
FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements included in the Accountants’ Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

This following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties, and our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document.

OVERVIEW

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.

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.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, mainly including the following.

Demands from End Users in Downstream Industries

Our performance is subject to demand for power generator sets incorporating our engine products from end users in the downstream industries, including, among others, data center, distributed power station, infrastructure and infrastructure construction industries. In the case of marine engines, our performance is also subject to demand from end users in the near-shore and inland shipping and offshore operation industries.

During the Track Record Period, we experienced a significant growth in our operating results, which has been driven to a large extent by increasing demands for our power generator engine and power generation set products in the data center industry in China, among others.

FINANCIAL INFORMATION

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.

Product Mix and Pricing

We offer a broad range of engines, including power generator engines and marine engines, and power generator sets for the downstream industries we serve. In recent years, the growth of our revenue and profitability has been largely driven by the sales of our large engines, particularly high-power large engines, such as our YC16VC, YC12VC, YC20VTD and YC16VTD series, primarily for the data center industry. For FY2023, FY2024, FY2025, 1H2025 and 1H2026, our revenue from the sales of large engines amounted to RMB853.3 million, RMB1,374.1 million, RMB2,321.6 million, RMB1,027.3 million and RMB1,807.3 million, respectively, accounting for 26.4%, 34.5%, 37.7%, 34.5% and 40.2% of our total revenue for the same respective periods, and gross profit margins for large engines were 25.5%, 30.2%, 33.9%, 29.8% and 38.8% for the same respective periods. During the same periods, revenue from the sales of power generation sets also experienced a significant growth as we supplied an increasing number of power generation sets for the data center industry. We intend to continue to focus on producing, developing and offering large engines and power generation sets with high performance, power output and reliability for the data center or other downstream industries we target. As we launch new products and upgrade our existing product matrix in the future, we may experience fluctuations in the sales contribution of each product category, and the gross profit margins of different product categories may vary, which may have an impact on our results of operations.

In addition, our pricing directly affects our revenue, gross profit margin and results of operations. We consider various factors, such as prevailing market prices and conditions, order sizes, costs of production and years of business relationship, when pricing our products. We expect that we will face continuing competition and pricing pressures in respect of our products. Therefore, our ability to price our products competitively while supporting sustainable revenue and margin growth will have a material effect on our business, operating results and financial performance.

Research and Development and Expansion of Product Portfolio

Our business success depends, to a large extent, on our ability to continuously enhance our existing technologies, develop new technologies that address the increasing sophistication and varied needs of the downstream industries we serve, and respond to technological advances and emerging industry standards and practices in a timely and cost effective manner.

We have made significant investments to develop and improve our technologies and products. The results of our efforts in this regard will have a material effect on our business, operating results and financial performance. In particular, it is critically important for us to develop new technologies and products, especially high-power large engines and power generator sets for the downstream industries we target, more quickly or profitably than our competitors so that we can maintain and strengthen our competitive position.

In addition, we have made and will continue to make efforts in designing and developing natural gas and alternative fuel combustion engines and clean energy power generator sets. We believe that, as a result of such efforts, we have been able to expand our portfolio of engine and power generator set products and are well-positioned to benefit from the trends of our industry and the downstream industries we serve to increasingly use green and cleaner energies.

FINANCIAL INFORMATION

Production Capacity Management and Expansion

We strategically invest in expanding our production capacity based on customer demand for our products. We need to ensure we can fulfill customer orders in a timely manner while, on the other hand, we endeavor to manage our inventories carefully and to avoid excessive expenditure on facility expansion. Our profitability depends in part on capacity utilization rates for our production facilities. In particular, increases or decreases in our production capacity utilization rates could have a significant effect on gross profit margins. For FY2023, FY2024, FY2025 and 1H2026, our capacity utilization rates for engines were 88.4%, 93.0%, 98.6% and 94.3%, respectively. To meet the anticipated increase in customer demand, we intend to expand our production capacity and install advanced and highly intelligent equipment and production lines, in order to deliver more products and generate more revenue while optimizing our costs and profit margins.

Competition

Our business and results of operations depend on our ability to compete effectively in the industry in which we operate. We face significant competition particularly from large international engine and power generator set companies and major Chinese players in our industry. Such competition may further intensify as our industry continues to consolidate. In light of such competition, we will continue our efforts to develop and introduce new or improved products in response to market demands at competitive prices and enhance our brand recognition further by collaborating with end-market industry leaders such as leading internet technology companies to establish benchmark application cases. In particular, we will continue to expand our efforts to develop and produce high-power large engines for the data center and other downstream industries we target. Accordingly, our ability to compete effectively in our industry, particularly in respect of power generator engines and power generator sets for the data center and other downstream industries we target, will have a material impact on our financial condition and results of operations.

BASIS OF PREPARATION

Our financial statements included in the Accountants’ Report in Appendix I to this document have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial statements throughout the Track Record Period. Our historical financial statements included in the Accountants Report in Appendix I to this document have been prepared under the historical cost convention, except for a certain portion of trade and bills receivables which have been measured at fair value. See note 2.1 of the Accountants’ Report included in Appendix I to this document for details on the basis of preparation of our historical financial statements included therein.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. In the application of our accounting policies, our management is required to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. See notes 2.3 and 3 to the Accountants’ Report in Appendix I to this document for a detailed description of our material accounting policies and significant accounting judgments and estimates.

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth a summary of our consolidated statements of profit or loss for the years/ periods indicated derived from the Accountants’ Report included in Appendix I to this document.

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000 (unaudited)	% of Revenue	RMB'000	% of Revenue
Revenue	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
Cost of sales	(2,513,481)	(77.6)	(3,063,374)	(76.6)	(4,620,895)	(75.1)	(2,285,595)	(76.7)	(3,264,334)	(72.6)
Gross profit	725,527	22.4	936,422	23.4	1,529,544	24.9	692,521	23.3	1,230,047	27.4
Other income and gains	19,660	0.6	36,994	0.9	66,050	1.1	46,984	1.6	12,772	0.3
Research and development expenses	(211,962)	(6.5)	(285,472)	(7.1)	(362,368)	(5.9)	(176,651)	(5.9)	(188,636)	(4.2)
Selling and distribution expenses	(106,683)	(3.3)	(116,799)	(2.9)	(190,513)	(3.1)	(69,081)	(2.3)	(104,345)	(2.3)
Administrative expenses	(59,938)	(1.9)	(64,544)	(1.6)	(112,433)	(1.8)	(32,935)	(1.1)	(58,692)	(1.3)
Other expenses	(1,357)	(0.1)	(2,348)	(0.1)	(16,289)	(0.3)	(2,793)	(0.1)	(12,185)	(0.3)
Finance costs	(11,098)	(0.3)	(7,548)	(0.2)	(9,895)	(0.2)	(4,764)	(0.2)	(4,276)	(0.1)
Share of profits of a joint venture	75,060	2.3	86,112	2.2	102,775	1.7	57,047	1.9	83,104	1.8
Profit before tax	429,209	13.2	582,817	14.6	1,006,871	16.4	510,328	17.1	957,789	21.3
Income tax expenses	(33,328)	(1.0)	(47,001)	(1.2)	(129,714)	(2.1)	(62,709)	(2.1)	(131,462)	(2.9)
Profit for the year/period	395,881	12.2	535,816	13.4	877,157	14.3	447,619	15.0	826,327	18.4

Revenue

During the Track Record Period, we generated revenue primarily from the sales of our self-produced and externally sourced products, including (i) power generator engines which consist of three types, namely, (x) large engines with rated power of more than 1,500 kW, such as YC16VC, YC12VC, YC20VTD and YC16VTD series, (y) heavy-duty engines with rated power between 500 kW and 1,500 kW (both inclusive), such as YC6TF, YC6TH and YC6TD series, and (z) medium- to light-duty engines with rated power of less than 500 kW, such as YC6MJ, YC6MK, YC6A and YC4D series, (ii) marine propulsion and auxiliary engines, and (iii) power generator sets. We also generated revenue from sales of engine components and other sources.

Self-produced engines or self-produced power generator sets are engines or power generator sets produced by us in-house. Externally sourced engines or power generator sets are finished engines or power generator sets procured by us from our suppliers for sales to our customers. See “Business — Products and Services” in this document 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.

FINANCIAL INFORMATION

The following table 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
Self-produced	652,701	20.2	1,114,903	28.0	2,013,851	32.7	839,455	28.3	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

With respect to power generator sets, during the Track Record Period, we primarily purchased from qualified third-party OEMs finished power generator sets upon receipt of confirmed orders from our customers. In such cases, as we were not the primary obligor and did not assume inventory risk, we acted as an agent rather than a principal and recognized revenue on a net basis in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for such transactions. From time to time, we also purchased certain power generator sets for inventory in anticipation of customer demand, in which cases we acted as a principal and assumed inventory risk and recognized revenue on a gross basis in the amount of sales contract considerations. For FY2023, FY2024, FY2025, 1H2025 and 1H2026, our revenue from the sales of power generator sets as an agent recognized on a net basis amounted to RMB2.4 million, RMB10.2 million, RMB76.3 million, RMB47.8 million and RMB2.6 million, respectively. Power generator engines incorporated in the power generator sets we offer include engines offered by us as well as by other manufacturers. See “Business — Products and Services — Power Generator Sets” for further details.

With respect to engine components and others, during the Track Record Period, we generated revenue from (x) the sales of 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 series (see “Business — Joint Venture with Rolls-Royce” for further details); (y) the sales of certain power generator set components to OEMs to pair with the power generator engines we sell to them, enabling them to produce power generator sets that better meet customer needs; and (z) others, primarily consisting of (i) the engine part machining services we provided to MTU Yuchai, (ii) repairing, replacing or otherwise remediating defects in components for which we charged repair service fees, (iii) the engine R&D services we provided to GYMCL Related Parties, and (iv) rental of production facilities and casting equipment to GYMCL Related Parties.

FINANCIAL INFORMATION

The table below sets forth the engine and power generator 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

The table below sets forth the average unit selling prices of engines and power generator sets by product category for the years/periods indicated:

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>1H2025</u>	<u>1H2026</u>
	(RMB'000 per unit)				
Power Generator Engines					
Large engines ⁽¹⁾	873	986	1,071	1,069	1,084
Self-produced	788	915	1,030	1,011	1,040
Externally sourced	1,347	1,481	1,452	1,434	1,585
Heavy-duty engines ⁽²⁾	188	182	159	157	154
Self-produced	189	187	162	159	157
Externally sourced	112	110	119	112	130
Medium- to light-duty engines ⁽²⁾	22	22	22	21	20
Self-produced	36	42	40	40	39
Externally sourced	19	17	16	16	15
Marine Propulsion and Auxiliary Engines⁽²⁾					
Self-produced	185	196	223	198	233
Externally sourced	30	31	32	31	32
Power Generator Sets⁽³⁾					
Self-produced	481	1,193	1,950	1,926	1,668

Notes:

- (1) Average unit selling prices of externally sourced large engines were higher than those of the self-produced large engines because the externally sourced engines were *mtu* branded engines produced by MTU Yuchai, which have higher prices.
- (2) Average unit selling prices of externally sourced heavy-duty engines, medium- to light-duty engines and marine engines were lower than those of the corresponding self-produced engines because such externally sourced engines had lower rated power and thus lower prices.
- (3) During the Track Record Period, we procured finished power generator sets from OEMs for sales to our customers. For such externally sourced power generator sets, revenue was recognized either (i) on a gross basis in the amount of sales contract consideration or (ii) on a net basis in the amount of any fee or commission to which we expect to be entitled (depending on whether we acted as a principal or an agent). Therefore, average unit selling price is not a meaningful measure for externally sourced power generator sets.

FINANCIAL INFORMATION

During the Track Record Period, large engines were generally at higher average unit selling prices than other engine types, reflecting their higher power output, greater technical complexity and higher material and production costs. The average unit selling price of self-produced power generator sets in FY2023 was significantly lower than that in the other years/period during the Track Record Period, mainly because, in response to market demand at the time, the power generator sets we produced in FY2023 were mainly built around heavy-duty engines and medium- to light-duty engines which were at relatively lower selling prices.

During the Track Record Period, we generated our revenue mainly from sales of products in Chinese mainland. The table below sets forth a breakdown of our revenues by region 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.

Cost of Sales

Our cost of sales consists of (i) costs of materials and components, primarily representing costs to procure engine components, such as cylinder block rough castings, cylinder head rough castings, fuel injectors and crankshafts, and externally sourced finished engines and finished power generator sets, (ii) staff costs, (iii) warranty expenses, (iv) impairment loss on inventory, (v) depreciation expenses, and (vi) others, primarily including shipping, packaging and warehousing costs. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as percentages of our total cost of sales, for the periods indicated.

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Costs of materials	2,196,653	87.4	2,601,063	85.0	3,979,972	86.1	2,020,734	88.4	2,844,700	87.2
Components	1,417,344	56.4	1,699,530	55.5	2,916,363	63.1	1,422,405	62.2	2,098,084	64.3
Finished engines	688,424	27.4	822,485	26.8	928,814	20.1	520,690	22.8	692,425	21.2
Finished power generator sets	90,885	3.6	79,048	2.6	134,795	2.9	77,639	3.4	54,191	1.7
Staff costs	61,936	2.5	102,043	3.3	123,641	2.7	62,494	2.7	50,524	1.5
Warranty expenses	26,711	1.1	59,662	1.9	104,445	2.3	37,341	1.6	57,820	1.8
Impairment loss on inventory	5,934	0.2	9,882	0.3	30,596	0.7	12,631	0.6	12,280	0.4
Depreciation expenses	81,456	3.2	86,109	2.8	79,940	1.7	38,080	1.7	37,425	1.1
Others	140,791	5.6	204,615	6.7	302,301	6.5	114,315	5.0	261,584	8.0
Total	2,513,481	100.0	3,063,374	100.0	4,620,895	100.0	2,285,595	100.0	3,264,334	100.0

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales by product categories, in absolute amounts and as percentage of our total cost of sales, for the years/periods indicated.

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Power generator engines	1,896,268	75.4	2,307,070	75.3	3,119,633	67.5	1,491,319	65.3	2,145,261	65.6
Large engines	636,006	25.2	958,575	31.3	1,535,589	33.3	721,216	31.6	1,105,404	33.8
Heavy-duty engines	627,993	25.0	588,382	19.2	662,559	14.3	307,141	13.4	395,553	12.1
Medium- to light-duty engines	632,269	25.2	760,113	24.8	921,485	19.9	462,962	20.3	644,304	19.7
Marine propulsion and auxiliary engines	356,329	14.2	352,687	11.5	511,107	11.1	212,335	9.3	289,451	8.9
Power generator sets	107,037	4.3	107,838	3.5	235,918	5.1	165,856	7.3	387,770	11.9
Engine components and others	153,847	6.1	295,779	9.7	754,237	16.3	416,085	18.1	441,852	13.6
Total	2,513,481	100.0	3,063,374	100.0	4,620,895	100.0	2,285,595	100.0	3,264,334	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets forth a breakdown of our gross profit and gross profit margin by product type 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
Large engines	217,333	25.5	415,532	30.2	786,028	33.9	306,126	29.8	701,928	38.8
Heavy-duty engines	315,013	33.4	275,999	31.9	245,946	27.1	127,222	29.3	138,274	25.9
Medium- to light-duty engines ⁽¹⁾	28,587	4.3	53,866	6.6	64,489	6.5	29,971	6.1	46,895	6.8
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
Power generator sets	7,732	6.7	5,396	4.8	185,499	44.0	118,301	41.6	193,019	33.2
Engine components and others	32,008	17.2	61,317	17.2	99,402	11.6	52,134	11.1	61,230	12.2
Total	725,527	22.4	936,422	23.4	1,529,544	24.9	692,521	23.3	1,230,047	27.4

Note:

- (1) Gross profit margins of medium- to light-duty engines were generally low during the Track Record Period because (i) such lower-power engines generally were at relatively low selling prices, and (ii) a majority of such engines we sold was externally sourced engines which generally have lower gross profit margins.

FINANCIAL INFORMATION

Other Income and Gains

Other income and gains consist of (i) bank interest income, (ii) government grants, (iii) gain on disposal of property, plant and equipment, and (iv) net foreign exchange gains. The following table sets forth a breakdown of our other income and gains for the years/periods indicated.

	FY2023	FY2024	FY2025	1H2025	1H2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income					
Bank interest income	11,511	12,749	16,131	6,071	2,331
Government grants ⁽¹⁾	3,026	21,876	47,832	38,441	8,453
Others	4,200	1,106	837	160	225
Subtotal	18,737	35,731	64,800	44,672	11,009
Gains					
Gain on disposal of property, plant and equipment	818	—	—	—	—
Gain on disposal of right-of-use assets	—	—	—	—	1,763
Foreign exchange gains, net ⁽²⁾	105	1,263	1,250	2,312	—
Subtotal	923	1,263	1,250	2,312	1,763
Total	19,660	36,994	66,050	46,984	12,772

Notes:

- (1) During the Track Record Period, we received government grants in the form of subsidies from relevant government authorities mainly as incentives for our R&D projects, local economic contribution and production facility expansion projects. Such government grants were generally one-off in nature and were subject to certain conditions such as usage in R&D projects, our financial performance and output value. There were no unfulfilled conditions or contingencies to receive such government grants. The availability of government grants is generally subject to government fiscal conditions and subsidy policies.
- (2) During the Track Record Period, we had net foreign exchange gains or losses mainly in relation to the sales of our products to the overseas markets where the purchase prices were normally denominated in foreign currencies. With respect to any such overseas sale, we recognize profit or loss from a change in exchange rates of the relevant foreign currency between the time such sale is recorded and when it is finally settled.

Research and Development Expenses

Our research and development expenses are costs incurred for specific R&D projects, comprising (i) material testing and verification expenses, (ii) depreciation and amortization, (iii) staff costs for our research and development personnel, (iv) external service fees paid to engine design firms and higher education institutions for R&D and technical services they provided under collaborations to advance engine technologies, and (v) others, primarily including traveling expenses and patent fees. The following table sets forth a breakdown of our research and development expenses for the years/periods indicated.

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Material testing and verification expenses	90,213	42.6	176,853	62.0	221,229	61.1	103,100	58.3	100,317	53.2
Depreciation and amortization	46,346	21.9	50,867	17.8	57,212	15.8	30,867	17.5	33,618	17.8
Staff costs	36,556	17.2	40,041	14.0	61,922	17.1	35,949	20.4	42,799	22.7
External service fees	32,093	15.1	12,903	4.5	12,431	3.4	3,783	2.1	6,059	3.2
Others	6,754	3.2	4,808	1.7	9,574	2.6	2,952	1.7	5,843	3.1
Total	211,962	100.0	285,472	100.0	362,368	100.0	176,651	100.0	188,636	100.0

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) staff costs for our sales and marketing personnel, (ii) business development and travel expenses, primarily including travel expenses, business entertainment expenses and conference expenses, (iii) advertising and marketing expenses, (iv) warehousing and logistics expenses, (v) sales service fees, and (vi) others, primarily including transportation fees and consulting fees. The following table sets forth a breakdown of our selling and distribution expenses for the years/periods indicated.

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	45,983	43.1	49,272	42.2	88,446	46.4	46,397	67.1	63,538	61.0
Business development and travel expenses	19,995	18.7	33,620	28.8	40,297	21.2	6,835	9.9	11,110	10.6
Advertising and marketing expenses	9,516	8.9	14,584	12.5	15,800	8.3	2,736	4.0	6,174	5.9
Warehousing and logistics expenses	6,447	6.0	7,041	6.0	15,135	7.9	448	0.6	8,796	8.4
Sales service fees	15,855	14.9	4,560	3.9	15,653	8.2	3,569	5.2	6,445	6.2
Others	8,887	8.3	7,722	6.6	15,182	8.0	9,096	13.2	8,282	7.9
Total	106,683	100.0	116,799	100.0	190,513	100.0	69,081	100.0	104,345	100.0

Administrative Expenses

Our administrative expenses consist of (i) staff costs for our administrative personnel, (ii) professional service expenses, primarily including expenses in relation to brand management and shared services and consulting services, (iii) office and other administrative expenses, primarily including traveling, business development and office expenses, expenses incurred for testing and other control measures to address potential quality issues identified prior to production phase and membership fees in respect of our memberships in certain industry associations, (iv) taxes and surcharges, and (v) other expenses, primarily including transportation fees, telecommunication fees, property insurance fees and maintenance and repair expense. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated.

	FY2023		FY2024		FY2025		1H2025		1H2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	31,313	52.2	32,322	50.1	46,855	41.7	15,007	45.6	19,947	34.0
Professional service expenses	12,362	20.6	16,097	24.9	30,333	27.0	9,320	28.3	14,326	24.4
Office and other administrative expenses	8,353	13.9	10,681	16.5	20,443	18.2	6,135	18.6	9,736	16.6
Taxes and surcharges	1,886	3.1	2,427	3.8	4,589	4.1	2,031	6.2	2,687	4.6
Others	6,024	10.1	3,018	4.7	10,213	9.1	442	1.3	11,996	20.4
Total	59,938	100.0	64,544	100.0	112,433	100.0	32,935	100.0	58,692	100.0

Other Expenses

Our other expenses consist primarily of expenses incurred for impairment of trade receivables, bill discounting and losses incurred for disposal of plant, property and equipment. During the Track Record, our other expenses amounted to RMB1.4 million, RMB2.3 million, RMB16.3 million, RMB2.8 million and RMB12.2 million, respectively, for FY2023, FY2024, FY2025, 1H2025 and 1H2026.

FINANCIAL INFORMATION

Finance Costs

Our finance costs consist of (i) interest on bank loans, and (ii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the years/periods indicated.

	FY2023	FY2024	FY2025	1H2025	1H2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans	10,666	7,070	6,974	3,175	3,383
Interest on lease liabilities	432	478	2,921	1,589	893
Total	11,098	7,548	9,895	4,764	4,276

Share of Profits of a Joint Venture

Our share of profits of a joint venture represents our share of the profit of MTU Yuchai, our 50–50 joint venture with Rolls-Royce, which is accounted for using the equity method. During the Track Record Period, our share of profits of a joint venture amounted to RMB75.1 million, RMB86.1 million, RMB102.8 million, RMB57.0 million and RMB83.1 million for FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively.

Income Tax Expenses

Our income tax expenses consist of current income taxes payable by our Company and our subsidiaries and deferred tax. During the Track Record Period, our income tax expenses amounted to RMB33.3 million, RMB47.0 million, RMB129.7 million, RMB62.7 million and RMB131.5 million for FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively.

Pursuant to the Corporate Income Tax Law of the PRC and the relevant regulations, our subsidiaries in the PRC are subject to corporate income tax at a rate of 25% on taxable income. On November 28, 2024, our Company was recognized as a “High and New Technology Enterprise” and, as a result, was entitled to a preferential corporate income tax rate of 15% valid through December 31, 2026. According to tax regulations related to the Western Region Development Policy of the PRC government, Our Company has been subject to a preferential tax rate of 15%. This tax concession started on January 1, 2021 and is scheduled to expire on December 31, 2030.

In addition, according to the relevant tax regulations of the PRC, starting from January 1, 2023, if the research and development expenses actually incurred by enterprises are not capitalized as intangible assets and are included in the current profits and losses, 100% of the actual amount incurred will be additionally tax deductible.

For FY2023, FY2024, FY2025, 1H2025 and 1H2026, our effective tax rate was 7.8%, 8.1%, 12.9%, 12.3% and 13.7%, respectively. Our effective tax rates were relatively low primarily due to our Company being subject to preferential tax treatment and additional tax deduction for R&D expenses.

Profit for the Year/Period

As a result of the foregoing, during the Track Record Period, we recorded profit for the year/period of RMB395.9 million, RMB535.8 million, RMB877.2 million, RMB447.6 million and RMB826.3 million for FY2023, FY2024, FY2025, 1H2025 and 1H2026, respectively.

FINANCIAL INFORMATION

DISCUSSION OF RESULTS OF OPERATIONS

1H2026 Compared to 1H2025

Revenue

Our revenue increased by 50.9% from RMB2,978.1 million in 1H2025 to RMB4,494.4 million in 1H2026, as our revenue from the sales of power generator engines, marine engines, power generator sets, and engine components all increased in 1H2026 as compared to 1H2025.

Sales of Power Generator Engines

Our revenue from sales of power generator engines increased by 55.1% from RMB1,954.6 million in 1H2025 to RMB3,032.4 million in 1H2026.

- *Large Engines.* Our revenue from sales of large engines increased by 75.9% from RMB1,027.3 million in 1H2025 to RMB1,807.3 million in 1H2026, primarily due to increases in the sales volume and average unit selling price of large engines as we expanded the development, production and sales of our self-produced high-power large engines, particularly the YC16VC series, to meet the growing demand from end users in the data center industry. The sales volume of large engines increased from 961 units in 1H2025 to 1,667 units in 1H2026, primarily driven by the increased sales of our self-produced large engines due to higher demand from end users in the data center industry, in particular leading internet technology companies and telecommunications operators in the PRC, and our increased market penetration in this rapidly growing industry. The average unit selling price increased from RMB1,069 thousand in 1H2025 to RMB1,084 thousand in 1H2026, reflecting a greater mix of our self-produced high-power large engines with higher selling prices for the data center industry.
- *Heavy-Duty Engines.* Our revenue from sales of heavy-duty engines increased by 22.9% from RMB434.4 million in 1H2025 to RMB533.8 million in 1H2026, primarily due to an increase in the sales volume of heavy-duty engines, partially offset by a decrease in the average unit selling price. The sales volume of heavy-duty engines increased from 2,770 units in 1H2025 to 3,457 units in 1H2026, primarily driven by the increased sales of our self-produced heavy-duty engines due to higher demand from end users in downstream industries mainly including medium- to small-size data centers, infrastructure and infrastructure construction. The average unit selling price of heavy-duty engines decreased from RMB157 thousand in 1H2025 to RMB154 thousand in 1H2026, mainly due to our strategic price adjustments in response to the market competition.
- *Medium- to Light-Duty Engines.* Our revenue from sales of medium- to light-duty engines increased by 40.2% from RMB492.9 million in 1H2025 to RMB691.2 million in 1H2026, primarily due to an increase in the sales volume of medium- to light-duty engines. The sales volume of medium- to light-duty engines increased from 23,889 units in 1H2025 to 34,711 units in 1H2026, primarily driven by our continued efforts to market and sell our self-produced YC6MJ and YC6MK series and externally sourced YC4D series power generator engines in order to gain market share in the relevant product market segment. The average unit selling price of medium- to light-duty engines decreased slightly from RMB21 thousand in 1H2025 to RMB20 thousand in 1H2026.

Sales of Marine Propulsion and Auxiliary Engines

Our revenue from sales of marine engines increased by 39.5% from RMB271.1 million in 1H2025 to RMB378.2 million in 1H2026, primarily due to increases in the sales volume and average unit selling price of marine engines. The sales volume of marine engines increased from 2,574 units in 1H2025 to 2,691 units in 1H2026, as we sold an increasing number of new generation gas-fueled marine engines

FINANCIAL INFORMATION

primarily due to the increased market demand mainly driven by PRC government policies promoting clean energy engines for marine applications. The average unit selling price of marine engines increased from RMB105 thousand in 1H2025 to RMB141 thousand in 1H2026 as new generation gas-fueled marine engines generally had higher selling prices mainly due to increased market demand.

Sales of Power Generator Sets

Our revenue from sales of power generator sets increased by 104.4% from RMB284.2 million in 1H2025 to RMB580.8 million in 1H2026, primarily due to an increase in our revenue from sales of self-produced power generator sets along with the increased sales volume of our self-produced power generator sets. The sales volume of our self-produced power generator sets increased from 106 units in 1H2025 to 300 units in 1H2026, primarily driven by the increased demand and preference of end-user customers to purchase our self-produced power generator sets directly from us.

Sales of Engine Components and Others

Our revenue from sales of engine components and others increased by 7.4% from RMB468.2 million in 1H2025 to RMB503.1 million in 1H2026, primarily due to (i) increased volumes of engine components we provided to MTU Yuchai for its production of **mtu** branded engines, and (ii) in 1H2026, we began supplying MTU Yuchai with certain major components required for the production of YC16VC, including cylinder blocks and cylinder heads, in preparation for its production of YC16VC and YC12VC engine series.

Cost of Sales

Our cost of sales increased by 42.8% from RMB2,285.6 million in 1H2025 to RMB3,264.3 million in 1H2026, primarily due to increases in costs of materials and components. Costs of materials and components increased by 40.8% from RMB2,020.7 million in 1H2025 to RMB2,844.7 million in 1H2026, primarily attributable to increases in sales volumes of large engines, medium- to light-duty engines, power generator sets and engine components.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we had gross profit of RMB692.5 million and RMB1,230.0 million in 1H2025 and 1H2026, respectively. Our overall gross profit margin increased from 23.3% in 1H2025 to 27.4% in 1H2026.

Power Generator Engines: The gross profit margin of power generator engines increased from 23.7% in 1H2025 to 29.3% in 1H2026.

- *Large Engines:* The gross profit margin of large engines increased from 29.8% in 1H2025 to 38.8% in 1H2026, primarily attributable to an overall increase in average unit selling prices of high-power models among our self-produced large engines and the increased production and sales of such engines, particularly the YC16VC series, which have higher margin, for the data center industry.
- *Heavy-Duty Engines:* The gross profit margin of heavy-duty engines decreased from 29.3% in 1H2025 to 25.9% in 1H2026, primarily due to our strategic price adjustments in response to changes in downstream industry demand to maintain our market competitiveness.
- *Medium- to Light-Duty Engines:* The gross profit margin of medium- to light-duty engines increased from 6.1% in 1H2025 to 6.8% in 1H2026, primarily due to an increase in the revenue generated from self-produced medium- to light-duty engines with a relatively higher margin.

FINANCIAL INFORMATION

Marine Propulsion and Auxiliary Engines: The gross profit margin of marine engines increased from 21.7% in 1H2025 to 23.5% in 1H2026, primarily due to the higher average unit selling prices of our new-generation gas-fueled marine engines.

Power Generator Sets: The gross profit margin of power generator sets decreased from 41.6% in 1H2025 to 33.2% in 1H2026, primarily due to (i) an increase in the revenue generated from our self-produced power generator sets, and (ii) a decrease in the proportion of revenue generated from power generator sets which we sold as an agent with revenue recognized on a net basis.

Engine Components and Others: The gross profit margin of our engine components and others increased from 11.1% in 1H2025 to 12.2% in 1H2026, primarily due to an increase in the sales volume of (i) cylinder blocks and cylinder heads sold to MTU Yuchai and (ii) gas engine components, which generally carry higher gross profit margins.

Other Income and Gains

Our other income and gains decreased by 72.8% from RMB47.0 million in 1H2025 to RMB12.8 million in 1H2026, primarily due to a decrease in government grants from RMB38.4 million in 1H2025 to RMB8.5 million in 1H2026, as fewer government grant programs were available given their availability varies from period to period.

Research and Development Expenses

Our research and development expenses increased by 6.8% from RMB176.7 million in 1H2025 to RMB188.6 million in 1H2026, primarily due to (i) an increase in staff costs for our research and development personnel, mainly as a result of increases in the number of and average compensation for our research and development personnel, (ii) an increase in depreciation and amortization, mainly as a result of our increased purchases of R&D equipment to support our business development, (iii) an increase in external service fees, mainly as a result of increased quality inspection and certification fees and consulting fees associated with the development of new engine models, and (iv) an increase in other expenses associated with our increased R&D efforts, partially offset by a decrease in material testing and verification expenses, mainly because we continued to use tooling and molds invested in FY2025.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 51.0% from RMB69.1 million in 1H2025 to RMB104.3 million in 1H2026, primarily due to (i) an increase in staff costs for our selling and marketing personnel, mainly attributable to an increase in the number of our sales and marketing personnel as part of our efforts to expand our sales and marketing in overseas markets, as well as an increase in average compensation for our sales and marketing personnel, and (ii) an increase in warehousing and logistics expenses in line with our increased sales, including our increased overseas sales, which generally involve longer-distance shipments with higher unit costs.

Administrative Expenses

Our administrative expenses increased by 78.2% from RMB32.9 million in 1H2025 to RMB58.7 million in 1H2026, primarily due to (i) an increase in other expenses from RMB0.4 million in 1H2025 to RMB12.0 million in 1H2026, primarily due to increased maintenance and repair fees attributable to the renovation of our office building and fitting-out of our testing center, (ii) an increase in professional service expenses, mainly as a result of the increased consulting service fees incurred in connection with the [REDACTED], (iii) an increase in staff costs for our administrative personnel, mainly as a result of the increased performance-based and other compensation for our employees in line with increased sales, and (iv) an increase in office and other administrative expenses, mainly as a result of our increased focus and spending on quality testing and monitoring.

FINANCIAL INFORMATION

Other Expenses

Our other expenses increased by 336.3% from RMB2.8 million in 1H2025 to RMB12.2 million in 1H2026, primarily due to an increase in provision for credit losses on trade receivables in line with our increased sales.

Finance Costs

Our finance costs decreased by 10.2% from RMB4.8 million in 1H2025 to RMB4.3 million in 1H2026, primarily due to a decrease in interest on lease liabilities as a result of the termination of a property lease, partially offset by interest on lease liabilities for new properties leased in 1H2026.

Share of Profits of a Joint Venture

Our share of profits of a joint venture increased by 45.7% from RMB57.0 million in 1H2025 to RMB83.1 million in 1H2026, primarily due to the growing demand of end users in the data center industry.

Income Tax Expenses

Our income tax expenses amounted to RMB131.5 million in 1H2026 as compared to RMB62.7 million in 1H2025, primarily due to (i) an increase in profit before tax and (ii) the policy on additional tax deduction for R&D expenses in 1H2026 offered less tax benefits than in 1H2025.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 84.6% from RMB447.6 million in 1H2025 to RMB826.3 million in 1H2026.

FY2025 Compared to FY2024

Revenue

Our revenue increased by 53.8% from RMB3,999.8 million in FY2024 to RMB6,150.4 million in FY2025, as our revenue from the sales of power generator engines, marine engines, power generator sets, and engine components and others all increased in FY2025 as compared to FY2024.

Sales of Power Generator Engines

Our revenue from sales of power generator engines increased by 38.1% from RMB3,052.5 million in FY2024 to RMB4,216.1 million in FY2025.

- *Large Engines.* Our revenue from sales of large engines increased by 69.0% from RMB1,374.1 million in FY2024 to RMB2,321.6 million in FY2025, primarily due to increases in the sales volume and average unit selling price of large engines as we expanded the development, production and sales of our self-produced high-power large engines, particularly the YC16VC series, to meet the growing demand from end users in the data center industry. The sales volume of large engines increased from 1,394 units in FY2024 to 2,168 units in FY2025, primarily driven by the increased sales of our self-produced large engines due to higher demand from end users in the data center industry, in particular leading internet technology companies and telecommunications operators in the PRC, and our increased market penetration in this rapidly growing industry. The average unit selling price increased from RMB986 thousand in FY2024 to RMB1,071 thousand in FY2025, reflecting a greater mix of our self-produced high-power large engines with higher selling prices for the data center industry.

FINANCIAL INFORMATION

- *Heavy-Duty Engines.* Our revenue from sales of heavy-duty engines increased by 5.1% from RMB864.4 million in FY2024 to RMB908.5 million in FY2025, primarily due to an increase in the sales volume of heavy-duty engines, partially offset by a decrease in the average unit selling price. The sales volume of heavy-duty engines increased from 4,756 units in FY2024 to 5,720 units in FY2025, primarily driven by the increased sales of our self-produced heavy-duty engines due to higher demand from end users in downstream industries mainly including animal husbandry and residential power generation. The average unit selling price of heavy-duty engines decreased from RMB182 thousand in FY2024 to RMB159 thousand in FY2025, as the heavy-duty engines for applications driving the increase in our sales generally carried lower selling prices than other models.
- *Medium- to Light-Duty Engines.* Our revenue from sales of medium- to light-duty engines increased by 21.1% from RMB814.0 million in FY2024 to RMB986.0 million in FY2025, primarily due to an increase in the sales volume of medium- to light-duty engines. The sales volume of medium- to light-duty engines increased from 37,075 units in FY2024 to 45,672 units in FY2025, primarily driven by our continued efforts to market and sell our self-produced YC6MJ and YC6MK series and externally sourced YC4D series power generator engines in order to gain market share in the relevant product market segment. The average unit selling price of medium- to light-duty engines remained flat at RMB22 thousand in FY2025 as compared to FY2024.

Sales of Marine Propulsion and Auxiliary Engines

Our revenue from sales of marine engines increased by 38.2% from RMB477.0 million in FY2024 to RMB659.3 million in FY2025, primarily due to increases in the sales volume and average unit selling price of marine engines. The sales volume of marine engines increased from 4,282 units in FY2024 to 5,104 units in FY2025, as we sold an increasing number of new generation gas-fueled marine engines primarily due to the increased market demand mainly driven by PRC government policies promoting clean energy engines for marine applications. The average unit selling price of marine engines increased from RMB111 thousand in FY2024 to RMB129 thousand in FY2025 as new generation gas-fueled marine engines generally had higher selling prices mainly due to increased market demand.

Sales of Power Generator Sets

Our revenue from sales of power generator sets increased by 272.2% from RMB113.2 million in FY2024 to RMB421.4 million in FY2025, primarily due to an increase in the sales volume of our self-produced power generator sets. The sales volume of our self-produced power generator sets increased from 14 units in FY2024 to 135 units in FY2025, primarily driven by the increasing demand from end users in the data center and certain other downstream industries. In particular, we increased our market penetration in the data center industry and acquired additional customers, including leading internet technology companies, which purchased power generator sets from us for data center applications.

Sales of Engine Components and Others

Our revenue from sales of engine components and others increased by 139.1% from RMB357.1 million in FY2024 to RMB853.6 million in FY2025, primarily due to (i) increased volumes of power generator set components we provided to OEMs, and (ii) increased volumes of engine components we provided to MTU Yuchai.

Cost of Sales

Our cost of sales increased by 50.8% from RMB3,063.4 million in FY2024 to RMB4,620.9 million in FY2025, primarily due to increases in costs of materials and components. Costs of materials and components increased by 53.0% from RMB2,601.1 million in FY2024 to RMB3,980.0 million in FY2025, primarily attributable to increases in sales volumes of large engines, medium- to light-duty

FINANCIAL INFORMATION

engines, power generator sets and engine components, as well as our transition in March 2024 from in-house production to external sourcing of cylinder block rough castings for our self-produced engines, and we recorded purchases of such rough castings as materials and components within our cost of sales.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we had gross profit of RMB936.4 million and RMB1,529.5 million in FY2024 and FY2025, respectively. Our overall gross profit margin increased from 23.4% in FY2024 to 24.9% in FY2025.

Power Generator Engines: The gross profit margin of power generator engines increased from 24.4% in FY2024 to 26.0% in FY2025.

- *Large Engines:* The gross profit margin of large engines increased from 30.2% in FY2024 to 33.9% in FY2025, primarily attributable to an overall increase in average unit selling prices of high-power models among our self-produced large engines and the increased production and sales of such engines, particularly the YC16VC series, which have higher margin, for the data center industry.
- *Heavy-Duty Engines:* The gross profit margin of heavy-duty engines decreased from 31.9% in FY2024 to 27.1% in FY2025, primarily due to our strategic price adjustments in response to changes in downstream industry demand to maintain our market competitiveness.
- *Medium- to Light-Duty Engines:* The gross profit margin of medium- to light-duty engines remained stable and was 6.6% in FY2024 and 6.5% in FY2025.

Marine Propulsion and Auxiliary Engines: The gross profit margin of marine engines decreased from 26.1% in FY2024 to 22.5% in FY2025, primarily due to (i) our competitive introductory pricing for our new-generation gas-fueled marine engines, and (ii) our strategic price adjustments in response to intense market competition to maintain our market competitiveness.

Power Generator Sets: The gross profit margin of power generator sets increased from 4.8% in FY2024 to 44.0% in FY2025, primarily due to (i) the increased sales of high-power power generator sets for the data center industry which generally have higher selling prices and gross profit margins, and (ii) an increase in the revenue generated from power generator sets which we sold as an agent with revenue recognized on a net basis.

Engine Components and Others: The gross profit margin of our engine components and others decreased from 17.2% in FY2024 to 11.6% in FY2025, primarily due to an increase in the proportion of revenue from components for power generator sets within our overall engine component revenue, as such ancillary components are procured from third-party suppliers and generally carry lower gross profit margins.

Other Income and Gains

Our other income and gains increased by 78.5% from RMB37.0 million in FY2024 to RMB66.1 million in FY2025, primarily due to an increase in government grants as we applied for and received more government grants and subsidies from local governments as incentives for our research and development projects and contributions to the local economy.

Research and Development Expenses

Our research and development expenses increased by 26.9% from RMB285.5 million in FY2024 to RMB362.4 million in FY2025, primarily due to (i) an increase in material testing and verification expenses, mainly due to an increase in the number of high-power products under development, (ii) an increase in staff costs for our research and development personnel, mainly as a result of increases in the

FINANCIAL INFORMATION

number of and average compensation for our research and development personnel, and (iii) an increase in depreciation and amortization, mainly as a result of our increased purchases of R&D equipment to support our business development.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 63.1% from RMB116.8 million in FY2024 to RMB190.5 million in FY2025, primarily due to (i) an increase in staff costs for our selling and marketing personnel, mainly attributable to an increase in the number of our sales and marketing personnel as part of our efforts to expand our sales and marketing in overseas markets, as well as an increase in average compensation for our sales and marketing personnel, and (ii) increases in sales service fees and warehousing and logistics expenses in line with our increased sales.

Administrative Expenses

Our administrative expenses increased by 74.3% from RMB64.5 million in FY2024 to RMB112.4 million in FY2025, primarily due to (i) an increase in staff costs for our administrative personnel, mainly as a result of the increased performance-based and other compensation for our employees in line with increased sales, (ii) an increase in professional service expenses, mainly as a result of the increased brand management and shared service fee and consulting service fees incurred in connection with the [REDACTED], and (iii) an increase in office and other administrative expenses, mainly as a result of our increased focus and spending on quality testing and monitoring.

Other Expenses

Our other expenses increased by 608.7% from RMB2.3 million in FY2024 to RMB16.3 million in FY2025, primarily due to an increase in expected credit losses on trade receivables.

Finance Costs

Our finance costs increased by 32.0% from RMB7.5 million in FY2024 to RMB9.9 million in FY2025, primarily due to an increase in interest on lease liabilities mainly as we leased more properties and renewed prior leases for our plants in 2025.

Share of Profits of a Joint Venture

Our share of profits of a joint venture increased by 19.4% from RMB86.1 million in FY2024 to RMB102.8 million in FY2025, primarily due to the growing demand of end users in the data center industry.

Income Tax Expenses

Our income tax expenses amounted to RMB129.7 million in FY2025 as compared to RMB47.0 million in FY2024, primarily due to (i) an increase in profit before tax and (ii) the policy on additional tax deduction for R&D expenses in FY2025 offered less tax benefits than in FY2024.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 63.7% from RMB535.8 million in FY2024 to RMB877.2 million in FY2025.

FINANCIAL INFORMATION

FY2024 Compared to FY2023

Revenue

Our revenue increased by 23.5% from RMB3,239.0 million in FY2023 to RMB3,999.8 million in FY2024, as our revenue from the sales of power generator engines, and engine components and others increased in FY2024 as compared to FY2023.

Sales of Power Generator Engines

Our revenue from sales of power generator engines increased by 24.2% from RMB2,457.2 million in FY2023 to RMB3,052.5 million in FY2024.

- *Large Engines.* Our revenue from sales of large engines increased by 61.0% from RMB853.3 million in FY2023 to RMB1,374.1 million in FY2024, primarily due to increases in the sales volume and average unit selling price of large engines as we focused on the development, production and sales of our self-produced high-power large engines, particularly the YC16VC series, to meet the growing demand from end users in the data center industry. The sales volume of large engines increased from 977 units in FY2023 to 1,394 units in FY2024, primarily driven by the increased sales of our self-produced large engines as we increased market penetration and expand our customer base. The average unit selling price of large engines increased from RMB873 thousand in FY2023 to RMB986 thousand in FY2024, reflecting a greater mix of our self-produced high-power large engines with higher selling prices for the data center industry.
- *Heavy-Duty Engines.* Our revenue from sales of heavy-duty engines decreased by 8.3% from RMB943.0 million in FY2023 to RMB864.4 million in FY2024, primarily due to decreases in the sales volume and average unit selling price of heavy-duty engines. The sales volume of heavy-duty engines decreased from 5,023 units in FY2023 to 4,756 units in FY2024, primarily due to the decrease in market demand by end users in various downstream industries, such as property development and animal husbandry. The average unit selling price of heavy-duty engines decreased from RMB188 thousand in FY2023 to RMB182 thousand in FY2024, as we faced pricing pressure for heavy-duty engines.
- *Medium- to Light-Duty Engines.* Our revenue from sales of medium- to light-duty engines increased by 23.2% from RMB660.9 million in FY2023 to RMB814.0 million in FY2024, primarily due to an increase in the sales volume of medium- to light-duty engines. The sales volume of medium- to light-duty engines increased from 29,601 units in FY2023 to 37,075 units in FY2024, primarily driven by our efforts to market and sell our self-produced YC6MJ series and externally sourced YC4D series power generator engines in order to gain market share in the relevant product market segment.

Sales of Marine Propulsion and Auxiliary Engines

Our revenue from sales of marine engines remained stable and amounted to RMB481.2 million in FY2023 and RMB477.0 million in FY2024. The sales volume of marine engines decreased from 4,911 units FY2023 to 4,282 units in FY2024, primarily due to a decrease in the market demand for marine engines. The average unit selling price of marine engines increased from RMB98 thousand in FY2023 to RMB111 thousand in FY2024, primarily due to our refinement of product mix and a greater mix of marine engines with higher selling prices.

Sales of Power Generator Sets

Our revenue from sales of power generator sets decreased by 1.3% from RMB114.8 million in FY2023 to RMB113.2 million in FY2024. The sales volume of power generator sets increased from 170 units in FY2023 to 1,448 units in FY2024 primarily because we started to procure a large volume of

FINANCIAL INFORMATION

power generator sets from OEMs in order to meet the increased demand of end users in the data center and certain other downstream industries. Despite the increase in sales volume in FY2024, revenue from sales of power generator sets decreased as compared to FY2023 because we started to procure and sell more power generator sets as an agent with revenue recognized on a net basis in FY2024.

Sales of Engine Components and Others

Our revenue from sales of engine components and others increased by 92.1% from RMB185.9 million in FY2023 to RMB357.1 million in FY2024, primarily because (i) beginning in FY2024, we transitioned from providing engine component machining services to selling finished engine components to MTU Yuchai, and (ii) the increased volumes of engine components we provided to GY Entities.

Cost of Sales

Our cost of sales increased by 21.9% from RMB2,513.5 million in FY2023 to RMB3,063.4 million in FY2024, primarily due to increases in costs of materials and components. Costs of materials and components increased by 18.4% from RMB2,196.7 million in FY2023 to RMB2,601.1 million in FY2024 as our total revenue increased and we started to purchase cylinder block rough castings as part of our supplies since March 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we had gross profit of RMB725.5 million and RMB936.4 million in FY2023 and FY2024, respectively. Our overall gross profit margin increased from 22.4% in FY2023 to 23.4% in FY2024.

Power Generator Engines: The gross profit margin of power generator engines increased from 22.8% in FY2023 to 24.4% in FY2024.

- *Large Engines:* The gross profit margin of large engines increased from 25.5% in FY2023 to 30.2% in FY2024, primarily due to the increased production and sales of high-power large engines, particularly the high-margin YC16VC series, for the data center industry.
- *Heavy-Duty Engines:* The gross profit margin of heavy-duty engines decreased from 33.4% in FY2023 to 31.9% in FY2024, primarily due to our strategic price adjustments in response to changes in downstream demand to maintain our market competitiveness.
- *Medium- to Light-Duty Engines:* The gross profit margin of medium- to light-duty engines increased from 4.3% in FY2023 to 6.6% in FY2024, primarily due to an increase in the revenue generated from self-produced medium- to light-duty engines.

Marine Propulsion and Auxiliary Engines: The gross profit margin of marine engines remained stable and was 25.9% in FY2023 and 26.1% in FY2024.

Power Generator Sets: The gross profit margin of power generator sets decreased from 6.7% in FY2023 to 4.8% in FY2024, primarily because a portion of the power generator sets we sold in FY2024 had relatively low gross profit margin.

Engine Components and Others: The gross profit margin of our engine components and others remained stable and was 17.2% in both FY2023 and FY2024.

Other Income and Gains

Our other income and gains increased by 88.2% from RMB19.7 million in FY2023 to RMB37.0 million in FY2024, primarily due to an increase in government grants as we applied for and received more government grants and subsidies from local governments as incentives for our research and development projects and contributions to the local economy.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses increased by 34.7% from RMB212.0 million in FY2023 to RMB285.5 million in FY2024, primarily due to an increase in material testing and verification expenses, mainly as a result of the increase in the number of R&D projects we conducted and the associated increase in our testing and prototyping costs, which was partially offset by a decrease in external service fees, mainly because we conducted a larger number of new product development in FY2023, which required more external R&D services.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 9.5% from RMB106.7 million in FY2023 to RMB116.8 million in FY2024, primarily due to (i) an increase in business development and travel expenses, mainly attributable to our expanded business development activities and increased travel to support our business expansion, and (ii) an increase in advertising and marketing expenses, mainly attributable to increased advertising and marketing to expand our presence in overseas markets, which were partially offset by a decrease in the sales service fee, mainly attributable to a decrease in the service fees incurred for inventory modifications or upgrades.

Administrative Expenses

Our administrative expenses increased by 7.7% from RMB59.9 million in FY2023 to RMB64.5 million in FY2024, primarily due to an increase in professional service expenses.

Other Expenses

Our other expenses increased by 73.0% from RMB1.4 million in FY2023 to RMB2.3 million in FY2024, primarily due to an increase in interest and fees relating to bill discounting, partially offset by a decrease in provisions for impairment losses on inventories.

Finance Costs

Our finance costs decreased by 32.0% from RMB11.1 million in FY2023 to RMB7.5 million in FY2024, primarily due to a decrease in interest on our bank loans mainly as a result of our repayment of bank loans and preferential interest rates we received on some of our bank loans under various government initiatives.

Share of Profits of a Joint Venture

Our share of profits of a joint venture increased by 14.7% from RMB75.1 million in FY2023 to RMB86.1 million in FY2024, primarily due to the growing demand of end users in the data center industry.

Income Tax Expense

Our income tax expense amounted to RMB47.0 million in FY2024 as compared to RMB33.3 million in FY2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 35.3% from RMB395.9 million in FY2023 to RMB535.8 million in FY2024.

FINANCIAL INFORMATION

DISCUSSION OF SELECTED MAJOR ITEMS ON CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	426,640	428,031	493,751	541,516
Intangible assets	92,834	102,481	92,969	89,149
Right-of-use assets	28,226	25	76,782	51,400
Investment in a joint venture	186,718	269,508	303,737	310,589
Deferred tax assets	20,313	10,526	22,367	34,325
Other non-current assets	9,042	33,581	51,819	27,870
Total non-current assets	763,773	844,152	1,041,425	1,054,849
CURRENT ASSETS				
Inventories	1,311,197	1,509,135	2,078,698	2,510,005
Trade and bills receivables	1,022,541	1,574,247	2,446,874	3,825,748
Capitalized contract cost	12,545	—	—	—
Contract assets	—	—	17,212	—
Prepayments, other receivables and other assets	111,425	141,278	197,079	176,721
Cash and cash equivalents	730,071	885,866	1,545,192	1,313,787
Total current assets	3,187,779	4,110,526	6,285,055	7,826,261
CURRENT LIABILITIES				
Trade and bills payables	1,502,908	2,229,566	3,501,977	4,263,067
Other payables and accruals	660,086	559,838	1,076,418	953,393
Interest-bearing bank borrowings	393,688	348,419	320,211	320,188
Tax payable	3,559	1,431	11,925	86,267
Lease liabilities	28,177	39	33,285	26,209
Provision	31,045	50,167	80,058	102,810
Total current liabilities	2,619,463	3,189,460	5,023,874	5,751,934
NET CURRENT ASSETS	568,316	921,066	1,261,181	2,074,327
TOTAL ASSETS LESS CURRENT LIABILITIES	1,332,089	1,765,218	2,302,606	3,129,176
NON-CURRENT LIABILITIES				
Lease liabilities	24	—	46,259	38,398
Deferred income	16,410	24,798	47,790	44,372
Total non-current liabilities	16,434	24,798	94,049	82,770
Net Assets	1,315,655	1,740,420	2,208,557	3,046,406

FINANCIAL INFORMATION

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	400,000	428,000	856,000	856,000
Treasury shares	—	—	(61,724)	(61,724)
Reserves	915,655	1,312,420	1,348,290	2,177,154
Non-controlling interests	—	—	65,991	74,976
Total equity	1,315,655	1,740,420	2,208,557	3,046,406

Property, Plant and Equipment

Our property, plant and equipment consist of buildings, plant and machinery, office and other equipment, construction in progress (which is primarily related to our production facilities) and leasehold improvements. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	528	2,533	2,372	2,393
Plant and machinery	387,630	364,040	370,727	385,726
Office and other equipment	1,904	2,074	4,436	5,952
Construction in progress	36,578	59,384	114,406	146,107
Leasehold improvements	—	—	1,810	1,338
Total	426,640	428,031	493,751	541,516

Our property, plant and equipment increased by 0.3% from RMB426.6 million as of December 31, 2023 to RMB428.0 million as of December 31, 2024, further increased by 15.4% to RMB493.8 million as of December 31, 2025 and further increased by 9.7% to RMB541.5 million as of June 30, 2026, mainly due to additions in construction in progress primarily related to machining centers and certain other equipment and production facilities, which was partially offset by depreciation.

Intangible Assets

Our intangible assets consist of technology know-how, software and construction in progress (which is primarily related to software in development). The following table sets forth a breakdown of our intangible assets as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Software	194	1,712	2,711	2,672
Technology know-how	91,906	99,632	88,559	83,023
Construction in progress (software)	734	1,137	1,699	3,454
Total	92,834	102,481	92,969	89,149

FINANCIAL INFORMATION

Our intangible assets increased by 10.4% from RMB92.8 million as of December 31, 2023 to RMB102.5 million as of December 31, 2024, mainly due to additions in technology know-how related to our YC16VC series power generator engines, partially offset by amortization.

Our intangible assets decreased by 9.3% from RMB102.5 million as of December 31, 2024 to RMB93.0 million as of December 31, 2025, mainly due to a decrease in technology know-how as a result of amortization.

Our intangible assets decreased by 4.1% from RMB93.0 million as of December 31, 2025 to RMB89.1 million as of June 30, 2026, mainly due to a decrease in technology know-how as a result of amortization, partially offset by an increase in construction in progress (software), mainly due to the purchase and commissioned development of software and platforms to meet our business needs.

Right-of-Use Assets

Our right-of-use assets consist of our leases of land, plants and office buildings used in our operations. Our right-of-use assets significantly decreased from RMB28.2 million as of December 31, 2023 to RMB25,000 as of December 31, 2024, primarily due to the depreciation for lease expiration. Our right-of-use assets significantly increased from RMB25,000 as of December 31, 2024 to RMB76.8 million as of December 31, 2025 as we entered into new leases for our plants. Our right-of-use assets decreased from RMB76.8 million as of December 31, 2025 to RMB51.4 million as of June 30, 2026 due to the termination of a property lease and depreciation of right-of-use assets.

Investment in a Joint Venture

Our investment in a joint venture represents our share of net assets of MTU Yuchai. Our investment in a joint venture increased by 44.3% from RMB186.7 million as of December 31, 2023 to RMB269.5 million as of December 31, 2024, further increased by 12.7% to RMB303.7 million as of December 31, 2025, and further increased by 2.3% to RMB310.6 million as of June 30, 2026, primarily attributable to the profit of MTU Yuchai.

Inventories

Our inventories consist of raw materials, work in progress and finished goods. Raw materials represent components used in our production. Work in progress represents the partially finished goods that are in the production process but not yet complete. Finished goods represent our self-produced products that have been manufactured but not yet sold to customers and externally sourced finished engines and power generator sets. The following table sets forth our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	392,780	458,201	544,033	771,487
Work in progress	9,063	11,141	3,046	749
Finished goods	909,354	1,039,793	1,531,619	1,737,769
Total	1,311,197	1,509,135	2,078,698	2,510,005

Inventories were net of a write-down of RMB17.0 million, RMB16.5 million, RMB37.3 million and RMB37.5 million in our consolidated statement of financial position as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively. Such inventory write-downs primarily arose from defective or obsolete finished goods and raw materials, as well as slow-moving inventory that is no longer suitable for production due to technology upgrades or process changes. In accordance with our accounting policy, inventories are stated at the lower of cost and net realizable value. Net realizable value is based

FINANCIAL INFORMATION

on estimated selling prices less any estimated costs to be incurred up to completion and disposal, and when the net realizable value is lower than cost, we recognize an inventory provision. See “Business — Warehousing, Logistics and Inventory Management” in this document for our inventory management policy.

Our inventories increased by 15.1% from RMB1,311.2 million as of December 31, 2023 to RMB1,509.1 million as of December 31, 2024, further increased by 37.7% to RMB2,078.7 million as of December 31, 2025, and further increased by 20.7% to RMB2,510.0 million as of June 30, 2026, primarily as a result of our increased sales which required increased inventory stocking, as well as our increased self-production and sales of power generator sets in 1H2026. Due to long production cycles for certain components, and to respond promptly to customer demand, particularly for engine models with long production cycles, we maintain sufficient inventory in our and/or consignment warehouses.

The following table sets forth our inventories turnover days for the years/period indicated.

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>1H2026</u>
Average inventory turnover days ⁽¹⁾	185	168	142	127

(1) Average turnover days of inventories are equal to the average of the beginning and ending net inventory balances of a year/period divided by cost of sales for that year/period and multiplied by the number of days in that year/period.

Our average inventory turnover days decreased from 185 days in FY2023 to 168 days in FY2024, further decreased to 142 days in FY2025, and further decreased to 127 days in 1H2026, primarily due to the expanding market demand and higher order volumes, as well as our ongoing enhancements to inventory management based on order forecasts and production plans.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	<u>As of December 31,</u>			<u>As of June 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 180 days	877,796	1,111,367	1,682,415	2,177,178
181 days–1 year	261,550	223,482	218,631	173,919
1–2 years	150,068	110,099	120,432	81,842
More than 2 years	21,783	64,187	57,220	77,066
Total	<u>1,311,197</u>	<u>1,509,135</u>	<u>2,078,698</u>	<u>2,510,005</u>

As of July 31, 2026, approximately RMB770.3 million, or 30.7% of our inventories as of June 30, 2026, had been subsequently utilized.

FINANCIAL INFORMATION

Trade and Bills Receivables

Our trade and bills receivables represent primarily the amounts due from our customers in our ordinary course of business. The following table sets forth breakdowns of our trade and bills receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and Bills Receivables				
Trade receivables	294,040	636,232	1,288,884	3,318,268
Bills receivable	728,649	938,991	1,173,783	533,407
Impairment	(148)	(976)	(15,793)	(25,927)
Total	1,022,541	1,574,247	2,446,874	3,825,748
Trade and Bills Receivables				
Independent Customers	804,292	1,370,417	2,339,349	3,684,177
Related Parties	218,250	203,830	107,525	141,571
Total	1,022,541	1,574,247	2,446,874	3,825,748

Our trade and bills receivables increased by 54.0% from RMB1,022.5 million as of December 31, 2023 to RMB1,574.2 million as of December 31, 2024 and further increased by 55.4% to RMB2,446.9 million as of December 31, 2025, which is generally in line with our increased sales. Our trade and bills receivables increased by 56.4% from RMB2,446.9 million as of December 31, 2025 to RMB3,825.7 million as of June 30, 2026. Such increase was primarily attributable to an increase in trade receivables of 157.5% from RMB1,288.9 million as of December 31, 2025 to RMB3,318.3 million as of June 30, 2026, primarily due to (i) an increase in sales, and (ii) increased sales of power generator sets for data center projects for which payments are collected in installments, which is partially offset by a decrease in bills receivable, primarily due to our increased endorsement of bills received from customers to settle supplier payments in connection with expanded procurement.

The following table sets forth our average trade and bills receivables turnover days for the years/period indicated.

	FY2023	FY2024	FY2025	1H2026
Average trade and bills receivables turnover days				
Overall ⁽¹⁾	100	119	119	126
Independent Customers ⁽²⁾	89	123	122	130
Related Parties ⁽³⁾	130	101	94	73

(1) Overall average turnover days of trade and bills receivables are equal to the average of the beginning and ending trade and bills receivables balances of a year/period divided by revenue for that year/period and multiplied by the number of days in that year/period.

(2) Average trade and bills receivable turnover days in respect of the Independent Customers are equal to the average of the beginning and ending trade and bills receivables balances attributable to the Independent Customers of a year/period divided by revenue attributable to the Independent Customers for that year/period and multiplied by the number of days for that year/period.

(3) Average trade and bills receivable turnover days in respect of the Related Parties are equal to the average of the beginning and ending trade and bills receivables balances attributable to the Related Parties of a year/period divided by revenue attributable to the Related Parties for that year/period and multiplied by the number of days for that year/period.

FINANCIAL INFORMATION

Our average trade and bills receivables turnover days remained relatively stable at 100 days, 119 days and 119 days in FY2023, FY2024 and FY2025, respectively. Our average trade and bills receivables turnover days increased from 119 days in FY2025 to 126 days in 1H2026, primarily due to our increased sales of power generator sets for data center projects. In line with the construction schedules of data center projects, payments for such power generator sets are typically collected with a deposit before delivery followed by post-delivery payments after project acceptance, which resulted in longer turnover days.

In FY2023, average trade and bills receivables turnover days in respect of the Related Parties were longer than those in respect of Independent Customers, primarily because certain large receivables due from the Related Parties were settled by bills in 2022, but such bills remained outstanding as of the end of 2022. In FY2024, FY2025 and 1H2026, average trade and bills receivables turnover days in respect of the Related Parties were shorter than those in respect of Independent Customers, primarily because we strengthened receivables management in respect of Related Parties.

We typically grant a credit period of approximately 30 to 240 days to our customers.

The table below sets forth the aging analysis of trade receivables, based on the invoice date and net of loss allowance, as of the dates as indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	236,284	507,902	1,101,573	2,858,563
180 days to 1 year	50,030	98,583	136,868	339,971
1 to 2 years	7,578	28,759	31,500	87,589
2 to 3 years	—	12	3,141	5,855
Over 3 years	—	—	9	363
Total	293,892	635,256	1,273,091	3,292,341

We perform an impairment analysis at each reporting date using a provision matrix to calculate expected credit losses in respect of our trade receivables. Having considered that (i) our trade receivables balances were mainly due from customers with ongoing business relationships with us, (ii) there were no material ongoing disputes with such customers, (iii) these customers have been making subsequent repayments to us and their historical repayment patterns were generally stable during the Track Record Period, (iv) we have implemented and continuously strengthened credit management policies, closely monitored the recoverability of our trade receivables and actively followed up on collections, and (v) over 95.0% of our trade receivables as of the end of each period during the Track Record Period were aged within one year, we believe that there is no indication of material recoverability issues in respect of our trade receivables and that sufficient provision had been made during the Track Record Period.

The table below sets forth the movements in the loss allowance for impairment of trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	205	148	976	15,793
Impairment losses, net	(57)	828	14,817	10,134
At end of year/period	148	976	15,793	25,927

FINANCIAL INFORMATION

As of July 31, 2026, approximately RMB557.7 million, or 16.8%, of our trade receivables as of June 30, 2026, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist of prepayments to suppliers, taxes recoverable representing deductible input VAT, deposits and other receivables, [REDACTED] expenses and others. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	44,188	24,956	55,465	42,763
Taxes recoverable	52,910	61,705	85,234	—
Deposits and other receivables	14,327	53,626	53,197	53,526
[REDACTED] expenses	—	—	1,786	4,036
Others	—	991	1,397	1,396
Dividends Receivable	—	—	—	75,000
Total	111,425	141,278	197,079	176,721

Our prepayments, other receivables and other assets increased by 26.8% from RMB111.4 million as of December 31, 2023 to RMB141.3 million as of December 31, 2024, primarily attributable to (i) an increase in deposits and other receivables, mainly reflecting increased other receivables from GYMCL Related Parties arising from R&D services we provided and from the leasing of production facilities and casting equipment to GYMCL Related Parties, and (ii) an increase in taxes recoverable, mainly due to our increased inventory stocking which generated higher deductible input VAT that had not yet been offset by sales. Our prepayments, other receivables and other assets increased by 39.5% from RMB141.3 million as of December 31, 2024 to RMB197.1 million as of December 31, 2025, primarily attributable to (i) an increase in prepayments, mainly due to our increased sales of power generator sets, and (ii) an increase in taxes recoverable, mainly due to our increased inventory stocking which generated higher deductible input VAT that had not yet been offset by sales. Our prepayments, other receivables and other assets decreased by 10.3% from RMB197.1 million as of December 31, 2025 to RMB176.7 million as of June 30, 2026, primarily attributable to (i) a decrease in taxes recoverable from RMB85.2 million to nil due to increased sales in 1H2026 resulting in higher output VAT, which significantly reduced the deductible input VAT, and (ii) a decrease in prepayments following the acceptance of certain power generator sets and settlement in accordance with project progress, partially offset by dividends receivable of RMB75.0 million from MTU Yuchai.

As of July 31, 2026, approximately RMB97.2 million, or 55.0%, of our prepayments, other receivables and other assets as of June 30, 2026, had been subsequently settled or utilized.

Cash and Cash Equivalents

Our cash and cash equivalents increased by 21.3% from RMB730.1 million as of December 31, 2023 to RMB885.9 million as of December 31, 2024 and further increased by 74.4% to RMB1,545.2 million as of December 31, 2025, primarily due to increases in our profit. Our cash and cash equivalents decreased by 15.0% from RMB1,545.2 million as of December 31, 2025 to RMB1,313.8 million as of June 30, 2026, primarily due to the timing of customer payments, as customers typically accelerate payments at year-end, resulting in a build-up of trade receivables and lower cash collections in the first half of the year, while payments to suppliers continued on a normal schedule in 1H2026.

FINANCIAL INFORMATION

Trade and Bills Payables

Our trade and bills payables represent primarily the amounts due to our suppliers in our ordinary course of business. Our bills payables are mainly bank acceptance bills used by us to settle the payments due to our suppliers. The following table sets forth breakdowns of our trade and bills payables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and Bills Payables				
Trade payables	1,070,278	1,578,146	2,461,917	3,323,067
Bills payables	432,630	651,420	1,040,060	940,000
Total	1,502,908	2,229,566	3,501,977	4,263,067
Trade and Bills Payables				
Independent Suppliers	1,097,989	1,627,334	2,623,341	3,072,799
Related Parties	404,919	602,233	878,636	1,190,268
Total	1,502,908	2,229,566	3,501,977	4,263,067

Our trade and bills payables increased by 48.4% from RMB1,502.9 million as of December 31, 2023 to RMB2,229.6 million as of December 31, 2024 and further increased by 57.1% to RMB3,502.0 million as of December 31, 2025, primarily attributable to (i) an increase in trade payables due to suppliers, and (ii) an increase in bills payables, primarily due to increased purchases of supplies generally in line with increased sales. Our trade and bills payables increased by 21.7% from RMB3,502.0 million as of December 31, 2025 to RMB4,263.1 million as of June 30, 2026, primarily attributable to an increase in trade payables to suppliers in line with increased purchases, partially offset by a decrease in bills payables primarily due to fewer bank acceptance bills issued in 1H2026.

The following table sets forth our average trade and bills payables turnover days for the years/period indicated.

	FY2023	FY2024	FY2025	1H2026
Average trade and bills payables turnover days				
Overall ⁽¹⁾	213	216	203	179
Independent Suppliers ⁽²⁾	304	252	230	188
Related Parties ⁽³⁾	98	156	153	158

(1) Overall average turnover days of trade and bills payables are equal to the average of the beginning and ending trade and bills payables balances of a year/period divided by purchase amount for that year/period and multiplied by the number of days in that year/period.

(2) Average turnover days of trade and bills payables in respect of the Independent Suppliers are equal to the average of the beginning and ending trade and bills payables balances of a year/period divided by purchase amount attributable to the Independent Suppliers for that year/period and multiplied by the number of days in that year/period.

(3) Average turnover days of trade and bills payables in respect of the Related Parties are equal to the average of the beginning and ending trade and bills payables balances of a year/period divided by purchase amount attributable to the Related Parties for that year/period and multiplied by the number of days in that year/period.

FINANCIAL INFORMATION

Our average trade and bills payables turnover days remained relatively stable at 213 days, 216 days and 203 days in FY2023, FY2024 and FY2025, respectively. Our average trade and bills payables turnover days decreased from 203 days in FY2025 to 179 days in 1H2026, primarily because we pre-stocked certain key components with longer production cycles and/or limited supply to ensure that our production can promptly respond to customer demand. Such key components generally have shorter credit periods.

During the Track Record Period, average trade and bills payables turnover days in respect of the Related Parties were shorter than those in respect of Independent Suppliers, primarily because we mainly procured from the Related Parties medium- to light-duty engines, key components and production and R&D-related services, which generally had shorter credit periods. In contrast, we mainly procured from Independent Suppliers power generator sets and general components, which generally had longer credit periods, with payments for power generator sets typically made in installments.

The following table sets forth an aging analysis of our trade and bills payables based on the invoice date as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,502,756	2,226,444	3,491,599	4,248,139
Over 1 year	152	3,122	10,378	14,928
Total	1,502,908	2,229,566	3,501,977	4,263,067

During the Track Record Period, our trade and bills payables were normally settled within one year.

As of July 31, 2026, approximately RMB725.1 million, or 17.0%, of our trade and bills payables as of June 30, 2026, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals consist of (i) contract liabilities, primarily including advance received by us from customers based on contracts or purchase orders, and unfulfilled service-type maintenance service for end users of our products, (ii) payroll payables primarily representing accrued compensation to be paid to our employees, (iii) payables for long-term assets primarily representing amounts payable arising from construction in progress and the acquisition of fixed assets and intangible assets, (iv) refund liabilities primarily representing customer rebates not yet refunded to customers, (v) output VAT to be transferred primarily representing output VAT that has been collected together with the customer advance and will be transferred upon recognition of revenue, and (vi) others, primarily including accrued expenses, payables for material testing and verification and audit services and other miscellaneous payables. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
Advance from customer	289,774	203,700	625,680	483,274
Unfulfilled service-type maintenance services	10,412	17,545	15,329	17,203
Payroll payables	102,795	121,663	211,188	241,344
Payables for long-term assets	117,899	79,192	36,510	36,238
Refund liabilities	46,857	31,335	22,718	29,411
Output VAT to be transferred	37,671	26,526	56,521	25,514
Others	54,678	79,877	108,472	120,409
Total	660,086	559,838	1,076,418	953,393

FINANCIAL INFORMATION

Our other payables and accruals decreased by 15.2% from RMB660.1 million as of December 31, 2023 to RMB559.8 million as of December 31, 2024, primarily attributable to (i) a decrease in advance from customer, primarily due to a change in customer composition resulting in a decrease in number of customers from which we require advances in relation to their purchase orders to or contracts with us, and (ii) a decrease in payables for long-term assets, mainly due to our settlement of certain amounts, including in connection with construction in progress, which were partially offset by an increase in payroll payables, mainly due to an overall increase in employee compensation.

Our other payables and accruals increased by 92.3% from RMB559.8 million as of December 31, 2024 to RMB1,076.4 million as of December 31, 2025, primarily attributable to (i) an increase in advance from customer, mainly due to increased sales of power generator sets, for which we typically require prepayments, and certain power generator engines for which we require prepayments, and (ii) an increase in payroll payables, mainly due to an overall increase in employee compensation, which was partially offset by a decrease in payables for long-term assets, mainly due to our further settlement of certain amounts, including in connection with construction in progress.

Our other payables and accruals decreased by 11.4% from RMB1,076.4 million as of December 31, 2025 to RMB953.4 million as of June 30, 2026, primarily attributable to (i) a decrease in advance from customer, mainly because customer advances tend to be higher near year-end when new projects and sales orders are signed to secure production and sales for the following year, and (ii) a decrease in output VAT to be transferred in line with decreased advances from customers, which were partially offset by an increase in payroll payables, mainly due to an overall increase in employee compensation.

As of July 31, 2026, approximately RMB287.9 million, or 30.2%, of our other payables and accruals as of June 30, 2026, had been subsequently settled, and approximately RMB247.7 million, or 49.5%, of our contract liabilities as of June 30, 2026, had been subsequently recognized as revenue.

Provision

Our provision represents primarily our obligations related to the warranties for our products sold to customers. The table below sets forth the movements in our provision for warranties as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	
Balance at the beginning of year/period	22,055	31,045	50,167	80,058
Provision made	24,570	57,278	102,723	57,563
Provision utilized	(15,580)	(38,156)	(72,832)	(34,811)
Balance at the end of year/period	31,045	50,167	80,058	102,810

Our provision increased by 61.6% from RMB31.0 million as of December 31, 2023 to RMB50.2 million as of December 31, 2024, further increased by 59.6% to RMB80.1 million as of December 31, 2025, and further increased by 28.4% to RMB102.8 million as of June 30, 2026, primarily due to our increased sales of products.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary capital needs have been for funding our research and development activities, construction of our production facilities, procurement of materials, components and other supplies, our sales and marketing operations and other general corporate requirements. During the Track Record Period, we financed our operations and other capital requirements primarily using cash generated from our operations and bank borrowings.

We expect to fund our future working capital and other cash requirements with cash generated from operations, bank and other borrowings, [REDACTED] from the [REDACTED] and, if necessary, funds raised from issuance of equity or debt securities.

As of June 30, 2026, we had cash and cash equivalents of RMB1,313.8 million. Taking into account the cash and cash equivalents on hand, our operating cash flows and the estimated [REDACTED] available to us from the [REDACTED], our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

Summary of Our Consolidated Statement of Cash Flows

The following table sets forth our selected cash flow data for the years/periods indicated.

	FY2023	FY2024	FY2025	1H2025	1H2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash flows generated from/ (used in) operating activities	398,602	453,382	1,220,396	573,413	(147,537)
Net cash flows (used in)/generated from investing activities	(38,978)	(98,424)	(73,933)	22,353	(62,171)
Net cash flows (used in)/generated from financing activities	(24,351)	(200,426)	(488,387)	23,367	(20,067)
Net increase/(decrease) in cash and cash equivalents	335,273	154,532	658,076	619,133	(229,775)
Cash and cash equivalents at beginning of year/period	394,693	730,071	885,866	885,866	1,545,192
Effect of foreign exchange rate changes, net	105	1,263	1,250	2,312	(1,630)
Cash and cash equivalents at end of year/period	730,071	885,866	1,545,192	1,507,311	1,313,787

Net Cash Flows Generated from/(Used in) Operating Activities

During the Track Record Period, we generated cash inflow from our operating activities primarily through sales of products. Cash outflow from operating activities primarily comprises the costs incurred in operation of our business.

FINANCIAL INFORMATION

In 1H2026, net cash flows used in operating activities was RMB147.5 million, primarily attributable to our profit before tax of RMB957.8 million, as adjusted for non-cash and non-operating items, which mainly included the additions of (i) depreciation of property, plant and equipment of RMB36.2 million, (ii) depreciation of right-of-use assets of RMB12.8 million, and (iii) write-down of inventories to net realizable value of RMB12.3 million, partially offset primarily by the deduction of share of profits of a joint venture of RMB83.1 million. The amount was further adjusted by the deductions of (i) an increase in working capital in 1H2026 and (ii) income tax paid of RMB69.5 million. The increase in working capital in 1H2026 was primarily attributable to (i) an increase in trade and bills receivables and contract assets of RMB1,368.7 million, (ii) an increase in inventories of RMB442.4 million, and (iii) a decrease in other payables and accruals of RMB112.2 million, partially offset primarily by (x) an increase in trade and bills payables of RMB761.1 million, and (y) a decrease in prepayments, other receivables and other assets of RMB105.5 million.

In FY2025, net cash flows generated from operating activities was RMB1,220.4 million, primarily attributable to our profit before tax of RMB1,006.9 million, as adjusted for non-cash and non-operating items, which mainly included the additions of (i) depreciation of property, plant and equipment of RMB73.1 million, (ii) depreciation of right-of-use assets of RMB32.6 million, and (iii) write-down of inventories to net realizable value of RMB30.6 million, partially offset primarily by the deduction of share of profits of a joint venture of RMB102.8 million. The amount was further adjusted by the additions of (i) a decrease in working capital in FY2025 partially offset by (ii) income tax paid of RMB118.7 million. The decrease in working capital in FY2025 was primarily attributable to (i) an increase in trade and bills payables of RMB1,272.4 million and (ii) an increase in other payables and accruals of RMB505.1 million, partially offset primarily by an increase in trade and bills receivables and contract assets of RMB906.1 million.

In FY2024, net cash flows generated from operating activities was RMB453.4 million, primarily attributable to our profit before tax of RMB582.8 million, as adjusted for non-cash and non-operating items, which mainly included the additions of (i) depreciation of property, plant and equipment of RMB77.3 million, (ii) depreciation of right-of-use assets of RMB30.5 million, and (iii) amortization of intangible assets of RMB10.7 million, partially offset primarily by the deduction of share of profits of a joint venture of RMB86.1 million. The amount was further adjusted by the deductions of (i) an increase in working capital in FY2024 and (ii) income tax paid of RMB52.0 million. The increase in working capital in FY2024 was primarily attributable to (i) an increase in trade and bills receivables of RMB552.0 million, (ii) an increase in inventories of RMB204.5 million, and (iii) a decrease in other payables and accruals of RMB125.6 million, partially offset primarily by an increase in trade and bills payables of RMB726.7 million.

In FY2023, net cash flows generated from operating activities was RMB398.6 million, primarily attributable to our profit before tax of RMB429.2 million, as adjusted for non-cash and non-operating items, which mainly included the additions of (i) depreciation of property, plant and equipment of RMB85.0 million, (ii) depreciation of right-of-use assets of RMB28.8 million, and (iii) finance costs of RMB11.1 million, partially offset primarily by the deduction of share of profits of a joint venture of RMB75.1 million. The amount was further adjusted by the deductions of (i) an increase in working capital in FY2023 and (ii) income tax paid of RMB65.2 million. The increase in working capital in FY2023 was primarily attributable to (i) an increase in trade and bills receivables of RMB276.1 million, and (ii) an increase in inventories of RMB80.4 million, partially offset primarily by (x) an increase in trade and bills payables of RMB193.3 million and (y) an increase in other payables and accruals of RMB63.2 million.

Net Cash Flows Used in Investing Activities

During the Track Record Period, our cash used in investing activities mainly relates to payments for purchase of property, plant and equipment and purchases of intangible assets. Cash inflow from investing activities primarily comprises proceeds from disposal of items of property, plant and equipment and dividend received from a joint venture, namely, MTU Yuchai.

FINANCIAL INFORMATION

In 1H2026, our net cash flows used in investing activities was RMB62.2 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB62.5 million.

In FY2025, our net cash flows used in investing activities was RMB73.9 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB145.6 million, partially offset by dividend received from a joint venture of RMB73.9 million.

In FY2024, our net cash flows used in investing activities was RMB98.4 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB96.1 million.

In FY2023, net cash flows used in investing activities was RMB39.0 million, what was primarily attributable to purchases of items of property, plant and equipment of RMB40.2 million.

Net Cash Flows Used in Financing Activities

During the Track Record Period, our cash inflows from financing activities primarily consist of proceeds from bank loans and capital contributions from Shareholders. Our cash outflows used in financing activities primarily consist of repayments of bank loans, interest paid in respect of bank loans, and dividends paid.

In 1H2026, net cash flows used in financing activities was RMB20.1 million, which was primarily attributable to (i) repayment of bank loans of RMB300.0 million, (ii) dividends paid of RMB11.3 million, and (iii) payment of [REDACTED] expenses of RMB10.1 million, partially offset primarily by new bank loans of RMB300.0 million.

In FY2025, net cash flows used in financing activities was RMB488.4 million, which was primarily attributable to (i) repayment of bank loans of RMB363.8 million and (ii) dividends paid of RMB425.0 million, partially offset primarily by new bank loans of RMB335.6 million.

In FY2024, net cash flows used in financing activities was RMB200.4 million, which was primarily attributable to (i) repayment of bank loans of RMB392.0 million and (ii) dividends paid of RMB200.0 million representing the dividends we paid to our then Shareholders, partially offset primarily by (x) new bank loans of RMB346.6 million and (y) capital contribution from shareholders of RMB82.9 million as a result of the subscription of certain restricted shares of our Company by Limited Partnerships Platforms as employee incentive platforms of our Company, and a shareholding platform under which partnership interest were awarded to eligible participants who are employees of GYMCL and its subsidiaries other than our Company, pursuant to the terms of such partnership agreements. See "History — Major Development and Shareholding Changes of the Company — 4. Capital increase in June 2024" in this document for further details.

In FY2023, net cash flows used in financing activities was RMB24.4 million, which was primarily attributable to (i) repayment of bank loans of RMB540.0 million and (ii) principal portion of capital element of lease payment of RMB30.3 million, partially offset primarily by new bank loans of RMB556.7 million.

FINANCIAL INFORMATION

Net Current Assets

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT ASSETS				
Inventories	1,311,197	1,509,135	2,078,698	2,510,005
Trade and bills receivables	1,022,541	1,574,247	2,446,874	3,825,748
Capitalized contract cost	12,545	—	—	—
Contract assets	—	—	17,212	—
Prepayments, other receivables and other assets	111,425	141,278	197,079	176,721
Cash and cash equivalents	730,071	885,866	1,545,192	1,313,787
Total current assets	3,187,779	4,110,526	6,285,055	7,826,261
CURRENT LIABILITIES				
Trade and bills payables	1,502,908	2,229,566	3,501,977	4,263,067
Other payables and accruals	660,086	559,838	1,076,418	953,393
Interest-bearing bank borrowings	393,688	348,419	320,211	320,188
Tax payable	3,559	1,431	11,925	86,267
Lease liabilities	28,177	39	33,285	26,209
Provision	31,045	50,167	80,058	102,810
Total current liabilities	2,619,463	3,189,460	5,023,874	5,751,934
NET CURRENT ASSETS	568,316	921,066	1,261,181	2,074,327

As of December 31, 2023, 2024 and 2025, and June 30, 2026, we had net current assets of RMB568.3 million, RMB921.0 million, RMB1,261.2 million and RMB2,074.3 million, respectively.

Our net current assets increased from RMB1,261.2 million as of December 31, 2025 to RMB2,074.3 million as of June 30, 2026, primarily attributable to an increase in total current assets of RMB1,541.2 million, which was partially offset by an increase in total current liabilities of RMB728.1 million. The increase in total current assets was primarily attributable to (i) an increase in trade and bills receivables of RMB1,378.9 million, and (ii) an increase in inventories of RMB431.3 million, which were partially offset by a decrease in cash and cash equivalents of RMB231.4 million. The increase in total current liabilities was primarily attributable to an increase in trade and bills payables of RMB761.1 million.

Our net current assets increased from RMB921.1 million as of December 31, 2024 to RMB1,261.2 million as of December 31, 2025, primarily attributable to an increase in total current assets of RMB2,174.5 million, which was partially offset by an increase in total current liabilities of RMB1,834.4 million. The increase in total current assets was primarily attributable to (i) an increase in trade and bills receivables of RMB872.6 million, (ii) an increase in cash and cash equivalents of RMB659.3 million, and (iii) an increase in inventories of RMB569.6 million. The increase in total current liabilities was primarily attributable to an increase in trade and bills payables of RMB1,272.4 million.

Our net current assets increased from RMB568.3 million as of December 31, 2023 to RMB921.1 million as of December 31, 2024, primarily attributable to an increase in total current assets of RMB922.7 million, which was partially offset by an increase in total current liabilities of RMB570.0 million. The increase in total current assets was primarily attributable to (i) an increase in trade and bills receivables of RMB551.7 million, and (ii) an increase in inventories of RMB197.9 million. The increase in total current liabilities was primarily attributable to an increase in trade and bills payables of RMB726.7 million.

FINANCIAL INFORMATION

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings:				
Current — bank loans — unsecured	393,688	348,419	320,211	320,188
Lease liabilities:				
Current	28,177	39	33,285	26,209
Non-current	24	—	46,259	38,398
Total	421,889	348,458	399,755	384,795

Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings consist primarily of loans from commercial banks in China. The following table sets forth certain details, including effective interest rates and maturity, of our interest-bearing bank borrowings as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
Current				
Bank loans — unsecured				
Effective interest rate (%)	0.40–2.60	0.30–3.00	2.15–2.20	2.11–2.15
Maturity	2024	2025	2026	2026–2027
Amount (RMB'000)	393,688	348,419	320,211	320,188

Our interest-bearing bank borrowings amounted to RMB393.7 million, RMB348.4 million, RMB320.2 million and RMB320.2 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.

Historically, we typically borrowed unsecured short-term bank loans. All of our bank borrowings outstanding as of December 31, 2023, 2024 and 2025 and June 30, 2026 as disclosed in the above table were denominated in Renminbi, repayable within one year as of such relevant reporting dates and unsecured and had effective rates ranging from 0.30% to 3.00%.

As of June 30, 2026, we had no unutilized banking facilities.

Lease Liabilities

Our lease liabilities represent primarily our obligation to make lease payments arising from our leases of production facilities, offices, research space and warehouses. Our lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the term of the lease.

FINANCIAL INFORMATION

Our lease liabilities amounted to RMB28.2 million, RMB39,000, RMB79.5 million and RMB64.6 million as of December 31, 2023, 2024 and 2025, and June 30, 2026, respectively. Our lease liabilities as of the relevant reporting dates in FY2023, FY2024 and FY2025 fluctuated as prior leases for our plants expired by the end of 2024 and we renewed such leases and leased more properties in 2025. The decrease in lease liabilities as of June 30, 2026 was primarily due to the termination of a property lease, which was partially offset by new properties leased in 1H2026.

Indebtedness Statement

Save as discussed above, as of June 30, 2026, being the indebtedness statement date, we did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

Our Directors confirm that (i) as of the Latest Practicable Date, there was no material restrictive covenant on our indebtedness which could significantly limit our ability to obtain future financing, and (ii) there was no default or breach of covenant on our indebtedness during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that (i) we did not experience any difficulty in obtaining bank loans, default in payment of bank loans or breach of covenants during the Track Record Period and up to the Latest Practicable Date, and (ii) there has not been any material change in our indebtedness since June 30, 2026 and up to the date of this document.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily related to purchase of rights of land use, purchase of property, plant, equipment, construction in progress and intangible assets. The following table sets forth a breakdown of our capital expenditures for the years/period indicated.

	FY2023	FY2024	FY2025	1H2026
	RMB'000	RMB'000	RMB'000	RMB'000
Payments of property, plant and equipment	40,181	96,149	145,649	62,472
Payments of intangible assets	581	2,307	2,183	2,161
Total	40,762	98,456	147,832	64,633

We funded our capital expenditures during the Track Record Period mainly by cash generated from our operating activities and bank loans. We expect to fund our future capital expenditures with cash generated from our operating activities, bank loans, [REDACTED] from equity and debt financing, and the [REDACTED] received from the [REDACTED].

CAPITAL COMMITMENTS

Our capital commitments during the Track Record Period were mainly related to purchase of property, plant and equipment and intangible assets. The following table sets forth a summary of our capital commitments of the dates indicated.

FINANCIAL INFORMATION

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	37,720	79,089	63,556	71,119
Intangible assets	500	678	387	—
Total	38,220	79,767	63,943	71,119

Our capital commitments increased from RMB38.2 million as of December 31, 2023 to RMB79.8 million as of December 31, 2024, primarily attributable to increased capital expenditures for capacity expansion and R&D equipment. Our capital commitments decreased from RMB79.8 million as of December 31, 2024 to RMB63.9 million as of December 31, 2025, primarily attributable to the commencement of construction of production lines and development of R&D equipment. Our capital commitments increased from RMB63.9 million as of December 31, 2025 to RMB71.1 million as of June 30, 2026, primarily attributable to new capital expenditure for procurement of production and testing equipment and plant expansion.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any material off-balance sheet commitments arrangements.

KEY FINANCIAL RATIOS

The following table sets forth our selected financial indicators for the periods and as of the dates indicated.

	Year ended/As of December 31,			Six months ended/ As of June 30,
	2023	2024	2025	2026
Gross profit margin	22.4%	23.4%	24.9%	27.4%
Net profit margin	12.2%	13.4%	14.3%	18.4%
Current ratio ⁽¹⁾	1.2	1.3	1.3	1.4
Quick ratio ⁽²⁾	0.7	0.8	0.8	0.9
Debt-to-asset ratio ⁽³⁾	66.7%	64.9%	69.9%	65.7%

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as of the end of the year/period.
- (2) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as of the end of the year/period.
- (3) Debt-to-asset ratio, expressed as a percentage, is calculated by dividing total liabilities by total assets as of the end of the year/period and then multiplied by 100%.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

We had the following transactions during the Track Record Period with the Related Parties, being GY Entities, GYMCL Related Parties and MTU Yuchai:

	FY2023	FY2024	FY2025	1H2025	1H2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Our Revenue from the Related Parties					
<u>Sales of products and rendering of services</u>					
GY Entities	708,393	539,418	289,739	138,591	132,905
GYMCL Related Parties	90,830	95,796	102,378	44,106	54,699
MTU Yuchai	23,330	108,231	202,444	83,518	113,694
<u>Revenue from leases with related parties (as lessor)</u>					
GYMCL Related Parties	50	15,327	19,692	9,065	5,492
Our Purchase from the Related Parties					
<u>Purchase of products and receipt of services</u>					
GY Entities	561,326	624,462	879,311	424,428	603,748
GYMCL Related Parties	257,410	459,952	727,901	273,000	447,598
MTU Yuchai	191,014	256,627	292,801	177,625	177,724
<u>Payment for leases with related parties (as lessee)</u>					
GY Entities	2,363	2,363	2,630	323	2,081
GYMCL Related Parties	27,571	28,603	30,150	—	2,217
<u>Purchases of equipment and technology know-how</u>					
GY Entities	—	—	454	—	196
GYMCL Related Parties	96,394	25,795	5,078	567	4,616

Our Directors are of the view that each of the related party transactions set out above was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

See “Business — Transactions with the Related Parties” in this document for details.

DISCLOSURE ABOUT FINANCIAL RISKS

Our principal financial instruments during the Track Record Period comprised interest-bearing bank borrowings, and cash and bank balance. The main purpose of these financial instruments was to finance our operations. We also have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations. The main risks arising from our financial instruments are credit risk and liquidity risk. See note 37 to the Accountants' Report included in Appendix I to this document for more details.

FINANCIAL INFORMATION

DIVIDENDS

During the Track Record Period, we declared and paid a dividend of RMB200.0 million and RMB425.0 million in FY2024 and FY2025, respectively. We currently do not have any specific dividend policy nor any pre-determined dividend payout ratio. The declaration of and payment of any dividend in the future will be determined by our Directors and subject to our Articles of Association, the PRC Company Law and other applicable laws and regulations, and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that it is required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. There is no assurance that dividends of such amount or any amount will be declared or distributed by us in any year.

DISTRIBUTABLE RESERVES

As of June 30, 2026, we had distributable reserves of RMB1,607.8 million.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), accounting for approximately [REDACTED]% of our gross [REDACTED]. The estimated total [REDACTED] expenses consist of (i) [REDACTED]-related expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), and other fees and expenses of approximately RMB[REDACTED] (approximately HK\$[REDACTED]). During the Track Record Period, RMB[REDACTED] had been recognized as [REDACTED] expenses in our consolidated statements of profit or loss. We expect to incur [REDACTED] expenses of approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) which is expected to be charged in profit or loss subsequent to the Track Record Period. Approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) of the estimated [REDACTED] expenses is directly attributable to the [REDACTED] of [REDACTED] and will be recognized as a deduction in equity directly upon the [REDACTED]. This calculation is subject to adjustments based on the actual amount incurred or to be incurred.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information” for details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the end date of our latest consolidated financial statements as set out in the Accountants’ Report included in Appendix I to this document, and up to the date of this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.