
RISK FACTORS

An [REDACTED] in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described in this section actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our H Shares could decline, and you may lose all or part of your [REDACTED].

The following is a description of what we consider to be our material risks, some of which are beyond our control. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our performance is subject to fluctuations of demand from end users in the downstream industries we serve. Slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations.

Our performance is subject to fluctuations of demand for power generator sets incorporating our power generator engines from end users in downstream industries, including, among others, data center, distributed power station and infrastructure construction industries. For instance, our performance was once largely influenced by sales of engines for application in property development projects during the historical period of rapid growth and expansion of the Chinese property market, but such application is no longer a material contributor to our performance due to the softening of the Chinese property market in recent years and the resulting drop in demand from Chinese property developers, as well as increased demand from other downstream industries such as data centers. Our performance is also subject to fluctuations in demand for our marine propulsion and auxiliary engines from end users in the inland and coastal shipping and offshore operation industries.

Demand from end users in the downstream industries may not grow, or may decline, due to factors beyond our control.

First, economic downturns or other adverse changes in general economic conditions in the PRC and globally could reduce activity and investment in these industries and dampen end-user demand. For example, an economic slowdown could curb data center construction and reduce demand for power generator sets from the data center industry, while the cyclicity of China’s coastal shipping industry can materially affect demand for shipping services and thus demand for our marine engines. Second, changes in government policies and regulations may curb investment and growth in these industries. For instance, demand for our power generator engines and power generator sets for data center applications could be materially affected by policies and regulations that promote or restrict investment in internet infrastructure and computing power, which are key drivers for the development of the data center industry, and demand for our marine engines may continue to be affected by policies and regulations relating to infrastructure investment in inland waterways and the upgrading of fishing, ferry and other vessels. Third, changes in industrial, emission, environmental or other standards applicable to any downstream industry we serve could render our products obsolete or cause loss of customers and market share. Finally, overcapacity in any of these industries, such as data centers, distributed power stations, infrastructure construction and inland or coastal shipping, could result in a significant decrease in new investments and lower demand for our products.

As a result of these and other factors, if the downstream industries we serve do not maintain robust growth and end-user demand declines, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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We have, and will continue to have, significant business relationships with the Related Parties. Any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial condition and results of operations.

We have close business relationships with the Related Parties, including GY Entities, GYMCL Related Parties and MTU Yuchai.

During the Track Record Period, we entered into various transaction and business dealings with the Related Parties. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, our purchases from the Related Parties amounted to RMB1,136.1 million, RMB1,397.8 million, RMB1,938.3 million, RMB875.9 million and RMB1,238.2 million, representing 40.5%, 39.2%, 34.1%, 24.2% and 31.5% of our total purchase amount, respectively, and our revenue from the Related Parties amounted to RMB822.6 million, RMB758.8 million, RMB614.3 million, RMB275.3 million and RMB306.8 million, representing 25.4%, 19.0%, 10.0%, 9.2% and 6.8% of our total revenue, respectively. On the one hand, we primarily procured finished engines from the Related Parties to complement our product portfolio, and procured components, such as cylinder block rough castings, cylinder head rough castings and connecting rods, from GYMCL Related Parties and GY Entities for our production of engines. On the other hand, we primarily supplied components, mainly cylinder blocks and cylinder heads, to MTU Yuchai, and supplied finished engines, power generator sets and components to GY Entities and GYMCL Related Parties. See “Business — Transactions with the Related Parties” in this document for details. In addition, GY Entities, GYMCL Related Parties and MTU Yuchai were each among our five largest customers and five largest suppliers in one or more periods during the Track Record Period. See “Business — Overlapping of Customers and Suppliers” in this document for details.

We will continue to be controlled by our Controlling Shareholders, including GYMCL, after the [REDACTED] and expect to maintain our business relationships with them and/or their associates and other related parties, including GY Entities. However, there is no assurance that we will be able to maintain close business relationships with GYMCL Related Parties or GY Entities at all times. If there is any adverse change in such business relationships, we may not be able to continue our business relationships or dealings with GYMCL Related Parties or GY Entities on terms reasonable to us if at all. As a result, we may experience significant difficulties in our business and operations, including disruptions of our business operations, and losses of business opportunities and market share, which in turn would have a material adverse impact on our business, financial condition and results of operations. See “Risks Relating to Our Business and Industry — We are dependent on our suppliers, some of which are our single-source or limited-source suppliers” in this section.

In early 2000s, disagreements had arisen between CYI and GYMCL’s other shareholders, including certain GY Entities, in respect of the daily management and operation of GYMCL, including the implementation of corporate governance procedures, the payment of dividends, the holding of GYMCL’s board meetings and the resolution of employee-related matters. Around mid-2000s, CYI, GYMCL and certain GY Entities entered into various agreements to address these issues. There is no assurance that any similar or other dispute or difficulty between CYI and GYMCL’s other shareholders will not arise in the future. If any such dispute or difficulty arises, our continued business relationships or dealings with GYMCL Related Parties or GY Entities may be negatively affected, which in turn may have an adverse impact on our business, financial condition and results of operations.

In the case of MTU Yuchai, all of our externally sourced large engines are purchased from MTU Yuchai. See “Business — Products and Services” in this document for details. In addition, we supply engine components to it. If disagreements arise between Rolls-Royce and us over strategic directions or other matters relating to MTU Yuchai, our business relationships and dealings with MTU Yuchai may be disrupted or otherwise negatively affected as a result. See “Risks Relating to Our Business and Industry — We may not achieve the anticipated benefits, synergies, cost savings or efficiencies from acquisitions, investments or strategic alliances, and may encounter difficulties in valuing, integrating and developing acquired businesses, brands and assets” in this section.

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Our technologies and products may become obsolete. If we are unable to continually improve our existing technologies and products, develop new technologies and products or successfully enter new markets, we may lose our competitiveness.

Our future success depends significantly on our ability to enhance existing technologies, develop new technologies that meet the increasingly sophisticated needs of the downstream industries we serve and respond to technological advances and emerging industry standards on a timely and cost-effective basis. New products, manufacturing processes and industry standards, and technological advances and upgrading in the downstream industries we serve, could render our technologies and products obsolete, less competitive or less marketable.

Given the highly competitive and evolving nature of our industry and the downstream industries we serve, our long-term prospects depend on our ability to continually improve existing technologies and products, and develop and introduce new ones at competitive prices and enter new local and overseas markets, which may require technologies and market expertise beyond our current capabilities. There is no assurance that we will be able to do so, or that any new products we introduce will be accepted by end users in the downstream industries we serve. Competitors may also develop technologies or products more advanced than ours, or do so more quickly or profitably than we do, which could significantly weaken our competitive position.

Our future performance also depends on the upgrading of our diesel engines and power generator sets and on the design and development of natural gas and alternative fuel combustion engines and clean energy power generator sets. There is no assurance that desired results will be achieved in these areas. The development of a sustainable market in China for natural gas and alternative fuel combustion engines and clean energy power generator sets is subject to factors beyond our control, including (i) shifts in government policies, emission standards or subsidies for alternative energy technologies; (ii) the emergence of newer, more competitive technologies and products; (iii) the prices and availability of oil compared to natural gas and other alternative energy in the future; (iv) the successful development of natural gas refueling infrastructure for natural gas engines; and (v) the successful development of new energy control systems.

If our technologies and products become obsolete, or our improvement and development efforts fail to achieve desired results, we may lose our competitive position, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our R&D efforts may not yield the results as expected, and we may fail to maintain and grow our R&D capability.

R&D is critical to the improvement of our product quality and performance. We have been making substantial investments in our R&D endeavors. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, we incurred R&D expenses of RMB212.0 million, RMB285.5 million, RMB362.4 million, RMB176.7 million and RMB188.6 million, representing 6.5%, 7.1%, 5.9%, 5.9% and 4.2% of our total revenue, respectively.

As our industry and the downstream industries we serve are characterized by rapid technological change, we need to continuously invest significant resources in R&D to keep pace with technological advances and remain competitive. However, R&D activities are inherently uncertain, and we cannot assure you that our R&D efforts will yield anticipated results. In addition, we cannot assure you that we will be able to recruit, retain and incentivize qualified R&D personnel, or that we will otherwise maintain and grow our R&D capabilities. As a result, any failure to keep pace with technological developments or to meet customer or industry standards in a timely manner, or any delay or setback in upgrading and improving our products, could materially and adversely affect our competitiveness, business, prospects and market share.

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Failure to maintain effective control over the quality of our products could adversely affect our reputation and brand image, lead to product returns or recalls and result in product liability claims and losses of customers and market share.

Our success depends heavily on our ability to consistently produce and deliver high-quality, high-performance engines and power generator sets in order to attract and retain OEM and other customers, particularly those in the data center and other downstream industries we target. Failure to meet customer reliability or quality standards could materially harm our reputation, brand image and market position and cause us to lose customers and market share.

There is no assurance that we will be able to maintain effective control over product quality at all times. The production of our engines and power generator sets involves technically complex processes and requires a supply of highly specialized components, and any flaws or defects in our or our suppliers’ design or production processes could expose us to potential product liability and risks of product recalls or other shutdowns or disruptions of our production activities, resulting in additional costs, reputational harm and reduced sales. Such flaws or defects could also trigger significant warranty liabilities, as we are obliged to carry out all necessary repairs or replacements at no cost to the affected customer during the applicable warranty period. As a result, defective products could materially and adversely affect our business, financial condition, results of operations and prospects.

We face intense market competition in our industry, and we may not be successful in effectively competing with our competitors.

Our industry is highly competitive, with several factors contributing to this competitive landscape, including improvement in competitors’ products, increased production capacity of competitors, price competition, increased emphasis on new energy engines, and consolidations in the engine industry.

We may not compete effectively with our competitors, particularly large international engine and power generator set companies and major Chinese players. These competitors may have substantially greater financial and other resources, R&D capabilities, operating histories, product applications and market share, allowing them to respond to alternative technologies and market changes more quickly and effectively than we can and weakening our competitive position.

In addition, excess capacity in our industry, whether in power generator engines, marine engines or power generator sets, may arise from demand fluctuations, and any excess capacity or decline in customer demand could drive down prices for our products and, as we and our competitors compete on price, adversely affect our revenues, margins and profitability.

Competitors may also introduce new or improved products that are more favorably received by end users, and end-market competition could drive technological advances that render our products obsolete sooner than expected. Therefore, any failure or delay in introducing competitively priced new or improved products could materially and adversely affect our competitiveness, market position, financial condition, results of operations, business and prospects.

Furthermore, industry consolidation or alliances may result in larger competitors with stronger market positions and greater pricing pressure on us, and consolidation involving our key suppliers or customers could disrupt our existing supplier or customer relationships. The loss of any such supplier or customer could materially and adversely affect our business, financial condition and results of operations.

We depend on and expect to continue to depend on our major customers for a significant percentage of our sales.

In FY2023, FY2024, FY2025 and 1H2026, sales to our five largest customers in each year/period amounted to RMB1,088.7 million, RMB1,135.8 million, RMB2,118.7 million and RMB1,795.3 million, representing 33.6%, 28.4%, 34.4% and 39.9% of our total revenue, respectively, while sales to our largest customer in each year/period amounted to RMB708.4 million, RMB539.4 million, RMB1,269.9 million and RMB1,005.0 million, representing 21.9%, 13.5%, 20.6% and 22.4% of our total revenue,

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respectively. The loss of one or more of our major customers, whether singly or combined together, would have a material adverse effect on our financial condition, results of operations, business or prospects.

We expect to continue to generate a significant portion of our sales from major customers as we target large internet technology companies and distributed power stations as customers or end users of our large engines and power generator sets for their data center construction and capacity expansion projects, and as the data center and other target downstream industries may consolidate or become increasingly concentrated.

Our dependence on top and other major customers exposes us to risks associated with their liquidity and purchasing decisions, and any adverse changes in their financial stability, market position or purchasing patterns could reduce our sales and revenue. We cannot assure you that our major customers will not default on payments or will continue to purchase the same volumes from us. In addition, because we generally do not have long-term sales agreements with these customers, they may terminate their business relationships with us and switch to competitors at any time, and economic or industry challenges may further reduce their demand for our products, any of which could materially and adversely affect our business, financial condition and results of operations.

We have a limited history as an independently operated company, and our historical growth rate may not be indicative of our future performance.

We commenced to operate as an independently operated company in 2022. Prior to that, our business was part of those of GYMCL, which formed a separate division in 2015 to manage our business. Our limited history as an independently operated company may make it difficult to evaluate our business prospects, and our historical performance should not be considered as an indication of our future performance. While we had experienced significant growth during the Track Record Period, there is no assurance that we will be able to sustain such growth or avoid a decline. We face significant challenges and risks in continuing to operate and grow our business, including those in respect of designing, developing and manufacturing high-quality products that meet end-user requirements in the downstream industries we serve; managing production capacity expansion; growing our customer base; managing our supply chain and operational efficiency; expanding our sales, distribution and servicing network in target markets and regions outside China; and adapting to changes in general economic conditions and the regulatory environment. Any failure to address these challenges and risks could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our financial condition, results of operations, business or prospects may be adversely affected to the extent we are unable to continue our sales growth and business expansion.

We experienced significant sales growth during the Track Record Period, with revenues of RMB3,239.0 million, RMB3,999.8 million, RMB6,150.4 million, RMB2,978.1 million and RMB4,494.4 million in FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively. However, there is no assurance that we will be able to maintain or increase our revenue, as our future growth depends largely on many factors beyond our control, including the continued growth of the downstream industries we serve.

Significant challenges may also arise in expanding our production capacity, maintaining or increasing sales in line with that expansion, and managing a larger organization with more employees across different geographies. We also cannot assure you that we will be able to effectively manage future growth, given various challenges and uncertainties, including (i) securing necessary supplies and components, in a volatile supply chain environment; (ii) hiring, training and retaining experienced R&D staff, skilled production workers and management personnel; (iii) manufacturing and timely delivering products to meet increased orders; (iv) maintaining quality standards and competitive pricing; (v) controlling costs; (vi) improving our operational, financial and management controls, compliance programs and reporting systems; and (vii) obtaining adequate funding on commercially reasonable terms for future expansion and investments.

Failure to effectively manage our future growth could adversely affect our financial condition, results of operations, business or prospects.

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We may not be able to continue to use the “Yuchai” trademarks, or ensure the continued strength of the “Yuchai” trademarks.

We primarily offer “Yuchai” branded products, and we have benefited from the brand recognition and synergies associated with the “Yuchai” brand. As of June 30, 2026, we were able to use 26 trademarks (the “**Yuchai Trademarks**”), including “Yuchai” (玉柴), which are owned, and licensed to us, by GY. See “Business — Intellectual Properties” in this document for details. We cannot assure you that GY will not revoke or terminate such license or that we will be able to renew such license upon its expiration. In addition, there is no assurance that GY, its associates or third parties will not challenge our entitlement to use the Yuchai Trademarks or claim that our use infringes their intellectual property rights. Any such revocation, termination, non-renewal or challenge could require substantial management time and resources to rebuild our brand, rebrand and promote our products under a different brand or defend against such claims, which could have a material adverse effect on our business operations, financial condition and results of operations. In addition, most of the Yuchai Trademarks are also used by GY Entities and, through a license from GY, by GYMCL Related Parties. Any harm to or adverse impact on the “Yuchai” brand resulting from misconduct or other improper actions by these or other persons could have an adverse effect on our business and reputation.

We are dependent on our suppliers, some of which are our single-source or limited-source suppliers.

Our engines and power generator sets contain components purchased from external suppliers, some of which are our single- or limited-source. For example, we rely on a single source outside China for high-power HPCR fuel injection pumps and injectors, and during the Track Record Period we procured substantially all of certain key components, principally cylinder block and cylinder head rough castings, from GYMCL Related Parties. Any supply chain disruption, whether due to logistical, financial or other issues, could delay or halt our production, impair our ability to fulfill orders, and result in contractual defaults, lost revenue and higher costs. Other than with the single-source supplier mentioned above, we generally do not enter into long-term supply agreements, and there is no assurance that we will be able to secure alternative suppliers on a timely basis, on acceptable terms or at all. Our dependence on single or limited-source suppliers could also lead to quality control challenges, higher costs and limited adoption of new technologies. For our dependence on GYMCL Related Parties for certain key components, see “Risks Relating to Our Business and Industry — We have, and will continue to have, significant business relationships with the Related Parties. Any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial condition and results of operations” in this section. Our suppliers’ financial stability is also critical, as their financial distress could significantly disrupt our supply chain. Changes in business conditions, force majeure, governmental regulations or policies and other factors beyond our control could also affect their ability to deliver components on a timely basis or at all. Any of the foregoing issues or concerns could materially and adversely affect our business, results of operations, financial condition and prospects.

We depend in part on distributors for the sale of our products, and our limited control over our distributors exposes us to risks.

We distribute our products in part through distributors. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, our revenue generated from sales through distributors amounted to RMB519.6 million, RMB526.7 million, RMB740.2 million, RMB306.3 million and RMB412.9 million, representing 16.0%, 13.2%, 12.0%, 10.3% and 9.2% of our total revenue, respectively. In addition to our direct sales channels, we rely on the market reach and established relationships of our distributors with end users or OEM customers for sales of our products in the relevant markets, and there is no assurance that they will be successful in marketing, selling or supporting our products. We have limited control over our distributors’ actions and business plans, and these parties may engage in misconduct despite contractual prohibitions, including breaching our agreements (such as unauthorized sales or sales into regions that violate exclusive distribution rights); unauthorized or improper use of our brand name; inadequate promotion or support of our products; failing to provide adequate training or services to end users; misrepresenting product functionality; and violating anti-corruption laws in the PRC and other jurisdictions where our products are sold or delivered. Distributor misconduct or non-compliance with our agreements or applicable legal and regulatory requirements could damage our reputation, brand

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image and market position, and disrupt our sales. Any negative publicity, legal action or administrative penalty involving our distributors could also adversely affect our ability to market and sell our products in the relevant markets or jurisdictions.

Our business could be adversely affected by the disruption of supply or shortage of engine components.

We may experience sustained interruptions or shortages in the supply of components and other inputs used by us or our suppliers, such as cylinder block and cylinder head rough castings, crankshafts, camshafts and pistons, which could adversely affect our profitability or our ability to execute our business plan on a timely basis. As our production volume and business expand, our demand for engine components is expected to increase, and any supply interruption or shortage could materially and adversely affect our business, prospects, financial condition and results of operations.

Prices of components or energy used in our production may increase, which may adversely affect our profitability or cause us to suffer operating losses.

Our production depends on various components and energy, the prices of which are subject to significant volatility due to factors beyond our control, depending on market conditions and fluctuations in market demand. Rising prices of key components such as cylinder block and cylinder head rough castings, crankshafts, camshafts and pistons, and of energy (e.g., electricity, natural gas and oil), could significantly increase our production costs. Our ability to pass these costs to customers through price adjustments may be limited by competitive pressures, contractual obligations or customer resistance, and any inability to fully absorb or pass on cost increases could reduce our profit margins and result in lower profitability or operating losses.

Our business, financial condition and results of operations may be adversely affected if we are unable to effectively manage our production capacity or if there are any problems or delays in the production expansion plan.

Our future success depends in part on our ability to effectively manage our production capacity, including production utilization, efficiency, process optimization and the acquisition or upgrading of equipment and facilities. We may not be able to obtain required governmental approvals or permits for our capacity expansion project on a timely basis or at all. We may also experience issues or delays in meeting projected timelines, securing funding, expanding capacity or generating sufficient demand to support expanded capacity, any of which could adversely affect our business, prospects, results of operations and financial condition. In addition, our efforts to enhance our production capacity may not achieve the expected benefits, particularly if demand for our products is insufficient or unstable. Insufficient or unstable demand for our products would affect our capacity utilization. The utilization rate of our production facilities for engines was 88.4%, 93.0%, 98.6% and 94.3% in FY2023, FY2024, FY2025 and 1H2026, respectively. There is no assurance that historical demand levels or utilization rates will be maintained, and any decrease or fluctuation in demand, driven by market trends, customer preferences or other factors beyond our control, could result in lower utilization. If orders from existing customers and new business are insufficient for us to fully utilize our production capacity, our business, financial condition and results of operations could be adversely affected.

We may not be able to effectively manage our inventory risks.

Our inventory mainly comprises components, work-in-progress and finished products, maintained to support production and ensure timely delivery to customers. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our inventory amounted to RMB1,311.2 million, RMB1,509.1 million, RMB2,078.7 million and RMB2,510.0 million, representing 41.1%, 36.7%, 33.1% and 31.3% of our current assets, respectively, with average inventory turnover days of 185, 168, 142 and 127 days for FY2023, FY2024, FY2025 and 1H2026, respectively. We set inventory levels based on factors including our experience, outstanding customer orders, demand assessments and component price fluctuations, all of which are inherently uncertain, and actual demand could differ materially. If we overestimate demand, we could face inventory obsolescence, value decline or write-downs. If we underestimate demand, we may be unable to deliver sufficient product on schedule, resulting in lost orders and reputational harm. High inventory levels may also tie up substantial capital. In addition, under consignment arrangements we entered into with certain customers during the Track Record Period, title

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and inventory risk in respect of the products remain with us until the customer utilizes and accepts the products. See “Business — Sales, Marketing and Customers — Consignment Arrangements” in this document for details. Such arrangement imposes higher requirements on our inventory management and may increase our inventory risks. Any of the above risks, if materialized, may materially and adversely affect our business, results of operations and financial condition.

We market, distribute and sell our products internationally, which poses inherent risks.

We sell our products in overseas markets. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, our sales outside China amounted to RMB120.2 million, RMB214.4 million, RMB335.9 million, RMB105.6 million and RMB232.8 million, representing 3.7%, 5.4%, 5.5%, 3.5% and 5.2%, of our total revenue, respectively. International marketing, distribution and sale of our products may expose us to various risks, including (i) currency exchange rate fluctuations; (ii) costs of understanding local markets and trends; (iii) marketing, distribution, transportation, freight, customer service and support costs; (iv) compliance with differing commercial, operational, environmental and legal requirements; (v) obtaining and maintaining product certifications in overseas markets; (vi) obtaining, maintaining and enforcing intellectual property rights; (vii) recruiting and retaining managerial, technical, sales and other personnel with knowledge of overseas markets; (viii) trade barriers, export requirements, tariffs, taxes, anti-dumping or countervailing duties, safeguard measures and other restrictions that could increase our prices and undermine our competitiveness in certain jurisdictions; and (ix) challenges arising from unfamiliarity with local laws, regulations and policies, our limited operating experience and the costs of establishing of overseas operations.

Given our limited overseas experience, we must devote significant resources to understanding applicable local laws, regulations and policies. In addition, our overseas sales expose us to a greater degree of geopolitical risk, including international tensions, armed conflicts, sanctions, trade restrictions and other forms of political and economic instability in the countries or regions in which we operate or sell. For example, we maintain a sales team in and sell to the Middle East, a region that has experienced significant geopolitical tensions, armed conflicts and other instability as a result of recent political events. Any of the foregoing could disrupt our overseas business activities, reduce or delay customer demand, interrupt logistics, jeopardize the safety of our personnel, trigger additional sanctions or trade restrictions and slow the growth of our overseas sales, any of which could materially and adversely affect our revenue, results of operations, financial condition and prospects.

Our business is subject to extensive government policies and regulations, and our financial condition, results of operations, business and prospects could be adversely affected by changes in relevant government policies and regulations.

Our business is heavily influenced by government policies and regulations affecting many aspects of our operations, including production processes, emission and fuel efficiency standards, environmental protection, climate change, employee health and safety, subsidies and demand for our products. The manufacture of our products is regulated by the Ministry of Ecology and Environment of the PRC and other authorities in China, and our operations and products are subject to national and local laws and regulations governing emissions, noise, air quality, soil contamination, wastewater discharge, the treatment and disposal of hazardous and non-hazardous waste materials, employee health and safety, climate change and environmental protection. Compliance with these requirements imposes numerous obligations on us, including obtaining permits and approvals, paying environmental taxes and observing pollution and waste management standards. In addition, various jurisdictions are adopting or considering new laws and regulations with respect to environmental, social and governance matters. Compliance with these policies, laws and regulations involves significant ongoing compliance costs, and any changes to them or the adoption of more stringent requirements could further increase our compliance costs and adversely affect our financial condition, results of operations, business or prospects.

In particular, regulations in China have been increasingly tightened for diesel engines in recent years, including the mandatory implementation of China’s Non-Road Stage IV emission standards, which impose a series of emission tests both during the production processes and after engine installation. We must also continuously monitor industry and regulatory trends to be prepared, technologically and otherwise, for new and more stringent requirements that may be adopted in the future.

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Compliance with these standards, and our preparations for such future requirements, requires significant investment in advanced technologies and has required us to deploy significant resources on improving major engine components and systems, leading to increased R&D expenditures and other costs, which could place a significant strain on our capital and other resources. If such cost increases cannot be entirely transferred to our OEM and other customers, our margins and profitability could be adversely affected. In addition, the Chinese government has prioritized energy conservation and carbon reduction, with commitments to peak carbon emissions by 2030 and carbon neutrality by 2060, which has led to the introduction of policies and regulations that may de-emphasize traditional engines such as diesel engines and encourage the use of cleaner energy alternatives. Such changes could adversely impact our financial condition and market position. Stricter regulations in other markets where our products are sold, distributed or used, including power efficiency and energy consumption standards for data centers, vessels and other applications, could similarly impose additional compliance costs and operational burdens on us, which could in turn cause us to lose market share and harm our market position.

If we fail to obtain or maintain certifications required or desirable for our products, our business and results of operations may be adversely affected.

We are required to obtain certifications from relevant industry classification societies or organizations for some of our products, including, for example, certifications from the China Classification Society (CCS) for our engines and power generator sets, so that such products may be marketed and sold for applications in the relevant downstream sectors. Some certifications, such as the TLC Product Certification by TL Certification Center Co., Ltd., are voluntary but may be required by customers as a quality and performance assurance. As we expand sales overseas, governmental authorities or customers in those markets may require additional certifications, requiring significant R&D and other resources, and there is no assurance that we will be able to obtain or maintain such certifications. Any failure to obtain or maintain such certifications could undermine our expansion initiatives and materially and adversely affect our business, results of operations, financial condition and prospects.

Our business, financial condition and results of operations may be adversely affected by international export controls and economic sanctions.

The U.S. and other jurisdictions and organizations have implemented measures that impose economic sanctions targeting certain sanctioned countries, or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. See “Regulatory Overview — Overview of Sanctions and Export Control Laws and Regulations” in this document for further details. During the Track Record Period, we conducted direct sales of our engine products to customers located in Turkey and Iraq, and to the best of our knowledge, may have had indirect sales involving end users located in Russia (excluding the Crimea, Luhansk People’s Republic and Donetsk People’s Republic regions). See “Business — Business Activities Relating to Relevant Countries and U.S. Export Control Compliance” in this document for details.

Our business and reputation could be adversely affected if the U.S. or other jurisdictions or organizations were to determine that any of our activities constitute a violation of the sanctions or export control laws they impose, or provide a basis for a sanction designation or export restriction against us. As sanctions and export control programs are constantly evolving, new requirements or restrictions could come into effect, increasing scrutiny on our business or causing one or more of our business activities to be deemed to have violated, or otherwise to be sanctionable under, applicable legal frameworks.

We engage with various third parties in connection with our business, and any misconduct or non-compliance by them could expose us to significant liabilities, reputational harm or other damages.

We engage with various third parties in connection with our business, including component suppliers, service providers, OEMs, distributors and other customers and other business partners. We do not directly control these third parties, and they may lack sufficient resources to meet our requirements, fail to deliver products or services on time or with satisfactory quality, or engage in fraud, bribery, corruption or other misconduct. In addition, any non-compliance by these third parties with applicable laws and regulations, or any unauthorized or improper conduct in connection with our products or

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business, could harm our reputation, expose us to legal proceedings, fines or other penalties, disrupt our supply or sales channels and otherwise materially and adversely affect our business, financial condition and results of operations.

We may not achieve the anticipated benefits, synergies, cost savings or efficiencies from acquisitions, investments or strategic alliances, and may encounter difficulties in valuing, integrating and developing acquired businesses, brands and assets.

From time to time, we may undertake acquisitions or investments, or enter into strategic alliances, including joint ventures, with third parties to further our business purposes. For instance, MTU Yuchai is currently a 50-50 joint venture between our Company and Rolls-Royce. See “Business — Joint Venture with Rolls-Royce” in this document for details.

We cannot guarantee that any of these acquisitions, investments or strategic alliances will be successful or achieve their intended objectives, as their success depends on factors such as market conditions, the regulatory environment, technological developments and the performance of our partners or the acquired or invested businesses. We may not be able to identify suitable acquisition, investment or strategic alliance candidates, or to consummate any such transaction on commercially reasonable terms or at all, and we may face intense competition during the selection process and need to obtain governmental and regulatory approvals or permits that may not be forthcoming. Any such transaction also involves inherent valuation risk, as our assessment of the value, prospects and risks of a target business may rely on assumptions, estimates and limited information and may prove incorrect. As a result, we may overpay for a target or fail to obtain an adequate return on the capital deployed, which may result in goodwill impairment charges, amortization of intangible assets or other write-downs. These transactions may also involve a number of risks, including: (i) failure to integrate the acquired or invested business, brand or assets, or to coordinate operations with our strategic alliance partners, including difficulties in the retention and assimilation of personnel and the integration of operations, systems and culture; (ii) diversion of management’s attention from our existing business; (iii) potential loss of our key employees or the key employees of the acquired, invested or partnered business; (iv) risks relating to new technologies, products, markets, jurisdictions or industries with which we have less experience; (v) the sharing of proprietary information with, and non-performance by, our partners; (vi) disagreements with our partners over strategic, operational or financial matters, which could disrupt operations or lead to dissolution of, or our exit from, the relevant arrangement; (vii) the shared control inherent in joint ventures and other strategic alliances, which may limit our ability to act unilaterally and delay our response to market opportunities or challenges; (viii) unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the transaction; (ix) declines in the value of the acquired or invested assets, businesses or investee companies, including impairment losses that may require us to pursue divestment, restructuring or other strategic actions; and (x) the incurrence of debt or other liabilities, the amortization of expenses related to goodwill and other intangible assets, the potential assumption of legal liabilities, and damage to our brand or reputation if the acquired, invested or partnered business or brand fails to perform as expected.

As a result of these and other risks, we may not always be able to realize the anticipated benefits, synergies, cost savings or efficiencies from any acquisition, investment or strategic alliance, and our ability to grow and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our financial performance is affected by our investments in joint ventures, which are subject to liquidity risk.

We have invested in joint ventures and may continue to do so in the future. The performance of our joint ventures has affected, and will continue to affect, our results of operations and financial position, and depends on a number of factors, some of which are beyond our control. Even where our joint ventures report profits under equity accounting, we will not receive cash inflows unless dividends are declared, and the absence of, or any delay in, such distributions could adversely affect our cash position, financial condition and results of operations. As a result, we may not be able to realize the anticipated economic and other benefits from our investments in joint ventures.

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Our investments in joint ventures are also not as liquid as other investment products, and our ability to promptly sell our interests in our joint ventures in response to changing economic, financial or investment conditions is limited. The market for such interests is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in our joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us, nor can we predict the length of time needed to find a purchaser and to complete the relevant transaction. The illiquid nature of our investments in joint ventures may therefore significantly limit our ability to respond to adverse changes in the performance of our joint ventures and could constrain our financial flexibility and adversely affect our financial condition and results of operations.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payers (such payer(s), the “**Third-Party Payer(s)**”, and such arrangement(s), the “**Third-Party Payment Arrangement(s)**”). In FY2023, FY2024 and FY2025, the number of Relevant Customers amounted to six, 12 and 15, respectively. The aggregate amount of third-party payments we received from Third-Party Payers was RMB49.3 million, RMB60.6 million and RMB53.2 million, which respectively accounted for 1.5%, 1.5% and 0.9% of our total revenue in FY2023, FY2024 and FY2025. Since January 1, 2026, we had ceased to allow our customers to settle payments through Third-Party Payers. See “Business — Third Party Payment” in this document for details.

We are subject to various risks relating to such Third-Party Payment Arrangements during the Track Record Period, including possible claims from Third-Party Payers for return of funds as they were not contractually indebted to us, and possible claims from liquidators of Third-Party Payers. In the event of any claims from Third-Party Payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of Third-Party Payment Arrangements, we will 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.

Fluctuations in exchange rates could adversely affect our results of operations.

We derive a portion of our sales from overseas customers. Therefore, a portion of our total revenues have been denominated in foreign currencies. Our sales outside China represented 3.7%, 5.4%, 5.5%, 3.5% and 5.2% of our total revenues in FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively. As a result, we face risks resulting from currency exchange rate fluctuations. We incurred a net foreign exchange gain of RMB0.1 million, RMB1.3 million, RMB1.3 million and RMB2.3 million for FY2023, FY2024, FY2025 and 1H2025, respectively, and a net foreign exchange loss of RMB1.6 million for 1H2026. We cannot accurately predict the impact of exchange rate fluctuations on our results of operations and may incur net foreign exchange losses that may have an adverse effect on our financial condition and results of operations. As we further expand our business into international markets, we may subject to increasing risk related to foreign exchange rate fluctuations.

We may be unable to obtain sufficient financing to fund our operation, which could limit our growth potential.

Our business and future strategy require significant funding for investments in various business areas, including R&D, production capacity expansion and product promotion and marketing, and we may need to obtain additional funding, including through borrowings or accessing the capital markets. However, securing such financing is subject to various uncertainties, including our results of operations, financial condition and cash flow, broader economic, political and market conditions in China, the state of domestic and international capital markets, and changes in interest rates and market liquidity. There is no assurance that we will be able to obtain additional financing on commercially reasonable terms, or at all, and any inability to do so could materially harm our business and growth prospects. In addition, equity financing could dilute our Shareholders’ interests in our Company, while debt financing would increase our debt servicing obligations and may impose operating or financing covenants that may,

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among other things, restrict our operational flexibility or our ability to pay dividends. If we fail to service our debt or comply with applicable covenants, we could be in default, which could materially and adversely affect our liquidity and financial condition.

We are exposed to risks related to changes in international trade policies and regulations.

Our operations are subject to risks from changes in international trade policies and regulations that may adversely affect the sale and distribution of our products in the relevant jurisdictions. Unfavorable government measures, such as export controls, tariffs, taxes, anti-dumping and countervailing duty orders, market entry or safeguard measures, and other restrictions could increase the price of our products, reduce demand and our competitive position, or prevent us from selling our products in certain jurisdictions. Any new tariffs, trade legislation or renegotiated trade agreements could adversely affect our business, financial condition and results of operations. In addition, we procure production equipment from overseas suppliers, which subjects us to regulatory scrutiny, export control restrictions and licensing requirements imposed by relevant authorities, particularly U.S. or European authorities. Compliance with these evolving requirements requires significant resources, and geopolitical tensions or trade policy shifts could result in procurement delays, increased costs or our inability to acquire necessary equipment or technology, adversely affecting our production capabilities, operational efficiency and overall business performance.

In October 2022, GYMCL, our immediate parent and Controlling Shareholder, was placed on the Unverified List (the “UVL”), which is a supplement to the EAR promulgated by the BIS of the U.S. Department of Commerce. Entities are added to the UVL where the BIS is unable to verify the legitimacy and reliability relating to the end use or end users of items subject to the EAR because an end-use check, such as a pre-license check or a post-shipment verification, cannot be completed satisfactorily for reasons outside the U.S. Government’s control. The U.S. Department of Commerce removed GYMCL from the UVL in December 2022 following an onsite verification at GYMCL. We cannot guarantee that we or any of our subsidiaries, Controlling Shareholders or business partners will not be included on the UVL or the BIS’ Entity List or Denied Persons List in the future. If we or any of our subsidiaries, Controlling Shareholders or business partners are placed on one of BIS’ lists in the future, we could face reputational harm, supply disruptions, restrictions or difficulties in dealing with business partners or obtaining banking facilities, or additional compliance requirements or costs, which could have a significantly adverse impact on our business and results of operations.

We may not be able to adequately protect our intellectual property, which could cause us to be less competitive. Intellectual property infringement claims or other allegations by third parties and third-party infringements of our intellectual property rights may adversely affect our business.

We rely on a combination of invention patent, utility model, design patent, trademark and trade secret laws, restrictions and confidentiality agreements to protect our intellectual property rights. See “Business — Intellectual Properties” in this document for details. Nevertheless, third parties may copy or otherwise obtain or use our intellectual property, including by seeking court declarations of non-infringement, and counterfeiting or imitation of our products could harm our reputation and results of operations. Furthermore, monitoring unauthorized use is difficult and costly, our protective measures may not fully prevent infringement, and enforcing our rights through litigation could result in substantial costs and diversion of resources, adversely affecting our business. In addition, manufacturing companies may be involved in litigation alleging infringement of intellectual property rights, unfair competition or similar violations, particularly in connection with the registration of intellectual property rights and trademarks. Accordingly, we may face infringement claims or allegations from third parties, including our competitors, regarding invention patents, utility models or other intellectual property rights, or claims of unfair trade practices. Any resulting liability, expenses or product changes required to reduce risk of future liability could have a material adverse effect on our business, results of operations and prospects. Furthermore, our patents may expire without extension or be contested, circumvented, invalidated or limited in scope, in which case our patent rights may not protect us effectively. We may not be able to prevent our competitors from developing competing technologies, adopting technological advances or exploiting our patented or other proprietary technologies, which could adversely affect our market position and product competitiveness and materially and adversely affect our business operations, financial condition and results of operations.

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Our business depends substantially on the continuing efforts of our senior management, key employees and qualified personnel.

We are highly dependent on our executive officers, senior management and our R&D and sales and marketing personnel, and recruiting and retaining qualified personnel is critical to our success. The loss of any executive officer or other key employee could impede execution of our business strategy, and replacements may be difficult to secure given the limited pool of individuals with the requisite skills and experience to develop and commercialize our products and services. Competition for these personnel is intense, and any failure to hire, train, motivate or retain them could adversely affect our business, financial condition or results of operations. In addition, we may need to offer higher salaries and benefits to attract and retain future talent, which could increase our human resource costs and reduce profitability.

Any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.

Average wages in China, including for our employees, have increased in recent years and are expected to continue rising. To support our business growth, we may need to expand our workforce of experienced management and skilled personnel to implement our expansion plans and R&D projects, and any labor shortage could disrupt operations at our production bases or delay our expansion. Competition for qualified personnel, particularly R&D experts and engineers, is intense given economic growth and rising living standards in China, and we expect continued upward pressure on labor costs, salaries and benefits. There is no assurance that we will be able to attract and retain sufficient qualified employees on commercially reasonable terms, or at all. Any failure to do so could weaken our competitive position and impede our growth. Higher labor costs could also adversely affect our business, financial condition or results of operations.

In addition, we are subject to stricter regulatory requirements in respect of labor contracts, restrictions on the use of labor dispatching, labor protection and conditions, and statutory employee benefits (including pension, housing fund, medical, work-related injury, unemployment and maternity insurance). Under the PRC Labor Contract Law and its implementation rules, employers face stricter requirements regarding labor contracts, minimum wages, remuneration, probation periods and unilateral termination, which could limit our ability to terminate employees or change our employment practices in a desirable or cost-effective manner and adversely affect our business and results of operations.

Any unexpected disruption at our production facilities could materially and adversely affect our business, financial condition and results of operations.

Our ability to meet customer demand and grow our business depends on the efficient, uninterrupted operation of our production facilities and a constant, sufficient supply of utilities. Earthquakes, fire, drought, flood or other natural disasters, political instability, riots or civil unrest, extended utility or transportation outages, terrorist attacks or other events that limit or disrupt our ability to operate our production facilities could result in substantial losses, including lost revenue from disrupted production.

In addition, we may incur substantial expenses, exceeding our insurance coverage to repair or replace damaged equipment or facilities, our ability to manufacture, supply and deliver products could be significantly disrupted, and our customer relationships could be damaged, any of which could materially and adversely affect our business, financial condition and results of operations.

Outbreaks of communicable diseases may materially and adversely affect our business, financial condition and results of operations.

We face risks from health epidemics and outbreaks of communicable diseases such as COVID-19, SARS, H1N1 and H5N1 influenza, Ebola and Zika, which have in the past and could in the future result in widespread health crises that could adversely affect general commercial activities, economies, financial markets and our business, financial condition and results of operations.

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For example, beginning in late 2019 and early 2020, the COVID-19 pandemic caused temporary closures of many manufacturing facilities in China and globally, and our industry and others experienced longer supply lead times, supply disruptions and limited transport and shipment options. There is no assurance that COVID-19 or other communicable diseases will not recur, and any future outbreak could lead to factory closures, workforce shortages, supply chain or transportation disruptions or similar consequences, the duration and impact of which cannot be predicted or reasonably estimated.

Our operations are subject to inherent operational and safety risks and occupational hazards, which could cause us to incur substantial costs and subject us to administrative or other penalties and compensation claims.

Our production operations could be disrupted for reasons beyond our control, including extreme weather, fire, natural catastrophes, equipment and system failures, labor shortages, labor disputes or environmental issues, any of which could impair our ability to make and deliver products on a timely basis. In addition, given the nature of our operations, incidents involving personal injury or property damage could result in administrative or other penalties or significant compensation claims, and the occurrence of any such events could materially and adversely affect our business, financial condition and results of operations.

We may be exposed to credit risk associated with our trade and bills receivables.

As of December 31, 2023, 2024 and 2025 and June 30, 2026, our trade and bills receivables amounted to RMB1,022.5 million, RMB1,574.2 million, RMB2,446.9 million and RMB3,825.7 million, respectively, with turnover days of 100, 119, 119 and 126 days for FY2023, FY2024, FY2025 and 1H2026, respectively. See “Financial Information — Discussion of Selected Major Items on Consolidated Statements of Financial Position — Trade and Bills Receivables” in this document for details. We may be unable to fully collect these receivables due to factors beyond our control, including deterioration or termination of customer relationships or any decline in our customers’ operations or financial performance, which may cause them to delay or default on payment. Notwithstanding the loss allowances we have recorded, any failure to manage credit risk associated with our trade and bills receivables could materially and adversely affect our cash flows and results of operations.

We recorded net operating cash outflow in 1H2026, and there can be no assurance that we will not have net operating cash outflow in the future.

We recorded net operating cash outflow of RMB147.5 million in 1H2026. See “Financial Information — Liquidity and Capital Resources — Summary of Our Consolidated Statement of Cash Flows — Net Cash Flows Generated from/(Used in) Operating Activities” in this document for details. There is no assurance that we will not have net operating cash outflow in the future. If we encounter net operating cash outflow in the future, we may not have sufficient working capital to cover our operations, and our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

Our product warranties provisions may not be sufficient to fully cover future warranty claims, which could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

Our quality warranties principally cover the repair or replacement of faulty components, and we maintain warranty provisions to cover warranty-related claims. Our product warranty provisions were RMB31.0 million, RMB50.2 million, RMB80.1 million and RMB102.8 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively. We adjust these provisions based on changes in estimated and actual warranty costs, but there is no assurance that they will be sufficient to cover all future warranty claims. Any inadequacy or significant unexpected warranty expenses could materially and adversely affect our financial condition, results of operations and cash flows.

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We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs.

We maintain insurance covering potential property loss, physical injuries or medical expenses involving third parties that occur on our premises, which we consider customary in our industry, but there is no assurance that the amount, scope or benefits of our coverage will be sufficient. Any uninsured risks, including loss of key management and personnel, business interruption, litigation or legal proceedings, natural disasters such as epidemics, pandemics or earthquakes, terrorist attacks, social instability and other events beyond our control, could result in substantial costs and diversion of resources and materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will continue to receive preferential tax treatment by the PRC government in the future.

We currently benefit from certain preferential tax treatments. Under the PRC’s Western Region Development Policy, we have enjoyed a preferential tax rate of 15% since January 1, 2021, which is scheduled to expire on December 31, 2030. In addition, on November 28, 2024, we were recognized as a “High and New Technology Enterprise” and are entitled to a preferential corporate income tax rate of 15% through December 31, 2026, and we are also entitled to additional tax deductions for R&D expenses. There is no assurance, that we will be able to extend or continue to receive the same or similar preferential treatment after expiration, and any disqualification, change, withdrawal or rate increase would result in a higher effective tax rate and increased tax liability. Furthermore, the PRC government may from time to time adjust its policies on VAT, business tax or other taxes, which could also adversely affect our results of operations.

If we do not continue to receive government grants in the PRC, our business, financial condition and results of operations may be adversely affected.

During the Track Record Period, we received government grants from relevant authorities as incentives for our R&D and production facility expansion projects, totaling RMB3.0 million, RMB21.9 million, RMB47.8 million, RMB38.4 million and RMB8.5 million in FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively.

Such government grants may be industry-specific, non-recurring and discretionary and subject to selection criteria and procedures set by local governments, which we may not satisfy in the future, and local governments may also redirect their support to other industries. There is no assurance that any such changes will be favorable to us or that we will continue to receive government grants. If we do not receive grants, or the amount we are entitled to decreases, in any period after the Track Record Period, our financial condition and results of operations for such period may be adversely affected.

We are subject to potential adverse consequences due to legal defects in respect of a parcel of land and certain properties we leased in China.

We leased a parcel of land and a number of properties in China for our factories, R&D space, warehouses and offices during the Track Record Period. If these properties become unavailable due to ownership defects, lessor default or changes in government provisions, our use of the leased land and properties could be disrupted, and we may need to relocate the affected functions and incur additional relocation costs.

As of the Latest Practicable Date, the land parcel we leased was allocated land and certain of our leased properties were also located on allocated land. The leasing of such land and properties had not obtained valid prior approvals from the local land and housing administrative authorities, and we had not been provided with valid title certificates for certain leased properties. See “Business — Properties” in this document for further details. As a result, the lessors of the relevant land and properties may be subject to challenges, lawsuits or other actions taken against the land or the relevant properties leased by us. If the relevant lessors’ rights with respect to such land and properties were successfully challenged, we may be forced to relocate our operations. As such, our business, financial condition and results of operations may be materially and adversely affected.

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In addition, none of our main property lease agreements had been registered with the relevant PRC government authorities as of the Latest Practicable Date. The relevant local housing authorities may require us to complete filing within a prescribed period, and failure to do so could subject us to penalties of RMB1,000 to RMB10,000 per property. See “Business — Properties” in this document for details. Even if certain properties we leased have property title and the lease agreements are properly registered, we cannot assure you that we would be able to renew the leases without substantial additional cost or rent increases, and any renewal at substantially higher rent or on less favorable terms could adversely affect our business and results of operations.

Failure to make adequate contributions to employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of its employees up to a maximum amount specified by the relevant local government from time to time.

During the Track Record Period, we failed to make full contributions to social insurance and housing provident fund for certain employees as required under PRC laws and regulations, with shortfalls of approximately RMB0.2 million, RMB0.3 million, RMB0.7 million, RMB0.1 million and RMB0.2 million in FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively. See “Business — Employees — Social Insurance and Housing Provident Fund Contributions” in this document for details. There is no assurance that competent authorities will not require us to make up underpaid employee benefits or pay related late fees or fines. Under applicable PRC laws and regulations, the relevant PRC authorities may (i) demand payment of outstanding social insurance contributions within a prescribed period, with a late payment fee of 0.05% of the outstanding amount per day, and impose a penalty of one to three times the outstanding contributions for non-payment; and (ii) order payment of outstanding housing provident fund contributions within a prescribed period, failing which they may apply to the People’s Court for compulsory enforcement. Any such required payments, late fees or fines could adversely affect our business operations or financial condition.

We may be subject to risks related to the PRC authorities’ investigatory actions against and the alleged misconduct of certain former directors and senior management personnel of our Controlling Shareholders.

In July 2025, it was reported that the former deputy party secretary and chairman of the board of directors of GY, Mr. Yan Ping (“**Mr. Yan**”), was subject to disciplinary review and investigation by the Discipline Inspection Commission of Guangxi’s Communist Party Committee and the Supervisory Commission of Guangxi (the “**Discipline Inspection Commission and the Supervisory Commission**”) on suspicion of serious disciplinary and legal violations. In February 2026, it was reported that Mr. Yan was found by the Discipline Inspection Commission and the Supervisory Commission to have engaged in misconduct including embezzlement and fraudulent misappropriation of public property, the offering and acceptance of bribes, and engagement in profit-making activities in violation of regulations, and Mr. Yan’s case had been transferred to the procuratorate for review and prosecution. Mr. Yan served as the party secretary and chairman of the board of directors and subsequently, the deputy party secretary and chairman of the board of directors of GY from May 2005 to December 2020, and also served as the chairman of GYMCL from December 2005 to March 2021. In addition, it was also reported in October 2025 that two other individuals, Mr. Wu Qiwei (“**Mr. Wu**”) and Ms. Qin Xiaohong (“**Ms. Qin**”) were detained by the PRC authorities. Mr. Wu was a director of CYI, a director and president of GYMCL, and a director of MTU Yuchai, while Ms. Qin was the chief accountant of GYMCL. Mr. Wu subsequently resigned as a director of GYMCL and CYI, with effect from October 2025, and as the president of GYMCL and a director of MTU Yuchai, with effect from November 2025. Ms. Qin’s position as chief accountant was terminated by GYMCL in August 2025.

As of the Latest Practicable Date, and having made enquiries with CYI, GY and GYMCL, we were not aware of any further developments regarding the aforementioned investigations. Our Company is not a party to any of those investigations and has not received any notifications, enquiries, or requests for assistance from the relevant authorities in connection with those matters.

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None of Mr. Yan, Mr. Wu and Ms. Qin had assumed any position with or has ever been in the employment of our Company. As all major operational, business, and financial decisions of our Company during the Track Record Period were made by the Board, senior management, and/or the Shareholders as a whole in accordance with the Articles of Association and established procedures, we do not expect the foregoing investigations of Mr. Yan, Mr. Wu or Ms. Qin to have any material effect on our business, financial condition or results of operations. However, until the investigations are complete, we are subject to risk of uncertainty concerning the implications of such investigations. Depending on the outcome of the investigation of Mr. Yan, Mr. Wu and Ms. Qin, we cannot assure you that the alleged misconduct of Mr. Yan, Mr. Wu and Ms. Qin and the related investigations may not have a material adverse effect on our reputation and business prospects.

We may, from time to time, be involved in claims, disputes, lawsuits and other legal or administrative proceedings in the ordinary course of our business.

We may, from time to time, be involved in claims, disputes, lawsuits and other legal or administrative proceedings in the ordinary course of business, arising from matters such as contractual disagreements, regulatory compliance, intellectual property disputes and employment issues. These proceedings are inherently uncertain, and unfavorable outcomes including monetary damages, injunctive relief or settlements could impose substantial financial obligations, increase operational expenses, divert management resources and result in significant legal costs. Such actions may also generate negative publicity, harming our reputation and customer and [REDACTED] confidence. Failure to manage or resolve these matters in a timely manner could materially disrupt our business and adversely affect our operational and financial performance.

Our Controlling Shareholders have the ability to exercise control over us and their interests may differ from those our other Shareholders.

Immediately following the [REDACTED], GYMCL, our immediate Controlling Shareholder, will hold approximately [REDACTED]% of Shares in our Company, assuming the [REDACTED] is not exercised. As of the Latest Practicable Date, GYMCL was owned as to approximately 76.41% by CYI through its six wholly owned subsidiaries, which was in turn controlled by HLA. As of the Latest Practicable Date, HLA beneficially owned 48.70% of CYI's shares and a special share that entitles it to elect a majority of CYI's directors and no shareholders' resolution may be passed without the affirmative vote of the special share. See “History, Development and Corporate Structure — Major Development and Shareholding Changes of the Company — Relationship between the Company, CYI, HLA and GY Entities” in this document. Through GYMCL's stock ownership and voting control of our Company, GYMCL and our other Controlling Shareholders are able to exercise control over our business and affairs, including decisions for mergers or other business combinations, acquisitions or dispositions of assets, issuances of additional securities, dividend payments, director elections and other significant corporate actions. There is no assurance that the actions of GYMCL and our other Controlling Shareholders will be in the best interests of our other Shareholders.

The concentration of ownership interests and the significant influence of our Controlling Shareholders over us may discourage, delay or prevent a change of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and result in a depressed price for our Shares.

RISKS RELATING TO OUR DOING BUSINESS IN THE PRC

Inability to adapt to evolving economic, political or social conditions, or changes in government policies, laws or regulations in the PRC, may adversely impact our business, financial condition and results of operations.

Our business, financial condition and prospects may be influenced by general economic, political and social conditions in the PRC. Given that our business, assets and operations are largely located in China, we remain particularly exposed to the evolving regulatory landscape and general economic conditions in the PRC.

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Our performance has been, and will continue to be, materially impacted by economic conditions in China, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China’s economic growth. In addition, China’s economy has experienced significant growth in the past few decades, and the PRC government has implemented various measures to drive or encourage the continued economic growth. These measures may benefit the overall Chinese economy but may not have the same effect on us if we fail to anticipate and effectively respond to the development trend and changes of China’s economy. To ensure our continued business success, we must be able to continuously adapt to and rapidly respond to evolving economic, political or social conditions, or changes in government policies, laws or regulations in the PRC.

It may be difficult to effect service of legal process and enforcing judgments against us or our Directors and senior management or to enforce judgments of non-PRC courts against them.

We are a company incorporated under the laws of the PRC and substantially all of our assets and all our current subsidiaries are located in China. In addition, the majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may not be possible to effect service of process upon most of our Directors and senior management outside China. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if certain requirements are met. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

On January 18, 2019, the Supreme People’s Court of China and Hong Kong 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 (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”) which came into effect on January 29, 2024. According to the 2019 Arrangement, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the PRC even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the PRC.

We are a PRC enterprise, and we are subject to PRC tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Non-PRC-resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the ITT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the non-PRC-resident individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui [1994] No. 20) issued by the MOF and the STA on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprise are exempted from individual income tax for the time being. On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》) pursuant to which the PRC government is planning to cease foreign individuals’ tax exemption for dividends obtained from foreign invested enterprises, and the MOF and the STA should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the STA. Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Pursuant to Circular of 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》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the STA on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions

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had expressly provided that whether individual income tax shall be levied from non-PRC-resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, we cannot assure you that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC-resident individual holders on gains from the sale of H Shares. For non-PRC-resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the PRC Enterprise Income Tax Law and its implementation regulations, dividends paid by us (including payments via the Central Clearing and Settlement System) and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate unless otherwise reduced or exempted by relevant tax treaties or similar arrangement. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC-resident Enterprise Shareholders of H Shares (《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》) (Guo Shui Han [2008] No. 897) issued by STA on November 6, 2008, the withholding tax rate for dividends of the year of 2008 and onwards payable to non-PRC-resident enterprise holders of H Shares will be 10%. Non-PRC-resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval. Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your [REDACTED] in our H Shares.

We are subject to the currency exchange regulatory system of the PRC.

We are subject to the currency exchange regulatory system on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency or otherwise satisfy our foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of [REDACTED]. The initial [REDACTED] for our H Shares to the public will be the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price of the H Shares following the [REDACTED].

We have applied to the Hong Kong Stock Exchange for the [REDACTED] of, and [REDACTED], the H Shares (including any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED] and the H Shares to be converted from Unlisted Shares). A

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[REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for the H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will not decline following the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors’ claims. To expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

We cannot assure you that we will declare and distribute any amount of dividend in the future.

There can be no assurance that we will declare and pay dividends in the future because the declaration, payment and amount of dividends are subject to the determination of our Directors in their discretion, based on a variety of considerations and factors, including, but not limited to, our operations, earnings, cash flows, financial position, operating and capital expenditure requirements, our strategic plans, business development prospects.

Furthermore, under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Moreover, our subsidiaries in China may not have distributable profit as determined under the PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

During the Track Record Period, over 95% of our expenditures were denominated in Renminbi, and over 95% of our financial assets were also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar

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would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including [REDACTED] from the [REDACTED], as Renminbi is the functional currency of our Company and our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. [REDACTED] in our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans or objectives will be achieved and [REDACTED] should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. See “Forward-Looking Statements.”

Certain facts, forecasts and statistics in this document are derived from official government sources which had not been independently verified.

Certain facts, forecasts and statistics in this document relating to the PRC, our industry, the general economy and overseas markets have been compiled partly from various official government sources that we believe are reliable. The information from such sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and actual facts, and other problems, the statistics in this document relating to the PRC, our industry, global economy and overseas markets may be inaccurate and you should not place undue reliance on it.

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

There had been, prior to the publication of this document, and there may be, after the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We have not authorized the disclosure of any information concerning the [REDACTED] in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, [REDACTED] are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.