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OVERVIEW

GYMGP Today

We are a leading power generation solution provider. According to Frost & Sullivan, we are the largest power generator engine provider in China, based on sales revenue of power generator engines in China in 2025. We are also a leading marine engine provider in China, ranking second in terms of sales revenue of medium- and high-speed marine engines in China in 2025, according to Frost & Sullivan. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data center, distributed power station, infrastructure construction, telecommunications, healthcare, mining, agriculture, oil & gas and vessel transportation and operation sectors. We primarily conduct our business in China and maintain overseas sales teams for sales of our products to Europe, Middle East, Africa, Asia and South America.

Our Milestones

Our history traces back to 1951, when Yulin Quantang was established in Yulin, Guangxi to produce agricultural machinery and equipment. Yulin Quantang was developed and subsequently restructured as GY in 1992, with its engine and machinery business transferred into its then newly set-up subsidiary GYMCL. In 2015, a dedicated marine and genset power division was set up by GYMCL, which focused on the development, manufacture and sale of power generator engines and marine engines. In 2022, GYMCL injected the marine and genset power business into our Company. Since then, we have been consistently focusing on independent research and development, product innovation, engineering excellence, and have built the GYMGP brand recognized by global customers.

The following table sets out our major milestones in the development of our business to date:

Year	Event
1951	Yulin Quantang was established in Yulin, Guangxi, which principally engaged in the production of agricultural machinery and equipment.
1992	Yulin Quantang was developed and restructured as GY, and subsequently transferred its engines and machinery business into its newly set-up subsidiary, GYMCL.
1994	CYI, the controlling shareholder of GYMCL, was listed on the NYSE.
2015	GYMCL established a dedicated marine and genset power division which focused on the design, development, manufacture and sale of power generator engines and marine engines.
2016	One of our major power generator engine series, the YC16VC, was launched.
2017	MTU Yuchai, a 50–50 joint venture between GYMCL and Rolls-Royce, a subsidiary of Rolls-Royce Power Systems AG focusing on the production of <i>mtu</i> Series 4000 diesel engines, was incorporated.
2022	With the continued growth of the marine and genset power division and a positive market outlook, GYMCL’s marine and genset business was injected into our Company.

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Our Brand and Product Portfolio

Our product portfolio primarily encompasses power generator engines and marine engines. Our power generator engine products are engineered and manufactured to achieve strong performance, featuring high power output, high reliability, and low emissions, which continuously powers the operation and growth of our end customers. We also provide power generator sets and, to a small scale, engine components and certain engine-related services.

We primarily offer “Yuchai” branded products and have gained customer recognition through diversified product offerings over the years. We also provide *mtu* branded products produced by MTU Yuchai, our joint venture with Rolls-Royce. Through this dual-brand strategy, we are able to address the differentiated needs and preferences of customers.

The table below sets forth a breakdown of our revenue by product type for the years/periods indicated:

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Power generator engines	2,457,201	75.8	3,052,467	76.4	4,216,096	68.5	1,954,638	65.7	3,032,358	67.5
Large engines	853,339	26.4	1,374,107	34.5	2,321,617	37.7	1,027,342	34.5	1,807,332	40.2
Heavy-duty engines	943,006	29.0	864,381	21.6	908,505	14.8	434,363	14.6	533,827	11.9
Medium- to light-duty engines	660,856	20.4	813,979	20.3	985,974	16.0	492,933	16.6	691,199	15.4
Marine propulsion and auxiliary engines	481,183	14.9	476,999	11.9	659,287	10.7	271,102	9.1	378,152	8.4
Power generator sets	114,769	3.6	113,234	2.8	421,417	6.9	284,157	9.5	580,789	12.9
Engine components and others	185,855	5.7	357,096	8.9	853,639	13.9	468,219	15.7	503,082	11.1
Total	3,239,008	100.0	3,999,796	100.0	6,150,439	100.0	2,978,116	100.0	4,494,381	100.0

Our Go-to-Market Approach

We sell our products to original equipment manufacturers (OEMs), end users and distributors worldwide. Our direct customers are primarily OEMs who assemble our power generator engines together with other components into power generator sets for sales, and end users of power generator sets in a wide array of industries. In addition, we sell our marine engines primarily through distributors. We primarily serve our customers through an extensive service network of more than 1,000 authorized service stations and are capable of providing 24/7 rapid response.

Our Globalization Efforts

We strive to expand our global footprint. Our overseas sales increased by 78.4% from RMB120.2 million in FY2023 to RMB214.4 million in FY2024, contributing 5.4% of our total revenue in FY2024; and our overseas sales further increased by 56.7% to RMB335.9 million in FY2025, contributing 5.5% of our total revenue in FY2025. In 1H2026, our overseas sales reached RMB232.8 million, increased by 120.5% from RMB105.6 million in 1H2025, contributing 5.2% of our total revenue in 1H2026. As of the Latest Practicable Date, our overseas sales teams covered Europe, Middle East, Africa, Asia and South America.

Our Global Opportunities

Since our inception, we have continually grown our customer base and gained customer recognition in China. We have strategically begun developing international markets and successfully achieved a foothold in several key markets.

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We see substantial global opportunities ahead, underpinned by rapid capacity expansion in data centers driven by the AI revolution, the wider adoption of distributed power stations, the continued advancement of infrastructure construction and a tight supply of power generator engines. According to Frost & Sullivan, the size of global power generator engine market is expected to grow from approximately RMB66.9 billion in 2025 to RMB159.6 billion in 2030, with a CAGR of 19.0% from 2025 to 2030; and the size of Chinese power generator engine market is expected to grow from approximately RMB18.1 billion in 2025 to RMB46.3 billion in 2030, with a CAGR of 20.7% from 2025 to 2030. In particular, AI data centers, as the core carriers of computing-power infrastructure, are expanding rapidly in market size. As demand for AI data centers is increasing significantly, reliance on highly reliable infrastructure has likewise increased and, in turn, has driven robust growth in demand for power generator engines. According to Frost & Sullivan, the size of the global market of power generator engines for data centers is expected to grow from approximately RMB38.2 billion in 2025 to RMB107.3 billion in 2030, with a CAGR of 22.9% from 2025 to 2030.

Our Financial Performance

During the Track Record Period, we experienced significant growth in our operating results. We recorded revenue of RMB3,239.0 million, RMB3,999.8 million, RMB6,150.4 million, RMB2,978.1 million and RMB4,494.4 million for FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively. Our gross profit was RMB725.5 million, RMB936.4 million, RMB1,529.5 million, RMB692.5 million and RMB1,230.0 million, respectively, and our gross profit margin was 22.4%, 23.4%, 24.9%, 23.3% and 27.4%, respectively, for FY2023, FY2024, FY2025, 1H2025 and 1H2026. Our net profit was RMB395.9 million, RMB535.8 million, RMB877.2 million, RMB447.6 million and RMB826.3 million, respectively, and our net profit margin was 12.2%, 13.4%, 14.3%, 15.0% and 18.4%, respectively, for FY2023, FY2024, FY2025, 1H2025 and 1H2026.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths position us well to capitalize on future opportunities and deliver continued growth:

Leading power generation solution provider in China

We are a leading power generation solution provider in China. According to Frost & Sullivan, we are the largest power generator engine provider in China, based on sales revenue of power generator engines in China in 2025, with a market share of 22.3%. We are also a leading marine engine provider in China, ranking second with a market share of 17.9% in terms of sales revenue of medium- and high-speed marine engines in China in 2025, according to Frost & Sullivan.

We have gained wide recognition from customers. Our power generator engine products have been deployed by leading telecom operators, internet companies and data center providers in China, supporting the reliable operation of critical infrastructure of the economy.

We have also received recognized industry awards and actively participated in shaping industry standards. We have repeatedly been honored with industry awards such as the China Machinery Industry Science and Technology Progress Award by the China Machinery Industry Federation and Chinese Mechanical Engineering Society, and the China Patent Award by the China National Intellectual Property Administration. Additionally, we have participated in the revision of one international standard, “Reciprocating Internal Combustion Engine Driven Alternating Current Generating Sets-Part 4: Controlgear and Switchgear”, the revision of five national standards, including Part 1, Part 7 and Part 9 of “Reciprocating Internal Combustion Engine-Driven Alternating Current Generating Sets” (往復式內燃機驅動的交流發電機組), “Technical Requirement and Assessment Method of Energy Saving Products and Technologies for Marine” (船舶節能產品使用技術條件及評定方法) and “Marine Methanol Fuel Engine” (船用甲醇燃料發動機), the revision of one industry standard of “Gas Engines: General Technical Requirement and Test Methods” (燃氣機通用技術條件和試驗方法), and the development of seven new social organization standards, including “Radiators for Diesel Generator

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Sets” (柴油發電機組用散熱器), “Xizang Financial Data Center Construction Standards” (西藏金融數據中心建設規範), “Specification for Mobile Power Vehicles (Diesel Engine Category)” (移動電源車運維管理技術規範(柴油機類)), “Electric Heater for Diesel Engine Cooling Systems” (柴油機冷卻系統電加熱器), “Valve Springs for High-Power Internal Combustion Engines” (大功率內燃機氣門彈簧), “Diesel Engine Virtual Calibration System” (柴油機虛擬標定系統) and “Technical Specification for Prefabricated Data Centers” (預製化資料中心技術規範). Such recognitions and contributions across the entire industrial chain have also contributed to our leading market position.

Comprehensive and competitive product portfolio

We have assembled a comprehensive and competitive product portfolio consisting of power generator engines, marine engines, power generator sets and engine components. As of June 30, 2026, we have launched 29 series of power generator engines and 23 series of marine engines to the market.

Our “Yuchai” branded engine products feature high power output, high reliability and low emissions. For example, our YC16VC series power generator engines boast a maximum power of 3,608 kW and a maximum speed of 1,500 r/min, which can address the load-carrying capacity requirements of power generator sets for data centers. Adopting our proven electronic unit pump (電控單體泵) (“EUP”) and high-pressure common-rail (高壓共軌) (“HPCR”) technologies, a typical 2 MW power generator set integrated with our YC16VC series power generator engine can achieve a maximum transient load acceptance of 77% while meeting the G3-class requirements. By comparison, comparable power generator engines of the same power output generally achieve about 60% to 65% maximum transient load acceptance, according to Frost & Sullivan. We also distribute **mtu** branded engine products, which are manufactured by MTU Yuchai, our joint venture with Rolls-Royce. Through this dual-brand strategy, we are able to address the differentiated needs and preferences of customers.

As of the Latest Practicable Date, our power generator engines covered a broad power output range from 5 kW to 4,200 kW, catering to the diverse needs from small-scale industrial facilities to mega infrastructure projects. Our power generator engines serve a wide array of markets across the economy and play an important role in areas such as emergency backup power supply, off-grid power generation and grid peak shaving. In particular, the AI revolution is fueling a structural, long-term expansion of the data center market, which in turn is driving significant and durable demand for power generation capacity. This creates a significant secular tailwind for our product portfolio, which is strategically positioned to fulfill the evolving requirements for reliable and resilient power supply.

Our marine propulsion engines provide robust propulsion solutions for a broad spectrum of vessels operating in inland waterways and coastal waters, encompassing fishing, cargo, passenger, engineering and other vessels.

Systematic, proprietary and forward-looking R&D capabilities

Through sustained long-term investment, we have built leading-edge R&D capabilities, demonstrated by our core technologies advancements.

- (a) **High-strength, lightweight design technology:** Our high-strength, lightweight and low-inertia design achieves high power density and high-speed performance for large-bore power generator engines, addressing common issues in traditional large-bore engines such as complex structure, heavy weight and poor rigidity. As of the Latest Practicable Date, our VC series (including YC16VC and YC12VC series) was the only domestically-produced series of V-type high-speed diesel power generator engines in China with a cylinder bore of 200 mm or greater.
- (b) **High-efficiency, clean combustion technology:** Our proprietary and advanced obliquely-mounted EUP system, designed specifically for high-speed, high-power power generator and marine diesel engines, achieves high-efficiency clean combustion, low cost and strong fuel adaptability.

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- (c) ***Intelligent control technology:*** Our full-function, high-power controller with an integrated electronic control unit (ECU) that is compatible to different fuel engines. It features intelligent control of air-fuel ratio and knocking, ensuring stable operation under diverse fuel source conditions and in demanding industrial scenarios.
- (d) ***Integrated grid-connection control technology for power-station generator-set clusters:*** Our integrated grid-connection control technology for power-station generator-set clusters focuses on the integrated design across high-speed, high-power power generator engines, high-efficiency alternators, highly elastic couplings, efficient waste heat recovery units, intelligent generator set control systems, multi-unit grid-connection control systems, intelligent monitoring and alarm systems, containerized systems and fire protection linkage systems. Such technology aims to address the challenges of multi-functional requirements and high integration levels in power stations.
- (e) ***Marine propulsion system technology:*** By adopting simulation-based hull-engine-propeller matching analysis, this technology addresses inefficiencies, high energy consumption and power response lag in the main propulsion system of marine engineering vessels operating under complex sea conditions and variable loads. It achieves optimal matching between the engine, gearbox and propeller, ensuring high overall propulsion efficiency.

We have built an efficient collaborative design system based on the Teamcenter platform. Through full-process tools including 3D modeling and computer-aided simulation analysis, we have achieved efficient and precise design. In addition, leveraging full-parameter forward simulation design technology, we have achieved the forward design of finished power generator engines, enabling us to precisely calculate product performance and proactively avoid design defects.

Moreover, we have established a solid trial operation mechanism, ensuring R&D accuracy, new-product development efficiency and rapid response to market demands. Our engine testing benches have a test capacity of up to 7,500 kW. Such benches have wide testing and measurement capabilities across engine performance, emissions, reliability, functionality, generator-set transient and steady-state performance, and vibration and noise. They can also accommodate testing for engines using various fuels such as diesel, natural gas and methanol, along with component installation and removal, providing full support for verifying and improving design outcomes.

Our entire design and R&D process follows the “V-model”. In the “V-model”, development phases and testing phases are mapped on a one-to-one basis and are carried out in parallel. Centered on end-customer needs and application scenarios, we conduct targeted design and development, proactively lock in verification criteria, and ensure each design phase is traceable and verifiable. See “Research and Development — R&D Process” in this section for further details.

Our R&D activities are driven by a dedicated R&D team with solid technological expertise. As of June 30, 2026, we employed 174 R&D personnel, accounting for 21.4% of our total workforce, of which over 23.6% hold a master’s degree or higher. The core members of our R&D team have an average of around 10 years of industry experience spanning engine design, system design, simulation analysis, performance development, mechanical development and intelligent control and other key areas. The team and its members have received several national and industry awards, including the “2020 China Outstanding Patent Award,” the “Second Prize of China Machinery Industry Science and Technology Award,” and the “2024 Guangxi Science and Technology Progress First Prize”. Leveraging our technical accumulation and industry experience, we have led or participated in the formulation or revision of one ISO international standard, five national standards, one industry standard and seven new social organization standards, contributing to the normalization and standardization of industry technologies while building our own market influence. We have built a robust intellectual property and technology barrier. As of June 30, 2026, we held a total of 613 patents, comprising 604 patents (including 113 invention patents) in China and nine international patents under the Patent Cooperation Treaty.

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We have in-depth collaborations with leading international engine design and research firms and institutions, including, among others, FEV Group GmbH of Germany, HERON Technik GmbH of Austria and Brunel University of London in the United Kingdom, and domestic higher education institutions in the PRC, including, among others, Shanghai Jiao Tong University, Huazhong University of Science and Technology, Tianjin University and Wuhan University of Technology. Through joint efforts with such firms and institutions to tackle key challenges, we continuously advance our technological capabilities.

Engineering excellence across the entire value chain

We have built a high-quality, efficient, flexible and cost-competitive manufacturing and supply chain system through a carefully balanced strategy that combines the strategic in-house production of core components with robust multi-tier sourcing capabilities.

We self-develop and manufacture core engine components such as cylinder blocks and cylinder heads. Our self-developed cylinder blocks can withstand ultra-high explosion pressure of over 250 bar. Our self-developed cylinder heads feature an air passage flow coefficient of 0.4. This ensures our products’ strong performance, high reliability and sustained cost advantages. We have also established an end-to-end supply chain system that extends through to our suppliers, effectively ensuring seamless coordination of component production, on-time delivery and consistent quality. We implement a multi-sourcing strategy, generally maintaining a minimum of two qualified suppliers for our important components to mitigate supply chain risks. See “Supply Chain — Procurement” in this section for details. This sourcing strategy is further supported by a highly localized supply chain. As of June 30, 2026, over 90% of component categories were procured within China.

We adopt modularized, series-based and standardized design principles, which significantly enhance our production flexibility and order fulfillment speed, while strengthening the compatibility of our products across diverse application scenarios. From the outset of the initial design phase, we holistically consider diverse needs of multiple industries, allowing us to meet end customers’ non-standard requirements with minimal structural adjustments. In the production phase, we have established a flexible production system capable of swift reconfiguration and workflow adjustments. Our production system is capable of producing multiple product categories, achieving an effective balance of efficient production and customized solutions.

We embrace lean manufacturing as our core production philosophy, with a quality management system of self-inspection, mutual inspection and dedicated inspection. We have installed equipment such as five-axis machining centers, horizontal boring and milling machining centers and assembly and painting robots, complemented by three-dimensional coordinate measuring machines. With our manufacturing execution system (MES) and quality management system (QMS), we can trace product quality across all production phases. We also maintain management system certifications (including ISO9001 quality management system certification, CCS certification and sector-specific product certifications for power generation products and marine engines to ensure the effectiveness of our operation and management system.

Extensive sales and service network and expanding global footprint

We operate an extensive sales network in both China and overseas countries. As of June 30, 2026, our sales and service network in China consisted of our headquarters and 13 regional sales centers in major geographic regions in China. To support our international presence and expansion, we have established five overseas business divisions covering Europe, Middle East, Africa, Asia and South America, with 179 sales and marketing personnel, including 121 stationed in China and 58 stationed outside of China, as of June 30, 2026. For FY2023, FY2024, FY2025, 1H2025 and 1H2026, our revenue from overseas markets amounted to RMB120.2 million, RMB214.4 million, RMB335.9 million, RMB105.6 million and RMB232.8 million, respectively, representing 3.7%, 5.4%, 5.5%, 3.5% and 5.2% of our total revenue for the same period, respectively.

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We have also established an extensive service network of more than 1,000 authorized service stations. All engineers and technicians at the authorized service stations are required to attend at least 200 hours of training, obtain relevant certificates and pass annual examination. These measures, among others, contributed to our customer satisfaction rate of over 96.5% during the Track Record Period, which was calculated based on post-service hotline follow-up ratings from customers receiving after-sales services and defined as the percentage of 5-star (“very satisfied”) and 4-star (“satisfied”) evaluations out of all responses.

In China, our service network covered 333 prefecture-level divisions and four centrally-administered municipalities as of the Latest Practicable Date. In addition, we have senior field and technical service engineers stationed across China, dedicated to resolving complex after-sales issues. Our well-trained, skilled service engineers, supported by ample spare parts inventory and efficient operations management, ensure a 24/7 rapid response capability. For all customer repair and maintenance requests, we guarantee a response in five minutes.

Visionary management team with proven track record of innovation

Our management team possesses solid industry expertise, with an average of over 10 years of experience across the power generation and marine engine industries. They have a deep understanding of industry landscape, technological trends and customer needs.

Our executive Director and general manager, Mr. Ning Xingyong (寧興勇), with over 30 years of experience in the power generator engine industry, has both local expertise and a global perspective. With his market insights and consistent strategy execution, we have achieved strong operating results, including ranking first in sales revenue of power generator engines in China in 2025, according to Frost & Sullivan. Additionally, he has successfully positioned our Company as one of the suppliers of backup power supplies for data centers of major domestic telecommunications companies and global internet technology companies. Furthermore, with rich experience across the entire value chain including production, R&D and marketing, Mr. Ning has taken the lead in a series of major reform initiatives, including the reform of the hourly wage system for production lines, enhancement of marketing channels and the implementation of a project-based R&D management system. Mr. Ning has been leading our Company to solidify our leading position in China and expand our overseas presence.

Our chief technology officer, Dr. Huang Yongzhong (黃永仲), holds a doctor’s degree and is a senior engineer (正高級工程師), and was reappointed as a member of the Expert Committee of the China Internal Combustion Engine Industry Association in 2025, and was formerly appointed as a member of the Expert Committee of the China Electrotechnical Society. He has led numerous national and provincial key R&D projects, including the topic under the National Key R&D Program Project “Prototype Vessel Demonstration of Ultra-Low Emission Control System” and the Guangxi Major Science & Technology Special Project “R&D of High-Efficiency, Energy-Saving, and Environmentally Friendly Marine and Power Generator Diesel Engines”. He led the development of the world’s first MW-scale methane-fueled power generator set capable of stable operation with coal mine gas concentration as low as 6%, China’s first high-speed, high-power diesel power generator engine with a cylinder bore exceeding 200 mm, as well as China’s first marine diesel engine compliant with IMO’s Tier III emission standards, and has led his team to develop more than 20 engine series of marine and power generator engines, including the YC4D, YC16VC and YC12VC series. Over the past five years, as the project principal, Dr. Huang has led five national and provincial-level projects, such as the Guangxi Innovation-Driven Development Special Fund Project “R&D of High-Efficiency, Energy-Saving and Environmentally Friendly Marine and Power Generator Diesel Engines”, the Guangxi Major Science and Technology Special Project “Development and Industrialization of Next-Generation High-Power Power Generator Engines, the topic under the National Key R&D Program “Prototype Vessel Demonstration of Ultra-Low Emission Control System”, the Guangxi Major Science and Technology Project “Research and Industrialization of Key Technologies for Marine Engineering Engines” and the Guangxi SASAC Science and Technology Achievement Transformation Project “Development and Industrialization of High-Efficiency, Intelligent and High-Power Gas Generator Sets”.

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OUR STRATEGIES

We intend to pursue the following strategies to enhance our core competitiveness, grow our business sustainably and maintain our market position while creating value for customers.

Deepen penetration in core applications to solidify market position

We aim to further solidify our market strengths in the core applications of our engine products by deepening penetration in key end-user application markets.

- (1) ***Data center backup power applications.*** We plan to grow engine sales by establishing long-term partnerships with top-tier anchor customers, including leading internet technology and cloud service providers, and establish benchmark projects to strengthen brand recognition. We will obtain international certifications to expand into overseas markets and grow high-end market share amid global data center growth. We will refine our multi-generator set cluster grid-connected solution, provide customized OEM solutions and collaborate with OEM partners to develop tailored backup power solutions.
- (2) ***Distributed prime power station applications.*** We seek to expand market share by addressing core needs in industrial parks, regional energy centers and small-to-medium-sized mining sites. We will deepen cooperation with domestic regional energy operators and overseas small- and medium-sized energy enterprises to develop standardized solutions for distributed prime power stations, and build a digital O&M platform offering real-time energy consumption monitoring and predictive maintenance alerts.
- (3) ***Infrastructure construction power generation applications.*** We will establish long-term partnerships with EPC contractors, local infrastructure construction platforms and engineering project operators, and develop benchmark cases to enhance brand relevance in infrastructure and engineering sectors.
- (4) ***Medium-speed marine engine applications.*** We plan to gradually expand into the medium-speed marine engine segment from our current high-speed marine engine portfolio. We will deepen cooperation with leading shipyards and ocean-going shipowners by providing integrated medium-speed engines and marine propulsion power solutions. We will also pursue international classification society certifications and penetrate emerging shipbuilding markets including Asia and South America via local distributor networks.

Enrich product portfolio to cover full-scenario power demands

We aim to strengthen our comprehensive product portfolio with full-scenario customization to meet differentiated power solution needs across downstream industries.

- (1) ***Refine power generator engine product offerings.*** We will address multi-scale power generation needs, deepen penetration in core applications and enhance product adaptability. For large-scale data centers and industrial facilities, we will develop engines exceeding 5,000 kW with improved modular design and better multi-generator set cluster compatibility. For medium-to-large oil & gas fields, we will develop high-efficiency power generator engines with fuel consumption below 174g/kWh and enhanced maintainability in extreme environments. For overseas rural infrastructure, small-to-medium industrial applications and telecom base stations, we will upgrade existing models with intelligent remote operation and maintenance features, and boost regional energy adaptability. We will build a tiered portfolio with large engines as flagship and medium- to light-duty engines as support to cover both large centralized and small distributed applications.
- (2) ***Improve marine engine product spectrum for green shipping transformation.*** We will capture the high-end and low-carbon trends by expanding product categories. We will upgrade medium-speed marine engines for high-end applications including ocean cargo vessels, tugboats and large offshore engineering platforms, and establish a marine engine portfolio covering diverse vessel types and routes.

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- (3) **Promote fuel type diversification and low carbon and energy adaptability.** We will enhance multi-fuel compatibility across conventional, low-carbon and zero-carbon fuels, supported by dedicated test bench investment. For conventional fuels, we will optimize clean combustion, cut fuel consumption and emissions, and strengthen fuel filtration and corrosion protection. For low- and zero-carbon fuels, we will develop engines compatible with natural gas, biodiesel, methanol, hydrogen and ammonia, as well as flexible fuel-switching control systems to reduce fuel dependence and deliver customized solutions.
- (4) **Focus on scenario-based product customization.** We will provide tailored power solutions for specific scenarios. For hyperscale data center backup power, we will develop dynamic load distribution algorithms for multi-generator set clusters with intelligent and energy storage coordination for high-stability operation. For high-dust and extreme-cold environments, we will upgrade air filtration, cold-start, load-bearing, cooling and lubrication systems with improved corrosion and dust protection. For marine applications in harsh ocean conditions, we will enhance engine-propeller matching and low-carbon fuel engine adaptability across vessel types and routes.

Fortify technological R&D to consolidate core technological barriers

We will pursue core technological breakthroughs and iterations through continuous in-house R&D, resource integration and improved scenario-specific product adaptability.

We aim to resolve critical technology bottlenecks and enhance functionality and application-specific adaptability for key scenarios. For high-power power generation, we will further advance high-efficiency clean combustion technology to improve engine thermal efficiency, develop high-strength lightweight components and materials for higher-power series, and strengthen durability under long-term extreme operating conditions. For low-carbon power generation, we will accelerate new fuel technology deployment, focusing on combustion efficiency and corrosion control for natural gas, methanol and ammonia, while expanding fuel adaptability of intelligent control systems to enable precise air-fuel ratio control and knock suppression for new fuel engines. For power station generator set clusters, we will upgrade grid-connection control technology and dynamic load distribution algorithms to enhance synchronization and stability during multi-generator set capacity expansion. We will also pursue high-end breakthroughs in medium-speed marine engine technology, including key control systems for higher-power models and improving dynamic response under complex ocean conditions and heavy loads, to satisfy demand from high-end ocean-going vessels and large-scale power stations.

We will deepen industry-academia-research collaboration and integrate global technology resources. Internationally, we will collaborate with leading research institutions in advanced fields, adopting advanced testing methods and extreme-condition standards to meet high-end overseas market requirements. Domestically, we will establish rapid pilot and industrialization channels with universities, focusing on efficient new fuel adaptation and dynamic load regulation for intelligent grid-connection systems, and jointly cultivate specialized talents in low-carbon power and high-end medium-speed engines to support long-term R&D needs.

Expand production capacity and optimize supply chain

We aim to align with our core business growth, build a stable and efficient production and supply system through targeted capacity expansion and supply chain optimization to support sustainable business development.

In terms of capacity expansion, we will prudently expand production capacity focusing on core products including large engines and medium-speed marine propulsion engines to ensure delivery capability.

On the supply chain front, we will refine qualification criteria for high-end key component suppliers, expand the high-quality supplier pool and enhance multi-supplier backup mechanisms to mitigate procurement risks. We will improve our tiered supplier evaluation model to support high-end product expansion and globalization. We will deepen technical cooperation with key component

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suppliers such as crankshafts and accelerate localization of import-dependent components. We will strengthen digital supply chain management by integrating data and production planning systems to enhance early risk warning precision and material allocation efficiency, ensuring stable and timely material supply.

Expand global footprint and service network

We aim to capitalize on growing global demand and regional expansion opportunities through market development, localized operations, service upgrades and global brand building.

We will adopt a dual-path overseas strategy of “scenario-based promotion + benchmark case dissemination” to expand markets and strengthen inter-regional cooperation and brand penetration. We will participate in industry exhibitions to showcase locally adapted power solutions, cooperate with Chinese enterprises on overseas projects to build replicable flagship cases, and partner with local OEMs, distributors and end users to conduct brand promotion and providing customized power solutions, enhancing overseas customer recognition and loyalty.

We plan to build localized operation systems covering marketing, technical support and brand communication to meet differentiated regional needs. We will collaborate with local technical institutions and industry associations to track technology trends and policy changes, refine marketing priorities and align brand positioning with local demand to support product iterations and strategy adjustments.

To enhance service capabilities and customer experience, we will focus on customer demands for equipment reliability and timely response, and establish a global service support system. We will set up service stations with local partners or develop in-house local teams, strengthen remote technical support for equipment diagnosis and troubleshooting, and optimize the global component distribution system with regional inventories to ensure timely supply and secure equipment uptime for overseas customers.

BUSINESS MODEL

We are a leading power generation solution provider and also a leading marine engine provider in China. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data center, distributed power station, infrastructure construction, telecommunications, healthcare, mining, agriculture, oil & gas and vessel transportation and operation sectors. We focus on technology development and building products with strong performance, high reliability and sustained cost advantages.

We procure engine components from trusted and selected suppliers to ensure the quality and stability of components. We primarily produce our engines and power generator sets in-house, and also source engines and power generator sets from specialized and qualified suppliers to meet robust market demands. Leveraging our experience and insight in the engine and power generator set industries, we establish relationships with OEMs and other customers worldwide. We primarily conduct our business in China and maintain overseas sales teams for sales of our products to Europe, Middle East, Africa, Asia and South America. We serve our customers through our in-house service teams as well as our extensive network of authorized service stations.

PRODUCTS AND SERVICES

We primarily offer “Yuchai” branded products. Capitalizing on our long-standing experience in developing and producing diesel engines in China, we have gained recognition among OEMs, distributors and end users and assembled a comprehensive and competitive product portfolio. We also provide **mtu** branded products produced by MTU Yuchai.

Our product portfolio primarily encompasses power generator engines and marine engines. Our power generator engines can be categorized into (i) large engines with rated power of more than 1,500 kW, including both self-produced “Yuchai” branded engines and **mtu** branded engines sourced from

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MTU Yuchai; (ii) heavy-duty engines with rated power between 500 kW and 1,500 kW (both inclusive), including both self-produced engines and engines primarily sourced from the GY Entities; and (iii) medium- to light-duty engines with rated power of less than 500 kW, including both self-produced engines and engines primarily sourced from GY Entities and GYMCL Related Parties. Our marine propulsion and auxiliary engines include both self-produced engines and engines primarily sourced from GY Entities and GYMCL Related Parties. As of June 30, 2026, we offered 29 series of power generator engines and 23 series of marine engines.

We also offer self-produced and externally sourced power generator sets. In addition, on a small scale, we supply engine components and provide certain engine-related services.

Self-produced engines or self-produced power generator sets are engines or power generator sets produced by us in-house. Engines and power generator sets are treated as self-produced even if we outsourced certain discrete production steps, such as machining and performance testing, to qualified service providers, provided that we were responsible for the production plan, technical specifications, quality standards and release for shipment, and the engines or power generator sets were not procured as finished engines or power generator sets from suppliers. According to Frost & Sullivan, such definition of self-produced products is consistent with industry norms. Externally sourced engines or power generator sets are finished engines or power generator sets procured by us from our suppliers, primarily GY Entities, GYMCL Related Parties, MTU Yuchai and OEMs, for sales to our customers. During the Track Record Period, (i) our externally sourced large engines were *mtu* branded engines procured from MTU Yuchai, (ii) our externally sourced heavy-duty engines were primarily procured from GY Entities, (iii) our externally sourced medium- to light-duty engines were primarily procured from GY Entities and GYMCL Related Parties, (iv) our externally sourced marine engines were primarily procured from GY Entities and GYMCL Related Parties, and (v) our externally sourced power generator sets were procured from qualified third-party OEMs. See “Transactions with the Related Parties” and “Products and Services — Power Generator Sets” in this section for details. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, we generated 68.0%, 67.2%, 67.5%, 63.1% and 71.0% of our revenue from sales of our self-produced engines and self-produced power generator sets, respectively.

The table below sets forth a breakdown of our revenue by product category for the years/periods indicated:

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Power generator engines	2,457,201	75.8	3,052,467	76.4	4,216,096	68.5	1,954,638	65.7	3,032,358	67.5
Large engines	853,339	26.4	1,374,107	34.5	2,321,617	37.7	1,027,342	34.5	1,807,332	40.2
Self-produced	652,701	20.2	1,114,903	28.0	2,013,851	32.7	839,455	28.2	1,591,777	35.4
Externally sourced	200,638	6.2	259,204	6.5	307,766	5.0	187,887	6.3	215,555	4.8
Heavy-duty engines	943,006	29.0	864,381	21.6	908,505	14.8	434,363	14.6	533,827	11.9
Self-produced	933,861	28.7	829,245	20.7	865,557	14.1	417,403	14.0	489,712	10.9
Externally sourced	9,145	0.3	35,136	0.9	42,948	0.7	16,960	0.6	44,115	1.0
Medium- to light-duty engines	660,856	20.4	813,979	20.3	985,974	16.0	492,933	16.6	691,199	15.4
Self-produced	200,247	6.2	317,360	7.9	428,536	7.0	190,594	6.4	270,207	6.0
Externally sourced	460,609	14.2	496,619	12.4	557,438	9.0	302,339	10.2	420,992	9.4
Marine propulsion and auxiliary engines	481,183	14.9	476,999	11.9	659,287	10.7	271,102	9.1	378,152	8.4
Self-produced	397,149	12.3	408,596	10.2	580,690	9.4	227,287	7.6	337,798	7.5
Externally sourced	84,034	2.6	68,403	1.7	78,597	1.3	43,815	1.5	40,354	0.9
Power generator sets	114,769	3.6	113,234	2.8	421,417	6.9	284,157	9.5	580,789	12.9
Self-produced	18,752	0.6	16,697	0.4	263,309	4.3	204,111	6.8	500,292	11.1
Externally sourced	96,017	3.0	96,537	2.4	158,108	2.6	80,046	2.7	80,497	1.8
Engine components and others	185,855	5.7	357,096	8.9	853,639	13.9	468,219	15.7	503,082	11.2
Total	3,239,008	100.0	3,999,796	100.0	6,150,439	100.0	2,978,116	100.0	4,494,381	100.0

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We offer engines and power generator sets powered by both traditional and clean energy sources. Our traditional energy products are primarily diesel-fueled, while our clean energy products are gas-fueled, utilizing natural gas, petroleum associated gas, coalbed gas, biogas, LNG and others. In each year/period during the Track Record Period, over 90% of our revenue from sales of engines and power generator sets was attributable to products fueled by traditional energy sources. In parallel with our focus on traditional energy products, we are actively strengthening technology reserves for clean energy products and expanding our clean energy product offerings.

The table below sets forth the engine and power generation set units sold by product category for the years/periods indicated.

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>1H2025</u>	<u>1H2026</u>
	(unit)				
Power Generator Engines	35,601	43,225	53,560	27,620	39,835
Large engines	977	1,394	2,168	961	1,667
Self-produced	828	1,219	1,956	830	1,531
Externally sourced	149	175	212	131	136
Heavy-duty engines	5,023	4,756	5,720	2,770	3,457
Self-produced	4,941	4,437	5,360	2,619	3,117
Externally sourced	82	319	360	151	340
Medium- to light-duty engines	29,601	37,075	45,672	23,889	34,711
Self-produced	5,501	7,598	10,821	4,778	6,907
Externally sourced	24,100	29,477	34,851	19,111	27,804
Marine Propulsion and Auxiliary Engines	4,911	4,282	5,104	2,574	2,691
Self-produced	2,144	2,090	2,607	1,150	1,449
Externally sourced	2,767	2,192	2,497	1,424	1,242
Power Generator Sets	170	1,448	3,260	1,241	1,827
Self-produced	39	14	135	106	300
Externally sourced	131	1,434	3,125	1,135	1,527

In FY2023, FY2024, FY2025, 1H2025 and 1H2026, while 66.3%, 66.7%, 63.7%, 68.0% and 68.3% of the engine units we sold, respectively, were externally sourced medium- to light-duty engines and marine engines, such engines contributed only 16.8%, 14.1%, 10.4%, 11.6% and 10.3% of our revenue in the corresponding years/periods, respectively. Such externally sourced engines were primarily procured from GY Entities and GYMCL Related Parties, and, compared with the higher-power engines we produced in-house, generally had lower selling prices and gross margins. We procured such engines to complement our higher-power product offerings with other engine products to provide customers with a comprehensive product portfolio with broad power-output coverage, to address existing market demand, and to strengthen our market position, while concentrating our internal resources and capacity on developing and producing higher-power engines with generally higher margins. See “Transactions with the Related Parties — Reasons for Sourcing Finished Engines from the Related Parties” in this section for details.

Power Generator Engines

As of the Latest Practicable Date, our power generator engines, including large engines, heavy-duty engines and medium- to light-duty engines, covered a broad power output range from 5 to 4,200 kW. Such engines, when integrated into power generator sets, serve as either prime or backup power across a wide range of applications, including but not limited to data centers, distributed power stations, infrastructure, infrastructure construction, high-end manufacturing, mining, oil & gas exploration, telecom base stations, public safety and emergency response, etc. Certain series of our diesel power generator engines achieve a minimum fuel consumption rate of 189 g/kWh or less. As of June 30, 2026, we offered 29 series of power generator engines.

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The table below sets forth the rated power of, primary applications for and major series of our large engines, heavy-duty engines and medium- to light-duty engines:

	<u>Rated Power⁽¹⁾</u>	<u>Primary Applications</u>	<u>Major Series</u>
Large engines	> 1,500 kW	Data centers, distributed power stations, financial institutions, high-end manufacturing, mining, oil & gas exploration, etc.	YC16VC, YC12VC, YC20VTD and YC16VTD
Heavy-duty engines	500–1,500 kW (both inclusive)	Infrastructure, infrastructure construction, property development, animal husbandry, etc.	YC6TF, YC6TH and YC6TD
Medium- to light-duty engines	< 500 kW	Telecom base stations, infrastructure, public safety and emergency response (such as firefighting, disaster relief and water conservancy), etc.	YC6MJ, YC6MK, YC6A and YC4D

Note:

- (1) Where a series includes models with rated power ranges spanning multiple rated power categories, the series is categorized based on the category in which the majority of its models fall.

Large engines

Our large engines feature high power output, high reliability, robust transient response and high environmental adaptability, making them suitable for applications in data centers and distributed power stations. Adopting our proven EUP and HPCR technologies, a number of our power generator engines, including YC16VC, YC20VTD and YC16VTD series, can withstand sudden load increase from 0% to 100% without engine shut-off.

During the Track Record Period, in addition to selling our self-produced “Yuchai” branded large engines, we also procured from MTU Yuchai **mtu** branded large engines, which are produced by MTU Yuchai. See “Transactions with the Related Parties — Transactions with MTU Yuchai” in this section for details.

Primary applications of our large engines include data centers, distributed power stations, financial institutions, high-end manufacturing, mining and oil & gas exploration, etc. Among such applications, we had, during the Track Record Period, focused on and intend to continue to focus on data centers and distributed power stations.

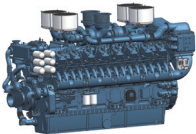
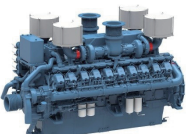
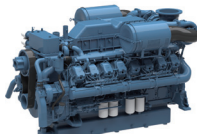
- Data centers:** Our large engines have been widely deployed in backup power systems for data centers. Data centers, which provide mass data storage, processing and interaction services, require rapid transition to stable power supply during main grid outages in order to manage and safeguard vast amounts of data. In particular, AI data centers require significantly higher and more stable power to support specialized hardware and ensure uninterrupted training and inference operations. Due to the nature of continuous and uninterrupted operation, data centers require secure and robust backup power generation system in the event of a power failure. Our large engines are able to address the sophisticated needs of data centers, particularly AI data centers, for large-capacity, high-performance and highly reliable backup power generation systems with robust transient response and provide robust protections against the power outages and shortages that can lead to network failures and service interruptions. Our YC16VC, YC12VC, YC20VTD and YC16VTD series satisfy the stringent requirements of the data center industry. In particular, our YC16VC series has been widely used in data centers operated by leading internet technology companies and telecommunications operators in the PRC. In FY2025 and 1H2026, sales of our self-produced YC16VC series engines accounted for 27.6% and 30.0% of our total revenue in the respective periods.

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- Distributed power stations:*** Our large engines also provide prime power in distributed power stations. Distributed power stations are localized power generation facilities that supply power close to the point of consumption, such as industrial parks, regional energy centers and mining sites. Therefore, distributed power stations require power generation systems to have high reliability, excellent fuel efficiency and low lifetime operating costs. Leveraging our high-speed large-bore engine design, clean combustion and turbocharging technologies, our large engines feature high reliability, high efficiency and robust transient response in prime power output. Power generator sets integrated with our large engines, such as YC16VC, YC12VC and YC16VTD series, are widely deployed in distributed power stations in overseas regions including Northern Europe, the Middle East, Asia, Central Asia and Africa.

During the Track Record Period, the guide price of large engines we offered generally ranged between RMB780,300 and RMB3.0 million.

The table below sets forth the key specifications of major series of large engines we offer:

Major Series	YC16VC	YC12VC	YC20VTD	YC16VTD
Images				
Key Specifications				
Application:	Supplied as power generator engines	Supplied as power generator engines	Supplied as power generator engines	Supplied as power generator engines
Fuel type:	Diesel and gas	Diesel and gas	Diesel	Diesel and gas
Displacement:	105.6 L	79.2 L	65.3 L	52.3 L
Number of cylinder:	16	12	20	16
Structural layout:	V-type	V-type	V-type	V-type
Cylinder bore:	200 mm	200 mm	152 mm	152 mm
Stroke:	210 mm	210 mm	180 mm	180 mm
Power range:	2,206–3,608 kW	1,520–2,206 kW	2,206–2,426 kW	1,672–1,985 kW
Speed:	1,500 r/min	1,500 r/min	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

Heavy-duty engines

Our heavy-duty engines feature high power density, compact structure and low weight. Our heavy-duty engines achieve strong performance in terms of power output, fuel economy, emissions and noise, vibration and harshness (NVH).

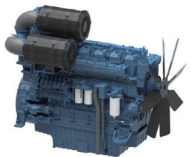
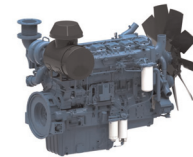
During the Track Record Period, in addition to selling our self-produced heavy-duty engines, we also had limited procurement of heavy-duty engines, primarily from GY Entities, for sales to our customers. See “Transactions with the Related Parties — Transactions with GY Entities” in this section for details.

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Primary applications of our heavy-duty engines include infrastructure, infrastructure construction, property development, animal husbandry, etc. In particular, our heavy-duty engines can be used in providing backup and emergency power in the infrastructure and infrastructure construction sectors which require engines to deliver stable power supply in extreme outdoor conditions (such as heat, cold, humidity and dust) with low fuel consumption and low maintenance costs. Our heavy-duty engines meet these requirements via robust structural designs, clean combustion technology and adaptive features for outdoor environments.

During the Track Record Period, the guide price of heavy-duty engines we offered generally ranged between RMB105,000 and RMB950,000.

The table below sets forth the key specifications of major series of heavy-duty engines we offer:

Major Series	YC6TF	YC6TH	YC6TD
Images			
Key Specifications			
Application:	Supplied as power generator engines	Supplied as power generator engines	Supplied as power generator engines
Fuel type:	Diesel and gas	Diesel	Diesel and gas
Displacement:	31.8 L	28.2 L	19.6 L
Number of cylinder:	6	6	6
Structural layout:	In-line type	In-line type	In-line type
Cylinder bore:	175 mm	175 mm	152 mm
Stroke:	220 mm	195 mm	180 mm
Power range:	1,118–1,221 kW	787–990 kW	572–815 kW
Speed:	1,500 r/min	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

Medium- to light-duty engines

Our medium- to light-duty engines feature a wide range of specific power outputs and speeds, strong adaptability to various applications and low maintenance and operating costs. Such engines have low emissions and, combined with advanced exhaust treatment technologies, are more capable of complying with stringent domestic and international emission regulations. In addition, such engines are generally proven and standardized series and are well suited for the integrated design and development of multi-fuel configurations.

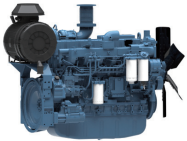
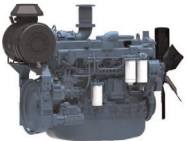
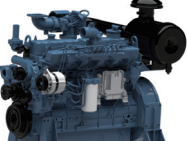
During the Track Record Period, in addition to selling our self-produced medium- to light-duty engines, we procured most of our medium- to light-duty engines, primarily from GY Entities and GYMCL Related Parties, for sales to our customers. See “Transactions with the Related Parties — Transactions with GY Entities” and “Transactions with the Related Parties — Transactions with GYMCL Related Parties” in this section for details.

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Primary applications of our medium- to light-duty engines include telecom base stations, infrastructure, public safety and emergency response (such as firefighting, disaster relief and water conservancy), etc. These applications demand rapid start-up, robust transient response, high reliability in harsh or remote environments, and low lifetime operating costs under stringent emissions constraints. Our medium- to light-duty engines meet these requirements with versatile operating ranges across loads and speeds, low emissions, robust cold-start and vibration tolerance, and long service intervals compatible with remote, unmanned operation.

During the Track Record Period, the guide price of medium- to light-duty engines we offered generally ranged between RMB8,930 and RMB135,000.

The table below sets forth the key specifications of major series of medium- to light-duty engines we offer:

Major Series	YC6MJ	YC6MK	YC6A	YC4D
Images				
Key Specifications				
Application:	Supplied as power generator engines	Supplied as power generator engines	Supplied as power generator engines	Supplied as power generator engines
Fuel type:	Diesel	Diesel and gas	Diesel	Diesel and gas
Displacement:	11.73 L	10.34 L	7.25 L	4.21 L
Number of cylinder:	6	6	6	4
Structural layout:	In-line type	In-line type	In-line type	In-line type
Cylinder bore:	131 mm	123 mm	108 mm	108 mm
Stroke:	145 mm	145 mm	132 mm	115 mm
Power range:	367–485 kW	259–369 kW	152–223 kW	59–132 kW
Speed:	1,500 r/min	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)	1,500 r/min (for 50 Hz power generation); 1,800 r/min (for 60 Hz power generation)	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

We primarily offer diesel-fueled power generator engines. Our diesel engines feature high reliability, high responsiveness, low fuel consumption, high power density and lightweight design:

- **High reliability.** Built on years of technological accumulation and development, our high-reliability design enables consistent performance in power generation applications and reduces maintenance and operating costs. Many series of our power generator engines, such as YC16VC, YC12VC, YC20VTD and YC16VTD series, have passed bench reliability tests of at least 2,000 hours evidencing design robustness and reliability. Our engines are designed for an overhaul period (being the scheduled maintenance interval during the engine’s life cycle to improve its performance) ranging from 20,000 to 60,000 cumulative operating hours.
- **High responsiveness.** Our diesel engines offer robust transient response to sudden load changes, making them well-suited for data centers which impose stringent requirements on load capability of power generator sets. Adopting our proven electronic fuel injection technology, a typical 2 MW power generator set integrated with our YC16VC series power generator engine can achieve a maximum transient load acceptance of 77% while meeting the

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G3-class requirements. By comparison, comparable power generator engines of the same power output generally achieve about 60% to 65% maximum transient load acceptance, according to Frost & Sullivan.

- **Low fuel consumption.** By applying our proprietary and advanced obliquely-mounted EUP system, designed specifically for high-speed, high-power power generator and marine diesel engines, we have achieved technical breakthroughs in high-efficiency and clean combustion. Certain series of our diesel power generator engines can achieve a minimum fuel consumption rate of 189 g/kWh or less. Across the industry, the fuel consumption rate of power generator engines generally ranges between 190 and 250 g/kWh, varying by brand, model, specifications, etc., according to Frost & Sullivan. Lower fuel consumption reduces fuel costs and lowers the operational cost for power plants.
- **High power density.** Through our advanced high-strength structural design, we have achieved major breakthroughs in the structural design for high-speed, high-power power generator diesel engines. A number of our power generator diesel engines can achieve a brake mean effective pressure (BMEP) of above 3.3 MPa. High power density reduces the sizes of the power generator sets and thus requires smaller storage spaces and, in turn, lowers construction costs of facilities.
- **Lightweight design.** By applying our proprietary core technologies, we have achieved lightweight design of our major engine components. Coupled with our unique “small cylinder center distance” design, a number of our power generator diesel engines can achieve a power-to-weight ratio exceeding 0.4 kW/kg. Such lightweight design lowers the transportation and installation costs for our engines.

We have also developed and manufactured a portfolio of gas-fueled engines to complement our existing suite of diesel engines. Our gas engines are generally constructed using similar structure and major components as our major series of diesel engines, including the YC16VC, YC16VTD, YC6TF and YC6TD series, but utilize gaseous fuels, including natural gas, petroleum associated gas, coalbed gas, industrial tail gas and biogas, and LNG for combustion to produce energy. Our gas engines have made breakthroughs in high power-density, lightweight, integrated and series-based engine design, high-efficiency lean-burn combustion, low-emission control and intelligent control, delivering lower fuel consumption rate and lower emissions.

As of the Latest Practicable Date, most diesel-fueled power generator engines we offered complied with China’s Non-Road Stage III emission standards, among which four series complied with China’s Non-Road Stage IV emission standards and two models complied with EU’s Stage V emission standards. Certain models under eight series complied with emission standards lower than China’s Non-Road Stage III. Such models are stationary diesel-fueled power generator engines, which do not fall under the category of non-road mobile machinery and are therefore not required to comply with China’s non-road emission standards. As confirmed by our PRC Legal Advisor, China has not yet implemented pollutant emission standards specifically targeting stationary diesel-fueled power generator engines. We typically produce such models only upon receiving confirmed orders from customers. There are currently no emission standards applicable to gas-fueled power generator engines in China.

Marine Propulsion and Auxiliary Engines

Our marine engines are primarily installed on, or equip, fishing, cargo, passenger, engineering and other vessels operating in inland waterways and coastal waters. They primarily include marine propulsion engines, which serve as the main engines providing primary propulsion power for vessels, as well as auxiliary engines used in ship-service generator sets that supply electrical power for onboard systems apart from the propulsion system, and emergency auxiliary engines that power independent emergency generators to support essential safety and control loads in the event of a loss of main or auxiliary power. As of the Latest Practicable Date, our marine engines had rated power ranging from 30 kW to 3,676 kW. Historically, we have mainly focused on producing high-speed marine engines for

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such vessels, and we intend to expand our efforts to the production of medium-speed marine engines. We have also developed and manufactured gas-fueled marine engines. As of June 30, 2026, we offered 23 series of marine engines.

Through our systematic and modular design approach, most critical components of an engine, including the cylinder block, cylinder head and crankshaft, can be engineered for use in both power generation and marine applications, and some of our engine series are accordingly configured for both. Notwithstanding this shared modular foundation, marine engines differ from power generator engines in several key respects, including their application and operating environment (waterborne vessels and equipment versus land-based power generation), operating speed (variable-speed for marine propulsion engines versus constant-speed for marine auxiliary and power generator engines), applicable emission standards (IMO’s Tier II or China’s Stage II for marine engines versus China’s Non-Road Stage III or Stage IV for power generator engines). While the core engine architecture (including the number of cylinders, bore, stroke and displacement) is largely the same for marine engines and power generator engines of the same series, these differences result in distinct fuel, control, turbocharging, power output, intake and exhaust and after-treatment systems and related components.

During the Track Record Period, in addition to selling our self-produced marine engines, we also procured marine engines, primarily from GY Entities and GYMCL Related Parties, for sales to our customers. See “Transactions with the Related Parties — Transactions with GY Entities” and “Transactions with the Related Parties — Transactions with GYMCL Related Parties” in this section for details. During the Track Record Period, the guide price of marine engines we offered generally ranged between RMB11,800 and RMB2.3 million.

As of the Latest Practicable Date, all of our marine engines, whether diesel-fueled or gas-fueled, complied with both IMO’s Tier II emission standards and China’s Stage II marine emission standards, among which three series also complied with IMO’s Tier III emission standards.

Power Generator Sets

In addition to offering power generator engines as standalone units, we also offer power generator sets, used as both prime power supply and backup and emergency power supply, for customers seeking a complete solution provided by us. We produce power generator sets which are primarily built around engines we offer and integrate externally sourced alternators and a full suite of other components, such as cooling, control and intake and exhaust systems. We also procure finished power generator sets from qualified third-party OEMs. During the Track Record Period, the guide price of power generator sets we offered generally ranged between RMB1,650 and RMB4.0 million.

In FY2023, FY2024, FY2025, 1H2025 and 1H2026, 22.9%, 1.0%, 4.1%, 8.5% and 16.4% of the power generator set units we sold were produced in-house, while the remaining 77.1%, 99.0%, 95.9%, 91.5% and 83.6% were sourced from qualified third-party OEMs, respectively. We primarily purchased from such OEMs finished power generator sets, upon receipt of confirmed orders from our customers. From time to time, we also purchased certain power generator sets from such OEMs for inventory in anticipation of customer demand. This arrangement allows us to offer customers a complete power solution while concentrating our internal resources and capacity on engine design, R&D and production, and to respond to customer demand promptly by leveraging the production capacity of qualified OEMs without committing additional in-house capacity. Power generator engines incorporated in the power generator sets we offer include engines offered by us as well as by other manufacturers.

In terms of accounting treatment, we recognize revenue from the sale of power generator engines to OEMs upon transfer of control of such engines to them. For the purchase and onward sale of finished power generator sets, (i) where we purchase from OEMs upon receipt of confirmed orders from our customers, we are not the primary obligor and do not assume inventory risk, and we act as an agent and recognize revenue on a net basis in the amount of the fee or commission to which we expect to be entitled in exchange for arranging the transaction; and (ii) where we purchase finished power generator sets for inventory in anticipation of customer demand, we act as a principal, assume inventory risk and

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recognize revenue from the sale of power generator sets on a gross basis in the amount of the sales contract consideration and recognize the purchase costs of power generator sets as cost of goods sold. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, revenue from externally sourced power generator sets amounted to RMB96.0 million, RMB96.5 million, RMB158.1 million, RMB80.0 million and RMB80.5 million, respectively, of which (i) RMB2.4 million, RMB10.2 million, RMB76.3 million, RMB47.8 million and RMB2.6 million were recognized on a net basis under the agency model and (ii) RMB93.6 million, RMB86.3 million, RMB81.8 million, RMB32.2 million and RMB77.9 million were recognized on a gross basis under the principal model, respectively. The Reporting Accountants conducted their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on Appendix I to the document.

In terms of pricing policy, as we sell power generator sets primarily to meet customer demand, selling prices of power generator sets to our end customers generally represent only a nominal cost-plus margin over the prices at which we purchase the corresponding sets from OEMs.

Engine Components and Others

During the Track Record Period, we sold certain engine components (i) to GY Entities for their production of engines, (ii) to GYMCL Related Parties as our distributors for further distribution to our chain of authorized service stations to provide after-sales services for our customers and other end users, and (iii) to MTU Yuchai, primarily cylinder blocks and cylinder heads, for its production of *mtu* branded engines and in preparation for its production of our YC16VC and YC12VC engine series (see “Joint Venture with Rolls-Royce” in this section for further details). We also sold certain externally sourced power generator set components (such as alternators, radiators and base frames) to our OEM customers to pair with the power generator engines we sold to them, which we commenced on a limited scale in FY2024 and expanded significantly in FY2025. We procured these components for our OEM customers because they were optimally configured for integration with our power generator engines, and centralized procurement improved compatibility and cost efficiency.

During the Track Record Period, we also provided certain services related to the development and production of engines, primarily including (i) the engine component machining services we provided to MTU Yuchai, and (ii) repairing, replacing or otherwise remediating defects in components our suppliers supplied to us for which we charged suppliers repair service fees. See “Quality Control — Quality Control in Supply Chain Management” for details of the repair service fees.

Product Life Cycle

The product life cycle of our engine products is affected by the pace of technological development and the launch of new products by our competitors. Our power generator engines and marine engines generally have a designed product life cycle ranging from 20 to 25 years. Our power generator engines generally have an overhaul period (being the scheduled maintenance interval during the engine’s life cycle to improve its performance) ranging from 20,000 to 60,000 cumulative operating hours, while our marine engines generally have an overhaul period ranging from 20,000 to 30,000 cumulative operating hours.

RESEARCH AND DEVELOPMENT

R&D are critical to our business and continued success. We have invested significant resources to continually improve our technologies, enhance the performance, functionality and reliability of our products and design and develop new products.

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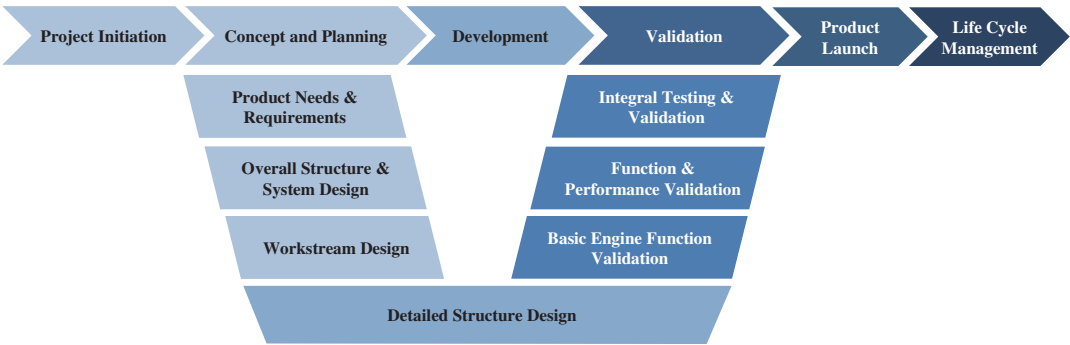
R&D Capabilities

We conduct R&D activities primarily in our dedicated center adjacent to our production facilities, in Yulin City of Guangxi. As of June 30, 2026, our R&D team consisted of 174 engineers and technicians, 41 of whom held a master’s or more advanced degree. Most of our R&D personnel have extensive experience in the designing, engineering and production of engines and power generator sets. Our R&D team is led by Dr. Huang, our chief technology officer, who is a senior engineer (正高級工程師), a member of the Expert Committee of the China Internal Combustion Engine Industry Association and a former member of the Expert Committee of the China Electrotechnical Society, and a recipient of the Inaugural Award for Excellence in Innovation of Guangxi in 2018. We organize our R&D team into various groups, each has its respective focused area, including, among others, overall engine design, performance development, mechanical development, application development, as well as powertrain system development, and coordinate closely with each other in planning and executing their R&D projects. With the continuous efforts of our R&D team, we have been able to capitalize on our long-term experience and expertise in the design, engineering and development of high-performance engines, and maintain a leading position at the forefront of our industry.

Our R&D team and individual team members have received various awards and recognitions for the high-quality standards of our products and our R&D achievements. See “Awards and Recognitions” in this section for further details.

R&D Process

Our entire design and R&D process follows the “V-model”, which integrates rigorous design and validation procedures throughout the process. Centered on end-customer needs and application scenarios, we conduct targeted design and development, proactively lock in verification criteria, and ensure each design phase is traceable and verifiable. This methodology is divided into two primary parallel workstreams, i.e., design and development (the left arm) and testing and validation (the right arm), to ensure that every product requirement is systematically implemented and verified.



We conduct systematic market and product research to understand evolving customer needs, application scenarios and regulatory trends. These insights guide our product positioning and development roadmap and form the basis for initiating our R&D projects.

Following project initiation, our pre-launch process comprises three stages, i.e., concept and planning, development and validation.

- **Concept and Planning Stage:** At the concept stage, we analyze customer and product requirements and identify the key technologies, target specifications as well as the critical engine components. In planning stage, our engineering and technical teams work together to define the overall engine structure and system design for the engine, decompose the product needs and requirements into different workstreams and determine the overall product specifications. We then carry out high-level designs for each workstream, align and allocate resources and refine the business plan.

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- **Development Stage:** At the development stage, our engineers translate high-level requirements into detailed specifications and complete the engine’s detailed structure and systems design.
- **Validation Stage:** At the validation stage, we begin with basic engine function validation to confirm that the assembled engine achieves key operating metrics. We then perform function and performance validation and integral validation, assessing parameters such as power output, torque, fuel consumption and emissions against the product specifications and technical targets established at the concept and planning stage, thereby preparing the product for launch.

During the abovementioned process, we establish structured technical review checkpoints and decision checkpoints at defined milestones to verify deliverables, mitigate technical risks and authorize progression to subsequent steps or phases or take corrective actions as required.

After the product is launched and introduced to the market, we will continue to collect operational data and feedback to support continuous improvements throughout the product to ensure long-term reliability and competitiveness of our products.

R&D Strategies

As part of our overall R&D strategies, we plan and undertake our R&D initiatives and activities with a keen focus on market demands, modularized design, experimental testing and life cycle management in respect of new products or product upgrades so as to ensure rapid time to market for and assured delivery of such products. The key elements of our R&D strategies include:

- (1) **Market-Driven and Forward-Looking Research and Development:** As an initial step for any R&D project, we conduct extensive market research and analysis to ensure that our products can fulfill customer requirements and expectations and support commercial viability. Our dedicated research team tracks industry technology trends, monitors new technologies, methods, materials and regulatory policies, as well as assess their potential impact.
- (2) **Modularized Design and Close Coordination with Supply Chain:** For any R&D project, we endeavor to secure supply of components and delivery of pre-made components from our preferred suppliers. Through such efforts, we have adopted modularized design to improve the efficiency of our R&D projects.
- (3) **Experiment-Driven and Strong Focus on Product Upgrade:** We place great emphasis on comprehensive testing of protocol engines, including performance calibration, emission and reliability, in respect of each relevant R&D project. We monitor the performance of new or upgraded products after production for continued product updates and improvements.
- (4) **Small-Scale Pilot Production and Speedy Validation:** We conduct small-scale pilot production to validate the prototypes. We aim to achieve speedy verifications of product upgrades through the process of transforming relevant prototypes to small-scale product production.
- (5) **Full Life Cycle Product Management:** We adopt the full life cycle product management approach towards a new product. Our related R&D efforts extend throughout the entire process covering initial concept, design, development, prototyping, launch and after-sales servicing.

In addition, we have collaborated, and will continue to collaborate, with international engine design and research firms and institutions, including, among others, FEV Group GmbH of Germany, HERON Technik GmbH of Austria and Brunel University of London in the United Kingdom, and domestic higher education institutions in the PRC, including, among others, Shanghai Jiao Tong

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University, Huazhong University of Science and Technology, Tianjin University and Wuhan University of Technology, in order to achieve breakthroughs in technologies for internal combustion engine, accelerate the applications of jointly-developed technologies and enhance our capability in the independent development of internal combustion engine and the commercialization of technological developments. Under our cooperation agreements with such firms and institutions, intellectual property arising from such collaboration is typically owned exclusively by us.

We have successfully developed a number of core technologies, such as (i) the high-strength, lightweight design technology, (ii) the high-efficiency, clean combustion technology, (iii) the intelligent control technology, (iv) the integrated grid-connection control technology for power-station generator-set clusters, and (v) the marine propulsion system technology. We continue to advance internal combustion engine related technologies, including the following:

- High peak firing pressure technology (高爆壓技術): High peak firing pressure technology focuses on designing engines to safely withstand high combustion burst pressure. Our ongoing work centers on structural design enhancement for critical components including cylinder block, cylinder head and crankshaft, material selection and manufacturing processes intended to reliably withstand higher peak firing pressures and the associated stresses.
- HPCR technology: HPCR technology is a fuel injection system where the injection pressure is not limited by the engine speed. The system consists primarily of a low-pressure fuel transfer pump, high-pressure fuel pump, high pressure common rail, high-pressure fuel lines, injectors and an ECU, efficient coordination of which can reduce fuel consumption and emissions.. We are further developing HPCR fuel injection systems, advancing toward ultra-high injection pressures (exceeding 2,500 bar) in line with industry trends.
- Efficient turbocharging technology (高效增壓技術): The core of turbocharging technology is to compress intake air to increase the air density in the cylinders, enabling more complete combustion of fuel, thereby boosting power output and reducing fuel consumption. Through the development and application of efficient turbocharging technologies — such as sequential turbocharging and two-stage turbocharging — we aim to deliver strong starting performance, high torque, robust load capability and overall reliability across a broad range of industry applications.
- Spark plug pre-chamber ignition technology (火花塞預燃室技術): The spark-plug pre-chamber ignition technology is a key ignition technology for gas engines that improves thermal efficiency and emission levels. Its core lies in adding a miniature pre-chamber above the engine’s main combustion chamber, with the spark plug installed inside this pre-chamber. We are applying and refining it in gas-fueled generator engine series and selected marine engine series.
- Intelligent control technology (智能控制技術): We have developed and are enhancing a full-functional high-power ECU featuring integrated hardware and software. This ECU is capable of adapting to a wide variety of gaseous fuels and incorporates intelligent air-fuel ratio and knock control functions. It ensures stable and reliable engine operation even under complex and variable gas-quality conditions, making it particularly suitable for demanding industrial applications.

PRODUCTION

Production Process — Engines

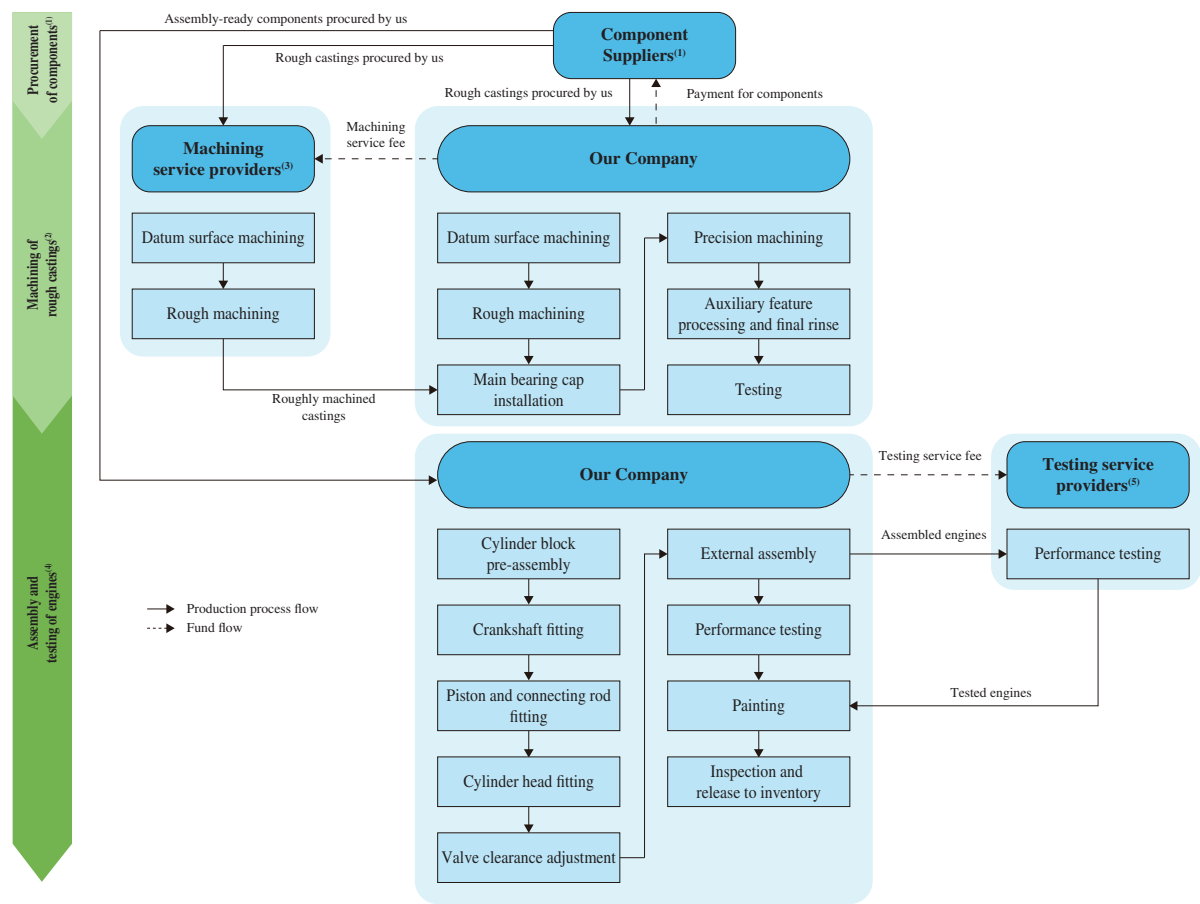
We possess full-process manufacturing capabilities spanning from core component processing to engine assembly and testing. We particularly focus on precision machining and assembly processes, which have higher technical complexity and quality control requirements. For certain of our engine series, we strategically outsource certain less technically complex production steps, such as datum

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surface machining and rough machining for cylinder blocks and cylinder heads, and performance testing, to specialized and qualified service providers, allowing us to concentrate our internal resources on higher value-added processes while optimizing overall production efficiency.

The in-house production process for our engines can be broadly categorized into three major processes: (i) procurement of engine components (including rough castings and assembly-ready components); (ii) machining of rough castings; and (iii) assembly and testing of engines.

The following chart illustrates the major production process flows and fund flows for our self-produced engines:



- Notes:
- (1) We procure from component suppliers (i) rough castings of major engine components, primarily cylinder block and cylinder head rough castings, and (ii) assembly-ready components, primarily including crankshafts, pistons, connecting rods, turbochargers, etc. During the Track Record Period, we procured engine components from both Independent Suppliers and Related Parties. See “Supply Chain — Procurement” and “Transactions with the Related Parties” in this section for details. Before March 2024, we produced cylinder block rough castings in-house for our self-produced large and heavy-duty engines. In March 2024, we transitioned to sourcing such rough castings from suppliers, primarily GYMCL Related Parties, as they offer better economies of scale, allowing us to focus on more complex machining processes.
 - (2) We machine rough castings, primarily cylinder block and cylinder head rough castings, by processing them into assembly-ready components that meet designed specifications. Cylinder blocks and cylinder heads are core engine components that, together with other parts, form the combustion chamber, cooling and lubrication passage and serve as the base for all major moving components. Their machining precision directly determines the overall assembly accuracy and engine performance. Average machining time varies by model, ranging from 15 to 100 hours for

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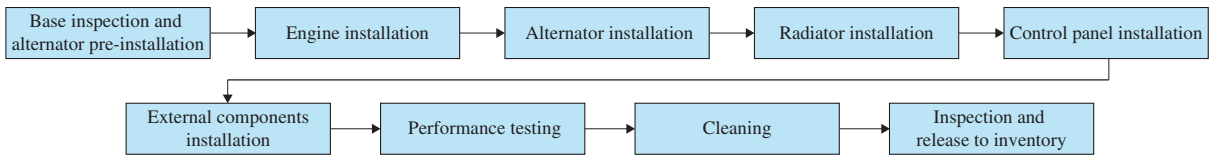
cylinder blocks and five to 13 hours for cylinder heads. Upon completion of machining, we obtain finished engine components such as cylinder heads and cylinder blocks for our subsequent engine production and external sales. See “Products and Services — Engine Components and Others” in this section.

- (3) We outsource the datum surface machining and rough machining processes for cylinder blocks and cylinder heads for certain series to specialized and qualified machining service providers. Such processes have relatively low technical complexity, making them suitable for outsourcing. Under this arrangement, we instruct our component suppliers to deliver rough castings we procure directly to these service providers, who then perform the relevant machining and deliver roughly machined castings to us. This approach allows us to leverage specialized and qualified suppliers’ capabilities, optimize resource allocation, reduce lead-time, and enhance supply resilience while maintaining consistent material quality and dimensional accuracy. Average rough machining time varies by model, ranging from 10 to 75 hours for cylinder blocks and three to eight hours for cylinder heads.
- (4) We assemble and test engines by integrating machined cylinder heads and cylinder blocks with fuel supply, turbocharging, cooling and lubrication, and electrical systems, and other components into finished engines. This is followed by comprehensive end-of-line testing, including break-in tests, performance tests, and three-leak inspections, to verify performance, emission compliance, and reliability prior to inventory release or delivery. Average assembly and testing time ranges from 8 to 15 days, depending on the engine series.
- (5) We outsource the performance testing process for some medium- to light-duty and marine engine series to specialized and qualified contractors due to our constrained in-house testing capacity. This allows us to concentrate our capacity on higher-margin models while meeting market demand for these engines. Average testing time ranges from 0.5 to four hours, depending on the engine series.

Across the entire production process, all critical steps are subject to continuous monitoring and verification, with results reviewed against pre-set standards. This disciplined, systematic approach assures quality at each step, safeguards process integrity, and provides rigorous end-to-end manufacturing control. Where we engage outsourced service providers, i.e. machining service providers and testing service providers, we apply the same standards for selecting them as for selecting our suppliers and conduct on-site quality inspections at their facilities to ensure compliance with our specifications. If we identify any non-compliance with our requirements in their production processes or quality standards during our inspections, the service providers are required to take immediate corrective action in accordance with our instructions. Following rough machining by contractors, we perform the remaining core machining processes in-house to ensure consistent quality. We also conduct final inspections of finished products, including functional and performance testing, prior to acceptance and release.

Production Process — Power Generator Sets

We also possess full-process manufacturing capabilities for power generator sets. The in-house production process for our power generator sets involves integrating our engines with externally sourced alternators and a full suite of other components, such as cooling, control and intake and exhaust systems. The following chart illustrates the principal steps in the production process for our self-produced power generator sets.



Production Facilities

All of our production facilities were located in Yulin City of Guangxi with a total site area of approximately 120,518.1 sq.m. as of the Latest Practicable Date. As of June 30, 2026, our production lines comprised: (i) two machining lines, containing five machining workshops, for the production of engine components, primarily cylinder blocks and cylinder heads; (ii) two engine assembly and testing lines, containing two assembly workshops and two testing workshops, for the production of engines; (iii) one power generator set assembly and testing line, containing one assembly and testing workshop, for

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the production of power generator sets; and (iv) one new product assembly and testing line, containing one assembly workshop and three testing workshops, primarily for assembling and testing new engine products under R&D as well as for industry exhibition purposes.

Our production facilities are highly flexible. Around 80% of our production equipment can be adjusted to produce different series and models by adding, replacing or adjusting certain equipment without significant setup time and costs. The ability to produce different series and models products and models on a single production line significantly reduces our equipment costs while maintaining product quality and diversity. We also implement lean manufacturing principles to reduce non-value-added activities, simplify work processes and improve production efficiency.

The table below sets forth the estimated production capacity, actual production volume and utilization rate for our self-produced engines and power generator sets for the years/period indicated:

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>1H2026</u>
Engines				
Effective production capacity (units) ⁽¹⁾	14,260	16,507	23,520	14,360
Actual production volume (units)	12,603	15,349	23,201	13,545
Utilization rate (%) ⁽²⁾	88.4	93.0	98.6	94.3
			<u>November — December 2025</u>	<u>1H2026</u>
Power generator sets⁽³⁾				
Effective production capacity (units) ⁽⁴⁾			170	620
Actual production volume (units)			137	600
Utilization rate (%) ⁽²⁾			80.6	96.8

Notes:

- (1) The effective production capacity for engines is the maximum possible units of engines that could be produced in our engine assembly and testing lines for the year/period, which is calculated based on the following assumptions: (i) all the machining and engine assembly and testing lines are operating at full capacity, excluding downtime for equipment maintenance and repairs, product model changeovers and material wait times; (ii) our machining and engine assembly and testing lines operate for 250 days on an annual basis (which has taken into account the normal maintenance and repair downtime required); (iii) our machining and engine assembly and testing lines operate for eight hours on a daily basis. During the Track Record Period, our effective production capacity increased primarily due to increased staffing, the addition and upgrading of equipment, and improvements in process and technological efficiency.
- (2) Utilization rate is calculated as dividing the actual production volume by the effective production capacity for the same year/period.
- (3) Production lines of engines and power generator sets are not interchangeable. Prior to November 2025, we did not have a dedicated production line for power generator sets. During this period, we produced power generator sets on our new product assembly and testing line to satisfy ad hoc orders. Such line is primarily used for assembling and testing new engine products under R&D and for industry exhibition purposes, and was not designed for regular production of power generator sets. Therefore, utilization rates for power generator sets for FY2023, FY2024 and the first ten months of FY2025 are not applicable. Our dedicated production line, being an assembly and testing line, for power generator sets commenced operations in November 2025.
- (4) The effective production capacity for power generator sets is the maximum possible units of power generator sets that could be produced in our power generator set assembly and testing line for the period, which is calculated based on the following assumptions: (i) the power generator set assembly and testing line is operating at full capacity, excluding downtime for equipment maintenance and repairs, product model changeovers and material wait times; (ii) our power generator set assembly and testing line operates for 250 days on an annual basis (which has taken into account the normal maintenance and repair downtime required); (iii) our power generator set assembly and testing line operate for eight hours on a daily basis.

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Our Expansion Plan

To meet the production needs of our new products and to support the anticipated growth in demand for our new engine series, we plan to construct two machining lines and two assembly and testing lines, which are intended to produce medium-speed and high-power, high-speed engines, and to procure essential machinery. Each machining line will be equipped with cleaning machines and five-axis machining equipment, while each assembly and testing line will be outfitted with automated transfer assembly equipment, test benches and coating equipment. The two machining lines and two assembly and testing lines are expected to be completed and become operational in or before 2031. See “Future Plans and [REDACTED]” in this document for details.

Production Equipment

We procure our production equipment from reputable suppliers in China and overseas. The equipment used in our productions were either (i) standard machineries and equipment which are readily available on the market, or (ii) tailor-made equipment produced based on the designs or specifications we provided to the equipment suppliers. Our main production equipment includes horizontal, vertical and gantry machining centers, special-purpose machines, high-pressure component cleaning equipment, coordinate measuring machines, automated engine assembly equipment, engine test benches and engine painting and drying equipment.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any delay in equipment delivery, or suspension or malfunction of our equipment that caused material and adverse impact to our business operations.

Our major production equipment and machinery have an estimated average useful life of 5 years. As of June 30, 2026, the remaining useful life of our equipment and machinery is one to 13 years. We regularly inspect and maintain our production equipment and machinery, as well as replace consumable components as needed.

Production Planning

We establish annual and monthly rolling production plans. Our production plans are mainly affected by the volume of orders. Based on the number of orders and demand of customers, we develop our production plans, which in turn determine the upstream procurement plans for components and equipment. We align our production lines with customer demand and upstream procurement to ensure that we produce in sufficient quantities and on time while avoid overstocking.

INTELLECTUAL PROPERTIES

Our success depends to a large extent on our ability to protect our core technology and intellectual property. We seek to protect our technology and intellectual property through a combination of trademark, fair trade practice, copyright, trade secret protection laws, patent protection as well as confidentiality procedures and contractual provisions. We enter into confidentiality and invention assignment agreements with our key research and development employees, and we maintain strict control over access to our proprietary technology and information.

We have adopted and implemented internal procedures for monitoring and combating the counterfeiting of our products and protecting our intellectual property rights. Externally, we engaged third-party service providers to assist us to track and take actions against such illegal counterfeiting of our products.

As of June 30, 2026, we had (i) a total of 604 registered patents in China, including 113 invention patents, 484 utility model patents and seven design patents, (ii) nine international patents under the Patent Cooperation Treaty, (iii) five software copyrights in China, (iv) one domain name in China, and (v) a total of 141 pending patent applications, including 86 pending applications for invention patents and 55 pending applications for utility model patents.

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In particular, our patent development efforts focus on reinforcing product performance, manufacturability and cost competitiveness across our product series. Our patents can be broadly classified into three categories: (i) structural patents that focus on design innovation and refinement of core engine components, targeting high-strength, lightweight solutions for critical components; (ii) control patents that focus on precise operational management across the engine life cycle, thereby enhancing performance and reliability and improve real-time response and adaptive control under complex operating conditions; and (iii) process patents that focus on manufacturing and assembly process for core components, improving accuracy, consistency and production efficiency of the products.

In addition, as of the Latest Practicable Date, we were able to use 26 trademarks, including “Yuchai”, pursuant to the trademark license granted to us by GY. Pursuant to a trademark license agreement dated March 30, 2022 and a supplemental agreement dated March 30, 2026 between GY and us, GY agreed to license to us 26 “Yuchai” trademarks, including two “Yuchai Marine and Genset” trademarks on an exclusive basis and 24 trademarks on a non-exclusive basis at nil cost until December 31, 2031 for use in our business operations, provided that the use of such licensed trademarks shall not exceed the scope specified in the relevant trademark registration certificates including power generator engines, marine engines and power generator sets. The license agreement may be renewed upon negotiation 30 days before the end of the license and may be terminated, among others, (i) by mutual agreement, (ii) by GY in the event of a material breach of the agreement or business ethics, knowing infringement, or breach of laws or regulations by us (iii) in the event of force majeure, or (iv) when GY ceases to have direct or indirect shareholding in us. See “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to continue to use the “Yuchai” trademarks, or ensure the continued strength of the “Yuchai” trademarks” for details.

We intend to further expand the portfolio of our intellectual properties to support and sustain the steady growth of our business.

QUALITY CONTROL

Quality control is an integral part of our business operations. We have established a comprehensive quality control system covering the full product life cycle, including: (i) product design and development, (ii) supply chain management, (iii) production processes, and (iv) after-sales services. As of June 30, 2026, our dedicated quality control team comprised 50 employees, including five senior quality chief engineers, 36 quality engineers and nine inspectors.

Quality Control in Product Design and Development

We design and develop our products in compliance with applicable laws, regulations, industry standards and customer specifications. Throughout this process, we conduct evaluations and validations of prototype products under diverse environmental and other conditions to achieve high performance, reliability and cost-effectiveness in the final model.

Quality Control in Supply Chain Management

We implement detailed supplier selection procedures, conducting due diligence on reputation, credentials, experience and pricing, and maintain a list of qualified suppliers subject to periodic internal review. Components for mass-production are procured solely from qualified suppliers on our list. We conduct routine inspections and sample tests on incoming components to verify compliance with our specifications and quality standards. Substandard or defective components are labeled, segregated and assessed by our technicians for subsequent repair or return. Where, in order to maintain our production schedule and avoid disruption to customer deliveries or ensure timely after-sales services, such components cannot be repaired or replaced by the supplier on a timely basis as expected under the warranty provided by the supplier, or where the defective components have caused incidental damage to other components which we need to repair or replace and subsequently re-test, we may, with the

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supplier’s consent, repair, replace or otherwise remediate the defects ourselves and subsequently charge the supplier repair service fees for such work, which cover the costs we incur in performing the repair, replacement and related re-testing.

Quality Control in Production Process

Our dedicated quality control personnel conduct in-process quality inspections and tests at various production stages. Inspectors will conduct spot checks during the machining process. Before releasing the machined cylinder blocks and cylinder heads into the warehouse, we conduct dedicated inspections covering critical dimensions, cleanliness and visible or latent defects. On each assembly line, inspectors verify engine appearance, correctness and completeness of components and specified torque values. Finished products undergo further testing to ensure conformance with applicable technical standards and customer specifications, and any defects identified are promptly rectified.

Quality Control in After-Sales Services

As part of our after-sales services, our after-sales service engineers and technicians, together with our authorized service stations, examine and identify any product or component defects, make proper repairs and provide qualified replacement components or products as needed.

Quality Accreditations

We have earned various international and domestic certifications in quality, including GB/T 19001-2016/ISO 9001:2015 Quality Management System, GB/T 24001-2016/ISO 14001:2015 Environmental Management System and GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System certified by CCS; Uptime Certification certified by Uptime Institute, and Greenhouse Gas Verification Statement and TLC Product Certification certified by TL Certification Center Co., Ltd.

SUPPLY CHAIN

Procurement

We primarily procure components for our production of engines and power generator sets. We also procure finished engines and power generator sets to meet customer demand.

Our procurement process involves coordination among the production, finance, management, and sales and marketing departments. We select suitable suppliers, sign procurement agreements, track purchase orders, conduct receipt inspections, arrange warehousing, handle defective product returns and process invoices and payments. Our production department manages procurement of components, finished engines and power generator sets, while our process quality department monitors supplier performance and liaise with existing and potential suppliers.

The key components procured include principally cylinder block and cylinder head rough castings, crankshafts, camshafts, pistons, connecting rods, turbochargers, fuel injection pumps, fuel injectors and water pumps, sourced primarily from suppliers in China as we have progressively reduced reliance on imported components. We generally require at least two distinct sources for the same category of components except for high-power HPCR fuel injection pumps and high-power HPCR fuel injectors which are sourced from a single supplier. For such components, we have entered into a long-term framework supply agreement with a term of five years ending in 2028 (the “**Long-Term Framework Agreement**”) with that supplier to secure continued supply and mitigate price risk. See “Supply Chain — Key Terms of Procurement Agreements” in this section for further details.

We procure finished engines from the Related Parties to complement our product portfolio and meet customer demands in a cost- and time-efficient manner. We procure from MTU Yuchai and sell *mtu* branded power generator engines. See “Transactions with the Related Parties — Transactions with

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MTU Yuchai” in this section for details. We procure certain “Yuchai” branded finished heavy-duty, medium- to light-duty and marine engines, which generally have lower rated power and lower gross margins, primarily from GY Entities and GYMCL Related Parties. See “Transactions with the Related Parties — Transactions with GY Entities” and “Transactions with the Related Parties — Transactions with GYMCL Related Parties” in this section for details. We procured some of such finished engines from a GY Entity and GYMCL under contract manufacturing. See “Contract Manufacturing” in this sub-section for details. Our Directors are of the view that the abovementioned arrangements with our Related Parties were in our best interest and were fair and reasonable. See “Transactions with the Related Parties” for details.

We also procure power generator sets for sales to our customers from qualified OEMs who used our power generator engines and integrated such engines into the power generator sets. In limited instances, the power generator sets we sell may use engines not produced or sold by us. See “Products and Services — Power Generator Sets” in this section for details.

With respect to our procurement from the Related Parties, our Directors have assessed the potential risk of supply chain disruption and are of the view that such risk is not significant, primarily because we have established long-standing relationships with the Related Parties and they meet our supplier qualification requirements in terms of supply stability and product quality. In the event that we need to engage alternative suppliers, we will require such alternative suppliers to have relevant quality and environmental management certifications, reputable position in the industry, and experience supplying renowned engine manufacturers. Our Directors believe, and Frost & Sullivan has confirmed, that such alternative suppliers are generally available for the relevant products and services on similar terms and with comparable quality. In addition, we have established effective measures to mitigate our exposure to reliance risks associated with the Related Parties. See “Transactions with the Related Parties — Measures to Mitigate Exposure to Reliance Risks” in this section for details.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage or delay in supplies of components, finished engines or power generator sets, and the components, finished engines and power generator sets provided by our suppliers did not have any significant quality issues.

Supplier Selection Process

We evaluate and select suppliers based on quality, reputation, qualifications, experience and price, and generally conduct on-site visits as part of the process. Potential suppliers must submit documentary proof of required qualifications, certifications or licenses.

In general, based on periodic evaluations across, we classify component suppliers as Grade A, Grade B, Grade C or Grade D. Grade A and Grade B suppliers receive continued collaboration and preferential access to new product development. Grade C suppliers are placed on a high-risk watch list. Grade D suppliers enter a phase-out pipeline and will cease to be qualified suppliers unless they satisfy our rectification requirements.

In addition to maintaining strong ties with major suppliers, we proactively expand our supplier network to broaden sourcing channels for key components and enhance supply chain resilience.

Key Terms of Procurement Agreements

We generally enter into framework agreements with our suppliers of components and finished engines, and place orders on demand. The terms of such framework agreements are typically one year (the “**Typical Framework Agreements**”), except that we have entered into the Long-Term Framework Agreement with Supplier B, our only single-source supplier, from which we procure high-power HPCR fuel injection pumps and high-power HPCR fuel injectors to secure stable supply. See “Supplier” in this section for details of Supplier B and the amount of purchase therefrom during the Track Record Period. Products using such HPCR components primarily include certain models of our large and heavy-duty engines such as YC16VC, YC16VTD and YC6TD. In FY2023, FY2024, FY2025, 1H2025 and 1H2026,

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our revenue derived from engines using such components accounted for 15.5%, 16.2%, 9.2%, 9.0% and 11.0% of our total revenue, respectively. Currently, we only source such components from Supplier B due to their high technical requirements and long development cycles. We believe that alternative suppliers which can supply such components in comparable quantities, price and terms are available in the market, and we are working with certain domestic suppliers to develop such components.

The major terms of the Typical Framework Agreements generally include the following:

- **Purchase order:** we place orders to the suppliers via our supplier relationship management (SRM) system, email or other agreed methods.
- **Price:** the unit price of the components for mass-production or finished engines is typically specified in the framework agreements. The unit price for components is usually subject to a price adjustment mechanism considering raw material cost fluctuations.
- **Minimum purchase quantity:** there is no minimum purchase commitment.
- **Delivery, inspection and product returns:** the suppliers shall generally be responsible for product delivery and costs of delivery. We conduct inspections after products are delivered. For defective products, we shall be entitled to a return or replacement by the suppliers or other remedies.
- **Warranty period:** depending on the type of components involved, the warranty period is typically three to 24 months from the inspection date, the date of completion of on-site commissioning of power generator sets or engines, or the date of sales invoice, as the case may be. Suppliers shall provide free repair, replacement or return or warranty compensation for defective products identified during the warranty period.
- **Credit terms and payment method:** the credit terms and payment method shall be in accordance with the framework agreements. We are typically offered a credit term of 30–90 days.
- **Duration, termination and renewal:** the term of framework agreements is typically one year, which, upon expiry and through parties’ mutual agreement, could be extended to the date on which parties enter into a new agreement. The framework agreement may be terminated (i) by mutual agreement, (ii) by us in the event of a material breach by the supplier, or (iii) by the supplier on six months’ prior notice with our written consent.

The major terms of the Long-Term Framework Agreements generally include the following:

- **Purchase order:** we place orders to the supplier via our SRM system, email or other agreed methods.
- **Price:** the unit price of the relevant components is typically specified in an annual price agreement reviewed and signed annually. The price shall be adjusted annually considering changes in commodity prices, exchange rates and inflation rates.
- **Minimum purchase quantity:** the annual minimum purchase quantity is set out in the framework agreement. If the actual purchase quantity is lower than the minimum purchase quantity, parties will renegotiate the prices. In addition, at the end of each year, the parties will agree on an estimated purchase quantity for the following year.
- **Delivery, inspection and product returns:** the supplier shall be responsible for product delivery and costs of delivery. We conduct inspections after products are delivered. For defective products, we shall be entitled to a return or replacement by the supplier or other remedies.

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- **Warranty period:** the earliest of 2,000 engine operation hours, 12 months from the date of completion of engine commissioning or 18 months from the production date. The supplier shall provide free repair, replacement or return or warranty compensation for defective products identified during the warranty period.
- **Credit terms and payment method:** the credit terms and payment method shall be in accordance with the framework agreement. We are offered a credit term of 90 days.
- **Duration, termination and renewal:** the term of the framework agreement is five years, which, upon expiry, will be automatically renewed on an annual basis unless terminated by either party on six months’ prior notice. The framework agreement may be terminated, among others, (i) by either party in the event of a material breach by the other party which remains unremedied for an agreed period, (ii) by us if delivery is delayed for more than five months, or (iii) by the supplier if payment is delayed for more than 16 weeks.

We typically enter into individual procurement agreements with our suppliers of power generator sets. The major terms of the procurement agreements generally include the following:

- **Specifications:** we shall specify product specification in the procurement agreement.
- **Delivery, inspection and product returns:** we typically take delivery at suppliers’ warehouses, arrange transportation and bear the delivery costs. Product inspection shall generally be conducted at the end-user customers’ designated places or our warehouses. Within a specified period prior to the delivery date, we may require the supplier to accept a return in whole or in part.
- **Credit terms and payment method:** the credit period and payment method shall be in accordance with the procurement agreement. Payments are typically made in installments, with a deposit before delivery followed by post-delivery payments.
- **Technical support and warranty period:** the supplier shall provide technical support and warranty services to us and/or our end-user customers during the warranty period. The warranty period is typically one to five years from the date on which the commissioning and testing of the power generator sets are successfully completed.
- **Termination:** we may terminate the procurement agreement in the event that, among others, (i) the first prototype power generator set produced by the suppliers fails to satisfy our testing requirements, or the subsequent products do not conform to the first prototype; (ii) the suppliers assign the procurement agreement to third parties; or (iii) product quality or the warranty services fail to meet the agreed requirements and are not remedied within the agreed period.

Contract Manufacturing

We engage contract manufacturers to produce certain engine series based on our proprietary designs and specifications. Under the contract manufacturing arrangements, the contract manufacturers, following our designs and specifications, independently procure raw materials and components, manage their own production planning and schedules, and perform industry-standardized production work. Throughout this process, we retain all intellectual property rights, which represent the core value of our products. During the Track Record Period, we procured 14 series of finished engines from two contract manufacturers, including seven series of medium- to light-duty engines and six series of marine engines from a GY Entity and one series of marine engines from GYMCL, under such contract manufacturing arrangements. Such arrangements allow us to leverage external production capacity for engine series with lower rated power while focusing our internal resources on higher-value engine series and core activities such as R&D, product design and quality assurance. The salient terms of agreements with such contract manufacturers follow our Typical Framework Agreements for the procurement of finished

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engines. In terms of quality control, we have the right to conduct on-site quality inspections at the contract manufacturers’ facilities to ensure compliance with our quality control standards, including compliance with our engine designs and specifications, production processes and product quality standards. If we identify any non-compliance with our requirements during such inspections, the contract manufacturers are required to take immediate corrective action in accordance with our instructions. We also conduct inspections after finished engines produced under such contract manufacturing arrangements are delivered to us, including verification of compliance with our specifications and quality standards, and any substandard or defective engines are labeled, segregated and assessed for subsequent repair or return.

Suppliers

Our suppliers are primarily providers of components and engines and OEMs of power generator sets based in China. We carefully select our suppliers and require them to satisfy various assessment criteria. All potential suppliers must pass our internal supplier admission standards before entering into our qualified supplier list. We also carry out regular reviews of qualified suppliers. We had 937, 971, 1,028 and 847 suppliers in FY2023, FY2024, FY2025 and 1H2026, respectively.

In FY2023, FY2024, FY2025 and 1H2026, purchases from our largest supplier in each year/period amounted to RMB563.7 million, RMB626.8 million, RMB882.3 million and RMB606.0 million, representing 20.1%, 17.5%, 15.5% and 15.4% of our total purchase amount, respectively, while purchases from our five largest suppliers in each year/period amounted to RMB1,328.3 million, RMB1,585.9 million, RMB2,327.4 million and RMB1,649.9 million, representing 47.4%, 44.4%, 40.9% and 42.0% of our total purchase amount, respectively.

The following tables set forth details of our five largest suppliers in each year/period during the Track Record Period.

Rank	Supplier	Type of products purchased by us	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount (RMB'000)	Percentage of total purchase %
FY2023							
1	GY Entities ⁽¹⁾	Heavy-duty, medium- to light-duty and marine engines, engine components, fuels and logistics services	2022	0–90 days	Bank transfer/ acceptance bill	563,689	20.1
2	GYMCL Related Parties ⁽²⁾	Heavy-duty, medium- to light-duty and marine engines, engine components and testing services	2022	30–91 days	Bank transfer/ acceptance bill	381,375	13.6
3	MTU Yuchai ⁽³⁾	Large engines	2022	20% prepayment required, the remaining payment within 30 days after receipt of goods	Bank transfer	191,014	6.8
4	Supplier A ⁽⁴⁾	Crankshafts	2022	60 days	Bank transfer/ acceptance bill	105,835	3.8
5	Supplier B ⁽⁵⁾	High-power HPCR fuel injection pumps and fuel injectors	2022	90 days	Bank transfer/ acceptance bill	86,421	3.1
Total						1,328,344	47.4

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Rank	Supplier	Type of products purchased by us	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount (RMB'000)	Percentage of total purchase %
FY2024							
1	GY Entities ⁽¹⁾	Heavy-duty, medium- to light-duty and marine engines, engine components, fuels and logistics services	2022	0–90 days	Bank transfer/ acceptance bill	626,825	17.5
2	GYMCL Related Parties ⁽²⁾	Heavy-duty, medium- to light-duty and marine engines, engine components and testing services	2022	30–91 days	Bank transfer/ acceptance bill	514,350	14.4
3	MTU Yuchai ⁽³⁾	Large engines	2022	30 days	Bank transfer	256,627	7.2
4	Supplier A ⁽⁴⁾	Crankshafts	2022	60 days	Bank transfer/ acceptance bill	101,800	2.8
5	Supplier B ⁽⁵⁾	High-power HPCR fuel injection pumps and fuel injectors	2022	90 days	Bank transfer/ acceptance bill	86,306	2.4
Total						1,585,908	44.4
Rank	Supplier	Type of products purchased by us	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount (RMB'000)	Percentage of total purchase %
FY2025							
1	GY Entities ⁽¹⁾	Heavy-duty, medium- to light-duty and marine engines, engine components, fuels and logistics services	2022	0–90 days	Bank transfer/ acceptance bill	882,395	15.5
2	GYMCL Related Parties ⁽²⁾	Heavy-duty, medium- to light-duty and marine engines, engine components and testing services	2022	30–91 days	Bank transfer/ acceptance bill	763,129	13.4
3	MTU Yuchai ⁽³⁾	Large engines	2022	30 days	Bank transfer	292,801	5.2
4	Supplier C ⁽⁶⁾	Alternators	2023	60 days	Bank transfer/ acceptance bill	222,635	3.9
5	Supplier A ⁽⁴⁾	Crankshafts	2022	60 days	Bank transfer/ acceptance bill	166,440	2.9
Total						2,327,400	40.9

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Rank	Supplier	Type of products purchased by us	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount (RMB'000)	Percentage of total purchase %
1H2026							
1	GY Entities ⁽¹⁾	Heavy-duty, medium- to light-duty and marine engines, engine components, fuels and logistics services	2022	0-90 days	Bank transfer/ acceptance bill	606,026	15.4
2	GYMCL Related Parties ⁽²⁾	Heavy-duty, medium- to light-duty and marine engines, engine components and testing services	2022	30-91 days	Bank transfer/ acceptance bill	454,431	11.6
3	Supplier C ⁽⁶⁾	Alternators	2023	60 days	Bank transfer/ acceptance bill	265,861	6.8
4	MTU Yuchai ⁽³⁾	Large engines	2022	30 days	Bank transfer	177,724	4.5
5	Supplier D ⁽⁷⁾	Water tank radiator	2022	60 days	Bank transfer/ acceptance bill	145,884	3.7
Total						1,649,926	42.0

Notes:

- (1) GY is a state-owned company headquartered in Guangxi founded in 1992 with approximately RMB1,824.8 million in registered capital. Through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties.
- (2) GYMCL is a joint stock company with limited liability headquartered in Guangxi incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and GYMCL Related Parties will become our connected persons upon Listing.
- (3) MTU Yuchai is a private company headquartered in Guangxi founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50-50 joint venture of us and is our Related Party.
- (4) Supplier A is a private company headquartered in Liaoning Province founded in 2003 with approximately RMB100 million in registered capital, principally engaged in manufacture of engine crankshafts and forgings.
- (5) Supplier B is a private company headquartered in Shanghai founded in 2000 with approximately RMB100 million in registered capital, principally engaged in manufacture and sales of construction machinery and equipment, mechanical devices and related components.
- (6) Supplier C is a private company headquartered in Fujian Province founded in 1995 with approximately USD12.2 million in registered capital, principally engaged in manufacture of generators, motors and gearboxes.
- (7) Supplier D is a private company headquartered in Hubei Province founded in 2007 with approximately RMB30 million in registered capital, principally engaged in manufacture of water tank radiator.

GYMCL Related Parties will become our connected persons upon [REDACTED], and GY Entities and MTU Yuchai are our Related Parties. Save for the abovesaid, as at the Latest Practicable Date, to the best knowledge and belief of our Directors after making reasonable enquiries, our five largest suppliers in each year during the Track Record Period were Independent Third Parties.

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The table below sets forth a breakdown of our purchases attributable to the Independent Suppliers and Related Parties for the years/periods indicated:

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Purchases										
Independent Suppliers	1,665,706	59.5	2,172,354	60.8	3,737,789	65.9	2,740,770	75.8	2,693,189	68.5
Related Parties	1,136,078	40.5	1,397,802	39.2	1,938,325	34.1	875,943	24.2	1,238,180	31.5
GY Entities	563,689	20.1	626,825	17.6	882,395	15.5	424,751	11.7	606,025	15.4
GYMCL Related Parties	381,375	13.6	514,350	14.4	763,129	13.4	273,567	7.6	454,431	11.6
MTU Yuchai	191,014	6.8	256,627	7.2	292,801	5.2	177,625	4.9	177,724	4.5
Total	2,801,784	100.0	3,570,156	100.0	5,676,114	100.0	3,616,713	100.0	3,931,369	100.0

See “Transactions with the Related Parties” in this section for details. As confirmed by our Directors, save for GYMCL, none of our Directors or their respective associates, or any Shareholders of our Company, who own 5% or more of our issued shares, have any interest in any of our five largest suppliers in each year during the Track Record Period.

SALES, MARKETING AND CUSTOMERS

Sales and Service Network

We have established both national and international sales and service network and dedicated sales teams to serve our customers globally. As of June 30, 2026, our sales and service network consisted of our headquarters in Yulin City, 13 regional sales centers in major geographic regions in China and five overseas business divisions covering Europe, Middle East, Africa, Asia and South America.

As of June 30, 2026, our sales and marketing department had 179 personnel, including 121 stationed in China and 58 stationed outside of China. Our sales and marketing department is mainly responsible for formulating our sales and marketing strategies, preparing market analysis reports and business proposals, managing our sales orders and agreements, building our brand image, identifying and developing potential customers and providing customer services.

Through our sales and service network, we have dedicated personnel responsible for each of our products sold in domestic and overseas markets. Our sales and marketing teams regularly contact our existing and potential customers about our current products and development plans, and gather feedbacks from customers on our products to gain more insights about the needs of our customers and future market trends.

The table below sets forth a breakdown of our revenues by regions for the years/periods indicated:

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Chinese mainland	3,118,778	96.3	3,785,372	94.6	5,814,524	94.5	2,872,514	96.5	4,261,542	94.8
Overseas ⁽¹⁾	120,230	3.7	214,424	5.4	335,915	5.5	105,602	3.5	232,839	5.2
Total	3,239,008	100.0	3,999,796	100.0	6,150,439	100.0	2,978,116	100.0	4,494,381	100.0

Note:

- (1) Our overseas revenue in the Track Record Period was primarily generated from Asia, Middle East, Europe and Africa.

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The revenue generated from our overseas sales increased from RMB120.2 million in FY2023 to RMB214.4 million in FY2024 and further increased to RMB335.9 million in FY2025. In 1H2026, revenue generated from our overseas sales reached RMB232.8 million, increased from RMB105.6 million in 1H2025. Such increases were primarily due to our continuous effort to expand our overseas sales and global presence.

Our major overseas customers are primarily OEMs. We primarily acquired our overseas customers through customer visits and participating in exhibitions.

Sales and Distribution

Our sales model combines direct sales and distribution channels. We primarily directly sell power generator engines to OEMs and power generator sets to end users, and, to a lesser extent, distribute power generator engines and power generator sets, through distributors. We primarily distribute our marine engines through distributors, and, to a lesser extent, directly sell our marine engines to end users. During the Track Record Period, all of our direct sales and substantially all of our distributors’ sales were conducted offline.

The following table sets forth a breakdown of our revenue by sales channels for the years/periods indicated:

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Direct sales	2,719,433	84.0	3,473,103	86.8	5,410,200	88.0	2,671,851	89.7	4,081,436	90.8
Sales through distributors	519,575	16.0	526,693	13.2	740,239	12.0	306,265	10.3	412,945	9.2
Total	3,239,008	100.0	3,999,796	100.0	6,150,439	100.0	2,978,116	100.0	4,494,381	100.0

Direct sales

We primarily market and sell power generator engines directly to OEMs who assemble our engines into power generator sets and sell to end users. We also market and sell power generator sets directly to end users, including leading internet technology companies and telecommunication operators. To a lesser extent, we directly sell our marine engines to end users. We generally secure orders from our customers through direct negotiations with them. In respect of our sales of power generator sets, we also participate in tendering processes initiated by our customers. We typically receive tender notifications from customers via email or other electronic channels. Our tendering process generally involves obtaining tender documents, preparing bid materials, participating in clarification sessions, submitting bid documents, and, where applicable, conducting presentations and negotiations before the final award. In FY2023, FY2024, FY2025 and 1H2026, we submitted 9, 20, 36 and 39 tenders, of which 8, 15, 27 and 34 were awarded to us, representing tender success rates of 88.9%, 75.0%, 75.0% and 87.2%, respectively. The increases in the number of tenders during the Track Record Period were primarily driven by increasing demand for our power generator sets in the data center application.

We generally enter into standard sales agreements with our direct sales customers. See “Sales, Marketing and Customers — Key Terms of Sales Agreements” in this section for further details.

Distribution channels

We primarily sell marine engines and, to a lesser extent, power generator engines and power generator sets through the established networks of our distributors across China and overseas. Our distributors are primarily mechanical and electrical companies and trading companies with established local customer bases. According to Frost & Sullivan, our use of distributors is in line with the industry norm. Except for one distributor that sold our products through an online channel in FY2025 and 1H2026, all our distributors sold our products offline during the Track Record Period.

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The following table sets forth the number of our distributors and its changes for the years/period indicated:

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>1H2026</u>
Distributors at the beginning of the period	34	47	53	56
New distributors ⁽¹⁾	13	10	10	2
Inactive distributors ⁽²⁾	0	(4)	(7)	(3)
Distributors at the end of the period	47	53	56	55
Domestic distributors ⁽³⁾	39	45	51	50
Overseas distributors ⁽⁴⁾	8	8	5	5

Notes:

- (1) Representing distributors from whom we recognize revenues for the period indicated but no revenues recognized for the financial year immediately preceding the period indicated.
- (2) Representing distributors from whom we did not recognize revenues for the period indicated but have revenues recognized for the financial year immediately preceding the period indicated. When calculating the total number of distributors at the end of a period, we deduct the number of inactive distributors.
- (3) Including one distributor that primarily sold our products in the PRC but also sold to overseas markets and thus was categorized as a domestic distributor.
- (4) Our overseas distributors were primarily located in Vietnam, Turkey, Indonesia, Morocco and Bangladesh.

We endeavored to expand our distribution network by partnering with capable distributors to strengthen our market presence. In FY2024 and FY2025, four and seven inactive distributors discontinued relationships with us, respectively, primarily due to their low sales volumes and limited profitability, and they elected not to continue the distribution arrangement with us. During the Track Record Period and up to the Latest Practicable Date, we did not have any unresolved disagreements or disputes with these departing distributors. In 1H2026, three of our existing distributors did not have any transactions with us, but the distributor arrangements with them were still in effect as of the Latest Practicable Date.

Our relationships with distributors are buyer-seller relationships. During the Track Record Period, three GYMCL Related Parties, which would become our connected persons upon [REDACTED], and one GY Entity, which is a Related Party, acted as our distributors. Such GYMCL Related Parties and GY Entity, engaging in distribution business in addition to GYMCL Related Parties’ and GY Entities’ OEM and other businesses, have an extensive nationwide warehouse network and established customer channels in certain specialized market segments and overseas markets. We utilize their network to facilitate the efficient delivery of our engine components to our chain of authorized service stations to provide after-sales services to our customers and other end users, and leverage their channels to expand the market reach of our products. Revenue attributable to such GYMCL Related Parties and GY Entity as our distributors accounted for 1.0%, 0.8%, 0.9%, 0.7% and 0.8% of our total revenue in FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively. In addition, three distributors were controlled by a family member and/or relatives of the chief executive of an insignificant subsidiary of our Company during the Track Record Period. Revenue attributable to such entities accounted for 1.0%, 0.5%, 0.4%, 0.4% and 0.0% of our total revenue in FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively. Save as mentioned above, during the Track Record Period, to the best of our Directors’ knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees. To the best of our knowledge, we did not have any sub-distributor during the Track Record Period and up to the Latest Practicable Date.

Distributor selection and management

We implement a rigorous selection process and ongoing evaluation of our distributors. Our selection criteria include industry knowledge, access to customer networks, market coverage, understanding of our products, commitment to long-term partnerships, creditworthiness, financial health

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and business scope. We regularly review our distributors’ performance evaluations, focusing on their credit status, inventory control, business network expansion, operational improvements and sales achievements.

Our distributor management policies include routine oversight, sales support and analysis, and periodic performance assessments to promote alignment with our standards and objectives. Additionally, we offer robust support to enhance our distributors’ sales and management skills. We actively collaborate with distributors, assisting them during customer visits and negotiations to provide timely advice. We also conduct training programs aimed at improving the product knowledge and sales skills of distributor staff to enhance overall sales performance.

Anti-cannibalization management

To prevent cannibalization among our distributors, we have implemented a set of measures, including: (i) implementing a uniform pricing structure and providing our distributors with recommended retail prices as their guidance; (ii) granting our distributors exclusive distribution rights within specific regions and prohibiting distributors from selling beyond their designated regions without our authorization; and (iii) verifying shipment destinations to monitor compliance with the designated distribution regions. If a distributor deviates from the approved guidance prices or sells our products outside its designated distribution area without our approval, we may mark down its performance assessment, and, in serious cases, revoke the distributor’s qualifications and terminate the distribution arrangement. We believe that such measures effectively eliminate market overlap and competition among distributors in different regions. Our distributors may conduct periodic visits to end customers within their designated regions to verify product shipments. If they discover products not sold by them, they may report or escalate the matter in accordance with our special order management procedures. If a distributor wishes to sell our products outside its designated area, we evaluate such request pursuant to our cross-region sales management policies. We may approve such request if the distributor designated to that region has not contacted the target end customers.

Distributor inventory management

We do not set any minimum purchase amount or sales target for our distributors, although we are entitled to do so under our distribution agreements. In addition, we generally do not allow returns of products sold to distributors, except for defective products, which is in line with industry practice according to Frost & Sullivan. For domestic distributors, we generally enter into consignment arrangements under which we retain control of products delivered to distributors, bear the relevant legal risks, and continue to recognize such products as our inventory until the products are accepted by distributors upon receiving confirmed orders from end customers, at which time we recognize revenue. See “Sales, Marketing and Customers — Consignment Arrangements” in this section. In contrast, our overseas distributors typically place orders with us only after receiving confirmed orders from their end customers, and we recognize revenue when the distributors take possession of and accept the products. Although we maintain regular communication with our distributors to understand their inventory size and sales performance, we do not control their inventory levels or end-customer demand. Accordingly, our distributors independently determine their inventory levels based on their business needs and forecasts of customer demand, and have little incentive to maintain unreasonably high inventory levels. Based on the foregoing, we believe there was no significant unsold inventory owned by distributors during the Track Record Period and as of the Latest Practicable Date, and the risk of channel stuffing is remote in our distribution network.

Key terms of distribution agreements

We enter into distribution agreements with our distributors. Other than the payment and credit terms, the principal terms of our agreements with domestic and overseas distributors are generally consistent. Our distribution agreements typically contain the following terms:

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- **Duration:** typically one year.
- **Geographic exclusivity:** we generally designate the geographical area within which our distributors are allowed to market and sell our products and services. A distributor is generally prohibited from marketing and selling our products and services outside its designated geographic area.
- **Payment and credit terms:** we generally require our domestic distributors to make full payment within 30–90 days of shipment. With respect to our overseas distributors, payment is typically settled by letter of credit or direct payment, with credit terms of up to 225 days after shipment or by full or partial prepayment prior to shipment.
- **Minimum purchase amount or sales target:** we may specify an indicated minimum purchase amount or sales target in the distribution agreement.
- **Pricing, discounts and sales rebates:** we typically specify the unit price of each type of products in the distribution agreement as guidance. Distributors are required to sell our products at such guidance prices, and any discount requires our prior approval. We generally offer sales rebates to distributors when the quantity of products purchased during a fixed period exceeds a specified threshold.
- **Appointment of sub-distributors:** our distributors may not engage any sub-distributor without our prior written consent.
- **Delivery term:** under some arrangements, we bear the costs and risks of delivering products to the distributors’ warehouses, while under other arrangements, delivery occurs at our warehouses, after which the distributors assume the transportation costs and associated risks.
- **Termination:** each party has the right to terminate the agreement if the other party breaches the distribution agreement.
- **Warranty and return policy:** our warranty period usually ranges from one to five years, depending on the product type, and extend to end customers. We generally do not allow returns of products sold to distributors, except for defective products.

In FY2023, FY2024, FY2025, 1H2025 and 1H2026, sales rebates provided to our distributors amounted to RMB36.2 million, RMB34.6 million, RMB56.7 million, RMB25.9 million and RMB32.9 million, respectively. Where there are sales rebates, relevant revenue is recognized based on contract consideration net of the sales rebate. See note 2.3 of the Accountants’ Report included in Appendix I to this document for details on the accounting treatment for sales rebates. There were no product returns by our distributors in FY2023 or FY2024. There was one incident of product return amounting to RMB4,159 in FY2025 and one incident of product return amounting to RMB18,000 in 1H2026. The levels of sales rebates and product returns involving our distributors during the Track Record Period are in line with the industry norm according to Frost & Sullivan.

Marketing

Our customers are primarily OEMs. Based on our reputation in the market, some end-user customers across different industries also purchase products from us directly. To attract new customers and maintain existing customers, our dedicated sales and marketing teams also approach new and existing clients directly from time to time to promote our products.

We employ a multi-channel marketing strategy. To increase market exposure and strengthen brand recognition, we participate in seminars, trade shows and exhibitions in the PRC and overseas, such as the China Import and Export Fair, Shanghai International Power Exhibition, Data Center World Asia, and run advertising campaigns. We hold product roadshows and technical briefings to introduce new engine models and configurations. Through customer visits, we identify operational needs of clients to design and develop products that meet the specifications required by the customers. In parallel, we

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conduct end-user outreach and education to build awareness and accelerate entries into new markets. In addition, we leverage referrals from existing customers to cultivate high-quality leads and broaden our customer base.

Consignment Arrangements

During the Track Record Period, we entered into consignment arrangements primarily with certain OEM and distributor customers. Under such arrangements, we deliver our products to warehouses designated by our customers for consignment. While on consignment, title to and inventory risk in respect of the products remain with us until the customer accepts and utilizes the products. Revenue is recognized at the time of such acceptance and release from consignment. In FY2023, FY2024, FY2025 and 1H2026, the average time lapse between (i) the delivery of inventories to the designated warehouses of customers under consignment arrangements and (ii) the acceptance and release of such inventories from consignment was 51 days, 58 days, 44 days and 61 days, respectively, with a range of 0 to 441 days, 0 to 475 days, 0 to 337 days and 0 to 418 days over the same respective periods. Cases of 0 days occurred when customers accepted products immediately upon delivery, while cases exceeding 400 days were attributable to special circumstances, such as trial arrangements with OEM customers where products may be subject to modifications during the trial period. For FY2023, FY2024, FY2025, 1H2025 and 1H2026, revenue generated from such consignment arrangements amounted to approximately RMB2,577.6 million, RMB3,061.9 million, RMB4,088.3 million, RMB1,841.2 million and RMB3,349.6 million, representing approximately 79.6%, 76.6%, 66.5%, 61.8% and 74.5% of our revenue for the respective periods. According to Frost & Sullivan, (i) consignment arrangements are common in the engine industry, (ii) the average time lapse levels of our consignment arrangements align with the industry range, and (iii) the revenue contribution percentages of our consignment arrangements align with the industry range. As at December 31, 2023, 2024 and 2025 and June 30, 2026, the amount of our inventories under consignment arrangements (i.e., delivered to customers’ designated warehouses but pending acceptance) was RMB469.3 million, RMB576.8 million, RMB1,097.7 million and RMB1,187.5 million, respectively. As of the Latest Practicable Date, approximately RMB470.0 million, or 39.6% of our inventories under consignment arrangements as of June 30, 2026, had been subsequently accepted.

We have established the following internal control for monitoring and verifying inventory levels for products under consignment arrangement: (i) we will enter into consignment service agreements with the relevant customers and/or the third party warehouses designated by the customers, (ii) we deliver the products to warehouses designated by the customers based on the estimated procurement quantities provided by the customers, (iii) at the end of each month, we will gather all product acceptance and utilization records from each customer and conduct monthly reconciliation to verify the quantity of products delivered to and accepted by each customer, and (iv) we will perform physical inventory counts at the relevant warehouses on a regular basis.

Customers

Our customers comprise direct sales customers and distributors of our products. Our direct sales customers are primarily OEMs who purchase engines from us to assemble power generator sets, and also include end users to whom we sell power generator sets. We had 493, 605, 672 and 556 customers in FY2023, FY2024, FY2025 and 1H2026, respectively.

In FY2023, FY2024, FY2025 and 1H2026, 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, respectively, while 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. The increase in the five largest customers’ share of total revenue in FY2025 was primarily due to the revenue growth from Customer A, which amounted to RMB1,269.9 million in FY2025, representing 20.6% of our total revenue for the year, compared to RMB141.8 million in FY2023 and RMB222.4 million in FY2024, representing 4.4% and 5.6% of our total revenue, respectively. Revenue growth from Customer A in FY2025 was mainly driven by increased market demand for power generator sets integrated with our engines, particularly for the data center industry.

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

Rank	Customer	Type of products purchased from us	Year of commencement of business relationship	Credit terms	Payment methods	Revenue (RMB'000)	Percentage of total revenue %
FY2023							
1	GY Entities ⁽¹⁾	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–90 days	bank transfer/ acceptance bill	708,393	21.9
2	Customer A ⁽²⁾	Large, heavy-duty, medium- to light-duty and marine engines	2022	90 days	bank transfer/ acceptance bill	141,823	4.4
3	GYMCL Related Parties ⁽³⁾	Heavy-duty and medium- to light-duty engines and engine components	2022	60–225 days ⁽³⁾	bank transfer/ acceptance bill	90,880	2.8
4	Customer B ⁽⁴⁾	Large and heavy-duty engines	2022	60 days	bank transfer, acceptance bill/other agreed method	75,123	2.3
5	Customer C ⁽⁵⁾	Large, heavy-duty and medium- to light-duty engines	2022	60 days	bank transfer/ acceptance bill	72,495	2.2
Total						1,088,714	33.6
Rank	Customer	Type of products purchased from us	Year of commencement of business relationship	Credit terms	Payment methods	Revenue (RMB'000)	Percentage of total revenue %
FY2024							
1	GY Entities ⁽¹⁾	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–90 days	bank transfer/ acceptance bill	539,418	13.5
2	Customer A ⁽²⁾	Large, heavy-duty, medium- to light-duty and marine engines and engine components	2022	90 days or according to the payment schedule between Customer A and its end-user customers	bank transfer/ acceptance bill	222,403	5.6
3	Customer B ⁽⁴⁾	Large, heavy-duty and medium- to light-duty engines	2022	60 days	bank transfer/ acceptance bill/other agreed method	154,578	3.9
4	GYMCL Related Parties ⁽³⁾	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–225 days ⁽³⁾	bank transfer/ acceptance bill	111,123	2.8
5	MTU Yuchai ⁽⁶⁾	Engine components	2022	60 days	bank transfer/ acceptance bill	108,231	2.7
Total						1,135,753	28.4

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Rank	Customer	Type of products purchased from us	Year of commencement of business relationship	Credit terms	Payment methods	Revenue (RMB'000)	Percentage of total revenue %
FY2025							
1	Customer A ⁽²⁾	Large, heavy-duty, medium- to light-duty and marine engines and engine components	2022	90 days or according to the payment schedule between Customer A and its end-user customers	bank transfer/ acceptance bill	1,269,896	20.6
2	GY Entities ⁽¹⁾	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–90 days	bank transfer/ acceptance bill	289,739	4.7
3	MTU Yuchai ⁽⁶⁾	Engine components	2022	60 days	bank transfer/ acceptance bill	202,444	3.3
4	Customer D ⁽⁷⁾	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60 days	bank transfer/ acceptance bill	185,357	3.0
5	Customer E ⁽⁸⁾	Large, heavy-duty and medium- to light-duty engine and engine components	2022	60 days	bank transfer/ acceptance bill	171,262	2.8
Total						2,118,698	34.4
Rank	Customer	Type of products purchased from us	Year of commencement of business relationship	Credit terms	Payment methods	Revenue (RMB'000)	Percentage of total revenue %
1H2026							
1	Customer A ⁽²⁾	Large, heavy-duty, medium- to light-duty and marine engines and engine components	2022	90 days or according to the payment schedule between Customer A and its end-user customers	bank transfer/ acceptance bill	1,004,973	22.4
2	Customer F ⁽⁹⁾	Large, heavy-duty, and medium- to light-duty engines and power generator sets	2022	60 days	bank transfer/ acceptance bill	300,490	6.7
3	Customer B ⁽⁴⁾	Large and heavy-duty engines	2022	60 days	bank transfer, acceptance bill/other agreed method	205,883	4.6
4	Customer G ⁽¹⁰⁾	Large, heavy-duty, and medium- to light-duty engines and power generator sets	2022	90 days	bank transfer/ acceptance bill	151,052	3.4
5	GY Entities ⁽¹⁾	Large, heavy-duty and medium- to light-duty engines and engine components	2022	60–90 days	bank transfer/ acceptance bill	132,905	3.0
Total						1,795,303	39.9

Notes:

- (1) GY is a state-owned company headquartered in Guangxi founded in 1992 with approximately RMB1,824.8 million in registered capital. Through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties and purchased from us primarily as OEMs.

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- (2) Customer A is a private company headquartered in Shenzhen founded in 2016 with approximately RMB200 million in registered capital, principally engaged in design, development and sales of power generation equipment, as well as electromechanical engineering construction. Customer A is an OEM.
- (3) GYMCL is a joint stock company with limited liability headquartered in Guangxi incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and GYMCL Related Parties will become our connected persons upon [REDACTED]. GYMCL Related Parties purchased from us primarily as distributors. The credit period of up to 225 days granted to GYMCL Related Parties was attributable to YC-Europe GMBH, a subsidiary of GYMCL and an overseas customer. This extended credit period was provided for overseas market development and has since been reduced to 180 days effective from 2025 and further reduced to 120 days in June 2026. We also granted credit periods up to 180 days to 240 days to independent third-party overseas customers, and such terms are not uncommon in the engine industry according to Frost & Sullivan. Apart from this exceptional case, the credit periods granted to GYMCL Related Parties are generally 30–90 days, which is in line with the credit periods granted to other domestic customers. Overall, trade and bills receivables turnover days attributable to GYMCL Related Parties were 56 days, 74 days and 94 days in FY2023, FY2024 and FY2025, respectively. In 1H2026, trade and bills receivables turnover days attributable to GYMCL Related Parties were 141 days, primarily due to substantial purchases of engine components by GYMCL Related Parties in June 2026, which substantially increased the period-end receivables balance.
- (4) Customer B is a company listed on the Shenzhen Stock Exchange and headquartered in Shanghai founded in 2002 with approximately RMB320 million in registered capital, principally engaged in development, design, production and sales of intelligent eco-friendly power supply equipment. Customer B is an OEM.
- (5) Customer C is a private company headquartered in Jiangsu Province founded in 2000 with approximately RMB2,188.8 million in registered capital, principally engaged in manufacture, sales and related technical services of generators and generator sets. Customer C is an OEM.
- (6) MTU Yuchai is a private company headquartered in Guangxi founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50-50 joint venture of us and is our Related Party. MTU Yuchai primarily purchased engine components from us for use in its engine manufacture business.
- (7) Customer D is a private company headquartered in Guangxi founded in 2020 with approximately RMB5 million in registered capital, principally engaged in manufacture and sales of power generators and power generator sets, new energy prime movers, power distribution switchgear and control equipment. Customer D is an OEM.
- (8) Customer E is a private company headquartered in Shandong founded in 1999 with approximately RMB107.6 million in registered capital, principally engaged in manufacturing and sales of power generators and power generator sets, specialized environmental protection equipment and industrial robots. Customer E is an OEM.
- (9) Customer F is a private company headquartered in Jiangsu Province founded in 1997 with approximately RMB150 million in registered capital, principally engaged in the R&D, manufacture, and import and export of electromechanical products such as power equipment, household appliances and automotive parts. Customer F is an OEM.
- (10) Customer G is a private company headquartered in Jiangxi Province founded in 1996 with approximately RMB852.9 million in registered capital, principally engaged in the provision of electric power information services, automation product services, and electronic product services. Customer G is an OEM.

GYMCL Related Parties would become our connected persons upon [REDACTED], and GY Entities and MTU Yuchai are our Related Parties. Save for the abovesaid, as at the Latest Practicable Date, to the best knowledge and belief of our Directors after making reasonable enquiries, our five largest customers in each year during the Track Record Period were Independent Third Parties.

See “Transactions with the Related Parties” in this section for details.

As confirmed by our Directors, save for GYMCL, none of the Directors or their respective associates, or any Shareholders of our Company, who own 5% or more of our issued shares, have any interest in any of our five largest customers in each year during the Track Record Period.

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Pricing

We consider a number of factors in determining the pricing of our products. The core pricing considerations include, with respect to engines and power generator sets, the rated power, displacement, configuration (including emission standards) and costs (including the cost of procured components) and, with respect to components, the costs. We also take into account other factors, including the length of our relationship with the customer, level of competition for comparable products, downstream demand, order sizes and manufacturing complexity. We believe our long-standing relationship, product quality, wide coverage of product applications and unique value propositions help us negotiate premium pricing for our products while remaining competitive in the market.

We have adopted pricing policies which prescribe different strategies for different types of products. For self-produced large engines, heavy-duty engines and marine engines with displacement over 10L and self-produced power generator sets, which generally feature higher power output, greater technical complexity, higher material and production costs and/or robust market demands, we generally adopt profit-oriented pricing to drive higher value realization. For self-produced medium- to light-duty engines, marine engines with displacement of 10L or below, where competition is more intense, and externally procured engines that complement our self-produced product portfolio, our pricing focuses on maintaining and expanding market share, resulting in relatively lower profit margins. For externally procured power generator sets, we determine our pricing by taking into account our procurement costs and end-market price feedback. For components, we generally apply cost-plus pricing, with margins varying depending on type of components.

In addition, while we maintain a uniform pricing structure across all customer types to ensure consistent pricing and to avoid channel conflicts, we also adopt flexible pricing policies considering factors such as customer segments, the strategic importance of products, technological advancements, project competitiveness, costs and target profitability. Pursuant to our pricing policies, we typically charge lower prices for customers with large purchase volumes. From time to time, we may offer discounts and rebates to direct sales customers and distributors on a case by case basis.

We also typically include price adjustment mechanisms for sales of engine components, which allow us to adjust pricing periodically or upon the occurrence of certain triggering events, such as increased production costs, procurement costs, fluctuations in raw material prices, or changes in applicable taxes or tariffs. Such adjustments typically require advance notice to the customer and are implemented on a prospective basis, applying to orders placed after the effective date of the adjustment. According to Frost & Sullivan, such price adjustment mechanisms are in line with industry norms.

Key Terms of Sales Agreements

We typically enter into framework sales agreements with our direct sales customers of finished engines and engine components, under which our customers will enter into individual purchase orders with us. Our sales agreements typically contain the following terms:

- **Specification:** We usually set relevant technical parameters in the agreements.
- **Price:** We typically specify the price of each product and service provided to customers in the individual purchase order, including unit price and total price. For engine components, we also specify price adjustment mechanism.
- **Payment term:** We grant credit period to our customers according to their credit profile and historical performance, with typical credit terms of 30 to 90 days to domestic customers and 60 to 240 days to overseas customers.

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- **Delivery term:** For sales of finished engines, the products are delivered to customers’ designated location, with costs and risks borne by customers. For sales of engine components, customers generally take delivery from the location designated by us and bear the costs and risks in the delivery process.
- **Duration, termination and renewal:** The term of framework sales agreements is generally one year. The renewal of framework sales agreements is negotiated on a case-by-case basis.
- **Minimum purchase requirement:** We typically do not set minimum purchase requirements in the framework sales agreements, and the exact purchase amount is specified in the individual sales orders.
- **Warranty period:** For sales of finished engines, the warranty period usually ranges from one to five years, depending on the product type, during which we bear the cost of product return and provide maintenance service or make modification or replacement free of charge to our customers.

We typically enter into individual sales agreements with our customers of power generator sets. The major terms of the sales agreements generally include the following:

- **Specifications:** We shall specify in the sales agreement with the relevant customers of the type, specification and quantity for the power generator sets.
- **Price:** We typically specify the price of the power generator sets provided to customers in the sales agreement, including unit price and total price.
- **Delivery:** We arrange transportation to our customers’ designated delivery places and bear the associated delivery costs.
- **Credit terms and payment method:** The credit period and payment method shall be in accordance with the sales agreement. Payments are typically made in installments, with a deposit before delivery followed by post-delivery payments.
- **Technical support and warranty period:** We shall provide technical support and warranty services for our customers during the warranty period. The warranty period is typically one to five years from the date on which the commissioning and testing of the power generator sets are successfully completed.
- **Termination:** Customers may terminate the sales agreement if, among others, (i) our first prototype power generator set fail to satisfy customers’ testing requirements, or the subsequent products do not conform to the first prototype; (ii) we assign the agreement to third parties; (iii) we outsource the production to OEMs without prior approval of the customer; or (iv) product quality or warranty services fail to meet agreed standards and are not remedied within the agreed period.

Customer Service

We have established a dedicated after-sales customer service team providing a well-rounded service system that includes technical support, product commissioning, repair and maintenance, user operation and maintenance training and skills-enhancement training. The team is primarily responsible for receiving and addressing customer complaints, conducting product failure analysis and providing after-sales maintenance and technical support.

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As of June 30, 2026, we maintained an in-house technical service team of 48 engineers at our headquarters and regional sales centers, and a network of over 1,000 authorized service stations in China and overseas. These stations, operated primarily by (i) professional mechanical repair companies and (ii) certain OEM customers and distributors authorized by us, provide repair and maintenance services, spare parts, retrofitting services and training. Our in-house team provides technical and service training to authorized service station technicians to ensure a consistently high level of service.

We maintain a 24/7 hotline for inquiries, repair requests and complaints. Upon receipt of repair requests and complaints, we assign an authorized service station to provide on-site assistance. The authorized service station will subsequently report and settle with us the service fees incurred. For complex issues, our in-house technical team intervenes directly. We have fully implemented a “6-Hour Closed-Loop” (6小時閉環) service policy with strict time limits; tickets exceeding the limit are escalated and followed up upon completion to collect feedback on service quality. During the Track Record Period and as of the Latest Practicable Date, we did not receive any material customer complaints.

We have established a well-rounded warranty policy. In China, generally we provide: (i) a 60-month or 1,800-hour warranty for data-center backup diesel-fueled power generator engines and sets; (ii) a 36-month or 1,500-hour warranty for other backup diesel-fueled power generator engines and sets; (iii) a 24-month, unlimited-hour warranty for prime diesel-fueled power generator engines and sets; (iv) a 24-month, unlimited-hour warranty for diesel-fueled marine engines; and (v) a 24-month warranty for gas-fueled marine engines. For exported diesel-fueled products, we generally provide: (i) a 60-month or 1,800-hour warranty for data-center backup diesel-fueled power generator engines and sets, (ii) a 36-month or 1,500-hour warranty for other backup diesel-fueled power generator engines and sets, and (iii) a 12-month, unlimited-hour warranty for prime power generator engines and sets and marine engines. In addition, for gas-fueled prime power generation engines and sets, the warranty is, depending on the model, either (i) 18 months from shipment or 12 months from commissioning, whichever occurs first, or (ii) 12 months from shipment or 4,000 operating hours, whichever occurs first. Product maintenance and repair services are performed by our authorized service stations with the costs of any warranty-related services or repairs borne by us, and all non-warranty activities are charged to customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant product returns from customers.

TRANSACTIONS WITH THE RELATED PARTIES

During the Track Record Period, we entered into various transactions with the Related Parties, i.e., GY Entities, GYMCL Related Parties and MTU Yuchai. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, (i) 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, (ii) our gross profit attributable to the Related Parties amounted to RMB182.3 million, RMB203.6 million, RMB125.9 million, RMB73.5 million and RMB73.9 million, with a gross profit margin attributable to the Related Parties of 22.2%, 26.8%, 20.5%, 26.7% and 24.1%, respectively, and (iii) 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. During the Track Record Period, our revenue from the Related Parties decreased significantly in both absolute amount and as a percentage of total revenue during FY2023, FY2024 and FY2025, and continued to decrease as a percentage of total revenue in 1H2026. Although our purchases from the Related Parties increased in absolute amount due to increased demand for finished engines and components as our sales grew, their percentage of our total purchase amount decreased during FY2023, FY2024 and FY2025, and continued to decrease in 1H2026 as compared with FY2025, reflecting our reduced reliance on the Related Parties.

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The table below sets forth a breakdown of our revenue by business segment and attributable to Independent Customers and each of the Related Parties for the years/periods indicated:

	FY2023		FY2024		FY2025		1H2025		1H2026	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Power generator engines	2,457,201	75.8	3,052,467	76.4	4,216,096	68.6	1,954,638	65.6	3,032,358	67.5
Independent Customers	1,846,910	57.0	2,615,117	65.4	4,081,681	66.4	1,884,334	63.3	2,980,551	66.3
Related Parties	610,291	18.8	437,350	11.0	134,415	2.2	70,304	2.3	51,807	1.2
GY Entities	607,169	18.7	434,486	10.9	124,553	2.0	63,344	2.1	48,625	1.1
GYMCL Related Parties	3,122	0.1	2,864	0.1	9,862	0.2	6,960	0.2	3,182	0.1
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Marine propulsion and auxiliary engines	481,183	14.9	476,999	11.9	659,287	10.7	271,102	9.1	378,152	8.4
Independent Customers	434,019	13.4	457,693	11.4	638,632	10.4	261,921	8.8	361,032	8.0
Related Parties	47,164	1.5	19,306	0.5	20,655	0.3	9,181	0.3	17,120	0.4
GY Entities	44,290	1.4	12,161	0.3	13,271	0.2	6,725	0.2	13,219	0.3
GYMCL Related Parties	2,874	0.1	7,145	0.2	7,384	0.1	2,456	0.1	3,901	0.1
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Power generator sets	114,769	3.5	113,234	2.8	421,417	6.9	284,157	9.5	580,789	13.0
Independent Customers	104,604	3.2	112,848	2.8	419,694	6.9	282,703	9.5	577,692	12.9
Related Parties	10,165	0.3	386	0.0	1,723	0.0	1,454	0.0	3,097	0.1
GY Entities	4,351	0.1	386	0.0	1,707	0.0	1,445	0.0	3,081	0.1
GYMCL Related Parties	5,814	0.2	—	—	16	0.0	9	0.0	16	0.0
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Engine components and others	185,855	5.8	357,096	8.9	853,639	13.8	468,219	15.8	503,082	11.1
Independent Customers	30,872	1.1	55,366	1.4	396,179	6.4	273,878	9.2	268,316	5.9
Related Parties	154,983	4.7	301,730	7.5	457,460	7.4	194,341	6.6	234,766	5.2
GY Entities	52,583	1.6	92,385	2.3	150,208	2.4	67,077	2.3	67,980	1.5
GYMCL Related Parties	79,070	2.4	101,114	2.5	104,808	1.7	43,746	1.5	53,092	1.2
MTU Yuchai	23,330	0.7	108,231	2.7	202,444	3.3	83,518	2.8	113,694	2.5
Total	3,239,008	100.0	3,999,796	100.0	6,150,439	100.0	2,978,116	100.0	4,494,381	100.0
Independent Customers	2,416,405	74.6	3,241,024	81.0	5,536,186	90.0	2,702,836	90.8	4,187,591	93.1
Related Parties	822,603	25.4	758,772	19.0	614,253	10.0	275,280	9.2	306,790	6.9
GY Entities	708,393	21.9	539,418	13.5	289,739	4.7	138,591	4.6	132,905	3.0
GYMCL Related Parties	90,880	2.8	111,123	2.8	122,070	2.0	53,171	1.8	60,191	1.4
MTU Yuchai	23,330	0.7	108,231	2.7	202,444	3.3	83,518	2.8	113,694	2.5

During the Track Record Period, revenue attributable to Independent Customers increased from RMB2,416.4 million in FY2023 to RMB3,241.0 million in FY2024 and further to RMB5,536.2 million in FY2025, and from RMB2,702.8 million in 1H2025 to RMB4,187.6 million in 1H2026, primarily due to (i) increased sales of power generator engines to OEM Independent Customers driven by growing market demand for power generator sets integrated with our engines, particularly in the data center industry, as well as our efforts to expand our Independent Customer base; (ii) increased sales of power generator set components to OEM Independent Customers to pair with our power generator engines (see “Products and Services — Engine Components and Others” in this section); and (iii) increased sales of power generator sets to end-user Independent Customers. In FY2023, FY2024, FY2025 and 1H2026, we had 490, 602, 669 and 553 Independent Customers, respectively.

During the Track Record Period, revenue attributable to GY Entities decreased significantly from RMB708.4 million in FY2023 to RMB539.4 million in FY2024 and further to RMB289.7 million in FY2025, primarily due to reduced purchases of power generator engines by GY Entities who were OEMs producing power generator sets for specific purposes as a result of changes in specific end-user demands; and (ii) our efforts to expand our sales to Independent Customers. Revenue attributable to GY Entities decreased from RMB138.6 million in 1H2025 to RMB132.9 million in 1H2026, primarily because in 1H2026, the GY Entities primarily purchased medium- to light-duty engines, which have lower average unit selling prices compared with the large and heavy-duty engines that the GY Entities primarily purchased in 1H2025.

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During the Track Record Period, revenue attributable to GYMCL Related Parties increased from RMB90.9 million in FY2023 to RMB111.1 million in FY2024 and further to RMB122.1 million in FY2025, and increased from RMB53.2 million in 1H2025 to RMB60.2 million in 1H2026, primarily due to (i) increased sales of engine components for after-sales servicing and maintenance as the sales of our engine and power generator set products experienced significant growth; and (ii) increased sales of engines to GYMCL Related Parties in 2025 and 1H2026 for distribution to their customers.

During the Track Record Period, revenue attributable to MTU Yuchai increased significantly from RMB23.3 million in FY2023 to RMB108.2 million in FY2024 and further to RMB202.4 million in FY2025, and increased from RMB83.5 million in 1H2025 to RMB113.7 million in 1H2026, primarily because, (i) beginning in 2024, we started to sell finished engine components to MTU Yuchai pursuant to its local sourcing strategy and continued to increase our sales volumes in response to its growing demand; and (ii) in 1H2026, we began supplying MTU Yuchai with certain major components in preparation for its production of YC16VC and YC12VC engine series (see “Joint Venture with Rolls-Royce” in this section for further details).

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material incident of failure to renew or early termination of our agreements with the Related Parties, and, save as mentioned above, there had been no reduction, delay or cancellation of orders from the Related Parties.

The table below sets forth a breakdown of our gross profit and gross profit margin by business segment and attributable to Independent Customers and each of the Related Parties for the years/periods indicated:

	FY2023		FY2024		FY2025		1H2025		1H2026	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Power generator engines	560,933	22.8	745,397	24.4	1,096,463	26.0	463,319	23.7	887,097	29.3
Independent Customers	417,379	22.6	603,651	23.1	1,049,642	25.7	434,746	23.1	874,609	29.3
Related Parties	143,554	23.5	141,746	32.4	46,821	34.8	28,573	40.6	12,488	24.1
GY Entities	142,902	23.5	141,035	32.5	44,304	35.6	26,738	42.2	11,611	23.9
GYMCL Related Parties	652	20.9	711	24.8	2,517	25.5	1,835	26.4	877	27.6
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Marine propulsion and auxiliary engines	124,854	25.9	124,312	26.1	148,180	22.5	58,767	21.7	88,701	23.5
Independent Customers	116,726	26.9	119,357	26.1	143,300	22.4	56,327	21.5	84,675	23.5
Related Parties	8,128	17.2	4,955	25.7	4,880	23.6	2,440	26.6	4,026	23.5
GY Entities	8,193	18.5	2,726	22.4	2,364	17.8	1,552	23.1	2,879	21.8
GYMCL Related Parties	(65)	(2.3)	2,229	31.2	2,516	34.1	888	36.2	1,147	29.4
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Power generator sets	7,732	6.7	5,396	4.8	185,499	44.0	118,301	41.6	193,019	33.2
Independent Customers	4,966	4.7	5,154	4.6	185,313	44.2	118,198	41.8	192,666	33.4
Related Parties	2,766	27.2	242	62.7	186	10.8	103	7.1	353	11.4
GY Entities	554	12.7	242	62.7	181	10.6	98	6.8	344	11.2
GYMCL Related Parties	2,212	38.0	—	—	5	31.3	5	55.6	9	56.3
MTU Yuchai	—	—	—	—	—	—	—	—	—	—
Engine components and others	32,008	17.2	61,317	17.2	99,402	11.6	52,134	11.1	61,230	12.2
Independent Customers	4,116	13.3	4,708	8.5	25,384	6.4	9,743	3.6	4,231	1.6
Related Parties	27,892	18.0	56,609	18.8	74,018	16.2	42,391	21.8	56,999	24.3
GY Entities	14,145	26.9	21,931	23.7	27,903	18.6	19,062	28.4	21,015	30.9
GYMCL Related Parties	9,972	12.6	13,702	13.6	16,595	15.8	7,457	17.0	12,355	23.3
MTU Yuchai	3,775	16.2	20,976	19.4	29,520	14.6	15,872	19.0	23,629	20.8
Total	725,527	22.4	936,422	23.4	1,529,544	24.9	692,521	23.3	1,230,047	27.4
Independent Customers	543,187	22.5	732,870	22.6	1,403,639	25.4	619,014	22.9	1,156,181	27.6
Related Parties	182,340	22.5	203,552	26.8	125,905	20.5	73,507	26.7	73,866	24.1
GY Entities	165,794	23.4	165,934	30.8	74,752	25.8	47,450	34.2	35,849	27.0
GYMCL Related Parties	12,771	14.1	16,642	15.0	21,633	17.7	10,185	19.2	14,388	23.9
MTU Yuchai	3,775	16.2	20,976	19.4	29,520	14.6	15,872	19.0	23,629	20.8

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During the Track Record Period, gross profit margins attributable to Independent Customers and each of the Related Parties varied across customer groups and over time, primarily due to differences in the product categories and mix purchased by different customer groups. For smaller sales volumes, margins were also influenced by individual transaction characteristics.

On an overall basis, (i) gross profit margins attributable to Independent Customers were generally stable, with increases in FY2025 and 1H2025 driven primarily by increases in gross profit margins for power generator engines and power generator sets sold to them; (ii) gross profit margins attributable to GY Entities were generally in line with those attributable to Independent Customers, except in FY2024 and 1H2025 when they were higher due to higher margins on power generator engines; and (iii) gross profit margins attributable to GYMCL Related Parties and MTU Yuchai were generally lower than those attributable to Independent Customers, primarily because we mainly provided components and services to them, which had lower margins compared with engines and power generator sets, the primary products sold to Independent Customers.

For power generator engines, except for 1H2026, gross profit margins attributable to Independent Customers were generally lower than those attributable to the Related Parties, primarily because products sold to Independent Customers spanned large, heavy-duty and medium- to light-duty engines (which had much lower gross profit margins compared to large and heavy-duty engines), while products sold to the Related Parties were mainly large and heavy-duty engines. Gross profit margins for power generator engines sold to Independent Customers continued to increase primarily because they purchased an increasing proportion of large engines with higher margins. For the same reason, gross profit margins for power generator engines sold to the Related Parties continued to increase in FY2023, FY2024 and FY2025. In 1H2025, the gross profit margin for power generator engines attributable to the Related Parties was significantly higher than that attributable to Independent Customers, primarily because GY Entities purchased a significantly higher proportion of large engines with higher margins in the period. In contrast, in 1H2026, GY Entities primarily purchased medium- to light-duty engines, resulting in a gross profit margin for power generator engines attributable to the Related Parties of 23.9%, which was significantly lower than 42.2% in 1H2025 and also lower than that attributable to Independent Customers in 1H2026.

For marine engines, the gross profit margin attributable to Independent Customers was higher than that attributable to the Related Parties in FY2023, primarily because the marine engines sold to the Related Parties in that year were mainly lower-rated power engines for which we had reduced selling prices generally in response to changing market demand. In particular, for GYMCL Related Parties, at these reduced prices and given the relatively small volume of such sales, the revenue generated was insufficient to cover the associated costs, resulting in a gross loss of RMB65,000 in FY2023. In FY2024, gross profit margins attributable to both GY Entities and GYMCL Related Parties improved, primarily due to changes in product mix. Gross profit margin attributable to GYMCL Related Parties was higher than that attributable to GY Entities, as GYMCL Related Parties purchased more marine engines with higher rated power and margins. In FY2025, as we continued our strategic price adjustments in response to intense market competition, gross profit margins for marine engines sold to both Independent Customers and GY Entities decreased, while gross profit margins attributable to GYMCL Related Parties increased further as they purchased more marine engines with higher rated power and margins. In 1H2025 and 1H2026, gross profit margins for marine engines attributable to GYMCL Related Parties were higher than those attributable to Independent Customers, primarily because a higher proportion of sales to GYMCL Related Parties were overseas sales, while Independent Customers were mainly domestic customers and domestic sales generally have lower gross profit margins than overseas sales. In 1H2026, the gross profit margin attributable to GYMCL Related Parties was lower than that in 1H2025, primarily because in 1H2025, there were certain overseas sales to GYMCL Related Parties with higher margins.

For power generator sets, which were primarily sold to Independent Customers, the gross profit margin attributable to Independent Customers increased significantly from 4.6% in FY2024 to 44.2% in FY2025, primarily due to (i) increased sales of high-power power generator sets for the data center industry, which generally have higher margins; and (ii) increased revenue from power generator sets sold as an agent, with revenue recognized on a net basis. The gross profit margin for power generator

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sets attributable to GY Entities increased from 6.8% in 1H2025 to 11.2% in 1H2026, and the gross profit margin for power generator sets attributable to GYMCL Related Parties was 55.6% in 1H2025 and 56.3% in 1H2026, which were significantly higher than those attributable to Independent Customers and GY Entities. This is because sales of power generator sets to GY Entities and GYMCL Related Parties in such periods were in small volumes and therefore the gross profit margins were subject to significant fluctuations due to variations in product models across individual orders.

For engine components and others, the gross profit margin attributable to Independent Customers decreased from 13.3% in FY2023 to 8.5% in FY2024 and further to 6.4% in FY2025, and decreased from 3.6% in 1H2025 to 1.6% in 1H2026, primarily due to increased sales of externally sourced power generator set components (see “Products and Services — Engine Components and Others” in this section). Since we do not manufacture these components in-house but procure them from third-party suppliers, we add only a nominal markup when reselling them, resulting in a comparatively lower margin. With respect to GY Entities, gross profit margins for engine components and others sold to them were much higher than those attributable to Independent Customers, primarily because we mainly sold to GY Entities self-produced components with higher margins than externally sourced components, the primary components we sold to Independent Customers. Such margins attributable to GY Entities fluctuated during the Track Record Period, primarily due to changes in the mix of externally sourced engine components, which carry only a nominal markup and thus have lower margins. Such sales were made to address GY Entities’ sourcing needs by leveraging our supply chain advantages to provide components that they may not have been able to source directly on comparable terms. As for GYMCL Related Parties, gross profit margins for this segment attributable to them increased during the Track Record Period, primarily due to a higher proportion of sales of gas engine components for after-sales servicing and maintenance, which have higher margins. As for MTU Yuchai, the gross profit margin for engine components and others sold to MTU Yuchai increased from 16.2% in FY2023 to 19.4% in FY2024, primarily reflecting the transition from providing machining services for rough castings to supplying finished engine components directly, as MTU Yuchai adopted a local sourcing strategy for components for cost reduction. Such gross profit margin decreased from 19.4% in FY2024 to 14.6% in FY2025, primarily reflecting price adjustments as we supplied components in larger volumes, as well as the expansion of component types supplied to include lower-margin components.

Transactions with GY Entities

In FY2023, FY2024, FY2025, 1H2025 and 1H2026, our revenue from GY Entities amounted to RMB708.4 million, RMB539.4 million, RMB289.7 million, RMB138.6 million and RMB132.9 million, representing 21.9%, 13.5%, 4.7%, 4.7% and 3.0% of our total revenue, respectively, and our purchases from GY Entities amounted to RMB563.7 million, RMB626.8 million, RMB882.3 million, RMB424.8 million and RMB606.0 million, representing 20.1%, 17.6%, 15.5%, 11.7% and 15.4% of our total purchase amount, respectively. The following table sets out a summary of our principal transactions with GY Entities during the Track Record Period:

No.	Role of our Group	Role of GY Entities	Product/Service/Others	Description
I. Our Revenue from GY Entities				
<i>Sales of products and rendering of services by our Group to GY Entities</i>				
(1)	Engine and power generator set provider	OEM/distributor	Engines, ancillary components and power generator sets	We sold to GY Entities (i) engines and ancillary components for them to assemble such engines into power generator sets for specific purposes to address their customers’ specific demands, and (ii) engines and power generator sets for distribution to its customers.
(2)	Engine component provider	Engine manufacturer	Engine components, such as cylinder blocks and cylinder heads	We sold engine components to GY Entities for its production of engines to address their customers’ specific demands.

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No.	Role of our Group	Role of GY Entities	Product/Service/Others	Description
(3)	Repair service provider	Component supplier	Repair services	In the event of defects in components supplied to us by GY Entities, where such defects cannot be remediated on a timely basis, we repaired, replaced or otherwise remediated the defects ourselves and subsequently charged GY Entities repair service fees.

II. Our Purchase from GY Entities

Purchase of products and receipt of services by our Group from GY Entities

(4)	Engine provider	Supplier	<p>Finished engines, including certain heavy-duty, medium- to light-duty and marine engines with lower rated power</p> <p>Engine components, such as connecting rods, main bearing caps and gear case covers</p> <p>Diesel fuel for R&D and testing of engines and steel</p>	<p>We purchased certain finished engines from GY Entities to supplement our product portfolio. See “Reasons for Sourcing Finished Engines from the Related Parties” below.</p> <p>We purchased certain components from GY Entities for our production of engines. See “Reasons for Sourcing Components from GY Entities and GYMCL Related Parties” below.</p> <p>We purchased from GY Entities (i) diesel fuel to leverage their existing fueling infrastructure adjacent to our production facilities, thereby saving related infrastructure and logistics costs; and (ii) steel for use in our in-house production of rough castings before our transitioning to sourcing rough castings from suppliers in March 2024.</p>
(5)	Engine provider	Logistics service provider	Logistics services	We utilized GY Entities’ established logistics and supply chain network to transport and ship our products to our customers.

Leasing as lessee by the Group from GY Entities

(6)	Lessee	Lessor	Land and properties	We leased from GY Entities a parcel of land for storage and R&D purposes, as well as certain properties for office use, given their proximity to our R&D, production and office premises.
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Transactions with GYMCL Related Parties

In FY2023, FY2024, FY2025, 1H2025 and 1H2026, our revenue from GYMCL Related Parties amounted to RMB90.9 million, RMB111.1 million, RMB122.1 million, RMB53.2 million and RMB60.2 million, representing 2.8%, 2.8%, 2.8%, 1.8% and 1.3% of our total revenue, respectively, and our purchases from GYMCL Related Parties amounted to RMB381.4 million, RMB514.4 million, RMB763.1 million, RMB273.6 million and RMB454.4 million, representing 13.6%, 14.4%, 13.4%, 7.6% and 11.6% of our total purchase amount, respectively. The following table sets out a summary of our principal transactions with GYMCL Related Parties during the Track Record Period:

No.	Role of our Group	Role of GYMCL Related Parties	Product/Service/Others	Description
I. Our Revenue from GYMCL Related Parties				
Sales of products and rendering of services by our Group to GYMCL Related Parties				
(1)	Engine, power generator set and engine component provider	Distributor	Engines	We sold engines to GYMCL Related Parties for distribution to their customers.
			Engine components	We sold engine components to GYMCL Related Parties to utilize their extensive nationwide warehouse network to facilitate the efficient delivery of such components to our chain of authorized service stations to provide after-sales services to our customers and other end users on a timely manner.

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No.	Role of our Group	Role of GYMCL Related Parties	Product/Service/Others	Description
			Power generator sets	We sold power generator sets to GYMCL Related Parties for further distribution to their customers.
(2)	Engine provider	End user	Engines	We sold engines to a GYMCL Related Party in a one-off transaction for its own business operations.
(3)	Engine component provider	Engine manufacturer/engine component manufacturer	Engine components and raw materials	We sold to GYMCL Related Parties (i) general engine components for their production and testing of engines, primarily during periods of inventory shortage, urgent delivery timelines, or when certain accessory parts were not available separately from other suppliers; (ii) rough castings for their production of engines and engine components when we produced rough castings in-house prior to March 2024; and (iii) the remaining work-in-progress rough castings, other components, and raw materials after we transitioned to sourcing rough castings from suppliers.
(4)	Service provider	Engine manufacturer	R&D services	We provided R&D services to GYMCL Related Parties in connection with certain engine R&D projects that commenced when we were still a division of GYMCL and remained ongoing when we began operating as an independent entity, as the related intellectual property had not yet been formed and was not transferable. We continued to carry out the R&D work as R&D services thereafter, and the resulting intellectual property was subsequently transferred to us as intangible assets. See item (12) below in this table.
			Component processing and machining services and engine testing services	We provided to GYMCL Related Parties (i) component processing and machining services to meet their customers’ demand on certain components, or in limited cases where they lacked the requisite machining capacity, and (ii) engine testing services for their R&D of new engines.
(5)	Repair service provider	Component supplier	Repair services	In the event of defects in components supplied to us by GYMCL Related Parties, where such defects cannot be remediated on a timely basis, we repaired, replaced or otherwise remediated the defects ourselves and subsequently charged GYMCL Related Parties repair service fees.

Leasing as lessor by our Group to GYMCL Related Parties

(6)	Lessor	Lessee	Production facilities and casting equipment	We leased certain production facilities and casting equipment to GYMCL Related Parties after transitioning from in-house rough casting production to sourcing primarily from suppliers, as we no longer performed rough casting.
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II. Our Purchase from GYMCL Related Parties

Purchase of products and receipt of services by our Group from GYMCL Related Parties

(7)	Engine provider	Supplier	Engine components, such as cylinder block rough castings, crankshafts, exhaust pipes and fuel injection pumps	We purchased certain components from GYMCL Related Parties for our production of engines. See “Reasons for Sourcing Components from GY Entities and GYMCL Related Parties” below.
			Finished engines, including certain medium-to light-duty and marine engines with lower rated power	We purchased certain finished engines from GYMCL Related Parties to supplement our product portfolio. See “Reasons for Sourcing Finished Engines from the Related Parties” below.

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No.	Role of our Group	Role of GYMCL Related Parties	Product/Service/Others	Description
(8)	Engine provider	Service provider	Production and R&D-related services	We engaged GYMCL Related Parties to provide several production and R&D-related services, including component machining and quality inspection services in production, and engine testing services and mold development services in R&D of new models
			Brand management and shared services and certain other ancillary services	We procured from GYMCL Related Parties brand management and shared services and certain other ancillary services encompassing trademark guidance, brand strategy formulation, brand planning, digital marketing, brand protection support, and certain shared services such as human resources services, tax and finance consulting services, centralized office supplies procurement services, training services and technology services.
(9)	Lessee	Lessor	Utilities (including water and electricity)	We paid GYMCL Related Parties for utilities used at the properties leased from them.

Leasing as lessee by our Group from GYMCL Related Parties

(10)	Lessee	Lessor	Properties	We leased from GYMCL Related Parties properties primarily consisting of factories and research space for our production and R&D purposes.
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Purchases of equipment and technology know-how by our Group from GYMCL Related Parties

(11)	Engine provider	IT equipment and software provider	IT equipment and software	We procured from GYMCL Related Parties certain IT equipment and operational software system used in our marketing, office, R&D and cost management activities, including our SKY Marketing Management Platform and office automation system.
(12)	Engine provider	Intangible assets provider	Intangible assets, including intellectual property	We purchased from GYMCL Related Parties certain intangible assets, including the intellectual property described in item (4) above, after the relevant R&D projects were completed and the intellectual property became transferable.

GYMCL Related Parties will become our connected persons upon [REDACTED]. Certain of the abovementioned transactions will continue after the [REDACTED] and therefore constitute our continuing connected transactions under the Listing Rules. See “Connected Transactions” in this document for further details.

Transactions with MTU Yuchai

In FY2023, FY2024, FY2025, 1H2025 and 1H2026, our revenue from MTU Yuchai amounted to RMB23.3 million, RMB108.2 million, RMB202.4 million, RMB83.5 million and RMB113.7 million, representing 0.7%, 2.7%, 3.3%, 2.8% and 2.5% of our total revenue, respectively, and our purchases from MTU Yuchai amounted to RMB191.0 million, RMB256.6 million, RMB292.8 million, RMB177.6

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million and RMB177.7 million, representing 6.8%, 7.2%, 5.2%, 4.9% and 4.5% of our total purchase amount, respectively. The following table sets out a summary of our principal transactions with MTU Yuchai during the Track Record Period:

No.	Role of our Group	Role of MTU Yuchai	Product/Service/Others	Description
I. Our Revenue from MTU Yuchai				
Sales of products and rendering of services by our Group to MTU Yuchai				
(1)	Engine component provider	Engine manufacturer	Engine components, primarily cylinder blocks and cylinder heads	We sold engine components, primarily cylinder blocks and cylinder heads, to MTU Yuchai (i) starting from 2024, for its production of mtu branded engines and (ii) starting from 2026 in preparation for its production of our YC16VC and YC12VC series.
(2)	Service provider	Engine manufacturer	Component machining services	We provided machining services to MTU Yuchai for rough castings for certain engine components, primarily cylinder blocks and cylinder heads, before transitioning to supplying finished engine components to MTU Yuchai directly.
			Engine testing services	We provided certain engine testing services to MTU Yuchai for its prototypes to support its engine R&D.
II. Our Purchase from MTU Yuchai				
Purchase of products by our Group from MTU Yuchai				
(3)	Engine provider	Engine manufacturer	mtu branded engines	We sourced mtu branded engines produced by MTU Yuchai for sale to our customers. See “Reasons for Sourcing Finished Engines from the Related Parties” below.

Reasons for Sourcing Finished Engines from the Related Parties

We sourced and will continue sourcing **mtu** branded engines produced by MTU Yuchai. Through our sales of engines produced by MTU Yuchai, we can leverage MTU Yuchai’s products and brand strengths. Through this dual-brand strategy, we are able to address the differentiated needs and preferences of customers.

We have sourced and will continue to source certain finished heavy-duty, medium- to light-duty and marine engines with lower rated power from GY Entities and GYMCL Related Parties. This is because our R&D and production strategy prioritizes higher-power, larger-displacement engines which generally generate higher margins. Accordingly, our production lines are engineered around such engines and are not readily adaptable to lower-power, smaller-displacement engines. While we concentrate our internal resources and capacity on developing and producing higher-power engines with generally higher margins, we need to complement our higher-power engine offerings with other engine products to provide customers with a comprehensive product portfolio with broad power-output coverage, to address existing market demand and to strengthen our market position. Therefore, we source certain heavy-duty, medium- and small-duty and marine engines with lower rated power externally from GY Entities and GYMCL Related Parties. GY Entities and GYMCL Related Parties focus on developing and producing engines for various applications such as trucks, buses, pickups, and construction and agricultural equipment, which generally fall within lower rated power and smaller-displacement ranges. As a result, they maintain dedicated production lines suitable for engines in such ranges, and can also produce such engines for power generation and marine applications. We require GY Entities and GYMCL Related Parties to manufacture the relevant engines in accordance with our technical specifications that have undergone our technical review process. In particular, during the Track Record Period, a GY Entity and GYMCL served as our contract manufacturers, producing 13 series and one series of finished engines, respectively in accordance with our in-house engine designs and specifications, which enables us to leverage their dedicated production capabilities while maintaining

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control over product design and quality. See “Supply Chain — Contract Manufacturing” in this section for details. Given our long-standing relationship with GY Entities and GYMCL Related Parties, they are familiar with our business needs and quality specifications and are therefore better positioned to supply engines that meet our requirements compared with other third-party suppliers. In addition, as their engine products are also “Yuchai” branded, incorporating their engines into our product portfolio also supports portfolio brand consistency and enhances “Yuchai” brand synergy and influence, which benefits both us as well as GY Entities and GYMCL Related Parties. Such arrangements also enable GY Entities and GYMCL Related Parties to leverage our sales networks in the power generation and vessel transportation and operation sectors. GYMCL is our immediate Controlling Shareholder. To ensure that competition will not develop between GYMCL Related Parties (on the one hand) and our Group (on the other hand) in the future, GYMCL will provide certain undertaking to our Company. See “Relationship with Our Controlling Shareholders — Delineation of Businesses — Deed of Non-Competition” in this document for further details.

Reasons for Sourcing Components from GY Entities and GYMCL Related Parties

During the Track Record Period, we sourced certain components from GY Entities and GYMCL Related Parties because they were qualified suppliers for such components with demonstrated cost efficiency. In particular, during the Track Record Period, GYMCL Related Parties were our limited source of suppliers for components such as cylinder block rough castings, cylinder head rough castings and cylinder blocks for certain specific engine series, and we procured substantially all such components primarily from them. We chose to source such rough castings from suppliers as they have better economies of scale in manufacturing such components, while we can focus our efforts in more complex machining part of the production process. We source such components from GYMCL Related Parties because they operate specialized and dedicated casting and other production facilities that can produce rough castings and the cylinder blocks for specific series we require with economies of scale and enhanced production efficiency thereby supporting greater cost effectiveness. Our Directors are of the view that this arrangement will not affect the operations of our business because we have maintained a good and stable relationship with GYMCL Related Parties, and the risk of GYMCL Related Parties terminating the supply of such components to us is remote. In addition, according to Frost & Sullivan, there are other alternative suppliers in the market which can supply comparable components in comparable quantities. Therefore, our Directors believe that we do not have any material difficulty in procuring such components from alternative suppliers at comparable terms and quantities. See “Risk Factors — 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 document for details.

Collaboration with the Related Parties

Our Directors believe that our transactions with the Related Parties reflects a strategic, arm’s length collaboration between us and the Related Parties and are mutually beneficial.

Generally, our transactions with the Related Parties reflect collaboration among industry participants, leveraging each other’s capabilities to enable flexible, cost-efficient and timely supply, while capitalizing on each other’s sales networks and market recognition to drive revenue growth and meet customer demand. According to Frost & Sullivan, these significant transactions with related parties are not uncommon in the power system and equipment manufacturing industry.

Transactions with GY Entities and GYMCL Related Parties enable us to deliver a comprehensive and competitive product portfolio by leveraging the established and dedicated manufacturing capabilities of GY Entities and GYMCL Related Parties to manufacture the lower-margin engine products and components required by us. The geographic proximity between us and GY Entities and GYMCL Related Parties also reduces transportation costs and enhances supply chain efficiency. In addition, GY Entities and GYMCL Related Parties reliably provide quality-assured finished engines, components and other supplies to us, which enhances our operational efficiency and supply chain resilience, and facilitates our new product R&D and market launch by reducing development uncertainty, shortening timelines,

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ensuring product quality, and enabling us to capture market opportunities. Such transactions further enable us to capitalize on the “Yuchai” brand synergy, enhancing brand recognition and market presence while fostering mutual benefit and aligned commercial interests among us, GY Entities and GYMCL Related Parties. Transactions with us by GY Entities and GYMCL Related Parties are also beneficial to GY Entities and GYMCL Related Parties, primarily as our purchases from them provide reliable utilization of their production capacity and a stable customer base, contributing to their revenue, while our sales to them enable them to fulfill specific customer demand.

Transactions with MTU Yuchai form part of our strategic association with Rolls-Royce and address the differentiated needs and preferences of our high-end customers. Transactions with us by MTU Yuchai are also beneficial to MTU Yuchai, primarily as our purchases from MTU Yuchai allow it to leverage our sales network in China to expand its market reach, while our sales to MTU Yuchai enable its access to cost-effective components.

Transactions with the Related Parties are conducted based on normal commercial terms. The pricing and other major terms of such related party transactions are determined by reference to (i) transactions with non-related customers and suppliers, (ii) prevailing market quotations, or (iii) other justifiable pricing methodologies such as cost-plus.

Relationship with the Related Parties

In view of the long-standing and stable business relationship between us and the Related Parties, our Directors currently do not expect any material adverse change in such relationship and consider the risk of termination to be remote. This view is supported by, among other things, our role as GYMCL’s flagship arm in the power generator engine and marine engine businesses and our framework agreements with GYMCL. In addition, given that GY Entities and GYMCL Related Parties are direct or indirect shareholders of our Company, they have a strong vested interest in our success. As to MTU Yuchai, the joint venture is governed by a legally binding joint venture contract. The current term of the joint venture is 30 years from January 18, 2017, the date of its establishment pursuant to the joint venture contract.

GY Entities and GYMCL Related Parties also have limited alternative options for engine suppliers and customers in the power generator engine and marine engine sectors. According to Frost & Sullivan, the power generator engine market in China is highly concentrated, with the top five providers accounting for a combined market share of approximately 62.4% in 2025. Other than us, the remaining market participants with the requisite technical capabilities and production scale to manufacture the products required by GY Entities and GYMCL Related Parties, as well as sufficiently extensive sales networks or demand, are predominantly their direct competitors. In particular, apart from power generator engines, Company A, Company B and Company D referred to in the “Industry Overview” section of this document also offer engine products primarily used in passenger vehicles, trucks, construction machinery and/or agriculture sectors, which compete with the businesses of GY Entities and GYMCL Related Parties. This significant overlap in business scope further limits the pool of viable alternative partners for GY Entities and GYMCL Related Parties.

According to Frost & Sullivan, market participants commonly avoid engaging direct competitors in supply chain and business collaborations to mitigate potential commercial conflicts and technical leakage risks. Accordingly, our Directors are of the view that it is commercially rational for GY Entities and GYMCL Related Parties to continue collaborating with us, an affiliated entity with which they share an equity relationship, rather than with other market participants.

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Measures to Mitigate Exposure to Reliance Risks

We have established effective measures to mitigate exposure to our reliance risks associated with the Related Parties. In terms of sales, during the Track Record Period, we continued to expand our Independent Customer base, with the number of our Independent Customers increasing from 490 in FY2023 to 602 in FY2024 and 669 in FY2025 and being 553 in 1H2026. In terms of purchases, we continued to broaden our supplier network, with the number of our Independent Suppliers increasing from 934 in FY2023 to 968 in FY2024 and 1,025 in FY2025 and being 844 in 1H2026.

Where GYMCL Related Parties were limited-source suppliers, we continued to maintain relationships with existing alternative suppliers and explore new alternative suppliers. We also closely monitored our demand for products sourced from the Related Parties and the purchase orders placed with the Related Parties to ensure sufficient supply to meet our sales needs.

In addition, we have established the Related Party Transaction Management System, which clearly sets out procedures for identifying related parties and managing and disclosing continuing related party transactions. Under this system, transactions with the Related Parties are priced on arm’s length terms, and the contract approval procedures for procurement and sales are consistent with those applied to Independent Suppliers and Independent Customers. As the same commercial terms and procedures can be applied to Independent Suppliers and Independent Customers, the system facilitates a smoother transition from Related Parties to such suppliers and customers when opportunities arise.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, certain parties acted as both our suppliers and customers. In particular, GY Entities, GYMCL Related Parties, MTU Yuchai, Customer A, Customer B, Customer D, Customer E and Customer F were each among our five largest customers in one or more years/period during the Track Record Period, and GY Entities, GYMCL Related Parties, MTU Yuchai and Supplier A were each among our five largest suppliers in one or more years/period during the Track Record Period.

GY Entities, GYMCL Related Parties and MTU Yuchai

See “Transactions with the Related Parties” in this section for details.

Customer A, Customer D and Customer E

Customer A, Customer D and Customer E are our OEM customers who purchased power generator engines from us for them to assemble the engines into power generator sets and sell to their customers. During the Track Record Period, we also purchased power generator sets integrated with our engines from them for further sales, as our in-house assembly capacity was constrained while market demand for power generator sets integrated with our engines increased substantially during the Track Record Period. Leveraging their set integration capabilities enabled us to fulfill customer orders in a timely manner, maintain product quality and delivery reliability, and allocate our internal resources to our core engine manufacturing operations.

Customer B

Customer B is an OEM customer that purchases our power generator engines, and operates a service station authorized by us to provide after-sales services to our customers and end users, for which we pay the corresponding costs (including the service fee) to it.

Customer F

Customer F is an OEM customer that purchases our power generator engines and power generator sets. Customer F is also engaged in the equipment import agency business, and during the Track Record Period, we engaged Customer F to act as our import agent to assist us in procuring certain R&D and testing equipment from overseas, including handling customs clearance and transportation procedures.

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Supplier A

Supplier A is our component supplier. We charged it repair service fees for repairing, replacing or otherwise remediating defects in components it supplied to us.

Other Overlapping Customer-Suppliers

In addition to the abovementioned customer-suppliers, there were other overlapping customer-suppliers (“**Other Overlapping Customer-Suppliers**”) during the Track Record Period.

During the Track Record Period, Other Overlapping Customer-Suppliers who were primarily our customers (“**Other Overlapping Primary Customers**”) were mainly OEM customers that purchased power generator engines from us. Such customers were also our suppliers primarily because (i) they were qualified suppliers of components for power generator sets, and we procured such components from them for our in-house assembly of power generator sets, in particular when other suppliers cannot meet delivery timelines, (ii) we occasionally procured certain power generator sets from them for inventory in anticipation of customer demand, and/or (iii) they also operated service stations providing after-sales services to their customers, i.e., end users of power generator sets including those integrated with engines we supplied, and were authorized by us to provide after-sales services in respect of our engines; accordingly, we reimbursed them the associated warranty-related service fees and costs from time to time. By engaging Customer B and certain Other Overlapping Customer-Suppliers that operate service stations to provide after-sales services to our customers and end users, we are able to supplement and enlarge our service network, ensure timely after-sales support and strengthen our cooperation with such OEM customers. During the Track Record Period, there were a total of 65 Other Overlapping Primary Customers. In each year/period during the Track Record Period, our purchases from Other Overlapping Primary Customers accounted for less than 2.0% of our total purchases during the corresponding year/period, representing an insignificant percentage of our total purchases.

During the Track Record Period, Other Overlapping Customer-Suppliers who were primarily our suppliers (“**Other Overlapping Primary Suppliers**”) were mainly our component suppliers. Such suppliers were also our customers primarily because (i) they occasionally purchased power generator sets from us for their own business operations, and (ii) we charged them repair service fees for repairing, replacing or otherwise remediating defects in components they supplied to us. Other Overlapping Primary Suppliers also included certain operators of our authorized service stations, to which we reimbursed warranty-related service fees and costs; and they purchased engine components from us from time to time to provide after-sales services to end users. During the Track Record Period, there were a total of 274 Other Overlapping Primary Suppliers. In each year/period during the Track Record Period, our sales to Other Overlapping Primary Suppliers accounted for less than 1.0% of our total revenue for the corresponding year/period, representing an insignificant percentage of our total revenue.

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The table below sets forth the revenue and purchase attributable to our overlapping customer-suppliers during the Track Record Period:

Customer/Supplier	Period	Revenue Amount (RMB'000)	% of Total Revenue (%)	Purchase Amount (RMB'000)	% of Total Purchase Amount (%)
GY Entities	FY2023	708,393	21.9	563,689	20.1
	FY2024	539,419	13.5	626,825	17.6
	FY2025	269,434	4.4	882,395	15.5
	1H2026	132,905	3.0	606,026	15.4
GYMCL Related Parties	FY2023	90,897	2.8	381,375	13.6
	FY2024	111,122	2.8	514,350	14.4
	FY2025	122,070	2.0	763,129	13.4
	1H2026	60,191	1.3	454,431	11.6
MTU Yuchai	FY2023	23,330	0.7	191,014	6.8
	FY2024	108,231	2.7	256,627	7.2
	FY2025	202,444	3.3	292,801	5.2
	1H2026	113,694	2.5	177,724	4.5
Customer A	FY2023	141,823	4.4	1,399	0.0
	FY2024	222,403	5.6	979	0.0
	FY2025	1,269,896	20.6	81,934	1.4
	1H2026	1,004,973	22.4	35,803	0.9
Customer D	FY2023	53,876	1.7	7,093	0.3
	FY2024	71,635	1.8	5,782	0.2
	FY2025	185,357	3.0	11,846	0.2
	1H2026	52,674	1.2	1,582	0.0
Customer E	FY2023	64,059	2.0	—	0.0
	FY2024	65,068	1.6	35	0.0
	FY2025	171,262	2.8	2,169	0.0
	1H2026	63,798	1.4	1	0.0
Customer B	FY2023	75,123	2.3	—	0.0
	FY2024	154,578	3.9	430	0.0
	FY2025	113,286	1.8	—	—
	1H2026	205,883	4.6	—	—
Customer F	FY2023	17,702	0.5	—	—
	FY2024	28,044	0.7	—	—
	FY2025	36,296	0.6	—	—
	1H2026	300,490	6.7	1,286	0.0
Supplier A	FY2023	475	0.0	105,835	3.8
	FY2024	2,684	0.1	101,800	2.9
	FY2025	0	0.0	166,440	2.9
	1H2026	197	0.0	117,297	3.0
Other Overlapping Primary Customers	FY2023	701,752	21.7	47,573	1.7
	FY2024	882,756	22.1	47,456	1.3
	FY2025	1,206,757	19.6	62,393	1.1
	1H2026	947,206	21.1	15,772	0.4
Other Overlapping Primary Suppliers	FY2023	14,200	0.4	1,256,412	44.8
	FY2024	19,137	0.5	1,617,955	45.3
	FY2025	15,388	0.3	2,504,155	44.1
	1H2026	10,141	0.2	1,778,175	45.2

According to Frost & Sullivan, it is common in our industry (i) for all participants along the value chain, such as component suppliers, engine manufacturers and OEMs, to operate across the chain and utilize each other’s manufacturing capabilities and other resources, such as equipment import agency services, which enables flexible, cost-efficient and timely supply, including during capacity constraints or demand surges; (ii) for component suppliers to purchase finished products from their downstream manufacturers for their own use; and (iii) for OEMs to operate service stations to provide after-sales services to end users and authorized by engine manufacturers to provide after-sales services on behalf of such engine manufacturers. According to Frost & Sullivan, it is an industry norm for engine manufacturers to rely on such OEMs to provide after-sales service on their behalf.

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Our Directors confirmed that (i) negotiations of the terms of our sales and purchases from our customer-suppliers were conducted on a transaction-by-transaction basis and the sales and purchases were neither inter-connected nor inter-conditional with each other; (ii) all of our sales to and purchases from our customer-suppliers were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis; and (iii) the terms of transactions with our customer-suppliers are in line with those transactions with our other customers and suppliers. With respect to transactions with the Related Parties, see “Transactions with the Related Parties — Collaboration with the Related Parties” for details.

THIRD PARTY PAYMENT

Background

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 (the “**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. All such Relevant Customers and Third-Party Payers during the Track Record Period were Independent Third Parties. Since January 1, 2026, we had ceased to allow our customers to settle payments through Third-Party Payers.

During the Track Record Period and up to the Latest Practicable Date, we had not initiated any Third-Party Payment Arrangements, but only accepted the Third-Party Payments paid by the Third-Party Payers at the request of the Relevant Customers. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not provided any discount, commission, rebate or other benefits to any of the Relevant Customers or the Third-Party Payers to facilitate or encourage the Third-Party Payment Arrangements. The payment, the pricing terms and other general commercial terms of the Relevant Customers are generally the same as our other customers. As advised by our PRC Legal Advisor, (i) the Third-Party Payment Arrangements by themselves do not contravene or circumvent the applicable laws and regulations in the PRC (including anti-money laundering laws) in any material aspect, provided that the receipt of payment was performed solely as the settlement of sales of goods or services and not related to any criminal or illegal proceeds or gains; and (ii) based on the credit reference reports issued by Guangxi Development and Reform Commission in relation to our Company, and the confirmation by our directors, no administrative penalties were imposed by tax authorities for violation of tax laws, regulations or rules due to our Third-Party Payment Arrangements during the Track Record Period and as of the Latest Practicable Date.

As advised by our PRC Legal Advisor, the Third-Party Payment Arrangements would not be deemed as constituting the crime of money laundering specified in Article 191 of the Chinese Criminal Law. According to Article 191, money laundering involves actions to conceal or disguise the origins and nature of proceeds from crimes such as drug offenses, organized crime, terrorist activities, smuggling, corruption, financial management disruption, and financial fraud. To the best knowledge of our Directors after making reasonable inquiries, during the Track Record Period and up to the Latest Practicable Date, (i) all the Third-Party Payments were related to genuine transactions between us and the Relevant Customers and were made by bank transfers or acceptance bills; (ii) the amount of Third-Party Payments received by us from Third-Party Payers corresponded with the transaction amount in the relevant sales orders, records and/or invoices between the Relevant Customers and us; (iii) all relevant transactions involving Third-Party Payments were completed with the agreed-upon amount being settled as specified in respective agreements; (iv) we have not encountered any incidents demanding us to return payment in relation to relevant transactions; and (v) nothing came to our attention that would cause our Directors to doubt the genuineness of relevant transactions or the good faith of relevant parties involved. Based on the analysis above, our PRC Legal Advisor is of the view that the risk of money laundering related to the Third-party Payment Arrangements is remote. During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, (i) we had not encountered any disputes with, nor

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received any refund request or claim from, any Relevant Customer or Third-Party Payer or their respective liquidators; and (ii) we had not been subject to any disputes or administrative penalties by the relevant government authorities (including tax authorities) with respect to the Third-Party Payment Arrangements.

Reasons for Utilizing Third-Party Payment Arrangements

During the Track Record Period, the Third-Party Payers generally consisted of (i) affiliates of Relevant Customers, such as entities within the same group or under common control with the Relevant Customers and shareholders of the Relevant Customers, and (ii) entities that had existing business relationship with the Relevant Customers. We accepted the Third-Party Payment Arrangements to accommodate customers’ requests and facilitate our collection of trade receivables. To the best knowledge of our Directors, the main reasons for the Relevant Customers to utilize Third-Party Payment Arrangements are, among others, to facilitate their centralized management and control of funds within their corporate groups and to streamline funds settlement (in particular, in cases of liquidity constraints) and to avoid delivery delays.

Internal Control Measures for Third-Party Payment Arrangements

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our internal control system. To safeguard our Group’s interest against risks associated with Third-Party Payment Arrangements, the following internal control measures have been adopted by our Group:

- (1) Since January 1, 2026, we have ceased all Third-Party Payment Arrangements;
- (2) We circulated notice internally to alert and inform relevant staff members of requirements on identification of, and prohibition on accepting, Third-Party Payment Arrangements;
- (3) Our finance department is responsible for maintaining a receipt settlement management ledger, which records, among other information, the customer’s name, content of transaction, payment data, payment sum, payment method and the payer’s name, so as to ensure that relevant payments are made directly by the relevant customer;
- (4) Since January 1, 2026, for all identified payments made by the Third-Party Payers, we will initiate refund to such Third-Party Payers and ask the relevant customers to re-arrange direct payment to us or enter into a third-party payment agreement with us.

Considering that our revenue generated from Third-Party Payment Arrangements as a percentage of our total revenue was immaterial, our Directors confirm that the cessation of the Third-Party Payment Arrangements would not have any material adverse impact on our business, financial conditions or results of operations.

See “Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to third-party payments” in this document.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We maintain our own warehouses for the storage of our inventories, including components, finished engines and power generator sets. As of the Latest Practicable Date, we leased eight warehouses with a total area of approximately 18,640 sq.m. in Yulin City of Guangxi. We outsource the operation of these warehouses to third-party warehousing service providers. In addition, as of the Latest Practicable Date, we leased four warehouses with a total area of approximately 7,375 sq.m. for the storage of finished engine products in Fushun City of Liaoning Province, Xi’an City of Shaanxi Province, Yangzhou City of Jiangsu Province and Fu’an City of Fujian Province. Each of these four warehouses serves as a delivery hub for the shipment and delivery of our engine products to customers in the relevant region covered by such warehouse.

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We use logistics service providers for the transportation and shipment of our products and other inventories.

We employ strict control policies and an inventory management system to adjust inventory levels based on existing orders and projected sales, with the aim of reducing supply chain risks and enhancing responsiveness to market changes. For regular engine and power generator set models, we generally maintain inventory sufficient to cover one to two months of sales; for specially customized models, we procure and stock inventory against confirmed customer purchase orders. We review and adjust inventory levels monthly based on inputs from our sales, procurement and production departments, and conduct annual on-site inventory inspection and audits.

In addition, we closely monitor the long-aged and slow-moving inventories, including components that are in storage for more than a year. We periodically review and decide on appropriate solutions to or treatment of obsolete and slow-moving inventories. For FY2023, FY2024, FY2025 and 1H2026, our inventory turnover days were 185 days, 168 days, 142 days and 127 days, respectively.

INFORMATION TECHNOLOGY

We utilize a number of information technology systems to manage our operations, including sales, procurement, production, quality control, inventory, finance and human resources. Our key integrated systems include:

- **ERP system:** Our enterprise resource planning (ERP) system integrates master data, sales, procurement, inventory control, production planning and financial and cost accounting, enhancing cross-departmental coordination and supporting decision-making across the Group.
- **Teamcenter product data management system:** The Teamcenter product data management system provides robust control over engineering data, including components and engineering bill of materials management, drawing and document control, and management processes control, ensuring data integrity and traceability throughout the product life cycle.
- **CRM system:** Our customer relationship management (CRM) system for after-sales service manages service networks, service requests, order execution, expense tracking, settlements and warranty claims, strengthening customer support and service quality.
- **SRM system:** Our supplier relationship management (SRM) system facilitates seamless collaboration with suppliers, covering procurement order synchronization, inquiries, quotations and invoice processing to optimize supply chain efficiency.
- **MES system:** Our manufacturing execution system (MES) provides real-time production monitoring and control, including order reception, work order allocation, sequenced parts supply cart management, data collection, production completion reporting, workstation operations and anomaly feedback, enhancing efficiency and product quality.
- **SKY Marketing Management Platform:** Our SKY platform supports front-end sales by managing opportunity leads, letters of intent, application planning and order reviews, enabling effective tracking and conversion of sales opportunities.

JOINT VENTURE WITH ROLLS-ROYCE

We hold a 50% equity interest in MTU Yuchai. MTU Yuchai is a 50–50 joint venture established pursuant to the joint venture agreement between our parent and immediate Controlling Shareholder GYMCL and Rolls-Royce, a subsidiary of Rolls-Royce Power Systems AG, in 2017 for the production, under license from Rolls-Royce and subject to the terms and conditions of such license, of *mtu* branded diesel engines in China. On December 22, 2022, GYMCL transferred its 50% equity interest in MTU Yuchai to our Company. See “History, Development and Corporate Structure — Our Subsidiaries and Joint Venture — MTU Yuchai” in this document for details.

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During the Track Record Period, we initially performed machining of rough castings for certain engine components, primarily cylinder blocks and cylinder heads, for MTU Yuchai. As MTU Yuchai adopted a local sourcing strategy for components, we transitioned to supplying those finished engine components to MTU Yuchai directly starting from 2024. We provide MTU Yuchai with engine components pursuant to a supply agreement between us and MTU Yuchai. Such agreement shall remain effective until terminated in accordance therewith. The prices of the engine components are set out in a price list to be reviewed annually and agreed upon by both parties, subject to a specified price adjustment mechanism. There is no minimum purchase quantity under the supply agreement. The supply agreement may be terminated, among others, upon an uncured material breach.

To deepen our cooperation with Rolls-Royce and fully utilize MTU Yuchai’s production capacity, we and Rolls-Royce have agreed that, in addition to its current production of **mtu** branded engines, MTU Yuchai will also produce certain of our engine series and additional **mtu** branded series of Rolls-Royce. For us, this includes our YC16VC and YC12VC series. Similar to the existing arrangements with respect to **mtu** branded engines, we will supply MTU Yuchai with major components for its production of YC16VC and YC12VC series engines, and MTU Yuchai may sell such engines to both us and Rolls-Royce. In 1H2026, we began supplying MTU Yuchai with certain major components required for the production of YC16VC series, including cylinder blocks and cylinder heads, to support MTU Yuchai in setting up and validating its production lines in preparation for its production of YC16VC and YC12VC engine series.

During the Track Record Period, we sourced **mtu** branded engines produced by MTU Yuchai for sales to our customers through our subsidiary, Yuchai Deyou, which was solely engaged in the purchase and sale of **mtu** branded engines. For FY2023, FY2024, FY2025, 1H2025 and 1H2026, revenue generated by Yuchai Deyou amounted to RMB200.6 million, RMB259.2 million, RMB307.8 million, RMB189.7 million and RMB215.9 million, representing 6.2%, 6.5%, 5.0%, 6.3% and 4.8% of our total revenue, respectively. See “Transactions with the Related Parties — Transactions with MTU Yuchai” in this section for further details.

We believe that we have been able to enhance the value and image of our own brand, in particular, in the market segment for high-end engines as we partner, through the joint venture, with Rolls-Royce. Such joint venture has also enabled us to broaden our product offerings to potential customers who may elect to order engines produced by MTU Yuchai and marketed and sold under the brand name of **mtu**.

PROPERTIES

As of the Latest Practicable Date, we did not own any properties but leased certain properties in China. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of June 30, 2026, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

Our headquarter and principal place of business is in Yulin City of Guangxi. As of the Latest Practicable Date, our primary leases included (i) one parcel of land in Yulin leased from GY Entities with a site area of approximately 9,046.4 sq.m., for storage and research and development purposes (the “**Leased Land**”), (ii) certain properties in Yulin with an aggregate gross floor area of 113,913.0 sq.m. on eight parcels of land under four lease agreements, including (x) properties leased from GY Entities with an aggregate gross floor area of 2,441.3 sq.m. on one parcel of land under one lease agreement, used as offices, (y) properties leased from GYMCL Related Parties with an aggregate gross floor area of 102,360.1 sq.m. on six parcels of land under two lease agreements, used as research space and production facilities, and (z) properties leased from an Independent Third Party with an aggregate gross floor area of 9,111.6 sq.m. on one parcel of land under one lease agreement, used as production facilities, and (iii) one property in Yangzhou City, Jiangsu Province with an aggregate gross floor area

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of 4,000 sq.m. leased from an Independent Third Party, used as warehouse ((ii) and (iii) collectively, the “**Main Leased Properties**”). We also leased certain other properties used as warehouse, employee dormitory and offices.

Pursuant to the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (2020 Amendments) (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例(2020修訂)》) (“**Regulations Concerning the Grant and Assignment of the Right to Use State-owned Land**”), the lease of allocated land and any property built thereon should be approved by the local land administrative authority and housing administrative authority. As of the Latest Practicable Date, the Leased Land and three out of eight land parcels in Yulin with an aggregate gross floor area of 93,644.1 sq.m. were allocated land, the leasing of the Leased Land and the properties built on such three land parcels had not obtained valid approvals from the local land and housing administrative authorities. As per the Regulations Concerning the Grant and Assignment of the Right to Use State-owned Land, allocated land or properties built thereon may not be transferred, leased, or mortgaged, unless, among others, title proof documents of the relevant properties have been obtained and the assignment agreements have been entered into with the assignment fees thereof be paid to the state. Otherwise, the land administrative authority may confiscate the illegal income and impose a fine on the entity or individual who transfers, leases or mortgages such allocated land without approval. We have obtained (i) a confirmation letter dated December 29, 2025 from the Yulin Housing and Urban-Rural Development Bureau (玉林市住房和城鄉建設局) (the “**Housing and Urban-Rural Development Letter**”), being the competent local housing administrative authority, confirming that the relevant lessors can continue to lease such land and the properties thereon to us and we can continue to use such land and properties on an as-is basis, and (2) a confirmation letter dated December 30, 2025, from the Yulin Natural Resources Bureau (玉林市自然資源局) (the “**Natural Resources Bureau Letter**”), being the competent local land administrative authority, confirming that the relevant lessors can lease the relevant land to us for production, research and development, storage, office and other uses, and we can use such land as usual. As confirmed by our Directors, if we cannot continue to use the relevant land and properties, we are able to relocate to alternative premises within a reasonable period of time under comparable terms without incurring substantial additional costs, and based on the Housing and Urban-Rural Development Letter, the Natural Resources Bureau Letter and the confirmations from the relevant lessors, our Directors believe that and as advised by our PRC Legal Advisor, there will not be any material adverse impact on our business operations.

As of the Latest Practicable Date, we had not been provided by the relevant lessors with valid title certificates for the leased properties with an aggregate gross floor area of 111,471.7 sq.m. located on seven out of eight land parcels in Yulin as well as the properties located on the Leased Land, primarily because the construction application procedures for relevant leased properties were incomplete. Such properties are generally used by us as production facilities and R&D space. If the lessors’ rights with respect to any of such properties were successfully challenged, we may be forced to relocate our operations conducted on the affected properties. Based on the Housing and Urban-Rural Development Letter and the Natural Resources Bureau Letter, we can continue to use the properties located on such seven land parcels as usual on an as-is basis. Pursuant to the Urban and Rural Planning Law of the PRC and the Construction Law of the PRC, the parties responsible for failing to complete the relevant construction application procedures are the lessor and the construction entity. As advised by our PRC Legal Advisor, we, as the lessee, will generally not be subject to administrative penalties for leasing and using such properties for which valid title certificates have not been obtained. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties by the competent authorities arising from the use of the relevant properties and there were no litigations or arbitrations in connection with the relevant leased properties. During the Track Record Period and up to the Latest Practicable Date, such leased properties had not been identified as dilapidated buildings by any governmental authorities, and our Company had not been involved in any work safety accidents or other incidents arising from the use of such leased properties. Therefore, based on the Housing and Urban-Rural Development Letter and the Natural Resources Bureau Letter, our Directors believe that and as advised by our PRC Legal Advisor, the lack of valid title certificates for the relevant leased properties does not have any material adverse impact on our business operations.

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Pursuant to the applicable PRC laws and regulations, both lessors and lessees must register lease agreements with the relevant authorities and obtain property leasing filing certificates. As of the Latest Practicable Date, all of the lease agreements of our Main Leased Properties had not been registered. As advised by our PRC Legal Advisor, non-registration of our lease agreements does not affect the validity of the relevant lease agreements, but the relevant PRC governmental authorities may order us or the lessors to register the lease agreements within a prescribed time limit. Failure to do so within the time limit specified by the relevant authorities could result in fines ranging from RMB1,000 to RMB10,000 per lease agreement. If such fines are imposed, the maximum penalty we may be required to pay would be approximately RMB50,000 for the above five unregistered lease agreements. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties by the housing administrative authority or other relevant authorities arising from the non-registration of our lease agreements.

In addition, as of the Latest Practicable Date, we had constructed a temporary storage shed (with an aggregate gross floor area of approximately 875 sq.m.) and a foundry ancillary room (with an aggregate gross floor area of approximately 520 sq.m.) (collectively, the “**Ancillary Facilities**”) for which no prior approval had been obtained from the Yulin Natural Resources Bureau, the competent local authority. According to the Natural Resources Bureau Letter, we are permitted to continue to use the Ancillary Facilities on an as-is basis, provided that safety is ensured. Our internal work safety and environmental protection department has assessed the Ancillary Facilities and confirmed that they are safe for use based on inspections confirming that key construction and electrical components met the applicable construction contract and technical requirements. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties by the Yulin Natural Resources Bureau, and the Ancillary Facilities had not been identified as dilapidated buildings by the Bureau. During the Track Record Period and up to the Latest Practicable Date, our Company had not been involved in any work safety accidents or other incidents arising from the use of the Ancillary Facilities. As confirmed by our Directors, the Ancillary Facilities are not material to our production and business operations, and if we cannot continue to use such facilities, we are able to relocate to alternative premises within a short period of time without incurring substantial additional costs.

GYMCL, our Controlling Shareholder, has undertaken to indemnify us if we were to incur any reasonable costs, charges, expenses, penalties and other liabilities in connection with the abovementioned legal defects. See “Statutory and General Information — Indemnities” in Appendix IV to this document.

Based on the above, our Directors believe that and as advised by our PRC Legal Advisor, the legal defects mentioned above are unlikely to have a material adverse effect on our business operations or financial performance.

To prevent further occurrence of the incidents described above, (i) we will require relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on property leasing, (ii) we have formulated internal policies to govern the process of property leasing, prioritize leasing the properties with valid title certificates and conduct the lease registration and filing of any new leases in a timely manner, and (iii) we have designated our legal department to monitor the implementation of the above measures and (iv) we will seek our PRC Legal Advisor’s opinion on any issues relating to title of properties and compliance of the PRC property laws and regulations.

COMPLIANCE AND LEGAL PROCEEDINGS

Compliance with Laws and Regulations

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material or systemic non-compliance incidents that have led to fines, enforcement actions, or other penalties which individually or in the aggregate, in the opinion of our Directors, would

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have a material and adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC laws and regulations in all material respects.

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, financial condition, results of operations, reputation or compliance.

From time to time, we may be involved in legal proceedings, investigations, administrative penalties or other claims or disputes arising in the ordinary course of our business. See “Risk Factors — Risks Relating to Our Business and Industry — 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” in this document for details.

BUSINESS ACTIVITIES RELATING TO RELEVANT COUNTRIES AND U.S. EXPORT CONTROL COMPLIANCE

The U.S. and other jurisdictions or organizations, including the European Union, the United Nations, the United Kingdom and Australia, have, through executive order, passing of legislation or other governmental means, implemented international sanctions targeting entities and individuals including Sanctioned Targets, entities and individuals that are nationals of or located in certain Sanctioned Countries, and entities and individuals that are associated with certain industries or sectors in specific countries.

During the Track Record Period, the Group procured products and services from 73 overseas suppliers located across 37 countries and regions. None of such countries or regions is subject to comprehensive sanctions under applicable sanctions laws.

During the Track Record Period, we directly sold our power generator engines, marine engines and other ancillary products to customers located in Turkey and Iraq, and to the best of our Company’s knowledge, may have had indirect sales involving end-users located in Russia (excluding the Crimea, Luhansk People’s Republic or Donetsk People’s Republic regions) (collectively, the “**Relevant Countries**”). Russia, Turkey and Iraq are not currently subject to comprehensive U.S. economic sanctions, but a significant number of entities, individuals, and industries in Russia, Turkey and Iraq are subject to U.S. economic sanctions.

U.S. Sanctions

Primary Sanctions risk

U.S. primary sanctions apply principally to U.S. persons and, in limited circumstances, to non-U.S. persons only where a sufficient U.S. jurisdictional nexus exists, such as transactions involving U.S. persons, U.S.-origin goods or technology, U.S. dollar clearing through the U.S. financial system, or activities conducted in whole or in part within the United States.

Under the U.S. sanctions framework, Turkey and Iraq are subject to list-based or targeted sanctions regimes, rather than comprehensive country-wide sanctions. During the Track Record Period, we directly sold our power generator engines, marine engines and other ancillary products to customers located in Turkey and Iraq. For FY2023, FY2024, FY2025 and 1H2026, the revenue received by our Group from the sales of products to companies or individuals in Turkey and Iraq was RMB25.1 million, RMB36.6 million, RMB57.9 million and RMB44.3 million, respectively, which amounted to 0.8%, 0.9%, 0.9% and 1.0% of the total revenue of our Group for the corresponding periods, respectively. Although certain transactions were denominated and settled in U.S. dollars, none of our Group’s counterparties in these

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regions are Sanctioned Targets. While the use of U.S. dollar clearing systems theoretically invokes U.S. jurisdiction, our International Sanctions Legal Advisor is of the view that such transactions do not pose a risk of triggering Primary Sanctions, as the underlying parties and activities are not subject to such restrictive measures.

U.S. Primary Sanctions against Russia generally prohibit U.S. persons (including entities and individuals) from engaging in, or non-U.S. persons from causing a violation by facilitating, any transactions or dealings that involve blocked persons (SDNs), restricted sectors of the Russian economy, or a U.S. nexus, which includes the use of the U.S. financial system or U.S.-origin goods and technologies. During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any direct transactions with Russian counterparties.

Regarding our indirect exposure to Russia arising from potential demand for products similar to, or including, our engine power products, due to the nature of our distribution model, title to our products passes to our distributors upon delivery or acceptance and our distributors are not contractually required to report the identities of their downstream customers to us. As a result, we do not have visibility into the downstream distribution channels through which our products may ultimately reach end users, including any channels through which our products may have entered Russia. Based on the foregoing, having considered: (i) our internal sanctions and export control compliance policy, which expressly prohibits any director, officer, employee, or intermediary from selling or facilitating the sale of our products to Russia or any Russian customers, including through distributors; (ii) the written commitment letters from our major distributors confirming their adherence to such prohibition; and (iii) a comprehensive screening of all our customers against applicable sanctions and restricted-party lists, which did not identify any Russian entities or Russia-related designations among our customer base, save for one domestic customer appearing on the Entity List maintained by BIS for EAR-related reasons unrelated to Russia as separately addressed below, our International Sanctions Legal Advisor has advised that our activities do not give rise to U.S. Primary Sanctions implications and there is no factual indication that our activities fall within the scope of U.S. Primary Sanctions under currently available information.

Secondary Sanctions risk

The U.S. has enacted Secondary Sanctions targeting non-U.S. persons who are engaged in dealings with certain types of sectors in Russia. U.S. Secondary Sanctions may be imposed on non-U.S. persons who are determined to have knowingly engaged in significant transactions with Sanctioned Targets or to have “operated in” certain sanctioned sectors of the Russian economy or constitute “material assistance” to any sanctioned parties under applicable executive order.

To the best of our knowledge, information and belief, we did not engage in any direct or indirect transactions with Russian counterparties or any entities located in Russia during the Track Record Period and up to the Latest Practicable Date. Any indirect exposure to Russia arose, if at all, exclusively from downstream transactions involving our commercial-use products supplied to non-designated counterparties. We have not identified any material risk of indirect exposure into Russia through our distribution channels. Specifically, based on our assessment and understanding of our distributors’ purchasing patterns, we believe that any indirect sales to Russia, to the extent they may have occurred, represented only a minor portion of our distributors’ purchases from us and were limited to a small number of distributors. To address the general residual risk inherent in a distribution model, we have implemented contractual, screening, and distributor certification measures in respect of its indirect sales channels. To the best of our knowledge, as we require the mandatory execution of end-user undertakings in our relevant distribution agreements pursuant to which the distributors undertake not to sell, transfer, re-export or otherwise dispose of our products to any sanctioned targets, and not to engage in any transaction or activity that would cause our Group to violate any applicable sanctions laws or regulations, no sanctioned targets or sanctioned end-users were involved. Furthermore, we have only engaged personnel in Russia with their work scope strictly confined to general market and competitor

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research. Accordingly, our International Sanctions Legal Advisor is of the view that there is a relatively low risk that our activities and our limited indirect exposure to Russia during the Track Record Period will trigger U.S. Secondary Sanctions.

Accordingly, taking into account that revenue attributable to sales involving Relevant Countries represented less than 2% of our Group’s total revenue during the Track Record Period, and based on these facts and the due diligence performed by our International Sanction Legal Advisor, our International Sanction Legal Advisor is of the view that our Group is compliant with relevant sanctions law and there is no material sanctions risk discussed in Chapter 4.4 of the Guide for New Listing Applicants.

Internal Control Measures Against Sanctions Risks

We are cognizant of the potential sanctions risks arising from indirect transactions involving Russia and have consequently established a robust internal control framework to mitigate such exposure. Commencing in December 2025, we have developed a trade compliance system centered on the identification of controlled items, rigorous end-user and end-use verification, and a multi-departmental review and approval process overseen by a dedicated compliance officer. Specifically, our end-user and end-use verification measures include (i) requiring customers to execute end-user/end-use undertakings; (ii) conducting restricted party list screening and background checks on customers and end users; and (iii) reviewing potential “red flag” indicators, such as customers refusing to provide relevant information or abnormal payment arrangements. Under our multi-departmental review and approval mechanism, relevant transactions must be jointly reviewed by the sales, R&D, production and compliance-related departments prior to approval in accordance with their respective responsibilities. This framework is further supported by annual compliance trainings and an oversight leadership group responsible for ensuring accountability and the ongoing effectiveness of our international sanctions and export control internal control. The oversight leadership group consists of the general manager, chief financial officer, chief technology officer and one Board secretary or company secretary of our Company.

We also require our customers to enter into end-use and end-user undertakings, pursuant to which customers are required to confirm that our products will not be used for any end uses or by any end users subject to U.S. export controls or sanctions, nor will such products be supplied to jurisdictions subject to applicable U.S. sanctions restrictions.

Based on the foregoing, and having regard to our internal control measures as described above, we are of the view that, and the Joint Sponsors concur, the internal control measures are adequate and effective to protect the interests of the Relevant Persons for the purposes of Chapter 4.4 of the Sanctions Guidance.

Export Control Risks

During the Track Record Period, our power generator engines, marine engines and other ancillary products were manufactured in the PRC and did not incorporate any U.S.-origin commodities, controlled content, or software. However, during the Track Record Period, one of our customers was being named in the Entity List maintained by the BIS of the U.S. Department of Commerce. Specifically, for FY2023, FY2024, FY2025 and 1H2026, our revenue from that customer amounted to RMB766,000, nil, RMB1,083,000 and nil, representing approximately 0.02%, nil, 0.02% and nil of our Company’s total revenue in the corresponding periods, respectively.

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As advised by our International Sanctions Legal Advisor, given that: (i) the engine products sold by us are designed and manufactured in the PRC and do not incorporate any U.S.-origin technology, software, or components that would cause such products to be subject to the EAR by virtue of the de minimis rule under the EAR; (ii) we did not provide, transfer, or otherwise make available any commodity, technology, or software subject to the EAR to the relevant customer in connection with the transactions during the Track Record Period, our transactions with that customer during the Track Record Period do not violate applicable U.S. export control laws. Meanwhile, given the limited revenue contribution and no violation of the EAR having been identified in respect of our transactions with that customer, our International Sanctions Legal Advisor is of the view that there is no material compliance or operation risk for our Company under this arrangement, and such arrangement is compliant with the relevant laws and regulations in relation to export control.

To further mitigate export control risks, we have established an export control and trade compliance system, including (i) mandatory classification of products, software and technologies under applicable export control regimes, (ii) export/import license management procedures, (iii) restricted party list screening against relevant counterparties prior to transactions and on a periodic basis (including the BIS Entity List and other applicable restricted party lists), and (iv) mandatory annual compliance training for relevant employees under the supervision of the trade compliance function.

INTRA-GROUP TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, members of our Group carried out intra-group transactions. Such intra-group transactions are primarily purchase and sales of products conducted based on normal commercial terms. The pricing of such purchase and sales transactions primarily refers to prevailing market prices.

We have appointed an independent transfer pricing consultant (the “**Transfer Pricing Consultant**”) to review the intra-group transactions of our Group during the Track Record Period. The review was conducted by the Transfer Pricing Consultant in accordance with the OECD Transfer Pricing Guidelines and prevailing PRC transfer pricing regulations. The Transfer Pricing Consultant applied the Transactional Net Margin Method as the appropriate transfer pricing method to assess whether transactions between members of our Group were conducted in accordance with the arm’s length principle.

The Transfer Pricing Consultant has compared the profit level of members of our Group with the profit levels of independent companies undertaking comparable transactions. Based on the review and analysis performed by the Transfer Pricing Consultant, the profit levels achieved by the Group members are aligned with their respective functional and risk profiles, as well as with industry-reasonable profit ranges. Accordingly, the Transfer Pricing Consultant has concluded that the intra-group transactions of our Group comply with the arm’s length principle.

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LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certifications that are material to our operations and such licenses, permits and approvals were valid and remained in effect without material risk of being unable to be renewed upon expiration. The following table sets out a summary of the material licenses, permits, approvals and certifications that we have obtained for our business operations as of the Latest Practicable Date.

Licenses/Permits/Approvals/ Certifications	Issuing Authority	Issue Date	Expiry Date ⁽¹⁾
Pollutant discharge permit (排污許可證)	Yulin City Ecology and Environment Bureau (玉林市生態環境局)	August 1, 2025	July 31, 2030
Administrative license decision (行政許可決定書)	State Administration of Foreign Exchange Yulin Branch (國家外匯管理局 玉林市中心支局)	December 17, 2021	N/A
Customs receipt for filing of consignee/consignor of import and export of goods (海關進 出口貨物收發貨人備案回執)	Yulin Customs (玉林海關)	December 15, 2021	N/A
Registration receipt for fixed pollution source discharge (固定污染源排污登記回執)	Ministry of Ecology and Environment of the PRC (中華人民共和 國生態環境部)	July 16, 2026	July 15, 2030

Note:

(1) “N/A” represents licenses that do not have an expiration date and will remain valid unless revoked.

COMPETITION

The industry in which we operate is highly competitive and concentrated, and we face intense competition across our product types. We believe that, in general, we primarily compete with our competitors for customers and market share on the basis of various factors, including brand recognition, the performance, quality and reliability of products, products’ compliance with emission standards, R&D capability, price, sales network and after-sales service.

We compete primarily with major and well-established domestic and foreign competitors in respect of each of our business and product segments. In our business segment for power generator engines and power generator sets, we compete mainly with major engine manufacturers in the production and supply of high-power diesel power generator engines and power generator sets for data centers and other major applications. In our business segment of marine engines, we compete mainly with major Chinese engine manufacturers in respect of marine engines for cargo vessels used in inland waterways and fishing vessels in China, and international engine manufacturers in respect of marine engines for cargo vessels used in coastal waters, engineering vessels and high-speed vessels. Furthermore, as we continue to focus on developing gas engines and to expand our production of such products, we expect to encounter increasing competition primarily from major Chinese engine manufacturers in respect of gas engines.

While we believe that we are able to compete effectively with our major competitors in the key market segments we focus on, we may face significant challenges and uncertainty as we endeavor to maintain or expand the sales of our products in such market segments or to enter new market segments or expand our business in the international market. Our major competitors may have better technology, capital resources and brand recognition in the countries or regions in which we currently market and

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distribute our products or in or to which we may expand our business in the future. Some of our competitors have formed joint ventures with, or have entered into technology assistance arrangements with, international diesel engine manufacturers or engine design consulting firms, and may use technology that is more advanced than those owned or used by us. As a result, we may face increasingly intensified competition as a result of, among other things, improvements in our competitors’ products, their increased production capacity and aggressive pricing strategies.

AWARDS AND RECOGNITIONS

Over the years, we have obtained various awards and recognitions from a number of accrediting institutions in respect of the high quality standards of our products and our R&D achievements. The following table sets forth some of the major awards and recognitions obtained by us.

Award Year	Award name	Award institution
2024, 2018 and 2012	China Mechanical Industry Science and Technology Progress Award (Second Prize)	China Machinery Industry Federation and China Mechanical Engineering Society
2024	Guangxi Scientific and Technological Progress Award (First Prize)	Government of Guangxi
2023	Guangxi Scientific and Technological Invention Award (Second Prize)	Government of Guangxi
2023	Guangxi Scientific and Technological Invention Award (Third Prize)	Government of Guangxi
2021	Guangxi Patent Award (Top Prize)	Intellectual Property Administration of Guangxi
2021	Guangxi Patent Award (Second Prize)	Intellectual Property Administration of Guangxi
2020	Guangxi Scientific and Technological Invention Award (First Prize)	Government of Guangxi
2020 and 2017	China Patent Excellence Award	China National Intellectual Property Administration

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company has established an ESG governance framework aligned with HKEX Listing Rules and international standards. Upon [REDACTED], we will publish annual ESG reports to disclose material environmental, social and governance performance and management approaches.

ESG Governance

We integrate ESG principles into our corporate strategic decisions and daily operations, continuously establishing a sound ESG governance system to enhance ESG management standards and drive sustainable long-term growth. We are consistently improving our ESG policy framework, which

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covers critical areas including environmental protection, safety in production, employee rights, supply chain management, product quality and safety, and anti-corruption and business ethics, thereby ensuring effective implementation of our ESG initiatives.

ESG Governance Structure

To effectively manage and implement ESG-related matters and facilitate the achievement of ESG goals, the Company has established a top-down ESG governance structure. The Board oversees ESG strategy, approves annual targets and the ESG report. The ESG Committee, chaired by the general manager of our Company and three Directors, formulates strategy, reviews risks and opportunities, and monitors policy implementation. The ESG management team is responsible for execution of cross-departmental initiatives, ensures systematic data collection, verification and disclosure processes. The ESG management team, composed of senior executives and heads of various departments of our Company, general managers of our subsidiaries, and dedicated ESG administrators, possesses diverse professional backgrounds in safety, environment, human resources, finance, and corporate management policies, ensuring the professionalism and comprehensive coverage of ESG strategy formulation and execution.

Board Diversity

We have formulated the Board Diversity Policy and actively promote board diversity in accordance with the Articles of Association and relevant regulatory guidelines. This policy assists us in prudently assessing director candidates based on multiple criteria such as gender, professional experience, as well as cultural and educational backgrounds in order to form an inclusive and effective Board that fully integrates diverse perspectives and expertise, thereby enhancing the foresight and inclusiveness of decision-making. Upon [REDACTED], our Board will consist of nine Directors, consisting of three executive Directors, three non-executive Directors, and three independent non-executive Directors. Upon [REDACTED], our Board will consist of two female Directors.

Materiality Assessment

We conduct materiality assessments by integrating stakeholder feedback, industry benchmarks and regulatory requirements. The material issues identified are: (i) environment (which includes emissions and waste, green products and water and wastewater); (ii) social (which includes R&D and innovation, product safety and quality, employee compensation and benefits, occupational health and safety); and (iii) governance (which includes corporate governance and risk management).

ESG Risk Identification, Assessment, Management and Mitigation

We have integrated ESG risk management into our overall strategic planning and established corresponding management principles and implementation strategies. A systematic mechanism for ESG risk identification, assessment, early warning and response has been established. The Board is responsible for overseeing this process and regularly reviewing the management of ESG-related issues to ensure alignment with our development objectives.

Based on the focus of our stakeholders, our business characteristics, and with reference to professional opinions, we have identified the key ESG issues along with their associated potential risks and opportunities as follows:

- ***Environmental Risks and Opportunities:***

While tightening environmental regulations entail rising compliance costs and operational risks, including potential penalties or disruptions from incidents, we view low-carbon product development as a key strategic opportunity. It serves to address national “Carbon Peak and Carbon

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Neutrality” goals and international “green trade barriers”, capture global green market share, enhance differentiated competitiveness, explore new revenue streams, and strengthen [REDACTED] confidence.

- ***Social Risk:***

We are exposed to social risks, including regulatory compliance, business integrity, talent retention, and product safety. Non-compliance with laws on employee rights, production safety, or ethics could lead to penalties, litigation, and reputational harm. Rising customer expectations for product quality and supply chain sustainability, alongside potential loss of key talent, may affect market competitiveness and operational stability.

Environment

Environmental Management

We strictly adhere to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and other environmental protection laws and regulations of the jurisdictions in which we operate. To further standardize our corporate environmental management, we have established a compliance-based environmental management framework supported by corresponding policies, such as our occupational health, safety and environmental management regulations and equipment and power management regulations, enabling the ongoing management and monitoring of the environmental impact of our operations. During the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable ESG-related laws and regulations, with no non-compliance incidents occurring. To support compliance management, we incurred ESG-related compliance costs totaling RMB217,400.90 in FY2025 and RMB106,626.60 in 1H2026, which primarily included environmental monitoring fees, occupational health hazard factor testing fees, and hazardous waste disposal fees.

To systematically advance environmental management, our Company has established an environmental management system. The entire process encompassing the design, manufacturing, and sales operations of engines and power generator sets has obtained ISO 14001 Environmental Management System certification. By clearly defining responsibilities across various organizational levels, we ensure the effective operation of this management system. Furthermore, we conduct regular staff training programs to continuously enhance our staff’s capabilities and awareness regarding environmental compliance and management.

We attach great importance to the prevention and response to environmental emergencies and has established a regular mechanism for identifying and assessing environmental risks. For the identified risks, management plans and emergency response procedures have been developed to ensure effective control. In addition, our Company has established dedicated professional emergency response teams comprising personnel from production, safety & environment, and technical functions. Through regular drills and professional training, our Company continuously improves its capability to respond to unforeseen environmental incidents.

Response to Climate Change

Climate change presents unprecedented challenges to global economic development. Our Company recognizes the interconnection between its operations and climate change, and has identified and assessed climate-related risks impacting its operations, supply chain, and stakeholders, primarily including:

- **Physical Risks:** Managed through updated emergency response plans, enhanced drainage and flood control infrastructure, annual drills and dedicated safety funding.
- **Transition Risks:** Addressed via continuous policy monitoring, adoption of low-carbon technologies, energy mix optimization and digitalized energy management.

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- Opportunities: Leveraged through policy support for energy-efficient equipment, green power trading and process optimization to reduce unit energy consumption and emissions.

Metrics and Targets in relation to Environmental and Climate Change

The operational boundaries for calculating the environmental and climate change-related metrics encompass all production sites and office premises of the Company. Key performance indicators are detailed below:

- *Greenhouse Gas Emissions*

In accordance with the Greenhouse Gas Protocol published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC), and the Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Other Industrial Enterprises (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the NDRC of the PRC, we have identified Scope 2 emissions as our primary category of greenhouse gas emissions.

The table below sets forth our greenhouse gas emissions during the Track Record Period:

	Unit	FY2023	FY2024	FY2025	1H2026
Total greenhouse gas emissions	tons of CO ₂ equivalent	30,928.35	41,113.61	47,614.62	32,523.94
Scope 1 greenhouse gas emissions	tons of CO ₂ equivalent	17,520.10	27,666.76	29,392.33	21,995.66
Scope 2 greenhouse gas emissions	tons of CO ₂ equivalent	13,408.25	13,446.85	18,222.29	10,528.29
Greenhouse gas emissions intensity	tons of CO ₂ equivalent per million RMB in revenue	9.55	10.28	7.74	7.63

Commencing in 2024, our Company experienced rapid growth in production volume. Concurrently, to advance new product development, bench testing duration increased significantly, leading to a year-on-year rise in natural gas consumption. Consequently, both Scope 1 greenhouse gas (“GHG”) emissions and total GHG emissions increased accordingly. Furthermore, since 2025, our Company’s Scope 2 GHG emissions has increased due to production expansion. However, through the continuous implementation of energy efficiency improvement projects and the application of low-carbon technologies, we achieved a year-on-year decrease in its GHG emission intensity per unit of revenue.

To systematically manage value chain carbon emissions, we plan to review the Scope 3 greenhouse gas emission in 2026, concurrently launching a series of decarbonization measures. These initiatives include encouraging employees to prioritize public transportation, such as high-speed rail, for business travel; promoting waste reduction and the conservation of water and electricity to minimize unnecessary resource consumption; and requiring service providers to utilize new energy vehicles with lower carbon emission intensity for upstream and downstream transportation and distribution.

We initiated a feasibility analysis in 2025 regarding data collection for selected Scope 3 emission categories, including fuel- and energy-related emissions. Based on the findings, we will further refine the data-collection methodology and plan to commence the collection of Scope 3 emissions data for 2026.

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During the Track Record Period, variations in our Company’s environmental metrics — including energy consumption (natural gas and diesel), water usage, packaging materials, waste generation, wastewater discharge, and exhaust emissions — were driven by the following intertwined factors:

1. **Statistical adjustments from production outsourcing:** In March 2024, the Company transitioned from in-house production of cylinder block rough castings to sourcing them externally. Consequently, the emission data for water, waste, and emission data in FY2023, January and February 2024 include the emission from in-house casting production, while data from March 2024 onward do not. This operational transition is the primary driver for the year-on-year decline in water consumption, non-hazardous waste generation, and exhaust emissions in 2024.
2. **General trend of increased total volume with decreased intensity:** Driven by production capacity expansion, extended bench testing for new product development and increased product reliability tests, the total consumption or generation volumes of the aforementioned metrics generally increased since 2024. However, due to the continuous implementation of energy-saving technologies, water conservation, packaging recycling, waste reduction, and emission treatment projects, the consumption/emission intensity per unit of revenue for all metrics achieved a year-on-year decrease in FY2025. For 1H2026, water consumption intensity and energy consumption intensity increased slightly year-on-year.

The detailed environmental performance during the Track Record Period has been articulated as below shown:

- *Energy Consumption*¹

The table below sets forth our energy consumption during the Track Record Period:

	Unit	FY2023	FY2024	FY2025	1H2026
Total direct energy consumption	tons of standard coal equivalent	8,203.05	12,995.32	14,136.43	10,636.29
Total natural gas consumption	10,000 m ³	26.25	54.11	158.18	135.84
Total diesel consumption	tons	5,390.07	8,424.76	8,257.89	6,059.68
Total indirect energy consumption	tons of standard coal equivalent	3,070.95	3,079.79	4,173.54	2,411.34
Total purchased electricity	MWh	24,987.42	25,059.35	33,958.80	19,620.37
Comprehensive energy consumption	tons of standard coal equivalent	11,274.01	16,075.11	18,309.96	13,047.64
Comprehensive energy consumption intensity	tons of standard coal equivalent per million RMB in revenue	3.48	4.02	2.98	3.06

¹ The conversion of energy consumption units into standard coal equivalent is strictly conducted in accordance with the calculation rules and coefficients stipulated in the General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020) (《综合能耗计算通则》) jointly issued by the State Administration for Market Regulation and the Standardization Administration of China.

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- *Water Consumption*

The table below sets forth our water consumption during the Track Record Period:

	Unit	FY2023	FY2024	FY2025	1H2026
Total water consumption	m ³	179,444.87	134,708.35	169,897.00	122,491.00
Water consumption intensity	m ³ per million RMB in revenue	55.40	33.68	27.62	28.73

- *Packaging Materials Usage*

The table below sets forth our packaging materials consumption during the Track Record Period:

	Unit	FY2023	FY2024	FY2025	1H2026
Total packaging materials	tons	4,786	5,374	7,688	2,015
Metal	tons	335	329	404	157
Paper	tons	4	5	9	7
Plastic	tons	62	107	180	131
Wood	tons	4,385	4,933	7,095	1,721
Packaging material intensity	tons per million RMB in revenue	1.48	1.34	1.25	0.47

- *Waste and Pollution*

The table below sets forth our waste and pollution, as well as wastewater discharge and air emission, for the periods indicated.

Waste Generation	Unit	FY2023	FY2024	FY2025	1H2026
Total non-hazardous waste ²	tons	2,685.86	2,439.41	3,020.53	1,609.73
Non-hazardous waste intensity	tons per million RMB in revenue	0.83	0.61	0.49	0.38
Total hazardous waste	tons	62.15	64.2	51.50	44.40
Hazardous waste intensity	tons per million RMB in revenue	0.02	0.02	0.01	0.01
Wastewater Discharge	Unit	FY2023	FY2024	FY2025	1H2026
Total wastewater discharge ³	tons	233,521.00	163,110.00	177,371.00	84,795.00
Wastewater discharge intensity	tons per million RMB in revenue	72.10	40.78	28.84	19.89

² Our non-hazardous waste primarily comprises production waste (such as scrap metal) and office/domestic waste. The annual generation of office/domestic waste is estimated using the following formula: Annual Office/Domestic Waste Generation (tons) = Average Number of Personnel in the Managed Area × Per Capita Daily Waste Generation (kg/person/day) × Number of Working Days in the Year.

³ The Company’s wastewater discharge volume exceeds its water intake volume primarily because substantial rainfall runoff from the plant site’s catchment area enters the drainage system and is included in the wastewater measurement during the rainy season.

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Air Emissions	Unit	FY2023	FY2024	FY2025	1H2026
Total air pollution	tons	42.98	20.19	22.01	12.42
Nitrogen oxides (NOx)	tons	14.29	13.46	17.21	7.99
Particulate matter (PM)	tons	28.69	6.74	4.80	4.43
Air pollutant emissions intensity	kilograms per million RMB in revenue	13.27	5.05	3.58	2.91

The Company’s data for greenhouse gas emissions intensity, comprehensive energy consumption intensity, water consumption intensity, wastewater discharge intensity and air pollutant emissions intensity is higher than those of peers, while its data for non-hazardous waste intensity and hazardous waste intensity are lower than those of peers.

Environmental Targets

Target for energy efficiency	The Company aims to reduce its comprehensive energy consumption intensity, defined as tons of standard coal equivalent per 100 kW rated engine power, by 25% by the end of 2030, against the baseline year of 2022.
Target for water consumption	The Company aims to reduce its water consumption intensity, defined as m ³ per 100 kW rated engine power, by 25% by the end of 2030, against the baseline year of 2022.
Target for greenhouse gas emissions	The Company aims to reduce its greenhouse gas emission intensity, defined as tons of carbon dioxide equivalent per 100 kW rated engine power, by 35% by the end of 2030, against the baseline year of 2022.
Target for pollutant emissions and discharges	To continuously achieve a 100% compliance rate for air emission and wastewater discharge standards, and ensure 100% compliant disposal of waste.

For Scope 1 and Scope 2 emissions, our Group has continuously reduced emission intensity by optimizing the energy mix, enhancing energy efficiency (such as testing power feedback to the grid, deploying smart meters and energy management systems), introducing high-efficiency equipment, and improving production processes. Procurement of green electricity is planned to commence in 2026. Regarding Scope 3 emissions, our Group plans to initiate systematic collection of emission data and value chain decarbonization starting in 2026, including measures such as promoting green travel, resource conservation, and encouraging logistics service providers to utilize new energy vehicles. Achieving the above targets may increase short-term capital expenditures for technology and equipment, but will reduce long-term operational costs through improved energy efficiency and decreased energy and water consumption.

Waste and Pollutant Management

We strictly comply with laws and regulations including the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) and the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the Ministry of Ecology and Environment of the PRC. To further standardize our environmental protection management, we have established an internal control system, including our waste management regulations and our occupational health, safety and environmental management regulations, to continuously manage and monitor the environmental impact of our operational activities. The Company undertakes to achieve 100%

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compliance in air emission, wastewater discharge and waste disposal, and ensures that plant boundary noise meets the Class 3 industrial area standards specified in the Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348 《工業企業廠界環境噪聲排放標準》) promulgated by the Ministry of Ecology and Environment of the PRC). For all waste, our Company implements classified collection and storage with designated area signage, executes standard operating procedures throughout the entire process, and maintains ledger records. Specifically regarding hazardous waste, our Company relies on digital management to upload monitoring data to government systems on a monthly basis and has entered into entrusted disposal contracts with qualified third-party companies to ensure compliant disposal. Our key initiatives targeting emissions of air emission, wastewater, and solid waste include:

- **Wastewater:** Various types of industrial wastewater generated during the Company’s production processes are collected via dedicated pipelines or tanker trucks and transported to GYMCL’s specialized wastewater treatment station for unified treatment. This ensures efficient degradation and removal of pollutants in wastewater, achieving compliant and safe discharge.
- **Air Emission:** We actively promote the adoption of environmentally friendly coatings in its production and operational processes, replacing traditional solvent-based coatings with water-based coatings to reduce air emission and cut hazardous waste generation at the source.
- **Waste:** We centrally collect most of the recyclable metallic waste generated during our production and operational processes, such as scrap iron and waste steel materials, and transports it to the casting division under the GYMCL Group for remelting and regeneration.

Resources Use

- **Energy Management:** We strictly adhere to laws and regulations, including the Energy Conservation Law of the PRC 《中華人民共和國節約能源法》), and has established internal regulations, such as the equipment and power management regulations and the measurement equipment management regulations. We have developed and continuously improved our energy management system, which features systematic target decomposition, rigorous performance evaluation, and precise measurement and statistics, forming a closed-loop process in energy management. Implemented energy conservation and consumption reduction measures include: connecting test generator sets to the grid, which feeds electricity back during testing to deliver economic and environmental benefits; monitoring electricity consumption in real-time via smart meters integrated into the Group’s digital energy management system; and introducing high-efficiency equipment and optimized processes for core component machining, significantly reducing the time required for key processes and substantially increasing production capacity.
- **Water Resource Management:** We have implemented a water resources management system to regulate water usage across production and operational activities, ensuring strict compliance with water extraction regulations to prevent unnecessary waste. We have implemented an internal water circulation and recycling system. Furthermore, a condensate water recovery system has been established to recycle previously discharged water as a high-quality cooling resource.
- **Packaging Materials Management:** We are committed to advancing the green transformation of our packaging operations. While ensuring the compliant disposal of packaging materials, we actively promote packaging recycling, and reduce the consumption of packaging materials.

We have established long-term cooperation with specialized packaging companies to recycle, repair, and reuse wooden packaging materials (e.g., wooden cases and pallets) employed in the transportation process, effectively reducing the consumption of timber resources and the generation of solid waste at the source.

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Low-carbon Product Development

In response to the global energy transition trend, we are fully advancing our product R&D strategy characterized by “high performance and low emissions.” We are committed to developing high-end power platforms and expanding the boundaries of fuels and applications, providing customers with reliable, stable, and environmentally efficient low-carbon power solutions, thereby building market competitiveness.

- *China’s Largest Spark-Ignition Methanol Engine:*

We have developed the YC6TFM series, China’s largest power output spark-ignition methanol-dedicated engine. By utilizing green methanol, such engine series can reduce carbon dioxide emissions compared to conventional diesel engines, while achieving zero emissions of particulate matter and sulfur oxide, significantly lowering the carbon intensity and pollutant emissions of marine and other transport equipment.

- *The World’s First Low-Concentration Gas Engine:*

We pioneered the world’s first MW-scale power generator set (YC12VCG-1000M5HC) capable of stable operation with coal mine gas concentration as low as 6%. This technology effectively captures emitted greenhouse gas for power generation, substantially reducing methane emission intensity from coal mining operations.

Social Responsibility

Labor Rights and Interest

We comply, in all material respects, with the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), and other relevant laws and regulations. Internal management regulations, including the employee relations management regulations, have been formulated and implemented to govern employment relationships, control and manage recruitment quality, and effectively protect the legitimate rights and interests of employees. We expressly prohibit the use of any form of child labor and forced labor. Any violations are subject to strict disciplinary action in accordance with our regulations. We are committed to creating a harmonious, equitable, and efficient work environment. As of June 30, 2026, we had 813 full-time employees.

We are dedicated to building a diverse, equitable, and people-centric work environment and maintain a zero-tolerance policy towards workplace discrimination, harassment, and other misconduct. It is expressly prohibited to engage in any form of discrimination, intimidation, harassment, or infringement of personal dignity based on gender, age, race, ethnicity, skin color, religion, nationality, sexual orientation, physical condition, or any other characteristic. Furthermore, we strictly prohibit the use of child labor and forced labor, and vigorously suppresses any practice that may lead to material labor disputes.

We provide social insurance, housing provident funds and compliant labor protections. Multiple feedback channels (e.g., staff representative committee, digital platforms) are maintained to address employee concerns and uphold a zero-tolerance policy towards discrimination, harassment, child and forced labor.

Talent Training and Development

Employee Development

We have established a systematic career development and management system. Through standardized policies and procedures as well as diversified promotion pathways, this system effectively supports the development of a talent pipeline and enhances organizational effectiveness. We have formulated and implemented a series of internal documents, including the human resources control procedure and the employee evaluation management regulations, which clearly define the standards and processes for talent selection, performance appraisal, promotion and transfer.

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To address the diverse development needs of our employees, we have established three distinct career development pathways: the management track is designed for employees with potential in team leadership and strategic execution; the professional track caters to specialists such as engineers and business managers; and the technical/skills track provides vertical career progression for manufacturing workshop-based technical staff, aiming to achieve optimal person-job matching and enable targeted incentive mechanism.

Employee Training

We regard talent as core strategic assets and have established *training management regulations* applicable to all employees, aiming to build a systematic employee development framework. A specialized training system has been implemented for five core job categories, providing differentiated and tailored programs to ensure alignment with our strategic objectives and business needs, while supporting individual career growth. The training management process is standardized, covering needs analysis, plan formulation, and effectiveness evaluation. By continually updating course content and developing delivery methods, we enhance training effectiveness and support the advancement of employees' capabilities.

Occupational Health and Safety

We are committed to providing a safe and healthy workplace for all employees, strictly adhering to the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and other relevant laws and regulations. We have established and implemented internal management system, including the occupational health, safety and environment management regulations. An occupational health and safety management system is in place, and the entire life cycle of our engines and power generator sets — encompassing design, manufacturing, and sales operations — has obtained ISO 45001:2018 certification. We conduct an occupational disease hazard status evaluation every three years and perform annual monitoring of hazardous factors in the workplace. Employees exposed to factor levels exceeding standards undergo mandatory occupational health examinations. Those failing to pass the health examination are reassigned to alternative positions to ensure their work assignments are suitable for their health condition, thereby safeguarding employee health.

For new employee onboarding, we systematically implement a three-tier safety education and training program (plant-level, manufacturing workshop-level, and team-level) in strict compliance with the Production Safety Law of the PRC (《中華人民共和國安全生產法》). We prevent incidents through measures including regular safety training, risk assessments, and the provision of personal protective equipment. We have established a systematic incident recording, handling, and safety management system. Following an incident, the safety and environment department takes the lead in collecting and reviewing materials before submitting them to the relevant government human resources and social security authorities for assessment. Employees may apply for disability grade appraisal, and we fulfill our obligation to reimburse related costs based on the appraisal results. Concurrently, we continuously refine our policies and procedures, disseminate information to all staff through regular and daily meetings, and monitor execution through functional departments to enhance overall occupational health and safety standards. During the Track Record Period and up to the Latest Practicable Date, we maintained sound compliance performance in health and safety work. All related training records are maintained in a complete and traceable manner. Annually during the “Work Safety Month”, we organize a series of activities, including awareness promotion, practical exercises, emergency drills and cultural events, to continuously enhance safety awareness and capabilities. In December 2025, we experienced a work-related fatality involving the death of an employee in a traffic accident while on official business travel. We have submitted complete documentation to the Ministry of Human Resources and Social Security of the PRC in accordance with applicable regulations. The incident did not result in any investigation or penalty. The incident has been recognized as a work-related injury by the Yulin City Human Resources and Social Security Bureau. We have paid a work-related death assistance grant of RMB10,000 and a one-off humanitarian assistance grant of RMB300,000. The employee's family also received funeral allowances, as well as a work-related death compensation of RMB50,000 from the employer's liability insurance, which our Company purchased. Except for the work-related fatality incident in December 2025, no other significant injury incidents occurred during

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the Track Record Period and up to the Latest Practicable Date. We take this matter extremely seriously and have since reinforced safety training for employees traveling on business and plan to enhance coverage by purchasing comprehensive accidental injury insurance for all staff.

The workdays¹⁵ lost to work-related injuries during the periods indicated is as set out in the following table:

	Unit	FY2023	FY2024	FY2025	1H2026
Workdays lost to work-related injuries ¹⁶	days	135	138	37	77
Supply Chain Management					

A robust and stable supply chain management is fundamental to our development and operations. We have established the regulations on the development and selection of component suppliers and the supplier audit management regulations to standardize the processes for supplier onboarding, maintenance, evaluation, and removal. Furthermore, our internal integrated evaluation regulations for component suppliers define the mechanism and policies for identifying, assessing, and managing environmental and social risks within the supply chain. Our relevant internal stipulations specify that:

- **Priority Selection and ESG Management of Suppliers:** We integrate ESG criteria — including environmental certifications, compliance status, and emissions/waste controls—alongside traditional technical and quality assessments into its supplier lifecycle management:
- **Green Procurement Threshold:** An independent environmental risk evaluation is incorporated into the potential supplier approval process. Priority is given to suppliers demonstrating sound environmental performance and clean production capabilities. For example, we prioritize crankshaft suppliers that utilize clean production technologies to recycle cleaning fluids and ensure zero dust or wastewater generation during manufacturing.
- **Procurement of Environmental Friendly Products for Specific Components:** To minimize the environmental footprint of our products from the technological source, technical drawings mandate eco-friendly specifications, and continuous process optimization is conducted for key components. For example, the cylinder block end cover of the 6TD model originally utilized the lost-foam casting process, which generated VOCs via thermal pyrolysis. This has been replaced with the iron mold casting process, completely eliminating VOC production-phase emissions. In addition, technical drawings explicitly mandate the use of asbestos-free, eco-friendly gasket materials for gear housings to ensure intrinsic product safety.
- **Continuous Evaluation and Compliance:** Beyond admission, we conduct annual evaluations across five dimensions (technology, quality, delivery, cost, responsiveness) paired with tiered remediation or exit protocols. Signing ESG and integrity agreements is mandatory for all suppliers, with whistleblowing channels and non-compliance consequences clearly defined.

¹⁵ A workday refers to a standard work period of eight hours within a 24-hour cycle.

¹⁶ During the Track Record Period, the Company recorded a total of four work-related injury incidents, including three incidents recorded in 2023 (two resulting from cultural and sports activities and one occurring during official business travel) and one production operation incident recorded in 2024. In December 2025, after verification, the Company recorded one work-related fatality. As the workplace fatality did not occur within the production safety environment, the Company has assessed that the total workdays lost to work-related injuries, from the date of the incident until a replacement is officially hired and on-boarded for the same position, is 37 days. During 1H2026, one production operation incident recorded. All incidents have been properly handled in accordance with applicable laws, relevant compensation has been fully settled, and no investigations or penalties were imposed by government authorities.

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Product Quality and Business Ethics

We operate certified ISO 9001 quality management and product traceability systems, supported by structured after-sales and recall procedures. IP protection is governed by lifecycle management and anti-counterfeiting mechanisms. Business ethics and anti-corruption policies are enforced through mandatory training, confidential whistleblowing channels and strict disciplinary measures. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incidents of corruption, fraud, or misconduct that have had, or are expected to have, a material adverse effect on our business. During the Track Record Period and up to the Latest Practicable Date, our data and privacy protection complied with PRC cybersecurity and PIPL regulations.

Community Engagement and Industry Collaboration

We participate in local environmental and safety education initiatives and collaborate with academic and industry partners on low-carbon technology research and standard development, contributing to sector-wide sustainable advancement.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we maintained various types of insurance in accordance with the applicable PRC laws and regulations, including, among others, property all risk insurance, property insurance in respect of our production facilities and equipment, employee work-related injury insurance, employee general liability insurance, employee transportation accident insurance, employer’s liability insurance and maternity insurance. We procured insurance policies by type and amount that we considered sufficient and evaluated such insurance policies from time to time based on our past experience, changes in production and industry development. We believe that the scope of our insurance coverage is in line with the industry practice and adequate for our current operation. See “Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs” in this document. During the Track Record Period and up to the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

EMPLOYEES

As of June 30, 2026, we had 813 full-time employees. Of such full-time employees, 57 were with masters’ or doctorate degrees, 25 were senior engineers, 298 were technicians and 198 were highly skilled personnel. We have entered into labor contracts with all of our employees. Substantially all of our employees were in China, except for approximately 58 employees who were stationed outside of China mainly as sales and marketing representatives. The following table sets forth the number of our employees by function as of June 30, 2026.

	Number of employees	Percentage (%)
R&D	174	21.4
Management and administration	28	3.4
Finance	11	1.4
Sales and marketing	179	22.0
Manufacturing and production	421	51.8
Total	813	100.0

We have established a labor union to protect employees’ legal rights and encourage employee participation in management decision-making. We prohibit all forms of discrimination and maintain a fair and conducive work environment. During the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes that would have a material and adverse effect on our business, financial conditions or results of operations.

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We have from time to time outsourced personnel to work in our facilities in connection with certain production processes or projects which we outsource to third-party contractors. Such outsourced personnel are hired by the relevant third-party contractors and are not our employees. The rights and obligations of such outsourced personnel are specified in our agreement with the relevant third-party contractors.

We formulate personnel recruitment plans based on our business plan, identifying suitable candidates through multiple channels including campus recruitment, recruitment agencies, open recruitment, internal referrals and intra-Group deployment. We enter into standard employment contracts and confidentiality agreements with our employees, and non-competition agreements with our key employees.

We offer employees competitive compensation and benefits, including monthly salaries, various welfare benefits, employee training and development and incentive plans including performance-based bonuses, special rewards and equity incentive awards. In terms of benefits, we provide employees with various holidays and social insurance and housing provident fund contributions.

We have established a training management system that aims to provide tailored training programs based on the needs and requirements of different employees. Our onboarding training consists of various segments: (i) company-level training for all new employees, covering corporate culture, rules and regulations, safety, quality, information security, processes and production; (ii) departmental training covering departmental structure, responsibilities, operational procedures, performance standards and probationary examination; (iii) mandatory training for frontline production staff before a work permit can be granted; and (iv) special training plans for fresh graduates.

Our technical skills training focuses on the employees’ job responsibilities and required technical skills to enhance their professional capabilities. We also have general skills training covers non-profession-specific abilities such as office software, business etiquette, communication skills and time management.

Social Insurance and Housing Provident Fund Contributions

During the Track Record Period, we failed to make full contributions to social insurance and housing provident funds for certain of our employees (which primarily consist of newly on-boarded employees) in accordance with the relevant PRC laws and regulations. Pursuant to relevant PRC laws and regulations, employers should make contribution with reference to the employee’s average monthly wage in the preceding year. For certain newly hired frontline production employees, we made social insurance and housing provident fund contributions based on the local minimum contribution base during their first year of employment. After they completed their full year of employment, we made such contribution based on their actual average monthly salary for the preceding year. In FY2023, FY2024, FY2025, 1H2025 and 1H2026, the shortfall amounts were approximately RMB0.2 million, RMB0.3 million, RMB0.7 million, RMB0.1 million and RMB0.2 million, respectively. See “Risk Factors — Risks Relating to Our Business and Industry — Failure to make adequate contributions to employee benefit plans as required by PRC regulations may subject us to penalties” in this document.

Our PRC Legal Advisor has advised us that, pursuant to the relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a penalty of one to three times the amount of the outstanding contributions. Our PRC Legal Advisor has further advised us that, pursuant to the relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed period, failing which the relevant PRC authorities may apply to the People’s Court for compulsory enforcement. We have consulted Yulin Human Resources and Social Security Bureau, Yulin Medical Insurance Bureau, and Yulin Housing Provident Fund Management Center in respect of the

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underpayment of social insurance and housing provident funds. The aforesaid local authorities, being the competent social insurance and/or housing provident fund authorities, confirmed that, during the Track Record Period, we had not been subject to any administrative penalties with respect to this non-compliance incident, had not been required to settle the shortfall amounts or ordered to rectify the underpayment, and they had not received any complaints or reports from our employees regarding the payment of social insurance and housing provident funds. Based on the foregoing, our PRC Legal Advisor advised that the likelihood that we are subject to claims for shortfall amounts or material penalties related to our failure to make full social insurance and housing provident fund contributions for our employees is low. If we receive any notice from the competent social insurance and/or housing provident fund authorities requiring rectification, we will actively cooperate with the authorities’ requirements to fulfill our relevant obligations.

Pursuant to the Interpretation (II) by the Supreme People’s Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), (the “**New Judicial Interpretation**”), any agreement to waive the full payment of social insurance would be deemed invalid, and the employee is entitled to terminate the employment contract and seek economic compensation from the employer. See “Regulatory Overview ” in this document for further details. During the Track Record Period and up to the Latest Practicable Date, (i) we had not requested our employees to agree to waive their social insurance contributions; and (ii) no employee had terminated his or her employment contract or sought economic compensation from us on the grounds of failure to make social insurance contributions in accordance with applicable laws. Based on the foregoing, our Directors believe that and as advised by our PRC Legal Advisor, the implementation of the New Judicial Interpretation is unlikely to have a material adverse effect on our business operations or financial performance.

We have formulated and implemented internal control measures and compliance plans to ensure ongoing compliance, including:

- We have enhanced our human resources management policies, which require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;
- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund semi-annually;
- Our human resources department will proactively communicate with the competent social insurance and/or housing provident fund authorities and to stay informed about relevant policies and contribution requirements; and
- We will consult our PRC Legal Advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant PRC laws and regulatory developments, including but not limited to PRC laws and regulations in relation to social insurance and housing provident funds, and will provide relevant employees with legal compliance trainings relating to the same.

Based on the above, our Directors believe that the non-compliance incident mentioned above is unlikely to have a material adverse effect on our business operations or financial performance.

RISK MANAGEMENT AND INTERNAL CONTROL

We are dedicated to the establishment and maintenance of a sound risk management and internal control system. We have adopted and continually improve our internal control mechanism to manage and mitigate exposure to business and other risks, ensure regulatory compliance, and regularly review the effectiveness of our internal control measures.

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In 2022, we adopted the Internal Control Manual (内部控制手册) to establish an internal control system and risk management framework, which, among other objectives, is designed to regulate the internal controls over all of our business activities, implement risk management mechanism to our daily business operation and management, enhance our risk awareness. Based on the COSO framework for Enterprise Risk Management framework, the Internal Control Manual applies its basic concepts as well as application and evaluation guidelines for internal control and covers the control procedures and processes for 15 key business activities.

Under our internal control framework, our senior management assumes overall responsibility for internal control measures, as authorized by the Board. An internal control working group comprising senior management and each department head is responsible for major decisions on the internal control system, approving risk management measures, and directing and evaluating implementation. Our management department is responsible for coordinating, monitoring and inspecting the implementation of internal controls, conducting overall risk identification and assessment, and preparing our annual report on overall risk management. The head of each department is responsible for the establishment and implementation of internal control mechanism and procedures within their respective division or department. Furthermore, our finance department is responsible for monitoring the operation of internal control by and within each department, conducting internal audit of our internal control and taking remedial or rectifying actions for any deficiency in our internal control.

In addition, we have adopted and will further strengthen risk management and internal control measures to manage and control specific business or compliance-related risks, including, among others, those related to:

- (1) **Anti-corruption and anti-fraud risk management:** our Board is directly responsible for the anti-corruption and anti-fraud risk management. We have established a whistle-blower inbox encouraging the internal reporting of suspicious activities in the area. We require all suppliers to execute anti-corruption commitments.
- (2) **Connected transactions management:** we have put in place connected transactions management policies for all of our Directors and employees to comply with. Trainings will be arranged for all of our Directors and senior management members on the relevant regulatory and listing requirements in relation to our responsibilities and duties under these policies.
- (3) **Business operation risk management:** we have adopted various measures and procedures regarding relevant aspects of our business operation. We regularly monitor the implementation of these measures and provide regular training on these measures and procedures to our employees.
- (4) **Financial reporting risk management:** we have in place a set of policies and procedures for our financial reporting risk management. Our financial department reviews our management accounts to ensure our compliance with such policies and procedures.
- (5) **Audit Committee and Board oversight:** we have established the Audit Committee to revise and supervise our financial reporting process and internal control system on an ongoing basis. The Audit Committee consists of four members, namely, Mr. Chan Ngai Fan, Mr. Neo Poh Kiat, Mr. Fan Hao and Ms. Fan Conghui, with Mr. Chan Ngai Fan being the chairperson of the committee. See “Directors and Senior Management — Board Committees” in this document.

Furthermore, we have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review in connection with the internal control of our Group and to report factual findings on our Group’s entity-level controls and internal controls of various processes. During the review, the Internal Control Consultant identified certain non-material deficiencies such as lack of certain governance policies. We have adopted the appropriate internal control measures to address such deficiencies, and thereafter the Internal Control Consultant has not identified any material deficiencies in our internal control system.