reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	56,350	21,163	(118,739)	(41,226)
Profit and total comprehensive income for the year	–	–	12,904	12,904
As at 31 December 2023	56,350	21,163	(106,645)	(29,132)
	Share capital	Capital reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024	56,350	21,163	(106,645)	(29,132)
Profit and total comprehensive income for the year	–	–	37,216	37,216
As at 31 December 2024	56,350	21,163	(69,429)	8,084
	Share capital	Capital reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2025	56,350	21,163	(69,429)	8,084
Profit and total comprehensive income for the year	–	–	57,463	57,463
As at 31 December 2025	56,350	21,163	(11,966)	65,547

a) Capital reserves

Capital reserves represent the amount subscribed for share capital in excess of nominal value.

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b) Accumulated losses

It represents cumulative net profit or loss recognised in the statements of profit or loss and other comprehensive income.

35 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at FVOCI:			
– Note receivables (Note 26)	74,638	1,320	4,716
	<u>74,638</u>	<u>1,320</u>	<u>4,716</u>
Financial assets at amortised cost:			
– Trade receivables (Note 25)	139,946	113,951	152,153
– Deposits and other receivables (excluding prepayments and VAT recoverable) (Note 23)	19,061	18,776	17,761
– Restricted bank deposits (Note 27)	10,599	66,772	36,961
– Cash and cash equivalents (Note 27)	55,861	56,387	94,175
	<u>225,467</u>	<u>255,886</u>	<u>301,050</u>
Financial liabilities			
Financial liabilities at amortised cost:			
– Trade payables (Note 28)	227,119	191,072	204,817
– Note payables (Note 29)	4,588	28,500	–
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 30)	28,570	22,722	21,106
– Borrowings (Note 32)	49,818	50,457	69,793
	<u>310,095</u>	<u>292,751</u>	<u>295,716</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at FVOCI:			
– Note receivables (Note 26)	74,638	759	4,716
	<u>74,638</u>	<u>759</u>	<u>4,716</u>

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	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Financial assets at amortised cost:</u>			
– Trade receivables (<i>Note 25</i>)	139,276	112,977	151,781
– Deposits and other receivables (excluding prepayments and VAT recoverable) (<i>Note 23</i>)	23,469	15,301	17,208
– Restricted bank deposits (<i>Note 27</i>)	10,599	66,772	36,961
– Cash and cash equivalents (<i>Note 27</i>)	55,705	55,981	93,112
	<u>229,049</u>	<u>251,031</u>	<u>299,062</u>
 <u>Financial liabilities</u>			
<u>Financial liabilities at amortised cost:</u>			
– Trade payables (<i>Note 28</i>)	226,270	188,103	197,906
– Note payables (<i>Note 29</i>)	4,588	28,500	–
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (<i>Note 30</i>)	28,569	25,531	20,182
– Borrowings (<i>Note 32</i>)	49,818	40,374	61,784
	<u>309,245</u>	<u>282,508</u>	<u>279,872</u>

36 FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

The Group’s and the Company’s activities expose it 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.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company’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. Currently the Group and the Company does 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.

(ii) Interest rate risk

The Group and the Company’s interest rate risk primarily arises from borrowings, cash and cash equivalents, and restricted bank deposits. The cash and cash equivalents, and restricted bank deposits are at variable interest rates which expose the Group and the Company to cash flow interest rate risk. The borrowing is at fixed interest rates which expose the Group and the Company to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 32.

The Group and the Company has not used any derivative contracts to hedge its exposure to interest rate risk. The Group and the Company has not formulated a policy to manage the interest rate risk. Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely. Management considers the Group and the Company’s exposure to fair value interest rate risk is not significant due to the short-term maturities of these instruments.

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No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group and the Company considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of the Group and the Company’s profit for the year and accumulated losses is insignificant.

(b) Credit risk

The Group and the Company is 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 the Group and the Company’s maximum exposure to credit risk in relation to the corresponding class of assets.

(i) Credit risk of cash and cash equivalents and restricted bank deposits

To manage this risk, the Group and the Company only make transactions with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The credit losses are assessed to be immaterial.

(ii) Credit risk of trade receivables and contract assets

Before accepting any new customers, the Group and the Company applies an internal credit assessment policy to evaluate the potential customer’s credit quality. Normally, the Group does not obtain collateral from customers.

Management has assessed the credit quality of customers on a case-by-case basis, taking into account of the financial positions, historical settlement record, amounts and timing of expected receipts and other factors. The Group and the Company has reviewed the credit risk exposure and the customers’ expected pattern of settlement at each reporting date. The Group and the Company does not have significant concentration of credit risk in industries in which the customers operate. As at 31 December 2023, 2024 and 2025, 38.0%, 46.1%, and 48.8%, of the total trade receivables was due from the Group’s largest 5 debtors, respectively; while 38.2%, 46.5%, and 48.9% of the total trade receivables was due from the Company’s largest 5 debtors, respectively.

The Group and the Company applies the HKFRS 9 simplified approach in calculating ECLs for trade receivables and contract assets. Few customers of the Group and the Company which had an aggregate gross carrying amount of trade receivables of approximately RMB56,127,000, RMB53,806,000 and RMB53,209,000 as at 31 December 2023, 2024 and 2025, respectively were assessed for allowance for credit losses individually. One customer of the Group and the Company which had an aggregate gross carrying amount of contract assets of approximately RMB109,000, nil and nil as at 31 December 2023, 2024 and 2025, respectively were assessed for allowance for credit losses individually. The management assessed for the allowance for lifetime ECL by estimating default rate taking into account historical and forward-looking information. For customer subjected to individual assessment, the management has fully provided for impairment during the Track Record Period.

The remaining trade receivables and contract assets are grouped and collectively assessed for impairment allowance. Under the collective assessment, an impairment analysis is performed at each reporting date 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.

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The following table sets forth an aging analysis (based on past due date) of the gross trade receivables and the related loss allowances at the respective reporting dates:

The Group

	As at 31 December 2023		
	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	58,478	(3,989)	6.8
Past due within 1 year	71,798	(14,004)	19.5
Past due 1–2 years	23,134	(8,669)	37.5
Past due 2–3 years	25,167	(13,276)	52.8
Past due over 3 years	25,560	(24,253)	94.9
	<u>204,137</u>	<u>(64,191)</u>	

The Company

	As at 31 December 2023		
	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	58,478	(3,989)	6.8
Past due within 1 year	70,720	(13,595)	19.2
Past due 1–2 years	23,134	(8,669)	37.5
Past due 2–3 years	25,166	(13,276)	52.8
Past due over 3 years	25,560	(24,253)	94.9
	<u>203,058</u>	<u>(63,782)</u>	

The Group

	As at 31 December 2024		
	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	34,785	(2,460)	7.1
Past due within 1 year	44,469	(6,699)	15.1
Past due 1–2 years	49,340	(14,493)	29.4
Past due 2–3 years	9,658	(4,155)	43.0
Past due over 3 years	34,168	(30,662)	89.7
	<u>172,420</u>	<u>(58,469)</u>	

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The Company

As at 31 December 2024

	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	34,785	(2,160)	6.2
Past due within 1 year	43,739	(6,366)	14.6
Past due 1–2 years	48,282	(14,012)	29.0
Past due 2–3 years	9,658	(4,455)	46.1
Past due over 3 years	34,168	(30,662)	89.7
	<u>170,632</u>	<u>(57,655)</u>	

The Group

As at 31 December 2025

	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	50,540	(3,979)	7.9
Past due within 1 year	89,329	(14,486)	16.2
Past due 1–2 years	25,348	(8,646)	34.1
Past due 2–3 years	26,338	(13,000)	49.4
Past due over 3 years	21,380	(20,671)	96.7
	<u>212,935</u>	<u>(60,782)</u>	

The Company

As at 31 December 2025

	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	50,662	(3,979)	7.9
Past due within 1 year	89,329	(14,486)	16.2
Past due 1–2 years	24,619	(8,269)	33.6
Past due 2–3 years	25,279	(12,083)	47.8
Past due over 3 years	21,380	(20,671)	96.7
	<u>211,269</u>	<u>(59,488)</u>	

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The following table sets forth an aging analysis (based on past due date) of the gross contract assets and the related loss allowances at the respective reporting dates:

The Group

	As at 31 December 2023		
	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	28,502	(1,091)	3.8
	<u>28,502</u>	<u>(1,091)</u>	

The Company

	As at 31 December 2023		
	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	28,319	(1,081)	3.8
	<u>28,319</u>	<u>(1,081)</u>	

The Group and the Company

	As at 31 December 2024		
	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	64,017	(2,206)	3.4
	<u>64,017</u>	<u>(2,206)</u>	

The Group and the Company

	As at 31 December 2025		
	Gross amount	Loss allowance	Expected loss rate
	RMB'000	RMB'000	%
Collectively assessed:			
Not yet past due	40,939	(1,411)	3.4
	<u>40,939</u>	<u>(1,411)</u>	

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(iii) Credit risk of note receivables

Note receivables comprise bank acceptance bills and commercial acceptance bills. For bank acceptance bills, the issuers are reputable banks with high credit ratings and strong credit quality. Based on the Group and the Company’s credit risk assessment, the credit risk associated with these bank acceptance bills is considered insignificant. Consequently, no loss allowance has been recognised for bank acceptance bills at the end of each reporting period. For commercial acceptance bills, the Group estimates ECL using an ECL rate based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The management of the Group and Company considered the loss allowance is insignificant, and thus no loss allowance has been recognised for commercial acceptance bills at the end of each reporting period. The Group monitors the credit risk of commercial acceptance bills by assessing the creditworthiness of the issuers and considering macroeconomic factors. No significant increase in credit risk was identified for the note receivables during the reporting periods.

(iv) Credit risk of other receivables and deposits

The Group

Other receivables and deposits subject to credit risk mainly comprise amounts due from the third parties and deposits paid. The management of the Group makes periodic individual assessment on the recoverability of amount due from the third parties and deposits paid based on quantitative and qualitative information that is reasonable and supportable, including historical settlement records, past experiences and forward-looking information. The Group measures credit risk using probability of default, exposure at default and loss given default.

For impairment on amount due from the third parties and deposits paid, it is measured at either 12-month ECL or lifetime ECL, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in “Stage 1” and the ECL are measured at 12-month ECL. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to “Stage 2” but is not yet deemed to be credit-impaired, the ECL are measured at lifetime ECL. If any financial asset is credit-impaired, it is then moved to “Stage 3” and the ECL is measured at lifetime ECL.

The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL.

On that basis, movements of loss allowance for other receivables and deposits are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Loss allowance			
At the beginning of the year	12,774	13,484	15,079
Provision for impairment loss recognised, net (<i>Note 12</i>)	710	1,595	911
At the end of the year	13,484	15,079	15,990

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The Company

Other receivables and deposits subject to credit risk mainly comprise amounts due from subsidiaries, amounts due from the third parties and deposits paid. The management of the Company makes periodic individual assessment on the recoverability of amounts due from subsidiaries, amounts due from the third parties and deposits paid based on quantitative and qualitative information that is reasonable and supportable, including historical settlement records, past experiences and forward-looking information. The Company measures credit risk using probability of default, exposure at default and loss given default.

For impairment on amounts due from subsidiaries, amounts due from the third parties and deposits paid, it is measured at either 12-month ECL or lifetime ECL, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in ‘Stage 1’ and the ECL are measured at 12-month ECL. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired, the ECL are measured at lifetime ECL. If any financial asset is credit-impaired, it is then moved to ‘Stage 3’ and the ECL is measured at lifetime ECL.

The management of the Company believes that there is no significant increase in credit risk of these amounts since initial recognition and the Company provided impairment based on 12 months ECL.

On that basis, movements of loss allowance for other receivables and deposits are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Loss allowance			
At the beginning of the year	12,774	13,719	14,893
Provision for impairment loss recognised, net	945	1,174	397
At the end of the year	13,719	14,893	15,290

(c) 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 the finance department of the Group. The finance department ensures that the Group and the Company 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.

The table below analyses the Group’s and the Company’s financial liabilities into relevant maturity groupings based on the remaining period at each reporting date to the contractual maturity date for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is immaterial.

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The Group

As at 31 December 2023

Trade payables
 Note payables
 Other payables and accruals (excluding payroll and welfare payables and other tax payables)
 Borrowings (including interest accrual up to maturity)

Carrying amount	Total contractual undiscounted cash flows	Within 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
227,119	227,119	227,119	–	–	–
4,588	4,588	4,588	–	–	–
28,570	28,570	28,570	–	–	–
49,818	51,389	51,150	201	38	–
310,095	311,666	311,427	201	38	–

As at 31 December 2024

Trade payables
 Note payables
 Other payables and accruals (excluding payroll and welfare payables and other tax payables)
 Borrowings (including interest accrual up to maturity)

191,072	191,072	191,072	–	–	–
28,500	28,500	28,500	–	–	–
22,722	22,722	22,722	–	–	–
50,457	51,762	47,502	3,766	494	–
292,751	294,056	289,796	3,766	494	–
204,817	204,817	204,817	–	–	–
21,106	21,106	21,106	–	–	–
69,793	71,509	62,466	1,456	7,587	–
295,716	297,432	288,389	1,456	7,587	–

As at 31 December 2025

Trade payables
 Other payables and accruals (excluding payroll and welfare payables and other tax payables)
 Borrowings (including interest accrual up to maturity)

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The Company

As at 31 December 2023

Trade payables
 Note payables
 Other payables and accruals (excluding payroll and welfare payables and other tax payables)
 Borrowings (including interest accrual up to maturity)

Carrying amount	Total contractual undiscounted cash flows	Within 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
226,270	226,270	226,270	–	–	–
4,588	4,588	4,588	–	–	–
28,569	28,569	28,569	–	–	–
49,818	51,389	51,150	201	38	–
309,245	310,816	310,577	201	38	–

As at 31 December 2024

Trade payables
 Note payables
 Other payables and accruals (excluding payroll and welfare payables and other tax payables)
 Borrowings (including interest accrual up to maturity)

188,103	188,103	188,103	–	–	–
28,500	28,500	28,500	–	–	–
25,531	25,531	25,531	–	–	–
40,374	41,664	37,404	3,766	494	–
282,508	283,798	279,538	3,766	494	–
197,906	197,906	197,906	–	–	–
20,182	20,182	20,182	–	–	–
61,784	63,450	54,407	1,456	7,587	–
279,872	281,538	272,495	1,456	7,587	–

As at 31 December 2025

Trade payables
 Other payables and accruals (excluding payroll and welfare payables and other tax payables)
 Borrowings (including interest accrual up to maturity)

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36.2 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents and restricted bank deposits. Total equity is calculated as equity as shown in the consolidated statements of financial position.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Borrowings	49,818	50,457	69,793
Less: Cash and cash equivalents	(55,861)	(56,387)	(94,175)
Restricted bank deposits	(10,599)	(66,772)	(36,961)
Net cash	(16,642)	(72,702)	(61,343)
Total equity	(29,737)	3,076	57,155
Net debt to equity ratio	N/A	N/A	N/A

36.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the Historical Financial Information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under HKFRS Accounting Standards.

- (i) Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- (ii) Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (iii) Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The carrying amounts of the financial assets and liabilities, which are measured at amortised cost, approximated their fair value as at 31 December 2023, 2024 and 2025.

The fair value of note receivables classified as financial assets at FVOCI is determined by the directors of the Company using the discounted cash flow method, representing a Level 3 recurring fair value measurement.

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The Group’s valuation of financial instruments classified within Level 3 of the fair value hierarchy is overseen by management. Management is responsible for performing the fair value measurements for the note receivables measured at FVOCI, reporting periodically to the directors of the Company at least once every three months, and these valuations are reviewed by the directors. As part of the valuation process, management assesses the reasonableness of key assumptions and inputs used in the valuation techniques.

The following table presents the Group’s financial assets that are measured at fair value as at 31 December 2023, 2024 and 2025 respectively.

	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at 31 December 2023				
Assets				
Financial assets at FVOCI				
– Note receivables	–	–	74,638	74,638
	<u>–</u>	<u>–</u>	<u>74,638</u>	<u>74,638</u>
	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at 31 December 2024				
Assets				
Financial assets at FVOCI				
– Note receivables	–	–	1,320	1,320
	<u>–</u>	<u>–</u>	<u>1,320</u>	<u>1,320</u>
	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at 31 December 2025				
Assets				
Financial assets at FVOCI				
– Note receivables	–	–	4,716	4,716
	<u>–</u>	<u>–</u>	<u>4,716</u>	<u>4,716</u>

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other technique, such as income approach, is used to determine fair value for the remaining financial instrument.

There were no changes in valuation techniques during the Track Record Period.

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(c) *Fair value measurements using significant unobservable inputs*

The following table presents the movements in level 3 items for the years ended 31 December 2023, 2024 and 2025:

Level 3	Note receivables	Total
	RMB'000	RMB'000
As at 1 January 2023	1,686	1,686
Additions	243,853	243,853
Disposals	(170,901)	(170,901)
Fair value changes	–	–
As at 31 December 2023	74,638	74,638
As at 1 January 2024	74,638	74,638
Additions	191,268	191,268
Disposals	(264,586)	(264,586)
Fair value changes	–	–
As at 31 December 2024	1,320	1,320
As at 1 January 2025	1,320	1,320
Additions	44,388	44,388
Disposals	(40,992)	(40,992)
Fair value changes	–	–
As at 31 December 2025	4,716	4,716

(d) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value			Valuation techniques and key inputs	Significant unobservable inputs	Relationship of key assumptions to fair value
	As at 31 December					
	2023	2024	2025			
	RMB'000	RMB'000	RMB'000			
Financial assets at FVOCI						
Note receivables	74,638	1,320	4,716	Discounted cash flows method	– Risk-adjusted discount rate	The estimated fair value would increase/ (decrease) if the risk-adjusted discount rate were lower (higher)

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ACCOUNTANTS’ REPORT

37 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related party during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) **Name and relationship of related parties**

<u>Name of related parties</u>	<u>Relationship with the Group</u>	<u>Notes</u>
Jinan Huanneng	Related company	(i)

Notes:

- (i) Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang Liangbo, the ultimate controlling shareholders of the Company, are the ultimate controlling shareholders of the related company.

(b) **Transactions with related parties**

(i) **Key management compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Compensation of the key management personnels of the Group, including amounts paid to the Company’s Directors as disclosed in Note 9(c), was as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Directors’ fee, salaries, allowances, bonus and benefits in kind	3,971	3,532	4,077
Contributions to defined contribution plans, housing funds and other social insurances	274	235	205
	4,245	3,767	4,282

(c) **Related party balances**

(i) **Amounts due from/to related parties**

The Group:

Other receivables

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Name of related party			
Related companies:			
Jinan Huanneng	–	1,424	2,346
	–	1,424	2,346

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Other payables

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Name of related party			
Related companies:			
Jinan Huanneng	–	776	776
	–	776	776

38 RECONCILIATIONS OF LIABILITIES FROM FINANCING ACTIVITIES

	Borrowings <i>(Note 32)</i>	Total
	RMB'000	RMB'000
As at 1 January 2023	38,472	38,472
Changes from financing cash flows:		
Proceeds from borrowings	51,315	51,315
Repayments of borrowings	(39,974)	(39,974)
Interests paid	(2,223)	(2,223)
Total changes from financing cash flows	9,118	9,118
Other changes:		
Interest expenses <i>(Note 13)</i>	2,228	2,228
Total other changes	2,228	2,228
As at 31 December 2023 and 1 January 2024	49,818	49,818
Changes from financing cash flows:		
Proceeds from borrowings	60,897	60,897
Repayments of borrowings	(60,540)	(60,540)
Interests paid	(3,098)	(3,098)
Total changes from financing cash flows	(2,741)	(2,741)
Other changes:		
Interest expenses <i>(Note 13)</i>	3,380	3,380
Total other changes	3,380	3,380
As at 31 December 2024 and 1 January 2025	50,457	50,457
Changes from financing cash flows:		
Proceeds from borrowings	65,631	65,631
Repayments of borrowings	(46,003)	(46,003)
Interests paid	(2,726)	(2,726)
Total changes from financing cash flows	16,902	16,902

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ACCOUNTANTS’ REPORT

	Borrowings <i>(Note 32)</i>	Total
	<i>RMB'000</i>	<i>RMB'000</i>
Other changes:		
Interest expenses <i>(Note 13)</i>	2,434	2,434
Total other changes	2,434	2,434
As at 31 December 2025	69,793	69,793

39 PLEDGED ASSETS

At the end of each reporting period, the Group’s and the Company’s certain assets have been primarily pledged to secure note payables, borrowings and banking facilities granted to the Group and the Company. The carrying amounts of the pledged assets of the Group and the Company at the end of each reporting period are as follows:

The Group and Company

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Restricted bank deposits	6,748	24,693	42
Property, plant and equipment	17,309	15,298	1,168
Investment properties	325	1,827	–
Trade receivables	–	2	–
Contract assets	–	7,162	–
	24,382	48,982	1,210

40 CONTINGENT LIABILITIES

No material contingent liabilities undertaken by or impacted on the Company or the Group as at each reporting date during the Track Record Period.

41 SUBSEQUENT EVENTS

[•]

42 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2025.

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

HONG KONG TAXATION

Taxation on Share Transfer

Tax on Dividends – Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax – No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. The gains of certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty – Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties of the transfer is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty – The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

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PRC TAXATION

Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from [REDACTED], nor does it take the specific circumstances of any particular [REDACTED] into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the [REDACTED]. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. [REDACTED] are urged to consult their financial adviser regarding the PRC and other tax consequences [REDACTED].

The PRC Taxation

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018 by the Standing Committee of the National People’s Congress (the “SCNPC”) and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019 (hereinafter collectively referred to as the “IIT Law”), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the Ministry of Finance (the “MOF”) and the State Administration of Taxation of the PRC (the “SAT”) on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

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Enterprise investors

According to the Enterprise Income Tax of the PRC 《中華人民共和國企業所得稅法》, which was latest amended by the SCNPC and implemented on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on December 6, 2024 (hereinafter collectively referred to as the “**EIT Law**”), the rate of corporate income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009] 394號)), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”), which was signed between the SAT and the Hong Kong Government on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

According to the PRC Value-Added Tax Law (《中華人民共和國增值稅法》) which was promulgated by the SCNPC on December 25, 2024, and came into effect on January 1, 2026, and the Detailed Rules for the Implementation of PRC Value-Added Tax Law (《中華人民共和國增值稅法實施條例》) which was promulgated by the State Council on December 25, 2025 and came into effect on January 1, 2026, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax (the “VAT”) at the rate of 0%, 6%, 9% and 13% for the different goods it sells and different services it provides, except when specified otherwise.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. It also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the third appendix of the Provisions on the Transitional Policies Concerning the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》). According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, there may be changes in whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

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According to the Notice on Adjusting Value-Added Tax Rates (《關於調整增值稅稅率的通知》) issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, which took effect on May 1, 2018, for taxpayers engaged in VAT taxable sales activities or importing goods, the original applicable tax rates of 17% and 11% were adjusted to 16% and 10%, respectively.

According to the Announcement on Policies Related to Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》) issued on March 20, 2019, which took effect on April 1, 2019, for VAT taxable sales activities or importing goods, the original applicable tax rates of 16% and 10% were adjusted to 13% and 9%, respectively.

Income Tax

Individual investor

According to the IIT Law gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) promulgated by the MOF and the SAT and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised IIT Law of the PRC, the SAT did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

On December 31, 2009, the MOF, SAT and CSRC jointly issued the Notice on Related Issues Concerning Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on January 1, 2010, which stipulates that income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) which was jointly issued and implemented by MOF, SAT and CSRC on November 10, 2010. As at the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

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Stamp Duty

According to the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, the PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the Stamp Duty Law of the PRC.

Estate Duty

As at the Latest Practicable Date, no estate duty was levied within the PRC.

PRC FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi. The SAFE, with the authorization of the People’s Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and regulatory measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while regulates foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working

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day, as the central parity of the currency against Renminbi transactions on the following working day. According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders’ meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

The Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and came into effect on October 23, 2014 provide to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice of the People’s Bank of China and the State Administration of Foreign Exchange on the Administration of Funds for Domestic Enterprises’ Overseas Listing (《中國人民銀行、國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》), a domestic enterprise shall complete overseas listing registration with competent domestic banks within 30 business days upon the completion of its overseas listing offering. A domestic enterprise shall, in principle, repatriate the proceeds of an overseas listing in a timely manner. Where it retains such funds overseas for overseas direct investment, overseas securities investment, overseas lending, or other business, it shall obtain approval or recordation documents from the appropriate authorities prior to the completion of the overseas listing offering or the over-allotment, and comply with relevant provisions on the administration of cross-border funds.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015 and became effective on June 1, 2015, and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations. According to the Circular of the State Administration of Foreign Exchange on Further Deepening the Reform to Promote the Facilitation of Cross- border Trade

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and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) promulgated by the SAFE on December 4, 2023, in order to facilitate the payment and use of funds from equity transfer under domestic re-investment of foreign-invested enterprises (FDI) and funds raised through overseas listing, the asset realization account of capital accounts shall be adjusted to the settlement account of capital accounts. Foreign exchange funds raised by a domestic enterprise listing overseas may be directly remitted to a settlement account under capital account, and funds in a settlement account under capital account may be settled and used on its own.

On January 18, 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by the SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner’s equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Notice on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020 and became effective on June 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company’s operations and business. This Appendix also contains a summary of laws and regulatory provisions of the Company Law. For a discussion of laws and regulations governing our Company’s business, please refer to “**Regulatory Overview**” in this document.

THE PRC LEGAL SYSTEM

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAWS

The Hong Kong laws applicable to a company incorporated in Hong Kong are based on the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that [REDACTED] on the Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing in accordance with the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Share Capital

The Company Law does not provide for authorised share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our Shareholders’ general meeting and file with the relevant PRC governmental and regulatory authorities. The Hong Kong laws does not provide for authorized share capital either. The share capital of a company incorporated in Hong Kong would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes the company’s share capital. The directors of a company incorporated in Hong Kong may, with the prior approval of the shareholders if required, issue new shares of the company.

Under the PRC Securities Law, an application for listing shall comply with the listing rules of the stock exchange. Hong Kong laws do not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

According to the Company Law, shareholders may provide capital contribution in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong laws.

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Restrictions on Shareholding and Transfer of Shares

Under the PRC law, the Domestic Unlisted Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by, investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

According to the Company Law, shares in a joint stock limited company held by its directors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association of a company may set other restrictive requirements on the transfer of a company's shares held by, its directors and senior management of the company. There are no such restrictions on shareholdings and transfers of shares under Hong Kong laws apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our Controlling Shareholders to the Stock Exchange.

Notice of General Meeting

According to the Company Law, notice of annual general meeting must be given not less than 20 days before the meeting, while notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company has bearer shares, a public announcement of a general meeting must be made at least 30 days prior to the meeting. For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual general meeting is 21 days.

Quorum for General Meetings

The Company Law does not specify any quorum requirement for a general meeting. Under the Hong Kong laws, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide or the company has only one member, in which case the quorum is one.

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Voting at General Meetings

According to the Company Law, the passing of any resolution requires more than half of the votes held by the shareholders present in person or by proxy. Amendments to the articles of association, change of corporate form, increase or decrease of registered capital and merger, division or dissolution must be approved by shareholders or proxies representing more than two-thirds of the voting rights being present in shareholders’ general meeting. Under the Hong Kong laws, (1) an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a shareholders’ general meeting and (2) a special resolution is passed by not less than three-fourths of affirmative votes cast by members present in person or by proxy at a shareholders’ general meeting.

Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. Under the Companies Ordinance, no rights attached to any class of shares can be varied except (1) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation; (2) with the consent in writing of shareholders of at least three-fourths of the total voting rights of shareholders of the relevant class or (3) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors’ interests in material contracts, restrictions on directors’ authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors’ liability and prohibitions against compensation for loss of office without shareholders’ approval.

Supervisory Committee

According to the Company Law, a joint stock limited company’s directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong laws permit minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

According to the Company Law, if the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people’s court. If the supervisors violate the relevant provisions of the Company Law, the above

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shareholders may request in writing the board of directors to initiate litigation at the people’s court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company’s interests, have the right to initiate proceedings directly to the people’s court in their own name.

Protection of Minorities

The Company Law provides that any shareholders holding 10% or more of the voting rights of all issued shares of a company may request a People’s Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and the company continues to suffer serious losses and no other alternatives can resolve.

Under the Hong Kong laws, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

Financial Disclosure

According to the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders’ general meeting. In addition, a joint stock limited company of which the public offering Shares are offered must publish its financial report. The Hong Kong laws require a company incorporated in Hong Kong to send to every shareholder a copy of its financial report, auditors’ report and directors’ report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders’ general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under the Hong Kong laws.

Receiving Agents

According to the Hong Kong laws, dividends once declared by the Board will become debts payable to shareholders. Under the Hong Kong laws, the limitation period for an action to demand repayment of a debt is six years, whereas the Civil Code of the PRC (《中華人民共和國民法典》) provides that the limitation period for an action to be taken is three years.

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Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders’ approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. According to the Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders at general meeting.

Statutory Deductions

According to the Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it distributes any profits after taxation. When the aggregate amount of the company’s statutory reserve fund reaches 50% of the company’s registered capital, the company may no longer make allocations from the statutory reserve fund. After a company has made an allocation to its statutory reserve fund from its after-tax profit, it may make an allocation to its discretionary reserve fund from its after-tax profit upon a resolution approved at the shareholders’ general meeting. There are no such requirements under Hong Kong laws.

Remedies of Company

According to the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. The Listing Rules require listed companies’ articles of association to provide for remedies of the company similar to those available under Hong Kong laws (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividend

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company shall not exercise its powers to forfeit any unclaimed dividend after the expiry of the applicable limitation period.

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Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors, including the duty not to act in conflict with the company’s interests. Furthermore, the Companies Ordinance has codified the directors’ statutory duty of care. Under the Company Law, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties honestly and diligently, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

Closure of Register of Members

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 20 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix contains the principal terms of the Articles of Association of the Company (the “**Articles of Association**”), which shall become effective and be implemented on the date on which the [REDACTED] Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The main purpose of this Appendix is to provide an overview of the Articles of Association of the Company for [REDACTED], and therefore it may not contain all the information that is important to [REDACTED].

ISSUANCE OF SHARES

Shares shall be issued by the Company under the principles of transparency, fairness and equitableness, and each share of the same type shall have the same rights. For the same type of shares issued in one offering, the issue criteria and price for each share shall be identical; the subscribers shall pay the same price for each share subscribed.

INCREASE AND DECREASE OF SHARE CAPITAL AND SHARE REPURCHASE

The Company may increase its capital by the following means, in accordance with the provisions of laws, regulations, the securities regulatory rules of the jurisdiction where the Company’s shares are listed, subject to separate resolutions of the shareholders’ meeting based on the needs of its operation and development:

- (1) Issuance of shares to unspecified investors;
- (2) Issuance of shares to specified investors;
- (3) Distribution of bonus shares to existing shareholders;
- (4) Conversion of reserve to increase share capital; and
- (5) Other means approved by laws, administrative regulations, the *HKEX Listing Rules* and other regulatory rules of the jurisdiction where the Company’s shares are listed, and securities regulatory authorities such as the CSRC.

The Company may increase its registered capital in accordance with the procedures prescribed by the relevant laws, regulations and the *HKEX Listing Rules*, after approval has been obtained as provided in the Articles of Association.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the *Company Law*, the *HKEX Listing Rules*, other relevant regulations, and the Articles of Association.

The Company shall not repurchase its own shares, except in any of the following circumstances:

- (1) Reduction of registered capital;
- (2) Merger with another company which holds its shares;
- (3) Use of shares for employee stock ownership plan or equity incentives;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (4) A shareholder’s objection to the resolution on the Company’s merger or division passed by the shareholders’ meeting, requesting the Company to acquire its shares;
- (5) Use of shares for conversion of corporate bonds issued by the Company that can be converted into shares; or
- (6) Necessity for the purpose of maintaining the value of the Company and shareholders’ equity.
- (7) Other circumstances stipulated by laws, administrative regulations, departmental rules, normative documents, the *HKEX Listing Rules*, and other regulatory rules of the jurisdiction where the Company’s shares are listed.

The Company may repurchase its own Shares in such manner as may be permitted by the laws, administrative regulations and the CSRC (if required), the regulatory rules of the place where the Company’s shares are listed, or the securities regulatory authorities, stock exchanges and other relevant regulatory authorities.

Where the Company repurchases its shares under circumstances (1) and (2) of this Article, it shall be subject to a resolution of the shareholders’ meeting; where the Company repurchases its shares under circumstances (3), (5) and (6) of this Article, subject to compliance with the *HKEX Listing Rules* and other regulatory rules of the jurisdiction where the Company’s shares are listed, it may be subject to a resolution of a Board meeting attended by more than two-thirds of the directors.

Subject to compliance with the *HKEX Listing Rules* and other regulatory rules of the jurisdiction where the Company’s shares are listed, after the Company repurchases its shares in accordance with this Article, in the case of circumstance (1), the shares shall be cancelled within ten days from the date of repurchase; in the case of circumstances (2) and (4), the shares shall be transferred or cancelled within six months; in the case of circumstances (3), (5) and (6), the total number of shares of the Company held by the Company shall not exceed ten percent of the total issued shares of the Company, and shall be transferred or cancelled within three years.

Where relevant laws, administrative regulations, departmental rules, other normative documents and regulatory rules of the jurisdiction where the Company’s shares are listed (including the *Securities Law* and the *HKEX Listing Rules*) have other provisions regarding matters related to the Company’s repurchase of its own shares, such provisions shall prevail.

TRANSFER OF SHARES

The shares of the Company shall be transferred according to law. The transfer of the Company’s shares must be registered with the local share registration institution entrusted by the Company.

The Company shall not accept its shares as subject matter of pledge.

Shares issued prior to the public offering by the Company shall not be transferred within one year from listing and trading of the Company’s stocks on the Hong Kong Stock Exchanges.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The directors and senior executives of the Company shall declare to the Company their holding of shares in the Company and the changes thereof, and the shares transferred each year during their tenure determined at the time of appointment shall not exceed 25% of the total number of the same class of shares of the Company held by them; the Company shares held by them shall not be transferred within one year from listing and trading of the Company’s stocks.

If laws, administrative regulations, the CSRC, the *HKEX Listing Rules*, or other regulatory rules of the jurisdiction where the Company’s shares are listed have other provisions restricting the transfer of the Company’s shares, such provisions shall prevail.

SHAREHOLDERS AND SHAREHOLDERS’ MEETING

Shareholders

The Company shall establish a register of shareholders based on the certificates provided by the Securities Depository and Clearing Institution. The register of shareholders is sufficient evidence to prove the shares held by shareholders. The shareholders shall enjoy rights and assume obligations according to the class of shares they hold; shareholders holding the same class of shares shall enjoy the same rights and assume the same type of obligations.

When the Company convenes a shareholders’ meeting, distributes dividends, conducts liquidation, or engages in other actions requiring confirmation of shareholder identity, the record date shall be determined by the board of directors or the convenor of the shareholders’ meeting. Shareholders recorded in the register on the record date are the shareholders entitled to the relevant rights.

The shareholders shall have the following rights:

- (1) being entitled to dividends and any other form of distribution of benefits based on the number of shares held by them;
- (2) To request, convene, preside over, participate in, or appoint a proxy to participate in shareholders’ meetings according to law, to speak at such meetings, and to exercise corresponding voting rights (unless an individual shareholder is required by the *HKEX Listing Rules* or other regulatory rules of the jurisdiction where the Company’s shares are listed to abstain from voting on specific matters);
- (3) supervising the Company’s business operations, proposing recommendations or raising queries;
- (4) To transfer, donate, or pledge the shares they hold in accordance with laws, administrative regulations, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, and the provisions of the Articles of Association;
- (5) To inspect and copy the Company’s Articles of Association, register of shareholders, minutes of shareholders’ meetings, resolutions of board meetings and financial and accounting reports; eligible shareholders may inspect the Company’s accounting books and accounting vouchers.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (6) participating in the distribution of residual property based on their shareholding upon termination or liquidation of the Company;
- (7) a shareholder who objects to the resolution on merger or division passed by the shareholders’ meeting may request the Company to acquire his/her shares; and
- (8) Other rights stipulated by laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, or the Articles of Association.

Any shareholder requesting to inspect the relevant information or materials mentioned in the preceding article shall comply with laws and administrative regulations such as the *Company Law*, the *Securities Law*, the *HKEX Listing Rules*, and the securities regulatory rules of the jurisdiction where the Company’s shares are listed, and shall provide the Company with written documents proving its shareholding and the number of shares held. The Company, after verifying the shareholder’s identity, shall provide the information as requested by the shareholder.

Under any of the following circumstances, a resolution of the shareholders’ meeting or the board of directors shall be invalid:

- (1) the resolution is passed without holding a shareholders’ meeting or a board meeting;
- (2) the resolution is not voted on at a shareholders’ meeting or a board meeting;
- (3) the number of persons present at the meeting or the voting rights represented at the meeting does not meet the thresholds stipulated in the *Company Law* or the Articles of Association; or
- (4) the number of persons who consent to the resolution or the number of votes in favour of the resolution does not meet the thresholds stipulated in the *Company Law* or the Articles of Association.

Where the contents of a resolution passed by a shareholders’ meeting or board of directors violate laws and administrative regulations, a shareholder shall have the right to apply to a people’s court to declare the resolution invalid.

Where the convening procedures or voting method of a shareholders’ meeting or a board meeting violates laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, a shareholder shall have the right to apply to a people’s court for revocation within 60 days from passing of the resolution, except where the convening procedures or voting method of a shareholders’ meeting or a board meeting has only minor defect which does not have a substantial impact on the resolution.

Shareholders who were not notified of a shareholders’ meeting may, within sixty days from the date they knew or should have known of the adoption of the resolution of the meeting, request the people’s court to revoke it; if the right of revocation is not exercised within one year from the date the resolution was adopted, the right of revocation shall be extinguished.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

Where any director or senior executive other than members of the Audit Committee causes loss to the Company in the course of performing his/her duties in violation of laws, administrative regulations or the Articles, shareholders who individually or collectively hold one percent (1%) or more of the voting shares of the Company for one hundred and eighty (180) consecutive days or more shall have the right to make a written request to the Audit Committee to bring a lawsuit before a People’s Court. Where the Audit Committee causes loss to the Company in the course of performing its duties in violation of laws, administrative regulations or the Articles, the aforesaid shareholders may make a written request to the Board to bring a lawsuit before a People’s Court.

Where the Audit Committee or the Board refuses to bring a lawsuit after receiving the written request from the shareholders as prescribed in the preceding paragraph, or fails to bring a lawsuit within thirty (30) days from the date of receiving the request, or where the situation is urgent and failure to bring a lawsuit immediately will cause irreparable damage to the interests of the Company, the shareholders prescribed in the preceding paragraph shall have the right to bring a lawsuit directly before a People’s Court in their own names for the benefit of the Company.

Where any third-party infringes upon the lawful rights and interests of the Company and causes loss thereto, the shareholders prescribed in the Articles may bring a lawsuit before a People’s Court in accordance with the provisions of the preceding two paragraphs.

Where any director, supervisor or senior executive of a wholly-owned subsidiary of the Company causes loss to such subsidiary in the course of performing his/her duties in violation of laws, administrative regulations, other regulatory rules of the jurisdiction where the Company’s shares are listed or the Articles, or where any third-party infringes upon the lawful rights and interests of a wholly-owned subsidiary of the Company and causes loss thereto, shareholders who individually or collectively hold one percent (1%) or more of the voting shares of the Company for one hundred and eighty (180) consecutive days or more may make a written request to the board of supervisors or the board of directors of such wholly-owned subsidiary to bring a lawsuit before a People’s Court, or bring a lawsuit directly before a People’s Court in their own names, in accordance with the provisions of the preceding three paragraphs of the Articles.

The shareholders of the Company shall assume the following obligations:

- (1) To abide by laws, administrative regulations and the Articles of Association, and to maintain the Company’s trade secrets;
- (2) making payment according to the shares subscribed for and the method of shareholding;
- (3) Not to withdraw their capital contribution except under circumstances stipulated by laws and administrative regulations;
- (4) they may not abuse their shareholder’s rights to damage the Company or other shareholders’ interests; may not abuse the independent legal person status of the Company and the limited liability of the shareholders to damage the interests of creditors; and
- (5) Other obligations stipulated by laws, administrative regulations, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, and the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Company shareholders who abuse their shareholder’s rights and cause the Company or other shareholders to suffer losses shall be liable for compensation in accordance with the law. Company shareholders who abuse the independent legal person status of the Company and shareholder’s limited liability to evade debts and seriously damage the interests of creditors of the Company shall bear joint and several liability for the debts of the Company.

General Rules on Shareholders’ Meetings

The shareholders’ meeting of the Company shall be composed of all shareholders. The shareholders’ meeting is the authoritative body of the Company and shall exercise the following functions and powers according to law:

- (1) To elect and replace directors, and decide on matters relating to their remuneration;
- (2) Deliberating and approving reports of the board of directors;
- (3) To make resolutions on the engagement, dismissal and remuneration of the accounting firm handling the Company’s audit business;
- (4) Deliberating and approving profit distribution plans and loss recovery plans of the Company;
- (5) Deciding on any increase or decrease of the Company’s registered capital;
- (6) Deciding on the issuance of corporate bonds;
- (7) Deciding on the merger, division, dissolution, liquidation or change of corporate form of the Company;
- (8) Amending the Articles of Association of the Company;
- (9) To examine and approve the guarantee matters specified in Article 46 of the Articles of Association;
- (10) To examine matters involving the purchase or sale of significant assets within one year exceeding thirty percent of the Company’s latest audited total assets;
- (11) To examine and approve matters concerning changes in the use of funds raised;
- (12) To examine and approve equity incentive plans and employee stock ownership plans;
- (13) To examine and approve other matters stipulated by laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, or the Articles of Association to be decided by the shareholders’ meeting.

The shareholders’ meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The following external guarantee matters of the Company shall be submitted to the shareholders’ meeting for consideration after being reviewed and approved by the board of directors:

- (1) Any guarantee provided after the total amount of external guarantees of the Company and its holding subsidiaries exceeds fifty percent of the Company’s latest audited net assets;
- (2) Any guarantee provided after the total amount of external guarantees of the Company exceeds thirty percent of the latest audited total assets;
- (3) Guarantees provided to others within one year where the amount exceeds thirty percent of the Company’s latest audited total assets;
- (4) Guarantees provided to a guarantee recipient whose asset-liability ratio exceeds seventy percent;
- (5) A single guarantee exceeding ten percent of the Company’s latest audited net assets;
- (6) Guarantees provided by the Company for its shareholders, actual controllers, and their connected (or associated) parties;
- (7) Other guarantees stipulated by laws, administrative regulations, departmental rules, normative documents, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, or the Articles of Association.

Shareholders’ meetings shall include annual shareholders’ meetings and interim shareholders’ meetings. An annual shareholders’ meeting, which will be convened once a year, shall be held within six months after the end of the preceding fiscal year.

An interim shareholders’ meeting shall be convened within two months from the occurrence of any following circumstance:

- (1) When the number of directors falls below the number required by the *Company Law* or less than two-thirds of the number stipulated in the Articles of Association;
- (2) When the uncovered losses of the Company reach one-third of the total share capital;
- (3) At the request of the shareholders individually or jointly holding ten percent or more of the voting shares of the Company;
- (4) When the board of directors deems it necessary;
- (5) When proposed by the Audit Committee;
- (6) Other circumstances stipulated by laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, or the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Convening of Shareholders’ Meetings

Shareholders’ meetings shall be convened by the board of directors.

Independent non-executive directors, with the consent of at least majority of all independent non-executive directors, are entitled to propose to the board of directors to convene an interim shareholders’ meeting. The board of directors shall, within ten days upon receipt of such proposal for an interim shareholders’ meeting from independent non-executive directors, by giving a written reply, approve or decline such proposal upon considering the relevant provisions of the applicable laws, administrative regulations, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed and the Articles of Association. If the board of directors approves such proposal for an interim shareholders’ meeting, it shall, by giving a written notice, convene the interim shareholders’ meeting within five days upon issuance of the resolution of the board of directors; if the board of directors declines such proposal for an interim shareholders’ meeting, it shall clarify the reasons therefor and make an announcement. Where the securities regulatory authority of the jurisdiction where the Company’s shares are listed provides otherwise, the provisions of such authority shall apply.

The Audit Committee shall have the right to propose to the Board the convening of an interim shareholders’ meeting, and shall submit such proposal to the Board in writing. The Board shall, in accordance with the provisions of laws, administrative regulations, the *HKEX Listing Rules* and other regulatory rules of the place where the Company’s shares are listed, as well as the Articles, provide written feedback indicating its consent or disagreement to convene an interim shareholders’ meeting within ten (10) days upon receipt of the proposal.

Where the Board agrees to convene an interim shareholders’ meeting, it shall issue a notice of shareholders’ meeting within five (5) days after making the Board resolution.

Where the Board disagrees to convene an interim shareholders’ meeting, or fails to provide feedback within ten (10) days upon receipt of the proposal, it shall be deemed that the Board is unable or fails to perform its duty to convene a shareholders’ meeting, and the Audit Committee may convene and preside over the meeting on its own.

Shareholders who individually or collectively hold ten percent (10%) or more of the voting shares of the Company shall have the right to request the Board to convene an interim shareholders’ meeting, and shall submit such request to the Board in writing. The Board shall, in accordance with the provisions of laws, administrative regulations, the *HKEX Listing Rules* and other regulatory rules of the place where the Company’s shares are listed, as well as the Articles, provide written feedback indicating its consent or disagreement to convene an interim shareholders’ meeting within ten (10) days upon receipt of the request.

Where the board of directors gives consent to convening of an interim shareholders’ meeting, a notice on convening of shareholders’ meeting shall be issued within 5 days after the board resolution is passed; any change to the original request in the notice shall be approved by the relevant shareholders.

Where the Board disagrees to convene an interim shareholders’ meeting, or fails to provide feedback within ten (10) days upon receipt of the request, shareholders who individually or collectively hold ten percent (10%) or more of the voting shares of the Company shall have the right to propose to the Audit Committee the convening of an interim shareholders’ meeting, and shall submit such request to the Audit Committee in writing.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Where the Audit Committee agrees to convene an interim shareholders’ meeting, it shall issue a notice of shareholders’ meeting within five (5) days upon receipt of the request. Any modification to the original proposal in the notice shall be subject to the consent of the relevant shareholders.

Where the Audit Committee fails to issue a notice of shareholders’ meeting within the prescribed time limit, it shall be deemed that the Audit Committee does not convene or preside over the shareholders’ meeting, and shareholders who individually or collectively hold ten percent (10%) or more of the voting shares of the Company for ninety (90) consecutive days or more may convene and preside over the meeting on their own.

If the Audit Committee or any eligible shareholder(s) select to convene an interim shareholders’ meeting, it/he/they shall give a written notice to the Board of such selection, and simultaneously complete the necessary reporting, announcement, or filing (if required) in accordance with the applicable securities regulatory rules of the jurisdiction where the Company’s shares are listed, such as the *HKEX Listing Rules*.

When issuing the notice of the shareholders’ meeting and the announcement of the resolution of the meeting, the Audit Committee or such convening shareholder(s) shall submit relevant supporting materials to the Hong Kong Stock Exchange in accordance with the applicable securities regulatory rules of the jurisdiction where the Company’s shares are listed, such as the *HKEX Listing Rules*.

Such convening shareholder(s) shall hold at least ten percent of the voting shares of the Company until the announcement of the resolution of such interim shareholders’ meeting.

Proposals and Notices of Shareholders’ Meetings

The content of a proposal shall fall within the scope of authority of the shareholders’ meeting, have a clear topic and specific matters for resolution, and comply with the relevant provisions of laws, administrative regulations, the *HKEX Listing Rules* and other regulatory rules of the place where the Company’s shares are listed, as well as the Articles.

When the Company convenes a shareholders’ meeting, the Board, the Audit Committee, and shareholders who individually or collectively hold one percent (1%) or more of the voting shares of the Company shall have the right to submit proposals to the Company.

Shareholders who individually or collectively hold one percent (1%) or more of the voting shares of the Company may submit interim proposals in writing to the convener ten (10) days prior to the convening of the shareholders’ meeting. Interim proposals shall have a clear topic and specific matters for resolution. The convener shall, within two (2) days upon receipt of the proposal, issue a supplementary notice of shareholders’ meeting, announce the content of the interim proposal, and submit such interim proposal to the shareholders’ meeting for consideration; provided, however, that this shall not apply where the interim proposal violates the provisions of laws, administrative regulations, the *HKEX Listing Rules* and other regulatory rules of the place where the Company’s shares are listed, or the Articles, or does not fall within the scope of authority of the shareholders’ meeting.

Except as provided in the preceding paragraph, the convener shall not modify any proposal already listed in the notice of shareholders’ meeting or add any new proposal after issuing the notice of shareholders’ meeting.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The shareholders’ meeting shall not vote on or make resolutions regarding any proposal not listed in the notice of shareholders’ meeting or not in compliance with the Articles.

Unless waived in writing by all shareholders unanimously, the convener(s) shall give a written notice of meeting to all shareholders no later than twenty days before the date of the shareholders’ meeting (in the case of an annual shareholders’ meeting), or no later than fifteen days before the date of the shareholders’ meeting (in the case of an interim shareholders’ meeting). In each case, the date of the shareholders’ meeting shall be excluded.

The notice of a shareholders’ meeting shall include:

- (1) the time, place and duration of the meeting;
- (2) business(es) to be transacted and proposal(s) put into discussion at the meeting;
- (3) a conspicuous statement that all shareholders are entitled to attend the shareholders’ meeting and vote thereat in person or by proxy (in which case such proxy must be granted a written Instrument of Appointing a Proxy, while he need not be a shareholder);
- (4) the Record Date of shareholders entitled to attend the meeting;
- (5) name(s) and phone number(s) of meeting contact(s);
- (6) time and procedures for the voting online or by other means; and
- (7) Other requirements stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the jurisdiction where the Company’s shares are listed, and the Articles of Association.

The notice (and supplementary notice) of a shareholders’ meeting shall specify all the specific businesses to be transacted contained in any proposal in sufficient detail.

If the election of directors will be discussed at a shareholders’ meeting, the notice of the shareholders’ meeting shall disclose the information about any director candidate in sufficient detail, including but not limited to:

- (1) his personal information including educational background, career experience, concurrent service, etc.;
- (2) whether he is connected (or associated) with the Company or any controlling shareholder or actual controller of the Company;
- (3) numbers of shares held by him in the Company;
- (4) whether he has been subject to any administrative penalties by the CSRC and any other regulatory authority or any disciplinary punishments from any stock exchange; and
- (5) where he meets other qualifications stipulated by laws, administrative regulations, the *HKEX Listing Rules*, her regulatory rules of the jurisdiction where the Company’s shares are listed.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Each director candidate shall be nominated with a separate proposal.

Once the notice of a shareholders’ meeting is duly given, the shareholders’ meeting shall not be adjourned or cancelled without justifiable reasons, nor shall any proposal specified in such notice be cancelled. In the event of any postponement or cancellation, the Company or the convener shall make an announcement and state the reasons in compliance with applicable laws, regulations, the Listing Rules of Hong Kong Stock Exchange and other securities regulatory rules of the place where the Company’s shares are listed. Where the shareholders’ meeting is to be held on a postponed date, the revised meeting date shall be set out in the relevant notice.

Holding of Shareholders’ Meetings

All shareholders duly registered on the Record Date or their proxies are entitled to attend a shareholders’ meeting, speak and exercise voting rights in accordance with relevant laws, administrative regulations, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, and the Articles of Association.

Shareholders may attend the shareholders’ meeting in person or appoint a proxy to attend and vote on their behalf.

A shareholders’ meeting shall be presided over by the Board Chairman. If the Board Chairman fails or omits to perform his duties in respect of meeting-presiding, the meeting shall be presided over by a director elected by at least majority of directors.

An interim shareholders’ meeting convened by the Audit Committee in lieu of the Board shall be presided over by the convener of the Audit Committee. If the convener of the Audit Committee fails or omits to perform his duties in respect of meeting-presiding, the meeting shall be presided over by a member of the Audit Committee elected by at least majority of the members of the Audit Committee.

An interim shareholders’ meeting convened by any eligible shareholder(s) in lieu of the Board shall be presided over by the convening shareholder or a representative nominated among such shareholders.

If, during a shareholders’ meeting, the chairman of the meeting violates any of the rules of procedure, resulting in the meeting’s failing to proceed, then, with the consent of at least majority of the shareholders entitled to be present and vote thereat, a new chairman may be elected among them.

The Company shall formulate rules of procedure for shareholders’ meetings, detailing the procedures for convening and voting at such meetings, including notice, registration, consideration of proposals, voting, counting, announcement of voting results, formation of meeting resolutions, meeting minutes and their signing, etc., as well as the principles for authorization by the shareholders’ meeting to the board of directors, with the authorized content being clear and specific. The rules of procedure for shareholders’ meetings shall be attached as an appendix to the Articles of Association, formulated by the board of directors, and approved by the shareholders’ meeting.

At an annual shareholders’ meeting, the Board shall address the Board Report for the preceding year.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Directors and senior executives shall explain with respect to inquiries and suggestions from shareholders at the shareholders’ meeting.

The moderator of the meeting shall, before voting, announce the number of shareholders and their proxies present at the meeting as well as the total shares held with voting rights. The number of shareholders and their proxies present, as well as the total shares held with voting rights shall be subject to that registered at the meeting.

Minutes shall be kept for shareholders’ meetings, and the Board shall be responsible for them.

The convener(s) shall ensure that the contents of the meeting minutes are true, accurate and complete. The directors, the Board Secretary, the convener(s) or their representative(s) and the chairman of the meeting present thereat shall sign the meeting minutes. The meeting minutes shall be kept together with the meeting attendance book, the Instruments of Appointing a Proxy, the valid records of voting (online and by other means) for ten years.

The convener(s) shall ensure that a shareholders’ meeting is held without interruption until a final resolution is made. If a shareholders’ meeting is suspended or a resolution fails to be made at the meeting for unexpected reasons (including any force majeure event), necessary measures shall be taken to resume the meeting as soon as possible or immediately end the meeting, and a prompt notification shall be made.

Voting and Resolution at Shareholders’ Meetings

Resolutions of the shareholders’ meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution of the shareholders’ meeting shall be passed by a majority of the voting rights held by the shareholders present at the meeting (including proxies).

A special resolution of the shareholders’ meeting shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting (including proxies).

The following matters shall be passed by an ordinary resolution of the shareholders’ meeting:

- (1) Work report of the board of directors;
- (2) Profit distribution plan and loss recovery plan formulated by the board of directors;
- (3) Appointment and removal of Board members, and their remuneration and payment methods;
- (4) Other matters except those that shall be passed by a special resolution according to laws, administrative regulations, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, or the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The following matters shall be passed by a special resolution of the shareholders’ meeting:

- (1) Increase or reduction of the Company’s registered capital;
- (2) Division, split, merger, dissolution, and liquidation of the Company;
- (3) Amendment of the Articles of Association;
- (4) Purchase or sale of significant assets or guarantee amounts exceeding thirty percent of the Company’s latest audited total assets within one year;
- (5) Equity incentive plans;
- (6) Other matters stipulated by laws, administrative regulations, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, or the Articles of Association, and matters determined by the shareholders’ meeting by ordinary resolution to have a significant impact on the Company and requiring a special resolution.

Shareholders (including their proxies) shall exercise their voting rights in respect of the number of voting shares held by (or on behalf of) them, with each share entitled to one vote.

The shares held by the Company itself carry no voting rights, and such shares shall not be counted in the total number of voting shares present at a shareholders’ meeting, nor shall they be deposited with the Central Clearing and Settlement System.

The Board, any independent non-executive director, any shareholder(s) holding one percent or more of voting shares or an investor protection institution established as required by applicable laws, administrative regulations or the departmental rules of the CSRC may publicly solicit shareholder voting rights. The solicitation of shareholder voting rights shall involve sufficient disclosure of information, such as specific voting intentions, to any person being solicited. It is prohibited to solicit shareholder voting rights in exchange for consideration (or disguised consideration). The solicitation of voting rights shall not be subject to any minimum shareholding restrictions imposed by the Company, while being governed by certain statutory conditions.

If a shareholder is connected (or associated) with any business to be transacted at a shareholders’ meeting, it/he shall recuse itself/himself from voting on such business (and the voting shares held by it/him shall not be included in the total number of effective votes). The shareholder resolution shall set out the voting of non-connected (or non-associated) shareholders.

The list of director candidates shall be submitted to the shareholders’ meeting for voting by way of a proposal. The board of directors shall forward the resumes and basic particulars of director candidates to the shareholders.

When voting for the election of directors at the shareholders’ meeting, cumulative voting may be implemented according to the provisions of the Articles of Association or a resolution of the shareholders’ meeting. When electing two or more independent non-executive directors at the shareholders’ meeting, cumulative voting shall be implemented.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The term “cumulative voting system” referred to in this Article means that when electing directors at the shareholders’ meeting, each share carries a number of votes equal to the number of directors to be elected, and shareholders may cast all their votes to one candidate.

Except when the cumulative voting system is implemented, all proposals shall be put into voting at a shareholders’ meeting on a case-by-case basis. In the case of different proposals on the same business to be transacted, voting on such proposals shall be conducted in the chronological order in which the proposals are made. Unless a shareholders’ meeting is suspended or a resolution fails to be made at the meeting for unexpected reasons (including any force majeure event), no proposal made at the shareholders’ meeting will be set aside or intentionally left unvoted.

No proposal under consideration at a shareholders’ meeting will be amended, otherwise, the relevant amendment shall be deemed as a new proposal, which shall not be voted at the shareholders’ meeting.

BOARD OF DIRECTORS

Directors

Directors of the Company shall be natural persons. Anyone who is under any of the following circumstances shall not serve as a director of the Company:

- (1) he/she has no civil capacity or has restricted civil capacity;
- (2) Those who have been sentenced to criminal punishment for embezzlement, bribery, conversion of property, misappropriation of property, or disrupting the market economic order, with the execution period expired for less than five years, or those deprived of political rights for a crime, with the execution period expired for less than five years, or those sentenced to probation, with less than two years having elapsed since the expiration of the probation period;
- (3) he/she served as a director, factory director, manager of a company or enterprise subject to bankruptcy liquidation, and was personally liable for the bankruptcy of such company or enterprise, and not more than 3 years have elapsed since the date of completion of the bankruptcy liquidation of the company or enterprise;
- (4) he/she served as a legal representative of a company or enterprise, whose business license was revoked or which was ordered to close down due to a violation of the law, and was personally liable, and not more than 3 years have elapsed since the date of revocation of the business license or closure of the company or enterprise;
- (5) he/she is listed as a dishonest person subject to enforcement by the people’s court due to a relatively large amount of outstanding personal debt;
- (6) Those subject to a market entry ban by the CSRC, and the ban period has not expired;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (7) Those deemed by the competent government authorities to be unsuitable for serving as a director or senior executive of a listed company, and the relevant period has not expired;
- (8) Other circumstances stipulated by laws, administrative regulations, departmental rules, or the securities regulatory rules of the jurisdiction where the Company’s shares are listed.

In the case of an election or appointment of a director that contravenes this Article, such election, appointment or engagement is invalid. If any director falls under the circumstances of this Article during the term of office, the Company will remove him/her from office and stop his/her performance of duties.

Employee representatives on the board of directors (if any) shall be democratically elected by the Company’s employees via the employee representative congress, general employee meeting or other democratic means. Non-employee directors are elected or replaced by a shareholders’ meeting and may be removed from office by the shareholders’ meeting before the expiry of term of office. The term of office of a director is 3 years. A director may be re-elected for consecutive terms upon expiry of his/her term of office.

The term of office of a director shall be calculated from the date of taking office until the term of the current Board expires. If directors are not re-elected in a timely manner upon the expiration of their term, the original directors shall continue to perform their duties as directors in accordance with laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, and the Articles of Association until the newly elected directors take office. Senior executives may serve as directors concurrently, provided that the aggregate number of directors concurrently serving as senior executives, together with directors who are employee representatives may not exceed 50% of the total number of directors of the Company.

Directors shall abide by laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, and owe the following duties of loyalty to the Company:

- (1) he/she may not embezzle company property or misappropriate company funds;
- (2) he/she may not use his/her own name or other people’s names to open accounts to deposit company funds;
- (3) he/she may not use his/her own name or other people’s names to open accounts to deposit company funds;
- (4) he/she may not, directly or indirectly, enter into contracts or trade with the Company without reporting to the board of directors or shareholders’ meeting and being approved by the board of directors or shareholders’ meeting in accordance with the Articles of Association;
- (5) he/she may not take advantage of position to seek business opportunities belonging to the Company for himself/herself or other people, except if reporting to the board of directors or shareholders’ meeting and being approved by resolution at the shareholders’ meeting, or if, according to the laws, administrative regulations or the Articles of Association, the Company cannot use such opportunity;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (6) he/she may not engage in the same type of business as that of the Company for himself/herself or other persons without reporting to the board of directors or shareholders’ meeting, and after being approved by resolution at the shareholders’ meeting;
- (7) he/she may not accept commissions on transactions between other persons and the Company as his/her own;
- (8) he/she may not disclose company secrets without authorization;
- (9) Not to use their connected (or associated) relationships to harm the interests of the Company;
- (10) Other duties of loyalty stipulated by laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, and the Articles of Association.

Any income obtained by a director in violation of this Article shall belong to the Company; if losses are caused to the Company, he/she shall bear liability for compensation.

Directors shall abide by laws, administrative regulations, other regulatory rules of the jurisdiction where the Company’s shares are listed and the Articles of Association, and owe the following duties of diligence to the Company:

- (1) he/she shall be careful, serious and diligent in exercising his/her rights conferred by the Company, in order to ensure that the business activities of the Company comply with the laws, administrative regulations and various economic policies of the State; and that the business activities do not exceed the scope of business specified by the business license;
- (2) he/she shall treat all shareholders fairly;
- (3) he/she shall understand the operation and management of the Company business in a timely manner;
- (4) Sign written confirmation opinions on periodic reports of the Company. Ensure that the information disclosed by the Company is true, accurate and complete;
- (5) Truthfully provide relevant information and materials to the Audit Committee and shall not obstruct the Audit Committee from exercising its functions and powers;
- (6) Other duties of diligence stipulated by laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, and the Articles of Association.

A director who fails to attend Board meetings in person twice consecutively nor appoint another director to attend on his behalf shall be deemed unable to perform his duties. The board of directors shall make recommendations to the shareholders’ meeting to replace such director.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

A director may resign before the expiration of his term. The resignation of any director shall be made by submitting a written resignation report to the board of directors.

The resigning director’s duty of confidentiality regarding the Company’s trade secrets remains effective after resignation until such secrets become public information; the duration of other duties of loyalty shall be determined based on the principle of fairness, taking into account the specific circumstances of the matter. If the director and the Company have reached an agreement on the performance of duties of loyalty, such agreement shall prevail.

Without authorization under the Articles of Association or legal authorization from the board of directors, no director shall represent the Company or the board of directors in his individual capacity. When a director acts in his individual capacity, and a third-party reasonably believes that the director is acting on behalf of the Company or the board of directors, the director shall declare his position and identity in advance.

If any director, while performing duties for the Company, violates laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the place where the Company’s shares are listed, or the Articles of Association, causing losses to the Company, he shall be liable for compensation.

Board of Directors

The Company shall establish a board of directors, which shall be accountable to the shareholders’ meeting.

The board of directors shall consist of eight directors, of which three shall be independent non-executive directors. The board of directors shall have a chairman and one Deputy Chairman.

The board of directors shall perform the following functions:

- (1) Convening shareholders’ meeting and reporting its work to the shareholders’ meeting;
- (2) Implementing resolutions of the shareholders’ meeting;
- (3) Determining the operational plans and investment plans of the Company;
- (4) Formulating profit distribution plans and loss recovery plans of the Company;
- (5) To formulate plans for increasing or decreasing the Company’s registered capital, issuing bonds or other securities, and listing plans;
- (6) To formulate plans for major acquisitions, repurchasing the Company’s shares, or merger, division, dissolution, and change of company form;
- (7) To decide on matters within the scope authorized by the shareholders’ meeting, such as the Company’s external investments, purchase and sale of assets, asset pledges, external guarantees, entrusted financial management, connected (or associated) transactions, and external donations;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (8) Determining the establishment of the internal management bodies of the Company;
- (9) To decide on the appointment or dismissal of the Company’s General Manager and other senior executives, and decide on their remuneration and rewards/punishments; based on the General Manager’s nomination, to decide on the appointment or dismissal of the person in charge of finance, and other senior executives, and decide on their remuneration and rewards/punishments;
- (10) To formulate the basic management systems of the Company;
- (11) To formulate plans for amending the Articles of Association;
- (12) To propose to the shareholders’ meeting the engagement or replacement of the accounting firm auditing the Company;
- (13) To listen to the work report of the Company’s General Manager and inspect the General Manager’s work;
- (14) To manage information disclosure matters of the Company;
- (15) To Review and approve external guarantee matters other than those required to be reviewed and approved by the shareholders’ meeting;
- (16) Other functions and powers stipulated by laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, the Articles of Association, or granted by the shareholders’ meeting.

Matters beyond the scope of authorization from the shareholders’ meeting shall be submitted to the shareholders’ meeting for consideration.

The board of directors shall establish an Audit Committee, which shall exercise the functions and powers of the board of supervisors as stipulated in the *Company Law*. In addition to the Audit Committee, the Board may establish other special committees such as the Nomination Committee, the Remuneration and Appraisal Committee (if required). Members of each special committees of the Board shall be determined by the board of directors through election.

The special committees shall be accountable to the board of directors, perform their duties in accordance with the Articles of Association and the authorization of the board of directors. The members of the special committees shall all be directors, and the specific composition and qualification requirements shall be subject to the *Company Law* and other laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, and other regulatory rules of the jurisdiction where the Company’s shares are listed. The board of directors shall be responsible for formulating working rules for the special committees to regulate their operation.

The board of directors shall provide an explanation to the shareholders’ meeting regarding any modified audit opinion issued by the certified public accountants on the Company’s financial reports.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The board of directors shall formulate rules of procedure for Board meetings to ensure that the Board implements resolutions of the shareholders’ meeting, improves its work efficiency, and guarantees scientific decision-making. The rules of procedure for Board meetings shall be attached as an appendix to the Articles of Association, formulated by the board of directors, and approved by the shareholders’ meeting.

The board of directors shall determine the limits of authority for external investments, purchase and sale of assets, asset pledges, external guarantees, entrusted financial management, connected (or associated) transactions, external donations, etc., and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and submitted to the shareholders’ meeting for approval.

The chairman of the Board shall be elected by a majority vote of all directors.

The chairman of the Board shall exercise the following functions and powers:

- (1) To preside over shareholders’ meetings and convene and preside over Board meetings;
- (2) To supervise and inspect the implementation of Board resolutions;
- (3) Other functions and powers stipulated by laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, the Articles of Association, or granted by the board of directors.

If the Board Chairman fails or omits to perform his duties in respect of convening and presiding board meetings, such meeting shall be convened and presided over by a director elected by at least a majority of the directors.

The board of directors shall hold at least two regular meetings each year, convened by the Chairman, at least ten days before the meeting, a notice of meeting in writing shall be given by written notice.

To convene an interim board meeting, the Office of the Board shall, no later than five days before the meeting (the date of the meeting excluded), give a notice of meeting in writing by written notice, mail, facsimile, email, or personal delivery. If the notice of meeting is not delivered to a director directly, the receipt of such notice shall be confirmed by telephone and recorded accordingly. In case of an emergency, an extraordinary board meeting may be convened without complying with the aforesaid notice period upon unanimous consent of all directors; such waiver shall be recorded in the board minutes and signed by all directors present at the meeting.

A board meeting may be held only if a majority of the directors (including their proxies) are present. Resolutions of the board of directors must be passed by a majority of all directors. If relevant laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, or other regulatory rules of the jurisdiction where the Company’s shares are listed have other provisions regarding matters related to Board resolutions, such provisions shall prevail.

At a board meeting, each director shall have one vote.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

If a director is connected (or associated) with any matter to be transacted at a Board meeting, he shall recuse himself from voting on such matter, nor may he exercise voting rights on behalf of any other director. Such a Board meeting may be held with the attendance of more than half of the unconnected (or unassociated) directors, and the resolution made at the meeting must be passed by a majority or more than two-thirds (as the case may be) of the unconnected (or unassociated) directors. If the number of unconnected (or unassociated) directors present at the meeting is less than three, the matter shall be submitted to the shareholders’ meeting for consideration.

At a board meeting, the votes shall be cast by recorded ballot or show of hands with written records.

Directors shall attend board meetings in person; where a director is unable to attend a board meeting for some reason, he/she may entrust another director in writing to attend the meeting on his/her behalf. The power of attorney shall state the name of the proxy, the matters to be represented, the scope of authorization and the validity period, and the entrusting party shall sign or affix seal thereto. The director who attends the meeting as a proxy shall exercise the director’s rights within the scope of authorization. Directors shall not issue or accept any proxy without clear voting instructions, general power of attorney, or proxy with ambiguous scope of authority. If a connected (or associated) transaction is to be considered at the meeting, a non-connected (or non-associated) director may not authorize a connected (or associated) director to be his proxy. Where a director neither attends a board meeting nor appoints a proxy to attend on his/her behalf, he/she shall be deemed to waive his/her voting rights at the said meeting. No director may accept a proxy to attend a Board meeting on behalf of more than two directors at a single Board meeting. An independent non-executive director may only appoint another independent non-executive director to attend the meeting as his proxy.

The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meeting, which shall be affixed with the signatures of the directors present at the meeting.

The minutes shall be kept as company files for a period of 10 years.

Independent Non-executive Directors

Independent non-executive directors must remain independence. The following persons shall not serve as independent non-executive directors:

- (1) Any person employed by the Company or its subsidiaries, as well as their spouses, parents, children and principal social connections;
- (2) Natural persons who hold, directly or indirectly, more than 1% of the issued shares of the Company, or rank among the Company’s top ten shareholders, together with their spouses, parents and children;
- (3) A director who has acquired any securities interest in the Company by way of gift or other financial assistance from a core connected person (as defined under the Listing Rules) or the Company itself. Provided that, without contravening Note 1 to Rule 3.13(1) of the Listing Rules, such director shall still be deemed an independent non-executive director if he receives shares or securities interests from the Company or its subsidiaries (excluding core connected persons) either as part of his director’s emoluments or pursuant to a share scheme established under Chapter 17 of the Listing Rules;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (4) A director who is or has been a director, partner or principal of a professional adviser which provides services to the following entities or persons at the material time, or provided such services within the two years prior to his proposed appointment; or an employee of such professional adviser who is or was involved in rendering such relevant services to the following entities or persons during the same period:
 - (a) the Company, its holding company, any of their respective subsidiaries or core connected persons; or
 - (b) any person who was a controlling shareholder of the Company within two years preceding the date of the proposed appointment of such person as an independent non-executive director; or (where the Company has no controlling shareholder) any person who was the chief executive or a director (excluding independent non-executive directors) of the listed issuer, or any of their close associates (as defined under the Listing Rules);
- (5) A director who currently has, or had within one year prior to the date of his proposed appointment as an independent non-executive director, a material interest in any principal business activities of the Company, its holding company or any of their respective subsidiaries; or is or was party to any material commercial transaction with the Company, its holding company, any of their respective subsidiaries or any core connected person of the Company;
- (6) A director appointed to the Board for the purpose of safeguarding the interests of an entity whose interests are divergent from the interests of shareholders as a whole;
- (7) A director who is connected with any director, chief executive or substantial shareholder of the Company at present, or was so connected within two years prior to the date of his proposed appointment as an independent non-executive director;
- (8) A director who is currently, or was within two years prior to the date of his proposed appointment as a director, an executive officer or director (excluding independent non-executive directors) of the Company, its holding company, any of their respective subsidiaries or any core connected person of the Company;
- (9) A director who is financially dependent on the Company, its holding company, any of their respective subsidiaries or any core connected person of the Company; and
- (10) Any other person who fails to meet the independence requirements as specified by applicable laws, administrative regulations, the CSRC, securities regulatory rules governing the listing venue of the Company’s shares and the Articles of Association.

Independent non-executive directors shall conduct an annual self-assessment of their independence and submit the self-assessment result to the board of directors. The board of directors shall assess the independence of the incumbent independent non-executive directors annually and issue a special opinion, which shall be disclosed simultaneously with the annual report.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

To serve as an independent non-executive director of the Company, a person shall meet the following conditions:

- (1) Possess the qualifications to serve as a director of a listed company in accordance with laws, administrative regulations and other relevant regulations;
- (2) Meet the independence requirements stipulated in the Articles of Association;
- (3) Possess basic knowledge of the operation of listed companies and be familiar with relevant laws, regulations and rules;
- (4) Possess the character, experience and integrity suitable for acting as a director of the Company and demonstrate sufficient competence to discharge such office;
- (5) Have more than five years of experience in law, accounting, economics or other fields necessary for performing the duties of an independent non-executive director;
- (6) Possess good personal moral character and have no adverse records such as major breaches of trust; and
- (7) Other conditions stipulated by laws, administrative regulations, the CSRC, the Hong Kong Stock Exchange, and the Articles of Association.

Independent non-executive directors, as members of the board of directors, owe duties of loyalty and diligence to the Company and all shareholders, and shall prudently perform the following duties:

- (1) Participate in the decision-making of the board of directors and express clear opinions on matters discussed;
- (2) Supervise matters involving potential significant conflicts of interest between the Company and its controlling shareholder, actual controller, directors and senior executives, protecting the legitimate rights and interests of minority shareholders;
- (3) Provide professional and objective advice on the Company’s business development, promoting the improvement of the board’s decision-making level;
- (4) Other duties stipulated by laws, administrative regulations, the CSRC, the Hong Kong Stock Exchange, and the Articles of Association.

Independent non-executive directors shall exercise the following special powers:

- (1) Independently engage intermediary institutions to audit, consult or verify specific matters of the Company;
- (2) Propose to the board of directors the convening of an interim shareholders’ meeting;
- (3) Propose the convening of a board meeting;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (4) Publicly solicit shareholders’ rights from shareholders according to law;
- (5) Express independent opinions on matters that may harm the rights and interests of the Company or minority shareholders;
- (6) Other and powers stipulated by laws, administrative regulations, the CSRC, the Hong Kong Stock Exchange, and the Articles of Association.

The exercise of the powers set out in items (1) to (3) of the preceding paragraph by an independent non-executive director shall be subject to the consent of more than half of all independent non-executive directors.

When an independent non-executive director exercises the powers set out in the first paragraph, the Company will disclose in a timely manner. If these powers cannot be exercised normally, the Company will disclose the specific circumstances and reasons.

The following matters shall be submitted to the board of directors for consideration only after obtaining the consent of more than half of all independent non-executive directors of the Company:

- (1) Connected transactions that should be disclosed;
- (2) Plans for the Company and related parties to change or waive commitments;
- (3) Decisions made and measures taken by the board of directors of an offeree listed company regarding a takeover offer;
- (4) Other matters stipulated by laws, administrative regulations, the CSRC, the Hong Kong Stock Exchange, and the Articles of Association.

The Company shall establish a special meeting mechanism composed entirely of independent non-executive directors. When the board of directors considers matters such as connected transactions, they shall be pre-approved by a special meeting of independent non-executive directors.

The Company shall hold special meetings of independent non-executive directors periodically or non-periodically. The matters set out in items (1) to (3) of paragraph 1 of Article 135 and Article 136 of the Articles of Association shall be considered by a special meeting of independent non-executive directors.

The special meeting of independent non-executive directors may study and discuss other matters of the Company as needed.

The special meeting of independent non-executive directors shall be convened and presided over by an independent non-executive director jointly recommended by more than half of the independent non-executive directors; if the convener fails to perform or is unable to perform his duties, two or more independent non-executive directors may convene the meeting themselves and recommend a representative to preside over the meeting.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Minutes shall be prepared for the special meeting of independent non-executive directors in accordance with regulations, and the opinions of independent non-executive directors shall be recorded in the minutes. Independent non-executive directors shall sign the minutes for confirmation.

SENIOR EXECUTIVES

The Company shall have a manager and a person in charge of finance, who shall be appointed or dismissed by resolutions of the board of directors.

The senior executives of the Company are the manager, the person in charge of finance and other senior executives recognised by the board of directors of the Company.

The provisions of the Articles of Association on inappropriate candidates for directors shall also apply to senior executives.

The provisions of the Articles of Association on the duties of loyalty and diligence of directors shall also apply to senior executives.

Persons who hold administrative positions other than directors and supervisors in the Company’s controlling shareholders shall not be appointed as senior executives of the Company. Senior executives shall only receive their salary from the Company, and the salary is not paid by the controlling shareholder on behalf of the Company.

The General Manager shall have a term of three years and may serve consecutive terms if reappointed.

The General Manager shall be responsible to the board of directors and may exercise the following functions and powers:

- (1) Preside over the production and operation management of the Company, organize the implementation of board resolutions, and report on work to the board of directors;
- (2) Implementing the annual operation plan and investment plan of the Company;
- (3) Drawing up the setup plan of the internal management bodies of the Company;
- (4) Drawing up the basic management policies of the Company;
- (5) Formulating the specific rules and regulations of the Company;
- (6) Propose to the board of directors the appointment or dismissal of the person in charge of finance;
- (7) Decide on the appointment or dismissal of management personnel other than those whose appointment or dismissal shall be decided by the board of directors.
- (8) Other functions and powers stipulated by the Articles of Association, the securities regulatory rules of the jurisdiction where the Company’s shares are listed, or granted by the board of directors.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The General Manager shall attend Board meetings as a non-voting observer.

The General Manager may resign before the expiration of his term. The specific procedures and methods for the General Manager’s resignation shall be stipulated in the labor contract between the General Manager and the Company.

If any senior executive, while performing duties for the Company, violates laws, administrative regulations, departmental rules, the *HKEX Listing Rules*, other regulatory rules of the jurisdiction where the Company’s shares are listed, or the Articles of Association, causing losses to the Company, he shall be liable for compensation.

The senior executives of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. If any senior executive fails to faithfully perform his duties or violates his fiduciary duties, causing harm to the interests of the Company and shareholders, he shall be liable for compensation according to law.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDITING

Financial and Accounting System and Profit Distribution

The Company’s financial and accounting reports shall be prepared in accordance with relevant laws, administrative regulations, departmental rules and the securities regulatory rules of the jurisdiction where the Company’s shares are listed.

The Company shall not maintain any accounting books other than those required by law. The Company’s funds shall not be deposited in any account opened in an individual’s name.

When distributing the after-tax profits of the current year, the Company shall allocate ten percent of the profits to the statutory common reserve of the Company. If the accumulated amount of the Company’s statutory common reserve reaches fifty percent or more of the Company’s registered capital, further allocations may be discontinued. If the Company’s statutory common reserve is insufficient to cover losses from prior years, the profits of the current year shall first be used to cover the losses before allocating to the statutory common reserve in accordance with the preceding paragraph.

After allocating to the statutory common reserve from the after-tax profits, the Company may, by a resolution of the shareholders’ meeting, allocate to a discretionary common reserve from the after-tax profits.

The remaining after-tax profits after covering losses and allocating to reserve funds shall be distributed to shareholders in proportion to the shares they hold, unless the Articles of Association stipulate that distribution may be made otherwise than in proportion to shareholdings. If the Company distributes profits to shareholders in violation of the preceding provisions, the shareholders shall return the profits distributed in violation to the Company; if losses are caused to the Company, the shareholders and responsible directors and senior executives shall be liable for compensation. The shares held by the Company itself shall not participate in profit distribution.

APPENDIX V

SUMMARY OF THE ARTICLES OF ASSOCIATION

The Company’s reserves shall be used to cover its losses, expand its production and business, or increase its registered capital. For making up losses of the Company by the reserve fund, the discretionary reserve fund and legal reserve fund shall first be used; where the deficit remains, the capital reserve may be used pursuant to the provisions. Where the legal reserve fund is converted to additional registered capital, the remaining reserve fund shall not be less than 25% of the Company’s registered capital prior to the conversion.

After the shareholders’ meeting adopt a resolution on the profit distribution plan, or after the Board of Directors formulates a specific distribution plan in accordance with the interim dividend criteria and ceiling for the following year approved at the annual shareholders’ meeting, the Board of Directors shall complete the distribution of dividends (or shares) within two months following the date of the shareholders’ meeting.

Internal Audit

The Company shall implement an internal audit system, which shall clearly define the leadership framework, duties and powers, staffing arrangements, funding support, utilisation of audit results and accountability mechanisms for internal audit work.

The internal audit department shall be accountable to the Board of Directors. In the course of supervising and inspecting the Company’s business activities, risk management, internal controls and financial information, the internal audit department shall accept the supervision and guidance of the Audit Committee of the Board of Directors. Where the internal audit department identifies any material issues or relevant clues, it shall report the same directly to the Audit Committee of the Board of Directors immediately.

MERGER, DIVISION, INCREASE OF CAPITAL, REDUCTION OF CAPITAL, DISSOLUTION AND LIQUIDATION

Merger, Division, Increase of Capital, and Reduction of Capital

A merger of the Company may take the form of absorption merger or consolidation by new establishment. An absorption merger involves one company absorbing another, and the absorbed company is dissolved. A consolidation by new establishment involves two or more companies merging to establish a new company, and all parties to the merger are dissolved.

If the consideration paid for the merger does not exceed ten percent of the Company’s net assets, the merger may be implemented without a resolution of the shareholders’ meeting; unless otherwise provided in the Articles of Association. If a merger is implemented in accordance with the preceding two paragraphs without a resolution of the shareholders’ meeting, it shall be considered and approved by a resolution of the Board.

In the event of a merger, the parties involved shall enter into a merger agreement and prepare a balance sheet and a detailed inventory of properties. The Company shall, within ten days of adopting the merger resolution, notify its creditors and, within thirty days, make an announcement in a newspaper recognised by the local administrative authority for industry and commerce or on the National Enterprise Credit Information Publicity System, and publish the same on the HKEXnews website (www.hkexnews.hk) and the Company’s official website in compliance with the securities regulatory rules of the jurisdiction where the Company’s shares are listed. Creditors who receive the notice within thirty days, or creditors who do not receive the notice within forty-five days of the announcement, may demand that the Company settle its debts or provide corresponding security.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Upon a merger, the claims and debts of all parties to the merger shall be assumed by the company surviving the merger or the newly established company.

In the event of a division, the Company’s property shall be divided accordingly. In the event of a division, the Company shall prepare a balance sheet and a detailed inventory of properties. The Company shall, within ten days of adopting the division resolution, notify its creditors and, within thirty days, make an announcement in a newspaper recognised by the local administrative authority for industry and commerce or on the National Enterprise Credit Information Publicity System, and publish the same on the HKEXnews website (www.hkexnews.hk) and the Company’s official website in compliance with the securities regulatory rules of the jurisdiction where the Company’s shares are listed. The debts of the Company prior to its division shall be borne jointly and severally by the companies resulting from the division, unless a written agreement on debt settlement reached between the Company and its creditors prior to the division provides otherwise. Where the Company needs to reduce its registered capital, it must prepare a balance sheet and a detailed inventory of properties.

The Company shall, within ten days of adopting the registered capital reduction resolution, notify its creditors and, within thirty days, make an announcement in a newspaper recognised by the local administrative authority for industry and commerce or on the National Enterprise Credit Information Publicity System. Creditors who receive the notice within thirty days, or creditors who do not receive the notice within forty-five days of the announcement, have the right to demand that the Company settle its debts or provide corresponding security.

If there are still losses after the Company makes up losses in accordance with the Articles of Association or the *Company Law*, it may make up losses by reducing its registered capital. If the registered capital is reduced to make up losses, the Company shall not distribute to shareholders, nor shall it exempt shareholders from their obligation to pay capital contributions or subscription funds. If the registered capital is reduced for the purpose of making up losses, an announcement shall be made in a newspaper or on the National Enterprise Credit Information Publicity System within thirty days from the date the shareholders’ meeting adopts a resolution to reduce the registered capital.

After the Company completes the capital reduction in accordance with the preceding two paragraphs of this Article, no profits shall be distributed until the cumulative amount of the statutory common reserve and discretionary common reserve reaches fifty percent of the Company’s registered capital. If profits are distributed in violation of regulations, shareholders must return the relevant profits. If losses are caused to the Company, the shareholders and responsible directors and senior executives shall bear compensation liability.

In case of merger or division of the Company, if the registration items change, the Company shall handle the modification of registration with the company registration authority according to law; if the Company is dissolved, it shall handle the cancellation of registration according to law; if a new company is established, it shall handle the establishment registration according to law. If the Company increases or decreases its registered capital, it shall handle the modification of registration with the company registration authority according to law.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Dissolution and Liquidation

The Company shall be dissolved for any of the following reasons:

- (1) Expiration of the business term stipulated in the Articles of Association or occurrence of another dissolution event stipulated in the Articles of Association;
- (2) Resolution of the shareholders’ meeting to dissolve;
- (3) Necessity of merger or division of the Company;
- (4) Revocation of business license, order to close, or being abolished according to law;
- (5) If the Company experiences severe difficulties in management and operation, and its continued existence would cause significant losses to shareholders’ interests and cannot be resolved through other means, shareholders holding more than ten percent of the voting rights of the Company may request the people’s court to dissolve the Company.

Upon occurrence of a dissolution event as specified in the preceding paragraph, the Company shall, within ten days, publish the dissolution event on the National Enterprise Credit Information Publicity System.

If the Company has a circumstance described in paragraph 1, items (1) or (2) of Article 179 and has not yet distributed property to shareholders, it may continue to exist by amending the Articles of Association or by a resolution of the shareholders’ meeting.

Amending the Articles of Association or adopting a resolution in accordance with the preceding paragraph shall require the approval of more than two-thirds of the voting rights held by shareholders present at the shareholders’ meeting.

If the Company is dissolved due to the circumstances described in paragraph 1, items (1), (2), (4), and (5) of Article 179 of the Articles of Association, a liquidation committee shall be established within fifteen days of the occurrence of the dissolution event to commence liquidation. The liquidation committee shall be composed of directors or personnel determined by the shareholders’ meeting. If no liquidation committee is established within the time limit, the creditors may apply to the people’s court for designating relevant personnel to form a liquidation committee for liquidation.

The liquidation committee shall, within ten days of its establishment, notify creditors and, within sixty days, make an announcement in a newspaper recognised by the local administrative authority for industry and commerce or on the National Enterprise Credit Information Publicity System. The creditors shall, within thirty days of receiving the notice, or within forty-five days of the announcement for those not receiving the notice, declare their claims to the liquidation committee.

When declaring a claim, the creditor shall provide relevant information and evidence. The liquidation committee shall register the claims. During the period of claim declaration, the liquidation committee shall not make payments to creditors.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

After liquidating the Company’s properties, preparing the balance sheet, and the detailed inventory of properties, the liquidation committee shall formulate a liquidation plan and submit it to the shareholders’ meeting or the people’s court for confirmation. The remaining assets of the Company, after deducting liquidation expenses, employees’ wages, social insurance premiums, statutory compensation, paying outstanding taxes, and settling the Company’s debts, shall be distributed to shareholders in proportion to the shares they hold. During the liquidation period, the Company shall continue existence but shall not engage in any business activity unrelated to liquidation. The properties of the Company shall not be distributed to shareholders before being distributed in accordance with the preceding paragraph.

If, after liquidating the Company’s properties, preparing the balance sheet, and the detailed inventory of properties, the liquidation committee discovers that the Company’s properties are insufficient to cover its debts, it shall apply to the people’s court for a declaration of bankruptcy according to law. After the people’s court rules to declare the Company bankrupt, the liquidation committee shall transfer all liquidation matters to the people’s court.

After the Company’s liquidation is completed, the liquidation committee shall prepare a liquidation report, submit it to the shareholders’ meeting or the people’s court for confirmation, and submit it to the company registration authority to apply for the cancellation of company registration and announce the termination of the Company.

If the Company is declared bankrupt according to law, bankruptcy liquidation shall be carried out in accordance with relevant laws on enterprise bankruptcy.

AMENDMENT OF ARTICLES OF ASSOCIATION

The Company shall amend its Articles of Association under any of the following circumstances:

- (1) After the *Company Law* or relevant laws, administrative regulations, the *HKEX Listing Rules* and other regulatory rules of the jurisdiction where the Company’s shares are listed are amended, the matters stipulated in the Articles of Association conflict with the amended laws, administrative regulations, the *HKEX Listing Rules*, or other regulatory rules of the jurisdiction where the Company’s shares are listed;
- (2) Circumstances of the Company change, inconsistent with the matters recorded in the Articles of Association;
- (3) The shareholders’ meeting decides to amend the Articles of Association.

If a matter amended in the Articles of Association by a resolution of the shareholders’ meeting requires approval from the competent authority, it shall be submitted to the competent authority for approval; if it involves a company registration item, the modification of registration shall be handled according to law.

The board of directors shall amend the Articles of Association in accordance with the resolution of the shareholders’ meeting to amend the Articles of Association and the approval opinions of the relevant competent authority.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR COMPANY

1. Establishment of our Company

Our Company was established in the PRC on 29 October 2003 as a limited liability company and was converted to a joint stock limited liability company under the PRC Company Law with effect from 29 December 2015. Our Company has established a place of business in Hong Kong at Unit 906, 9/F, Haleson Building, 1 Jubilee Street, Central, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 9 April 2026. Ms. Lau Mei Wah has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is Unit 906, 9/F, Haleson Building, 1 Jubilee Street, Central, Hong Kong.

As a company incorporated in the PRC, our operations, corporate structure and Articles of Association are subject to the relevant PRC laws and regulations. A summary of the relevant provisions of our Articles of Association is set out in Appendix V to this document. A summary of certain relevant aspects of the laws and regulations of the PRC are set out in Appendix IV to this document.

2. Changes in the Share Capital of our Company

Save as disclosed in “History, Development and Corporate Structure”, there is no other change of our registered capital/share capital since the date of incorporation up to the date of this document. Upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our registered capital will increase to RMB[REDACTED], comprising [REDACTED] fully paid up, representing approximately [REDACTED] of our registered share capital, respectively.

3. Resolutions of our Shareholders

At the extraordinary general meeting of our Company held on [•], among other things, the following resolutions were passed by our Shareholders:

- (a) the issue of not more than [REDACTED] with a nominal value of RMB1.0 each (representing approximately [REDACTED]% of the total number of issued Shares of our Company immediately following the completion of the [REDACTED]) and the granting of the Over-allotment Option in respect of no more than [REDACTED] (representing [REDACTED] of the number of [REDACTED] as abovementioned), and the [REDACTED] on the of the Stock Exchange;
- (b) subject to the completion of the [REDACTED], the Articles of Association has been approved and adopted with effect from the [REDACTED], and our Board be authorised to amend our Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (c) authorising our Board to handle all relevant matters relating to, among other things, the implementation of [REDACTED].

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STATUTORY AND GENERAL INFORMATION

4. Restriction on Share Repurchase

For details of the restrictions on the share repurchase by our Company, see “Summary of the Articles of Association – increase and decrease of share capital and share repurchase” as set out in Appendix V to this document.

5. Subsidiaries of our Company

The list of subsidiaries of our Company as at 31 December 2025 is set out in the Accountant’s Report as set out in Appendix I to this document. Save for the subsidiaries mentioned in the Accountant’s Report as set out in Appendix I to this document, our Company has no other subsidiaries.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this document that are or may be material:

- (a) Deed of Indemnity; and
- (b) [REDACTED].

2. Material Intellectual Property rights of our Company

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1		16, 37, 42	Our Company	Hong Kong	307184737	6 February 2026	5 February 2036
2		40	Our Company	PRC	13203558	28 February 2015	27 February 2035
3		37	Our Company	PRC	13203564	28 February 2015	27 February 2035
4		42	Our Company	PRC	13203549A	7 May 2015	6 May 2035

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(b) *Domain name*

As at the Latest Practicable Date, we have registered the following domain name in the PRC:

Domain name	Expiry date
<u>www.sdhuanneng.com</u>	March 2029
<u>www.sdshnsjy.com</u>	September 2027

(c) *Patents*

As at the 31 December 2025, we have registered the following patents in the PRC which, in the opinion of our Directors, is material to our business:

No.	Title of patent	Type	Registered owner(s)	Patent number	Application date	Registration date
1	Factory rainwater drainage system [廠區雨水排水系統]	Invention	Our Company	2014103702792	31 July 2014	10 February 2016
2	Wet desulfurization pulping system [濕法脫硫制漿系統]	Invention	Our Company	2014107046504	27 November 2014	4 January 2017
3	Snow-melting and energy-saving mushroom shed [融雪節能型食用菌大棚]	Invention	Our Company	2014103702716	31 July 2014	4 January 2017
4	A road dust suppression device [一種道路除塵裝置]	Invention	Our Company	2015105260372	24 August 2015	18 January 2017
5	Circulating water modification and utilization system [循環水改造利用系統]	Invention	Our Company	2015105477079	31 August 2015	4 July 2017
6	Comprehensive utilization equipment for desulfurization and denitrification [脫硫脫硝綜合利用設備]	Invention	Our Company	2015105477098	31 August 2015	2 March 2018
7	New boiler platform support column [新型鍋爐平臺支撐柱]	Invention	Our Company	2016105618349	15 July 2016	30 October 2018
8	A flue gas treatment and utilization equipment [一種煙氣處理利用設備]	Invention	Our Company	2018101378881	10 February 2018	28 June 2019
9	Treatment process for high-salt and high-concentration refractory organic wastewater [高鹽高濃度難降解有機廢水處理工藝]	Invention	Our Company	2017105853432	18 July 2017	17 September 2019
10	A biomass stable-combustion power generation system [一種生物質穩燃發電系統]	Invention	Our Company	2018101378896	10 February 2018	22 November 2019

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No.	Title of patent	Type	Registered owner(s)	Patent number	Application date	Registration date
11	Water treatment recycling and utilization system [水處理循環利用系統]	Invention	Our Company	201810137899X	10 February 2018	17 April 2020
12	An ammonia water evaporation system for flue gas denitrification [一種用於煙氣脫硝的氨水蒸發系統]	Utility model	Our Company	2022225430668	26 September 2022	18 August 2023
13	An integrated flue gas denitrification system suitable for low-temperature flue gas [一種適用於低溫煙氣的集成化煙氣脫硝系統]	Utility model	Our Company	2023204748961	9 March 2023	1 September 2023
14	A connection device for bag houses [一種用於布袋除塵器的連接裝置]	Utility model	Our Company	2023212711418	23 May 2023	27 October 2023
15	A flue gas purification device for waste heat recovery [一種餘熱回收用的煙氣淨化裝置]	Invention	Our Company	2023115069761	14 November 2023	19 January 2024
16	A thermal pipeline structure convenient for dredging [一種便於疏通的熱力管道結構]	Invention	Our Company	2023115275909	16 November 2023	19 January 2024
17	An efficient energy storage device with rapid heat dissipation [一種快速散熱的高效儲能裝置]	Invention	Our Company	2023115270854	16 November 2023	26 January 2024
18	A lifting device for electromechanical engineering construction [一種機電工程施工用升降裝置]	Invention	Our Company	202311550659X	21 November 2023	23 January 2024
19	An internal pressure thrust counterbalancing device for circulating water pipelines [一種循環水管道內壓推力抵消裝置]	Invention	Our Company	2018112737303	29 October 2018	26 January 2024
20	An ash removal system at the bottom of a boiler horizontal flue [一種鍋爐水平煙道底部積灰清除系統]	Invention	Our Company	2017105750366	14 July 2017	26 January 2024
21	A lifting device for photovoltaic panel component installation [用於光伏板組件安裝的提升裝置]	Invention	Our Company	2023115239137	16 November 2023	8 March 2024
22	System for removing SO ₃ from flue gas via alkali liquor [鹼液脫除煙氣中SO ₃ 的系統]	Utility model	Our Company	202421832495X	31 July 2024	6 May 2025
23	A hoisting device for photovoltaic modules [一種用於光伏組件的吊裝裝置]	Utility model	Our Company	2024224823419	14 October 2024	15 July 2025

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No.	Title of patent	Type	Registered owner(s)	Patent number	Application date	Registration date
24	A coordination controller for energy storage systems [一種儲能系統協調控制器]	Utility model	Our Company	2023235205529	22 December 2023	11 October 2024
25	An offline energy-saving thermal desorption device for low-temperature flue gas denitrification catalysts [一種用於煙氣低溫脫硝催化劑的離線節能熱解析裝置]	Utility model	Our Company	2024225174745	17 October 2024	12 August 2025
26	A wastewater treatment device [一種污水處理裝置]	Utility model	Our Company	2024227045630	6 November 2024	2 September 2025
27	A multi-angle wind-resistant equipment for photovoltaic modules [一種光伏組件用多角度抗風設備]	Utility model	Our Company	2024224605700	11 October 2024	12 September 2025
28	An electrically regenerated pure water preparation device [一種電再生純水製備裝置]	Invention	Our Company	2024116622323	20 November 2024	19 September 2025
29	A spray equipment for waste gas treatment [一種用於廢氣處理的噴淋設備]	Utility model	Our Company	2024232852358	30 December 2024	16 December 2025

As at the Latest Practicable Date, we have applied for the registration of, and are pending registration for, the following patents in the PRC which, in the opinion of our Directors, are material to our business:

No.	Title of patent	Type	Applicant	Application number	Application date
1	基於CAD的快速計算山地光伏方陣間距的方法(CAD-based method for rapidly calculating spacing between mountain photovoltaic arrays)	Invention	Our Company	202410513890X	26 April 2024
2	基於CAD的展現山坡或光伏方陣在空間中的實際形態的方法(CAD-based method for presenting the actual spatial morphology of hillsides or photovoltaic arrays)	Invention	Our Company	2024105138897	26 April 2024
3	一種管道焊接對接裝置(A pipeline welding and jointing apparatus)	Invention	Our Company	202410858104X	28 June 2024
4	基於CAD的推測等高線圖上的某個點的高度的方法(CAD-based method for estimating the elevation of a specific point on a contour map)	Invention	Our Company	2024110364281	31 July 2024

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No.	Title of patent	Type	Applicant	Application number	Application date
5	基於CAD的以二分法縮放框線以獲取目標選擇集的方法(CAD-based method for scaling bounding boxes using a dichotomy approach to obtain a target selection set)	Invention	Our Company	2024110364296	31 July 2024
6	基於CAD的繪製經過等高線圖某點山體陰影的方法和系統(CAD-based method and system for rendering mountain shadows passing through a specific point on a contour map)	Invention	Our Company	2024112339744	4 September 2024
7	基於CAD的繪製某個點被山體遮擋的程度的方法和系統(CAD-based method and system for rendering the degree of mountain shading at a specific point)	Invention	Our Company	2024112477710	6 September 2024
8	基於CAD的避讓線形障礙物並生成圍繞線的方法(CAD-based method for avoiding linear obstacles and generating surrounding boundary lines)	Invention	Our Company	2025117751805	28 November 2025
9	基於CAD的平面光伏自動佈置的方法 (CAD-based method for the automated layout of planar photovoltaic arrays)	Invention	Our Company	2025118824625	15 December 2025
10	一種暖通管道用Y型過濾裝置(A Y-type filtering device for HVAC pipelines)	Invention	Our Company	2025119037326	17 December 2025
11	一種煙氣除塵設備(A flue gas dedusting equipment)	Invention	Our Company	2026102761940	9 March 2026
12	一種具有防污自清潔功能的污泥脫水裝置及其運行方法(An anti-fouling self-cleaning sludge dewatering apparatus and operational method thereof)	Invention	Our Company	2026105292210	21 April 2026

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FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) *Interests and short positions of the Directors and the chief executive of our Company in the registered capital of our Company*

Interest in Shares of our Company

Immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the interests or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director/chief executive	Long/short position	Nature of interest	Number of shares	Approximate percentage of shareholding in our Company as at the Latest Practicable Date	Approximate percentage of shareholding in our Company upon Completion of the [REDACTED]
Mr. Zhang Fuquan (張福泉)	Long	Interest in controlled corporation ⁽¹⁾	44,180,000	78.4%	[REDACTED]
Mr. Zhang Guanzhou (張冠洲)	Long	Interest in controlled corporation ⁽¹⁾	44,180,000	78.4%	[REDACTED]
Ms. Wang	Long	Beneficial owner	7,080,000	12.56%	[REDACTED]
Ms. Li Junying (李俊英)	Long	Beneficial owner	1,100,000	1.95%	[REDACTED]
Mr. Zhang Dan (張丹)	Long	Beneficial owner	600,000	1.06%	[REDACTED]

- (1) The controlled corporation is Jinan Huanneng, which as at the Latest Practicable Date, directly held 44,180,000 shares, representing approximately 78.40% of the total issued shares of our Company, and Jinan Huanneng was owned as to 51.0% and 24.5% by Mr. Zhang Fuquan and Mr. Zhang Guanzhou, respectively. As Mr. Zhang Fuquan and Mr. Zhang Guanzhou are considered as a group of controlling shareholders pursuant to chapter 1.1c of the Guide, each of Mr. Zhang Fuquan and Mr. Zhang Guanzhou is deemed to be interested in all the Shares held by Jinan Huanneng under the SFO.

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Interest of the substantial shareholders in other members of our Group

So far as the Directors are aware, the following persons (other than our Company, and any subsidiaries of our Group) are entitled to exercise, or control the exercise of, 10% or more of voting power at the general meetings of other members of our Group:

Name of subsidiary	Name of shareholder	Percentage of interest in the subsidiary
		(%)
Shandong Zhongneng Engineering Construction Co., Ltd.* (山東省中能工程建設有限公司)	Ms. Wang	40%

Note:

- (1) Shandong Zhongneng Engineering Construction Co., Ltd.* (山東省中能工程建設有限公司) is held by our Company as to 60% and by Ms. Wang as to 40%.

Particulars of service contracts and letters of appointment

Each of the Directors has entered into a service contract or letter of appointment with our Company. Each service agreement contains provisions in relation to, among other things, compliance with relevant laws and regulations and the Articles of Association.

Save as disclosed above, none of our Directors has or is proposed to have a service contract or letter of appointment (as the case may be) with our Company or any subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Directors' and remuneration

Save as disclosed in “Directors and Senior Management – Remuneration policy and emolument of our Directors and senior management” in this document and Note 9 to the “Accountants’ Report” as set out in Appendix I to this document, no Director received other remuneration or benefits in kind from our Company in respect of each of the three financial years ended 31 December 2023, 2024 and 2025.

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STATUTORY AND GENERAL INFORMATION

2. Disclaimers

Save as disclosed in the sections headed “Business” and “Substantial Shareholders” in this document and the paragraph headed “Further Information about our Directors and substantial shareholders – Disclosure of interest” in this appendix:

- (a) none of our Directors or chief executive has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business; and
- (d) without taking into account any Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED], be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders’ meetings of any member of our Group in the Shares or underlying Shares of our Company.

OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries as stated therein) (being the contract referred to in paragraph (1) of “Further information about our business – Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation or taxation claims resulting from income, profits or gains earned, accrued or received as well as any property claim or estate duty to which any member of our Group may be subject on or before the [REDACTED] and any expenses, costs, fines, penalties or other liabilities which any member of our Group may suffer.

In addition, our Controlling Shareholders have also given indemnities to our Company against all fines, penalties, claims costs, charges, liabilities, damages, expenses and losses (to the extent that provision, reserve or allowance has not been made for such fines, penalties, claims, costs, charges, liabilities, damages, expenses or losses in the accounts of our Group) as may be suffered by any member of our Group as a result of any compliance incidents during the Track Record Period as required by applicable laws and regulations in the PRC.

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2. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Litigation

During the Track Record Period and as at the Latest Practicable Date, we were not aware of any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the [REDACTED] for the [REDACTED] of, and [REDACTED] in, the [REDACTED] in issue and to be issued as mentioned in this document (including any [REDACTED] which may be [REDACTED] pursuant to the exercise of the [REDACTED]).

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules. Our Company has agreed to pay the Sole Sponsor a fee of 3.75 million to act as sponsor in connection with the [REDACTED].

5. Preliminary expenses

As at the Latest Practicable Date, our Company had not incurred any preliminary expenses.

6. Qualification of experts and promoters

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualification
Eddid Capital Limited	Licensed to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	Legal advisers as to PRC law
BDO Limited	Certified Public Accountants, and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

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7. Consent of experts

Each of the parties named in paragraph 6 above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be), all of which are dated the date of this document and made for incorporation in this document, and references to its name included herein in the form and context in which it respectively included.

8. Interest of experts in our Company

None of the persons named in “E. Other information – 6. Qualifications of experts” in this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Compliance adviser

Our Company has appointed Eddid Capital Limited to act as our compliance adviser upon the [REDACTED] in compliance with Rule 3A.19 of the Listing Rules.

10. Taxation of holders of H shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see “Taxation and Foreign Exchange” in Appendix III to this document.

11. Binding effect

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

Save as disclosed in the sections headed “History, Development and Corporate Structure”, “Business”, “Financial Information” and “[REDACTED]” in this document and the paragraph headed “Further Information about our Company” in this appendix:

- (a) within the three years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

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- (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and
- (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;
- (b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) save for our [REDACTED] in connection with the [REDACTED], none of our equity and debt securities is [REDACTED] or [REDACTED] in any other stock exchange nor is [REDACTED] or permission to deal being or proposed to be sought;
- (g) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and
- (h) all necessary arrangements have been made to [REDACTED].

13. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Promoter

The promoters as at the time of our Company’s conversion into a joint stock company with limited liability on 29 December 2015 were (i) Jinan Huanneng; (ii) Mr. Zhang Dan; (iii) Ms. Li Junying; (iv) Ms. Wang Pingping and (v) Mr. Liang Yongping. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

- (a) a copy of each of the material contracts referred to in “Appendix VI – Statutory and General Information – Further information about our business – 1. Summary of material contracts”; and
- (b) the written consents referred to in “Appendix VI – Statutory and General Information – Other information – 6. Qualification of Experts”.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sduanneng.com during a period of 14 days from the date of this document:

- (a) the Articles of Associations;
- (b) the Accountants’ Report prepared by BDO Limited, the text of which is set forth in Appendix I to this document;
- (c) the report from BDO Limited on the unaudited [REDACTED] financial information of our Group, the text of which is set forth in Appendix II to this document;
- (d) the audited consolidated financial statements of our Company for the three financial years ended 31 December 2023, 2024 and 2025;
- (e) the PRC legal opinion issued by Jingtian & Gongcheng, our legal adviser as to PRC laws, in respect of, among other things, the general matters and property interests of our Group under the PRC laws;
- (f) the material contracts in “Appendix VI – Statutory and General Information – Further Information about our Business – 1. Summary of material contracts”;
- (g) the written consents referred to in “Appendix VI – Statutory and General Information – Other Information – 7. Consent of Experts”;
- (h) the service contracts referred to in “Appendix VI – Statutory and General Information – Further Information or letters of appointment about our Directors and substantial shareholders – Particulars of service contracts and letters of appointment”;
- (i) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this document; and
- (j) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association of Listed Companies (上市公司章程指引) together with unofficial English translations thereof.